

Unaudited interim condensed  
consolidated financial statements

**Public Joint Stock Company**  
**“Vimpel-Communications”**

*as of 30 June 2019 and  
for the three and six months ended 30 June 2019*

# Public Joint Stock Company “Vimpel-Communications”

## Unaudited interim condensed consolidated financial statements as of 30 June 2019 and for the three and six months ended 30 June 2019

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## ***Report on Review of Interim Condensed Consolidated Financial Statements***

To the Shareholders and Board of Directors of Public Joint Stock Company "Vimpel-Communications":

### **Introduction**

We have reviewed the accompanying interim consolidated statement of financial position of Public Joint Stock Company "Vimpel-Communications" and its subsidiaries (hereinafter collectively referred to as "VimpelCom") as of 30 June 2019, and the related interim consolidated income statements and statements of comprehensive income for the three and six-month periods then ended, changes in equity and cash flows for the six-month period then ended and the related explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

*AO PricewaterhouseCoopers Audit*  
9 August 2019  
Moscow, Russian Federation  
*E.V. Klimenko*

E. V. Klimenko, certified auditor (licence no. 01-000057), AO PricewaterhouseCoopers Audit

Audited entity: Public Joint Stock Company Vimpel-Communications

Record made in the Unified State Register of Legal Entities on 28 August 2002 under State Registration Number 1027700166636

Address: 10 bld 14 8<sup>th</sup> Marta, Moscow, Russian Federation, 127083

Independent auditor: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 11603050547

AO PricewaterhouseCoopers Audit,  
White Square Office Center, 10 Butyrsky Val, Moscow, 125047 Russia  
T: +7 (495) 967 6000, F: +7 (495) 967 6001, [www.pwc.ru](http://www.pwc.ru)

Public Joint Stock Company “Vimpel-Communications”

Interim consolidated income statement  
for the three and six months ended 30 June 2019  
(All amounts in millions of Rubles)

|                                              | Note | Three months ended<br>30 June |                     | Six months ended<br>30 June |                     |
|----------------------------------------------|------|-------------------------------|---------------------|-----------------------------|---------------------|
|                                              |      | 2019<br>(unaudited)           | 2018<br>(unaudited) | 2019<br>(unaudited)         | 2018<br>(unaudited) |
| Service revenue                              |      | 79,028                        | 80,610              | 155,480                     | 156,316             |
| Sale of equipment and accessories            |      | 7,025                         | 5,894               | 12,789                      | 9,093               |
| Other revenue / other income                 | 11   | 2,876                         | 477                 | 3,243                       | 875                 |
| <b>Total operating revenue</b>               | 2    | <b>88,929</b>                 | <b>86,981</b>       | <b>171,512</b>              | <b>166,284</b>      |
| <b>Operating expenses</b>                    |      |                               |                     |                             |                     |
| Service costs                                |      | (17,957)                      | (20,192)            | (35,181)                    | (37,545)            |
| Cost of equipment and accessories            |      | (7,142)                       | (5,550)             | (12,872)                    | (8,599)             |
| Selling, general and administrative expenses | 3    | (23,618)                      | (31,171)            | (48,360)                    | (59,911)            |
| Depreciation                                 | 7    | (17,786)                      | (13,509)            | (35,477)                    | (26,992)            |
| Amortization                                 | 8    | (2,396)                       | (2,979)             | (5,101)                     | (5,639)             |
| Impairment loss                              | 2    | (126)                         | (326)               | (461)                       | (397)               |
| Loss on disposal of non-current assets       |      | (452)                         | (649)               | (819)                       | (792)               |
| Gain on sale of subsidiaries                 |      | —                             | 1,231               | —                           | 1,231               |
| <b>Total operating expenses</b>              |      | <b>(69,477)</b>               | <b>(73,145)</b>     | <b>(138,271)</b>            | <b>(138,644)</b>    |
| <b>Operating profit</b>                      |      | <b>19,452</b>                 | <b>13,836</b>       | <b>33,241</b>               | <b>27,640</b>       |
| Finance costs                                |      | (6,945)                       | (5,455)             | (13,926)                    | (11,235)            |
| Finance income                               |      | 948                           | 1,062               | 1,752                       | 2,224               |
| Net foreign exchange loss                    |      | (1,652)                       | (1,836)             | (208)                       | (416)               |
| Other non-operating (loss) / gain, net       | 4    | (535)                         | 1,235               | (2,989)                     | 1,124               |
| <b>Profit before tax</b>                     |      | <b>11,268</b>                 | <b>8,842</b>        | <b>17,870</b>               | <b>19,337</b>       |
| Income tax expense                           | 6    | (2,841)                       | (2,874)             | (4,404)                     | (7,085)             |
| <b>Profit for the period</b>                 |      | <b>8,427</b>                  | <b>5,968</b>        | <b>13,466</b>               | <b>12,252</b>       |
| <b>Attributable to:</b>                      |      |                               |                     |                             |                     |
| The owners of the Company                    |      | 8,422                         | 5,885               | 13,252                      | 11,297              |
| Non-controlling interests                    |      | 5                             | 83                  | 214                         | 955                 |
|                                              |      | <b>8,427</b>                  | <b>5,968</b>        | <b>13,466</b>               | <b>12,252</b>       |

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Public Joint Stock Company “Vimpel-Communications”

Interim consolidated statement of comprehensive income  
for the three and six months ended 30 June 2019

(All amounts in millions of Rubles)

|                                                                       | Three months ended<br>30 June |                     | Six months ended<br>30 June |                     |
|-----------------------------------------------------------------------|-------------------------------|---------------------|-----------------------------|---------------------|
|                                                                       | 2019<br>(unaudited)           | 2018<br>(unaudited) | 2019<br>(unaudited)         | 2018<br>(unaudited) |
| <b>Profit for the period</b>                                          | <b>8,427</b>                  | <b>5,968</b>        | <b>13,466</b>               | <b>12,252</b>       |
| <b>Other comprehensive income / (loss)</b>                            |                               |                     |                             |                     |
| <b>Items that may be reclassified subsequently to profit or loss:</b> |                               |                     |                             |                     |
| Exchange differences arising on net investment in foreign operations  | 98                            | 5,268               | (3,499)                     | 4,667               |
| Income tax effect                                                     | –                             | (465)               | 149                         | (437)               |
| <b>Other comprehensive income / (loss) for the period, net of tax</b> | <b>98</b>                     | <b>4,803</b>        | <b>(3,350)</b>              | <b>4,230</b>        |
| <b>Total comprehensive income for the period, net of tax</b>          | <b>8,525</b>                  | <b>10,771</b>       | <b>10,116</b>               | <b>16,482</b>       |
| <b>Attributable to:</b>                                               |                               |                     |                             |                     |
| The owners of the Company                                             | 7,786                         | 10,379              | 9,083                       | 15,786              |
| Non-controlling interests                                             | 739                           | 392                 | 1,033                       | 696                 |
|                                                                       | <b>8,525</b>                  | <b>10,771</b>       | <b>10,116</b>               | <b>16,482</b>       |

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Public Joint Stock Company “Vimpel-Communications”

Interim consolidated statement of financial position  
as of 30 June 2019

(All amounts in millions of Rubles)

|                                                     |      | 30 June<br>2019<br>(unaudited) | 31 December<br>2018 |
|-----------------------------------------------------|------|--------------------------------|---------------------|
|                                                     | Note |                                |                     |
| <b>Assets</b>                                       |      |                                |                     |
| <b>Non-current assets</b>                           |      |                                |                     |
| Property and equipment                              | 7    | 281,036                        | 193,895             |
| Intangible assets                                   | 8    | 27,199                         | 28,557              |
| Goodwill                                            | 8    | 96,852                         | 97,729              |
| Deferred income tax assets                          |      | 1,458                          | 1,824               |
| Other non-current financial assets                  | 9    | 945                            | 1,148               |
| Other non-current assets                            | 5    | 1,446                          | 1,126               |
| <b>Total non-current assets</b>                     |      | <b>408,936</b>                 | <b>324,279</b>      |
| <b>Current assets</b>                               |      |                                |                     |
| Inventories                                         |      | 10,533                         | 9,040               |
| Trade and other receivables                         |      | 25,272                         | 23,049              |
| Other current assets                                | 5    | 11,211                         | 11,436              |
| Current income tax assets                           |      | 1,687                          | 3,607               |
| Other current financial assets                      | 9    | 55,366                         | 56,845              |
| Cash and cash equivalents                           | 10   | 27,418                         | 29,420              |
| <b>Total current assets</b>                         |      | <b>131,487</b>                 | <b>133,397</b>      |
| <b>Assets classified as held for sale</b>           |      | <b>20</b>                      | <b>23</b>           |
| <b>Total assets</b>                                 |      | <b>540,443</b>                 | <b>457,699</b>      |
| <b>Equity and liabilities</b>                       |      |                                |                     |
| <b>Equity</b>                                       |      |                                |                     |
| Equity attributable to equity owners of the Company |      | 134,770                        | 133,763             |
| Non-controlling interests                           |      | 1,765                          | 3,053               |
| <b>Total equity</b>                                 |      | <b>136,535</b>                 | <b>136,816</b>      |
| <b>Non-current liabilities</b>                      |      |                                |                     |
| Non-current financial liabilities                   | 9,15 | 273,500                        | 206,160             |
| Provisions                                          |      | 3,641                          | 2,978               |
| Deferred income tax liabilities                     |      | 6,297                          | 7,981               |
| Other non-current liabilities                       | 5    | 630                            | 653                 |
| <b>Total non-current liabilities</b>                |      | <b>284,068</b>                 | <b>217,772</b>      |
| <b>Current liabilities</b>                          |      |                                |                     |
| Trade and other payables                            |      | 66,108                         | 63,408              |
| Dividends payable                                   |      | 8,165                          | —                   |
| Other current financial liabilities                 | 9,15 | 18,436                         | 10,228              |
| Provisions                                          |      | 1,052                          | 830                 |
| Current income tax payables                         |      | 3,558                          | 3,611               |
| Other current liabilities                           | 5    | 22,521                         | 25,034              |
| <b>Total current liabilities</b>                    |      | <b>119,840</b>                 | <b>103,111</b>      |
| <b>Total equity and liabilities</b>                 |      | <b>540,443</b>                 | <b>457,699</b>      |

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Public Joint Stock Company “Vimpel-Communications”

Interim consolidated statement of changes in equity  
for the six months ended 30 June 2019

(All amounts in millions of Rubles)

| Note                                                | Attributable to the owners of the Company |                 |                        |                   |                                      | Total          | Non-controlling interests | Total equity   |
|-----------------------------------------------------|-------------------------------------------|-----------------|------------------------|-------------------|--------------------------------------|----------------|---------------------------|----------------|
|                                                     | Issued capital                            | Capital surplus | Other capital reserves | Retained earnings | Foreign currency translation reserve |                |                           |                |
| <b>As of 31 December 2018</b>                       | <b>3</b>                                  | <b>40,234</b>   | <b>37,317</b>          | <b>111,341</b>    | <b>(55,132)</b>                      | <b>133,763</b> | <b>3,053</b>              | <b>136,816</b> |
| Adjustments arising due to new accounting standards | 15                                        | –               | –                      | (217)             | –                                    | (217)          | –                         | (217)          |
| <b>As of 1 January 2019</b>                         | <b>3</b>                                  | <b>40,234</b>   | <b>37,317</b>          | <b>111,124</b>    | <b>(55,132)</b>                      | <b>133,546</b> | <b>3,053</b>              | <b>136,599</b> |
| Profit for the period                               | –                                         | –               | –                      | 13,252            | –                                    | 13,252         | 214                       | 13,466         |
| Other comprehensive income / (loss)                 | –                                         | –               | –                      | –                 | (4,169)                              | (4,169)        | 819                       | (3,350)        |
| <b>Total comprehensive income / (loss)</b>          | <b>–</b>                                  | <b>–</b>        | <b>–</b>               | <b>13,252</b>     | <b>(4,169)</b>                       | <b>9,083</b>   | <b>1,033</b>              | <b>10,116</b>  |
| Dividends declared                                  | 11                                        | –               | –                      | (8,000)           | –                                    | (8,000)        | (1,824)                   | (9,824)        |
| Acquisition of non-controlling interests            | 11                                        | –               | 141                    | –                 | –                                    | 141            | (497)                     | (356)          |
| <b>As of 30 June 2019 (unaudited)</b>               | <b>3</b>                                  | <b>40,234</b>   | <b>37,458</b>          | <b>116,376</b>    | <b>(59,301)</b>                      | <b>134,770</b> | <b>1,765</b>              | <b>136,535</b> |

Interim consolidated statement of changes in equity  
for the six months ended 30 June 2018

(All amounts in millions of Rubles)

|                                                     | Attributable to the owners of the Company |                 |                        |                   |                                      | Total          | Non-controlling interests | Total equity   |
|-----------------------------------------------------|-------------------------------------------|-----------------|------------------------|-------------------|--------------------------------------|----------------|---------------------------|----------------|
|                                                     | Issued capital                            | Capital surplus | Other capital reserves | Retained earnings | Foreign currency translation reserve |                |                           |                |
| <b>As of 31 December 2017</b>                       | <b>3</b>                                  | <b>40,234</b>   | <b>37,317</b>          | <b>135,096</b>    | <b>(60,944)</b>                      | <b>151,706</b> | <b>5,550</b>              | <b>157,256</b> |
| Adjustments arising due to new accounting standards | –                                         | –               | –                      | 169               | –                                    | 169            | 46                        | 215            |
| <b>As of 1 January 2018</b>                         | <b>3</b>                                  | <b>40,234</b>   | <b>37,317</b>          | <b>135,265</b>    | <b>(60,944)</b>                      | <b>151,875</b> | <b>5,596</b>              | <b>157,471</b> |
| Profit for the period                               | –                                         | –               | –                      | 11,297            | –                                    | 11,297         | 955                       | 12,252         |
| Other comprehensive income / (loss)                 | –                                         | –               | –                      | –                 | 4,489                                | 4,489          | (259)                     | 4,230          |
| <b>Total comprehensive income</b>                   | <b>–</b>                                  | <b>–</b>        | <b>–</b>               | <b>11,297</b>     | <b>4,489</b>                         | <b>15,786</b>  | <b>696</b>                | <b>16,482</b>  |
| Dividends declared                                  | –                                         | –               | –                      | (36,002)          | –                                    | (36,002)       | (140)                     | (36,142)       |
| Disposal of subsidiaries                            | –                                         | –               | –                      | –                 | (755)                                | (755)          | 287                       | (468)          |
| <b>As of 30 June 2018 (unaudited)</b>               | <b>3</b>                                  | <b>40,234</b>   | <b>37,317</b>          | <b>110,560</b>    | <b>(57,210)</b>                      | <b>130,904</b> | <b>6,439</b>              | <b>137,343</b> |

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Public Joint Stock Company “Vimpel-Communications”

Interim consolidated statement of cash flows  
for the six months ended 30 June 2019

(All amounts in millions of Rubles)

|                                                                                                                              | Note | Six months<br>ended 30 June |                     |
|------------------------------------------------------------------------------------------------------------------------------|------|-----------------------------|---------------------|
|                                                                                                                              |      | 2019<br>(unaudited)         | 2018<br>(unaudited) |
| <b>Operating activities</b>                                                                                                  |      |                             |                     |
| Profit for the period                                                                                                        |      | 13,466                      | 12,252              |
| Income tax expense                                                                                                           | 6    | 4,404                       | 7,085               |
| <b>Profit before tax</b>                                                                                                     |      | <b>17,870</b>               | <b>19,337</b>       |
| <b>Non-cash adjustments to reconcile profit before tax to net cash flows from operating activities:</b>                      |      |                             |                     |
| Depreciation                                                                                                                 | 7    | 35,477                      | 26,992              |
| Impairment loss                                                                                                              |      | 461                         | 397                 |
| Amortization                                                                                                                 | 8    | 5,101                       | 5,639               |
| Loss on disposal of non-current assets                                                                                       |      | 819                         | 792                 |
| Gain on sale of subsidiaries                                                                                                 |      | –                           | (1,231)             |
| Finance income                                                                                                               |      | (1,752)                     | (2,224)             |
| Finance costs                                                                                                                |      | 13,926                      | 11,235              |
| Other non-operating loss / (gain), net                                                                                       | 4    | 2,989                       | (1,124)             |
| Net foreign exchange loss                                                                                                    |      | 208                         | 416                 |
| Movements in provisions                                                                                                      |      | 938                         | 719                 |
| <b>Operating cash flows before working capital adjustments, interest and income taxes</b>                                    |      | <b>76,037</b>               | <b>60,948</b>       |
| <b>Working capital adjustments</b>                                                                                           |      |                             |                     |
| Change in trade and other receivables                                                                                        |      | (5,059)                     | 1,448               |
| Change in inventories                                                                                                        |      | (1,755)                     | (6,999)             |
| Change in trade and other payables                                                                                           |      | 1,262                       | 3,889               |
| <b>Interest and income taxes</b>                                                                                             |      |                             |                     |
| Interest paid                                                                                                                |      | (13,104)                    | (11,133)            |
| Interest received                                                                                                            |      | 1,141                       | 1,030               |
| Income tax paid                                                                                                              |      | (3,628)                     | (4,186)             |
| <b>Net cash flows from operating activities</b>                                                                              |      | <b>54,894</b>               | <b>44,997</b>       |
| <b>Investing activities</b>                                                                                                  |      |                             |                     |
| Purchase of property, equipment and intangible assets net of proceeds from sale of property, equipment and intangible assets |      | (33,988)                    | (25,362)            |
| Issue of loans                                                                                                               |      | (35,871)                    | (36,635)            |
| Repayment of loans issued                                                                                                    |      | 34,005                      | 40,343              |
| Inflows from deposits, net                                                                                                   |      | 110                         | 93                  |
| (Outflows) / inflows from investments in other financial assets                                                              |      | (788)                       | 1,349               |
| Disposal of subsidiaries, net of cash disposed                                                                               |      | –                           | 404                 |
| Acquisition of subsidiaries, net of cash acquired                                                                            |      | –                           | (45)                |
| <b>Net cash flows used in investing activities</b>                                                                           |      | <b>(36,532)</b>             | <b>(19,853)</b>     |
| <b>Financing activities</b>                                                                                                  |      |                             |                     |
| Proceeds from borrowings, net of fees paid                                                                                   |      | –                           | 286                 |
| Repayment of borrowings                                                                                                      |      | (7,722)                     | (27,895)            |
| Repayment associated with early debt redemption                                                                              | 9    | (705)                       | –                   |
| Repayment of lease liabilities (principal element of lease payments)                                                         |      | (7,852)                     | –                   |
| Dividends paid to non-controlling interests                                                                                  | 11   | (1,594)                     | –                   |
| Acquisition of non-controlling interest                                                                                      | 11   | (356)                       | –                   |
| <b>Net cash flows used in financing activities</b>                                                                           |      | <b>(18,229)</b>             | <b>(27,609)</b>     |
| <b>Net increase / (decrease) in cash and cash equivalents</b>                                                                |      | <b>133</b>                  | <b>(2,465)</b>      |
| <b>Effect of exchange rate changes on cash and cash equivalents, net</b>                                                     |      | <b>(2,135)</b>              | <b>1,825</b>        |
| <b>Cash and cash equivalents at the beginning of the period</b>                                                              |      | <b>29,420</b>               | <b>24,963</b>       |
| <b>Cash and cash equivalents at the end of the period</b>                                                                    |      | <b>27,418</b>               | <b>24,323</b>       |

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

# Public Joint Stock Company “Vimpel-Communications”

## Notes to the unaudited interim condensed consolidated financial statements as of 30 June 2019 and for the three and six months ended 30 June 2019

*(All amounts in millions of Rubles unless otherwise stated)*

### 1. General information

Public Joint Stock Company “Vimpel-Communications” (PJSC “VimpelCom”, together with its consolidated subsidiaries referred to as the “Group”, “VimpelCom”, the “Company” or “we”) was registered in the Russian Federation (“Russia”) on 15 September 1992 as a joint stock company of the closed type, re-registered as a joint stock company of the open type on 28 July 1993 and began full-scale commercial operations in June 1994. The Company was re-registered as an Open Joint Stock Company on 28 March 1995. The Company was re-registered as a Public Joint Stock Company on 19 June 2015.

The registered office of PJSC “VimpelCom” is located at Russian Federation, 127083, Moscow, Ulitsa 8-Marta, Dom 10, Building 14.

The interim condensed consolidated financial statements are presented in Russian Rubles (“RUB”). In these notes, Russian Ruble amounts are presented in millions unless otherwise indicated.

VimpelCom earns revenues by providing telecommunication services through a range of traditional and broadband mobile and fixed-line technologies. As of 30 June 2019, the Company operated telecommunications services in Russia, Kazakhstan, Armenia, Uzbekistan, Georgia and Kyrgyzstan primarily under the “Beeline” brand name.

On 1 January 2019, the Company adopted a new accounting standard – IFRS 16 Leases – using the modified retrospective approach. This means that the cumulative impact of the adoption was recognized in retained earnings as of 1 January 2019 and prior period comparatives were not restated. For more details please refer to Note 15.

The interim condensed consolidated financial statements of the Company as of 30 June 2019 and for the three and six months ended 30 June 2019 were authorized for issue by the General Director of PJSC “VimpelCom” on 9 August 2019.

### Operating activities of the Group

### 2. Segment information

Management analyzes the Company’s operating segments separately due to different economic environments and stages of development in different geographical areas, requiring different investment and marketing strategies. Management does not analyze assets or liabilities by reportable segments.

Management evaluates the performance of the Company’s segments on a regular basis, primarily based on earnings before interest (both finance income and finance costs), income tax, depreciation, amortization, impairment loss, gain / (loss) on disposals of non-current assets, net foreign exchange gain / (loss) and other non-operating gain / (loss) (“EBITDA”) along with assessing the capital expenditures excluding certain costs such as those for right-of-use assets (“Capital expenditures”).

As of 1 January 2019, the Company adopted the new accounting standard IFRS 16 Leases. Accordingly, operating lease expenses are no longer recorded in the income statement but are instead considered in recording a lease liability in the statement of financial position. The Company applied a modified retrospective approach, which means that prior period comparatives were not restated. Refer to Note 15 for more details. As a result, EBITDA in 2019 is not comparable to EBITDA 2018. The impact on EBITDA 2019 stemming from IFRS 16 is set out in the table below.

The Company’s reportable segments include “Russia”, “Kazakhstan”, “Uzbekistan” and “HQ and Others”. The segment “HQ and Others” includes our operations in Kyrgyzstan, Armenia and Georgia as well as headquarter expenses, other unallocated adjustments and inter-company eliminations.

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**2. Segment information (continued)**

Financial information by reportable segment for the three and six months ended 30 June 2019 and 30 June 2018 is presented in the following tables.

**Information by reportable segments for the three months ended 30 June 2019**

|                                | Russia        | Kazakhstan   | Uzbekistan   | HQ and others | Group         |
|--------------------------------|---------------|--------------|--------------|---------------|---------------|
| <b>Revenue</b>                 |               |              |              |               |               |
| External customers             | 72,624        | 9,275        | 4,313        | 2,717         | <b>88,929</b> |
| Inter-segment                  | 49            | 7            | 11           | (67)          | <b>–</b>      |
| <b>Total operating revenue</b> | <b>72,673</b> | <b>9,282</b> | <b>4,324</b> | <b>2,650</b>  | <b>88,929</b> |
| - Mobile                       | 64,166        | 8,742        | 4,298        | 2,253         | <b>79,459</b> |
| - Fixed                        | 8,507         | 540          | 26           | 397           | <b>9,470</b>  |
| <b>EBITDA</b>                  | <b>31,252</b> | <b>5,726</b> | <b>2,251</b> | <b>983</b>    | <b>40,212</b> |
| <b>Capital expenditures*</b>   | <b>15,549</b> | <b>2,664</b> | <b>742</b>   | <b>553</b>    | <b>19,508</b> |
| <b>Impairment loss</b>         | <b>(134)</b>  | <b>3</b>     | <b>–</b>     | <b>5</b>      | <b>(126)</b>  |

\* Excluding right-of-use assets recognized upon adoption of IFRS 16.

**Information by reportable segments for the three months ended 30 June 2018**

|                                | Russia        | Kazakhstan   | Uzbekistan   | HQ and others  | Group         |
|--------------------------------|---------------|--------------|--------------|----------------|---------------|
| <b>Revenue</b>                 |               |              |              |                |               |
| External customers             | 72,619        | 6,394        | 4,896        | 3,072          | <b>86,981</b> |
| Inter-segment                  | 48            | 19           | 6            | (73)           | <b>–</b>      |
| <b>Total operating revenue</b> | <b>72,667</b> | <b>6,413</b> | <b>4,902</b> | <b>2,999</b>   | <b>86,981</b> |
| - Mobile                       | 63,701        | 5,884        | 4,863        | 2,562          | <b>77,010</b> |
| - Fixed                        | 8,966         | 529          | 39           | 437            | <b>9,971</b>  |
| <b>EBITDA*</b>                 | <b>26,797</b> | <b>2,476</b> | <b>2,143</b> | <b>(1,349)</b> | <b>30,068</b> |
| <b>Capital expenditures</b>    | <b>13,604</b> | <b>927</b>   | <b>1,005</b> | <b>577</b>     | <b>16,113</b> |
| <b>Impairment loss</b>         | <b>(318)</b>  | <b>22</b>    | <b>–</b>     | <b>(30)</b>    | <b>(326)</b>  |

\* Impact from IFRS 16 is not included in the 2018 comparative numbers following a modified retrospective approach.

**Information by reportable segments for the six months ended 30 June 2019**

|                                | Russia         | Kazakhstan    | Uzbekistan   | HQ and others | Group          |
|--------------------------------|----------------|---------------|--------------|---------------|----------------|
| <b>Revenue</b>                 |                |               |              |               |                |
| External customers             | 141,943        | 15,674        | 8,523        | 5,372         | <b>171,512</b> |
| Inter-segment                  | 101            | 13            | 16           | (130)         | <b>–</b>       |
| <b>Total operating revenue</b> | <b>142,044</b> | <b>15,687</b> | <b>8,539</b> | <b>5,242</b>  | <b>171,512</b> |
| - Mobile                       | 124,998        | 14,583        | 8,485        | 4,420         | <b>152,486</b> |
| - Fixed                        | 17,046         | 1,104         | 54           | 822           | <b>19,026</b>  |
| <b>EBITDA</b>                  | <b>61,189</b>  | <b>8,821</b>  | <b>4,346</b> | <b>743</b>    | <b>75,099</b>  |
| <b>Capital expenditures*</b>   | <b>30,731</b>  | <b>3,401</b>  | <b>2,580</b> | <b>975</b>    | <b>37,687</b>  |
| <b>Impairment loss</b>         | <b>(439)</b>   | <b>(13)</b>   | <b>–</b>     | <b>(9)</b>    | <b>(461)</b>   |

\* Excluding right-of-use assets recognized upon adoption of IFRS 16.

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2. Segment information (continued)

Information by reportable segments for the six months ended 30 June 2018

|                                | Russia         | Kazakhstan    | Uzbekistan   | HQ and others | Group          |
|--------------------------------|----------------|---------------|--------------|---------------|----------------|
| <b>Revenue</b>                 |                |               |              |               |                |
| External customers             | 139,013        | 12,197        | 9,191        | 5,883         | <b>166,284</b> |
| Inter-segment                  | 133            | 37            | 11           | (181)         | <b>–</b>       |
| <b>Total operating revenue</b> | <b>139,146</b> | <b>12,234</b> | <b>9,202</b> | <b>5,702</b>  | <b>166,284</b> |
| - Mobile                       | 121,281        | 11,214        | 9,133        | 4,906         | <b>146,534</b> |
| - Fixed                        | 17,865         | 1,020         | 69           | 796           | <b>19,750</b>  |
| <b>EBITDA*</b>                 | <b>51,546</b>  | <b>4,753</b>  | <b>4,069</b> | <b>(139)</b>  | <b>60,229</b>  |
| <b>Capital expenditures</b>    | <b>22,817</b>  | <b>1,529</b>  | <b>1,531</b> | <b>2,253</b>  | <b>28,130</b>  |
| <b>Impairment loss</b>         | <b>(379)</b>   | <b>10</b>     | <b>–</b>     | <b>(28)</b>   | <b>(397)</b>   |

\* Impact from IFRS 16 is not included in the 2018 comparative numbers following a modified retrospective approach.

The following table provides the reconciliation of consolidated EBITDA to consolidated profit for the three and six months ended 30 June:

|                                        | Three months ended<br>30 June |          | Six months ended<br>30 June |          |
|----------------------------------------|-------------------------------|----------|-----------------------------|----------|
|                                        | 2019                          | 2018     | 2019                        | 2018     |
| <b>EBITDA</b>                          | <b>40,212</b>                 | 30,068   | <b>75,099</b>               | 60,229   |
| Depreciation                           | (17,786)                      | (13,509) | (35,477)                    | (26,992) |
| Amortization                           | (2,396)                       | (2,979)  | (5,101)                     | (5,639)  |
| Impairment loss                        | (126)                         | (326)    | (461)                       | (397)    |
| Loss on disposal of non-current assets | (452)                         | (649)    | (819)                       | (792)    |
| Gain on sale of subsidiaries           | –                             | 1,231    | –                           | 1,231    |
| Finance costs                          | (6,945)                       | (5,455)  | (13,926)                    | (11,235) |
| Finance income                         | 948                           | 1,062    | 1,752                       | 2,224    |
| Other non-operating (loss) / gain, net | (535)                         | 1,235    | (2,989)                     | 1,124    |
| Net foreign exchange loss              | (1,652)                       | (1,836)  | (208)                       | (416)    |
| Income tax expense                     | (2,841)                       | (2,874)  | (4,404)                     | (7,085)  |
| <b>Profit for the period</b>           | <b>8,427</b>                  | 5,968    | <b>13,466</b>               | 12,252   |

The following table provides the details of the impact of the adoption of IFRS 16 starting from 1 January 2019 on EBITDA for the three-month period ended 30 June 2019 for each operating segment:

|                     | Russia | Kazakhstan | Uzbekistan | HQ and others | Group         |
|---------------------|--------|------------|------------|---------------|---------------|
| EBITDA pre-IFRS 16  | 26,154 | 5,458      | 2,146      | 839           | <b>34,597</b> |
| Impact of IFRS 16   | 5,098  | 268        | 105        | 144           | <b>5,615</b>  |
| EBITDA post-IFRS 16 | 31,252 | 5,726      | 2,251      | 983           | <b>40,212</b> |

The following table provides the details of the impact of the adoption of IFRS 16 starting from 1 January 2019 on EBITDA for the six-month period ended 30 June 2019 for each operating segment:

|                     | Russia | Kazakhstan | Uzbekistan | HQ and others | Group         |
|---------------------|--------|------------|------------|---------------|---------------|
| EBITDA pre-IFRS 16  | 51,100 | 8,282      | 4,176      | 446           | <b>64,004</b> |
| Impact of IFRS 16   | 10,089 | 539        | 170        | 297           | <b>11,095</b> |
| EBITDA post-IFRS 16 | 61,189 | 8,821      | 4,346      | 743           | <b>75,099</b> |

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(All amounts in millions of Rubles unless otherwise stated)

### 3. Selling, general and administrative expenses

Selling, general and administrative expenses for the three and six months ended 30 June consisted of the following:

|                                                        | Three months<br>ended 30 June |               | Six months<br>ended 30 June |               |
|--------------------------------------------------------|-------------------------------|---------------|-----------------------------|---------------|
|                                                        | 2019                          | 2018          | 2019                        | 2018          |
| Personnel costs                                        | 8,192                         | 7,524         | 16,349                      | 14,072        |
| Customer associated costs                              | 5,629                         | 7,960         | 10,989                      | 14,839        |
| Network and IT costs                                   | 5,551                         | 5,370         | 10,953                      | 10,600        |
| Taxes other than income tax                            | 1,483                         | 2,056         | 3,387                       | 4,725         |
| Operating lease and other rent expenses*               | 1,066                         | 4,727         | 2,171                       | 9,347         |
| Losses on receivables                                  | 617                           | 911           | 1,286                       | 1,753         |
| Consulting and professional service costs / (reversal) | (32)                          | 1,468         | 1,092                       | 2,500         |
| Other G&A expenses                                     | 1,112                         | 1,155         | 2,133                       | 2,075         |
| <b>Total</b>                                           | <b>23,618</b>                 | <b>31,171</b> | <b>48,360</b>               | <b>59,911</b> |

\* Expenses for the three and six months ended 30 June 2019 include only services costs and variable part of the lease payments.

### 4. Other non-operating (loss) / gain, net

Other non-operating (loss) / gain, net for the three and six months ended 30 June consisted of the following:

|                                                     |      | Three months<br>ended 30 June |              | Six months<br>ended 30 June |              |
|-----------------------------------------------------|------|-------------------------------|--------------|-----------------------------|--------------|
|                                                     | Note | 2019                          | 2018         | 2019                        | 2018         |
| Changes in the fair value of non-hedge derivatives  |      | (657)                         | 1,463        | (2,225)                     | 1,544        |
| Loss from early debt redemption                     | 9    | —                             | —            | (719)                       | —            |
| Other gain / (loss), net                            |      | 122                           | (228)        | (45)                        | (420)        |
| <b>Total other non-operating (loss) / gain, net</b> |      | <b>(535)</b>                  | <b>1,235</b> | <b>(2,989)</b>              | <b>1,124</b> |

### 5. Other assets and liabilities

Other assets consisted of the following items as of 31 December:

|                                           | 30 June<br>2019 | 31 December<br>2018 |
|-------------------------------------------|-----------------|---------------------|
| <b>Other non-current assets</b>           |                 |                     |
| Customer acquisition costs                | 610             | 608                 |
| Advances to suppliers and prepayments     | 224             | 308                 |
| Deferred costs related to connection fees | 118             | 116                 |
| Input value added tax                     | 63              | 75                  |
| Other non-current assets                  | 431             | 19                  |
| <b>Total other non-current assets</b>     | <b>1,446</b>    | <b>1,126</b>        |
| <b>Other current assets</b>               |                 |                     |
| Input value added tax                     | 5,949           | 5,434               |
| Advances to suppliers                     | 4,227           | 5,253               |
| Prepaid taxes                             | 726             | 503                 |
| Deferred costs related to connection fees | 84              | 81                  |
| Other current assets                      | 225             | 165                 |
| <b>Total other current assets</b>         | <b>11,211</b>   | <b>11,436</b>       |

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**5. Other assets and liabilities (continued)**

Other liabilities consisted of the following items as of 31 December:

|                                            | 30 June<br>2019 | 31 December<br>2018 |
|--------------------------------------------|-----------------|---------------------|
| <b>Other non-current liabilities</b>       |                 |                     |
| Long-term deferred revenue                 | 163             | 185                 |
| Other non-current liabilities              | 467             | 468                 |
| <b>Total other non-current liabilities</b> | <b>630</b>      | <b>653</b>          |
| <b>Other current liabilities</b>           |                 |                     |
| Customer advances, net of VAT*             | 8,712           | 10,320              |
| Other taxes payable                        | 7,735           | 7,889               |
| Amounts due to employees                   | 4,371           | 5,034               |
| Short-term deferred revenue                | 1,337           | 944                 |
| Customer deposits                          | 279             | 784                 |
| Other current liabilities                  | 87              | 63                  |
| <b>Total other current liabilities</b>     | <b>22,521</b>   | <b>25,034</b>       |

\* The significant amounts related to mobile customer advances in Russia and Kazakhstan are financial liability as of 30 June 2019 and 31 December 2018.

**6. Income taxes**

Income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual income tax rate changes.

Current income tax is the expected income tax expense, payable or receivable on the taxable income or loss for the year or period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years.

Income tax expense consisted of the following for the three and six months ended 30 June:

|                                                                                     | Three months ended<br>30 June |         | Six months ended<br>30 June |         |
|-------------------------------------------------------------------------------------|-------------------------------|---------|-----------------------------|---------|
|                                                                                     | 2019                          | 2018    | 2019                        | 2018    |
| <b>Profit before tax</b>                                                            | <b>11,268</b>                 | 8,842   | <b>17,870</b>               | 19,337  |
| Current income tax                                                                  | (3,304)                       | (2,444) | (5,808)                     | (7,448) |
| Deferred income tax                                                                 | 463                           | (430)   | 1,404                       | 363     |
| <b>Income tax expense reported in the interim consolidated<br/>income statement</b> | <b>(2,841)</b>                | (2,874) | <b>(4,404)</b>              | (7,085) |
| <b>Effective tax rates</b>                                                          | <b>25%</b>                    | 33%     | <b>25%</b>                  | 37%     |

The effective income tax rate for the three and six months ended 30 June 2018 amounts to 25% and 25%, respectively. In both these periods, ended 30 June 2019 the effective income tax rate was mainly driven by withholding tax accrued on dividends from Uzbekistan and higher income tax rate in Uzbekistan. The effective income tax rate for the three and six months ended 30 June 2018 amounts to 33% and 37%, respectively. In both these periods, the effective income tax rate was mainly driven by higher tax rate in Uzbekistan and new transition tax introduced in United States, which includes new requirements with respect to foreign income inclusion and deduction items, and other adjustments relating to Russia and Uzbekistan.

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### Investing activities of the Group

#### 7. Property and equipment

During the six months ended 30 June 2019 and 2018, the Company had the following changes in property and equipment:

|                                                      | Six months ended 30 June |                |
|------------------------------------------------------|--------------------------|----------------|
|                                                      | 2019                     | 2018           |
| <b>Net book value as of 1 January 2019* and 2018</b> | <b>281,526</b>           | <b>204,661</b> |
| Additions**                                          | 40,734                   | 21,254         |
| Net book value of assets disposed                    | (1,631)                  | (1,119)        |
| Translation adjustment                               | (3,936)                  | 3,199          |
| Depreciation charge                                  | (35,477)                 | (26,992)       |
| Reclassification from assets held for sale           | 3                        | —              |
| Assets classified as assets held for sale            | —                        | (28)           |
| Impairment                                           | (461)                    | (397)          |
| Other                                                | 278                      | —              |
| <b>Net book value as of 30 June 2019 and 2018</b>    | <b>281,036</b>           | <b>200,578</b> |

\* Including right-of-use assets in the amount of RUB 87,631 following IFRS 16 adoption (Note 15);

\*\* Including additions of right-of-use assets during the six months ended 30 June 2019 in the amount of RUB 8,441 (including leases in the amount of RUB 2,757 commencing subsequent to transition date committed to as of 31 December 2018 (Note 15)).

#### 8. Intangible assets and goodwill

During the six months ended 30 June 2019 and 2018, the Company had the following changes in intangible assets and goodwill:

|                                                              | Six months ended 30 June |               |                         |                |
|--------------------------------------------------------------|--------------------------|---------------|-------------------------|----------------|
|                                                              | 2019                     |               | 2018                    |                |
|                                                              | Other intangible assets  | Goodwill      | Other intangible assets | Goodwill       |
| <b>Opening net book value as of 1 January 2019* and 2018</b> | <b>27,519</b>            | <b>97,729</b> | <b>31,249</b>           | <b>100,814</b> |
| Additions                                                    | 5,394                    | —             | 6,876                   | —              |
| Net book value of assets disposed                            | (23)                     | —             | (3)                     | —              |
| Translation adjustment                                       | (590)                    | (877)         | 774                     | 1,140          |
| Amortization charge                                          | (5,101)                  | —             | (5,639)                 | —              |
| <b>Closing net book value as of 30 June 2019 and 2018</b>    | <b>27,199</b>            | <b>96,852</b> | <b>33,257</b>           | <b>101,954</b> |

\* Including impact of IFRS 16 adoption in the amount of RUB (1,038) (Note 15).

The movement in goodwill for the Group, per cash generating unit (“CGU”), consisted of the following items for the six-month period ended 30 June 2019:

| CGU's        | 30 June 2019  | Currency translation adjustment | 31 December 2018 |
|--------------|---------------|---------------------------------|------------------|
|              |               |                                 |                  |
| Russia       | 87,984        | —                               | 87,984           |
| Kazakhstan   | 4,118         | (375)                           | 4,493            |
| Kyrgyzstan   | 3,396         | (325)                           | 3,721            |
| Uzbekistan   | 1,354         | (177)                           | 1,531            |
| <b>Total</b> | <b>96,852</b> | <b>(877)</b>                    | <b>97,729</b>    |

Goodwill is tested for impairment annually (at October 1) or when circumstances indicate the carrying value may be impaired. The Company’s impairment test for goodwill is primarily based on fair value less cost of disposal calculations that use a discounted cash flow model. The key assumptions used to determine the recoverable amount for the different CGU’s were disclosed in the annual consolidated financial statements as of and for the year ended 31 December 2018.

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### 8. Intangible assets and goodwill (continued)

The Company considers the relationship between market capitalization of VEON Ltd. and its book value, as well as weighted average cost of capital and the quarterly financial performances of each CGU when reviewing for indicators of impairment in interim periods.

There was no goodwill impairment recorded during the six months ended 30 June 2019 and 30 June 2018.

### Financing activities of the Group

### 9. Financial assets and liabilities

The other financial assets and financial liabilities consisted of the following items as of 30 June 2019 and 31 December 2018:

|                                                                            | 30 June<br>2019 | 31 December<br>2018 |
|----------------------------------------------------------------------------|-----------------|---------------------|
| <b>Other financial assets</b>                                              |                 |                     |
| <b>Financial assets at fair value through profit or loss</b>               |                 |                     |
| Derivatives not designated as hedges                                       |                 |                     |
| Foreign exchange contracts                                                 | –               | 987                 |
| <b>Total financial assets at fair value</b>                                | –               | 987                 |
| <b>Financial assets at amortised cost</b>                                  |                 |                     |
| Loans granted to related parties, principal amount (Note 12)               | 54,809          | 55,453              |
| Bank deposits                                                              | 194             | –                   |
| Interest receivable                                                        | 268             | 236                 |
| Other financial assets                                                     | 1,040           | 1,317               |
| <b>Total financial assets at amortised cost</b>                            | 56,311          | 57,006              |
| <b>Total other financial assets</b>                                        | 56,311          | 57,993              |
| Non-current                                                                | 945             | 1,148               |
| Current                                                                    | 55,366          | 56,845              |
| <b>Other financial liabilities</b>                                         |                 |                     |
| <b>Financial liabilities at fair value through profit or loss</b>          |                 |                     |
| Derivatives not designated as hedges                                       |                 |                     |
| Foreign exchange contracts                                                 | 402             | –                   |
| <b>Total financial liabilities at fair value</b>                           | 402             | –                   |
| <b>Financial liabilities at amortised cost</b>                             |                 |                     |
| Loans payables to related parties, principal amount (Note 12)              | 174,245         | 183,703             |
| Lease liabilities                                                          | 90,458          | –                   |
| Bonds, equipment financing and finance lease liabilities, principal amount | 17,628          | 22,789              |
| Interest payable                                                           | 9,754           | 10,552              |
| Unamortised fees                                                           | (551)           | (656)               |
| <b>Total financial liabilities at amortised cost</b>                       | 291,534         | 216,388             |
| <b>Total other financial liabilities</b>                                   | 291,936         | 216,388             |
| Non-current                                                                | 273,500         | 206,160             |
| Current                                                                    | 18,436          | 10,228              |

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### Notes to the unaudited interim condensed consolidated financial statements as of 30 June 2019 and for the three and six months ended 30 June 2019

*(All amounts in millions of Rubles unless otherwise stated)*

#### **9. Financial assets and liabilities (continued)**

There were no significant changes in financial assets and liabilities in the six-month period ended 30 June 2019, except for the scheduled repayments of debt and adoption of IFRS 16 Leases, or as described below. Furthermore, there were no changes in risks and risk management policies as disclosed in the Group's annual consolidated financial statements as of and for the year ended 31 December 2018.

As mentioned in Note 15 of these interim condensed consolidated financial statements, upon transition to IFRS 16, the Company recognized the lease liability measured upon initial recognition at the present value of the future lease and related fixed services payments over the lease term, discounted at the country-specific incremental borrowing rate. See also Note 15 for more details.

#### **Fair value**

The fair value of financial assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the balance sheet date. The fair values were estimated based on quoted market prices for our bonds, derived from market prices or by discounting contractual cash flows at the rate applicable for the instruments with similar maturity and risk profile. The fair value for loans to related parties is estimated by discounting contractual cash flows at the applicable rate for the instruments with similar maturity and risk profile.

As of 30 June 2019, the fair values of all financial assets and liabilities are equal to or approximate their respective carrying amounts as shown in the table above, with the exception of loans payables to related parties, principal amount, for which fair value is equal to RUB 181,758 (31 December 2018: RUB 183,939), bonds, equipment financing and finance lease liabilities, principal amount, for which fair value is equal to RUB 18,793 (31 December 2018: RUB 24,340), interest payable, for which fair value is equal to RUB 7,345 (31 December 2018: 7,368) and lease liabilities, for which fair value has not been determined.

The carrying amount of cash and cash equivalents, trade and other receivables, trade and other payables, other assets and liabilities approximate their respective fair value.

The fair value of derivative financial instruments is determined using the discounted cash flow techniques. Observable inputs (Level 2) used in the valuation techniques include LIBOR, swap curves, basis swap spreads, foreign exchange rates and credit default spreads.

#### **Fair value hierarchy**

As of 30 June 2019 and 31 December 2018, the Group recognized financial instruments at fair value in the statement of financial position.

The fair value hierarchy ranks fair value measurements based on the type of inputs used in the valuation; it does not depend on the type of valuation techniques used:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: inputs are unobservable inputs for the asset or liability.

As of 30 June 2019 and 31 December 2018, all financial assets and financial liabilities carried at fair value were measured based on Level 2 inputs. Carrying amounts of financial assets and financial liabilities carried at amortized costs approximates their fair value which is measured based on Level 2 inputs.

Transfers into and out of fair value hierarchy levels are recognized at the end of the reporting period (or the date of the event or change in circumstances that caused the transfer). On a quarterly basis, the Company reviews if there are any indicators for a possible transfer between Level 2 and Level 3. This depends on how the Company is able to obtain the underlying input parameters when assessing the fair valuations.

During the six-months period ended 30 June 2019, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

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#### **9. Financial assets and liabilities (continued)**

##### **Fair value hierarchy (continued)**

All impairment losses and changes in fair values of financial instruments are unrealized and are recorded in line “Other non-operating (loss) / gain, net” in the consolidated income statement.

##### **Major treasury events during 2019**

On 13 November 2018, VEON Holdings B.V. (indirect subsidiary of VEON Ltd.) announced that it commenced a cash tender offer for any and all of the outstanding 7.5043% Notes due 2022 issued by VEON Holdings B.V. guaranteed by PJSC “VimpelCom” (Note 13) and 7.748% Loan Participation Notes due 2021, issued by, but with limited recourse to, VIP Finance Ireland Limited (SPE). The total principal outstanding amount of these bonds was USD 1,005 million of which USD 376.7 million was held by PJSC “VimpelCom” Group. The aggregate principal amount accepted for repurchase by VEON Holdings B.V. was USD 326.1 million (of which USD 114.7 million was held by PJSC “VimpelCom” Group), which was settled on 31 December 2018.

On 14 December 2018 PJSC “VimpelCom” entered into a framework note purchase agreement with VEON Holdings B.V. in relation to the tendered notes and VimpelCom was notified of the final terms of the repurchase on 11 January 2019. On 15 January 2019, PJSC “VimpelCom” bought the notes issued by VIP Finance Ireland Limited from VEON Holdings B.V. for further cancellation for a total purchase price of USD 129.2 million which comprise the principal amount of USD 114.7 million, USD 10.5 million of premium to bondholders, and USD 4 million of accrued interest.

As a result of the tender offer as of 15 January 2019 the outstanding principal amount of debt under the 7.748% Loan Participation Notes due in 2021, issued by, but with limited recourse to, VIP Finance Ireland Limited was USD 262 million (the equivalent of RUB 17,604 as of 15 January 2019 at the exchange rate provided by the Central Bank of Russia) and the outstanding principal amount of debt under the 7.5043% Notes due in 2022 issued by VEON Holdings B.V. and guaranteed by PJSC “VimpelCom” (Note 13) was USD 417 million (the equivalent of RUB 28,969 as of 31 December 2018 at the exchange rate provided by the Central Bank of Russia).

The carrying value of the bonds subject to the purchase was adjusted on 15 January 2019 to reflect the expected additional cash flows of the bonds stemming from the agreed premiums, the costs associated with the execution of the transaction and the write-off of the unamortized debt issuance costs (due to significantly reduced expected remaining time of the amortization period) in the total amount of USD 10.7 million (the equivalent of RUB 719 at the exchange rates as of the dates of the transactions, provided by the Central Bank of Russia). This adjustment to the carrying value of the bonds was recorded in January 2019 in the line “Other non-operating (loss) / gain, net” of the consolidated income statement as part of the “Loss from early debt redemption” account (Note 4) to reflect the nature of the adjustment.

Significant changes in the financial assets and liabilities also relate to the loans received from related parties and the amount of interest accrued on them, loans granted to related parties and the amount of interest accrued on them as further described in Note 12.

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#### 10. Cash and cash equivalents

Cash and cash equivalents consisted of the following items:

|                                                                         | 30 June<br>2019 | 31 December<br>2018 |
|-------------------------------------------------------------------------|-----------------|---------------------|
| Cash and cash equivalents at banks and on hand                          | 27,168          | 28,470              |
| Short-term deposits with an original maturity of less than three months | 250             | 950                 |
| <b>Total cash and cash equivalents</b>                                  | <b>27,418</b>   | <b>29,420</b>       |

Cash at banks earns interest at floating rates based on bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

As of 30 June 2019 and 31 December 2018, there were no restricted cash and cash equivalent balances.

#### 11. Significant transactions

On 9 January 2019, VIP Kazakhstan Holding AG, a subsidiary of the Company, declared dividends to its shareholders which were paid on 17 January 2019. The portion of dividends paid to the minority shareholder amounted to USD 23.88 million (the equivalent of RUB 1,659 as of 9 January 2019 at the exchange rate provided by the Central Bank of Russia (as of the date of dividends declared)).

In February 2019, PJSC “VimpelCom” entered into a purchase and sale agreement relating to acquisition of the remaining 47.95% shares in its subsidiary Nouse Limited. The ownership of these shares passed to PJSC “VimpelCom” on 27 February 2019 after payment of the amount of RUB 356 and PJSC “VimpelCom” became the sole shareholder of Nouse Limited.

On 16 April 2019, Kcell JSC announced the termination of the 4G/LTE network sharing agreement (the “Agreement”) with KaR-Tel LLP (the subsidiary of the Group) signed in August 2016. In June 2019, following the early termination of the Agreement, KaR-Tel LLP received termination compensation in the amount of 14,552 million Kazakhstan tenge (RUB 2,479 or USD 38 million). The termination compensation was recorded in the line “Other revenue / other income” of the consolidated income statement for the three and six months ended 30 June 2019.

On 28 June 2019, in the Annual General Meeting of Shareholders of PJSC “VimpelCom” the decision was taken to pay annual dividends in the monetary form based on 2018 financial year results: (1) to holders of common registered shares in the amount of one hundred fifty six rubles per one common share for the total amount of RUB 7,999.84; (2) to holders of preferred type “A” registered shares in the amount of 0.1 kopecks per one preferred type “A” registered share for the total amount of RUB 0.006. In July 2019, PJSC “VimpelCom” paid annual dividends to the shareholders based on 2018 financial year results in the amount of RUB 7,599.85, net of tax withheld. In accordance with Russian tax legislation, PJSC “VimpelCom” withheld and paid a tax on dividend payments in the amount of RUB 399.99.

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**Additional information**

**12. Related parties**

As of 30 June 2019 and 31 December 2018, PJSC “VimpelCom” was a wholly-owned indirect subsidiary of VEON Ltd. As of 30 June 2019, VEON Ltd. was primarily owned by L1T VIP Holdings S.à r.l., a member of the LetterOne group of companies. VEON Ltd. has no ultimate controlling shareholder.

Outstanding balances and transactions with subsidiaries of VEON Ltd. including Kyivstar and Teta Telecom and its subsidiaries, mainly represented telecommunication services.

The following tables provide the total amount of transactions that have been entered into with related parties and balances of accounts with them for the relevant financial periods:

|                                                              | For the three months<br>ended 30 June |              | For the six months<br>ended 30 June |              |
|--------------------------------------------------------------|---------------------------------------|--------------|-------------------------------------|--------------|
|                                                              | 2019                                  | 2018         | 2019                                | 2018         |
| Revenue from VEON Ltd. and its subsidiaries:                 |                                       |              |                                     |              |
| - Revenue from Teta Telecom and its subsidiaries             | 209                                   | 253          | 351                                 | 523          |
| - Revenue from Kyivstar                                      | 59                                    | 206          | 124                                 | 399          |
| - Revenue from VEON Ltd. and its other subsidiaries          | 429                                   | 414          | 925                                 | 656          |
| Revenue from joint ventures                                  | —                                     | —            | —                                   | 17           |
| Revenue from other related parties                           | —                                     | 53           | —                                   | 107          |
|                                                              | <b>697</b>                            | <b>926</b>   | <b>1,400</b>                        | <b>1,702</b> |
| Services from VEON Ltd. and its subsidiaries:                |                                       |              |                                     |              |
| - Services from Teta Telecom and its subsidiaries            | 859                                   | 1,038        | 1,592                               | 1,969        |
| - Services from Kyivstar                                     | 114                                   | 448          | 233                                 | 829          |
| - Services from VEON Ltd. and its other subsidiaries         | 1,494                                 | 3,177        | 4,359                               | 4,549        |
| Services from joint ventures                                 | —                                     | —            | —                                   | 239          |
| Services from other related parties                          | 7                                     | 27           | 13                                  | 45           |
|                                                              | <b>2,474</b>                          | <b>4,690</b> | <b>6,197</b>                        | <b>7,631</b> |
| Finance income from VEON Ltd. and its subsidiaries           | 705                                   | 896          | 1,381                               | 1,874        |
| Finance costs from VEON Ltd. and its subsidiaries            | 4,809                                 | 4,769        | 9,562                               | 9,709        |
| Other gain / (loss) from VEON Ltd. and its subsidiaries, net | 10                                    | (27)         | 10                                  | (133)        |

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(All amounts in millions of Rubles unless otherwise stated)

### 12. Related parties (continued)

|                                                                                | As of<br>30 June<br>2019 | As of<br>31 December<br>2018 |
|--------------------------------------------------------------------------------|--------------------------|------------------------------|
| Accounts receivable from VEON Ltd. and its subsidiaries:                       |                          |                              |
| - Accounts receivable from Teta Telecom and its subsidiaries                   | 69                       | 38                           |
| - Accounts receivable from Kyivstar                                            | 406                      | 341                          |
| - Accounts receivable from VEON Ltd. and its other subsidiaries                | 511                      | 507                          |
| Accounts receivable from other related parties                                 | 2                        | 1                            |
|                                                                                | <b>988</b>               | <b>887</b>                   |
| Accounts payable to VEON Ltd. and its subsidiaries:                            |                          |                              |
| - Accounts payable to Teta Telecom and its subsidiaries                        | 490                      | 443                          |
| - Accounts payable to Kyivstar                                                 | 267                      | 304                          |
| - Accounts payable to VEON Ltd. and its other subsidiaries                     | 14,476                   | 14,859                       |
| Dividends payable to VEON Ltd. and its other subsidiaries                      | 8,000                    | —                            |
| Accounts payable to other related parties                                      | 2                        | 3                            |
|                                                                                | <b>23,235</b>            | <b>15,609</b>                |
| Loans granted to VEON Ltd. and its subsidiaries                                | 54,809                   | 55,453                       |
| Interest receivable from VEON Ltd. and its subsidiaries                        | 256                      | 222                          |
| Loans received from VEON Ltd. and its subsidiaries                             | 174,245                  | 183,703                      |
| Interest payable to VEON Ltd. and its subsidiaries                             | 9,206                    | 9,947                        |
| Unamortised fees related to loans received from VEON Ltd. and its subsidiaries | 520                      | 656                          |

### Loans granted to VEON Ltd. and its subsidiaries

As of 30 June 2019 and 31 December 2018, the principal amounts of loans granted to VEON Ltd. and its subsidiaries were as follows:

| Lender                             | Borrower           | Date of<br>agreement | Maturity   | Interest rate | Currency  | 30 June<br>2019 | 31 December<br>2018 |
|------------------------------------|--------------------|----------------------|------------|---------------|-----------|-----------------|---------------------|
| PJSC "VimpelCom" <sup>1</sup>      | VEON Holdings B.V. | 13 Dec. 2017         | < 3 months | 8.0%          | RUB / USD | 23,252          | 25,580              |
| VEON Armenia, CJSC <sup>2</sup>    | VEON Holdings B.V. | 7 Aug. 2017          | On demand  | LIBOR+0.8%    | USD       | 14,474          | 15,680              |
| Golden Telecom Inc.                | VEON Holdings B.V. | 31 Jan. 2018         | On demand  | LIBOR+0.7%    | USD       | 9,065           | 9,903               |
| VEON Eurasia S.à r.l. <sup>3</sup> | VEON Holdings B.V. | 31 Mar. 2017         | On demand  | LIBOR+0.65%   | USD       | 6,277           | 2,380               |
| KaR-Tel, LLP                       | TNS-Plus           | 2007-2011            | 2020-2021  | 9.46%         | KZT       | 682             | 743                 |
| Clafdor Investments Ltd.           | VEON Holdings B.V. | 4 June 2018          | On demand  | LIBOR+0.6%    | USD       | 631             | 695                 |
| VEON Eurasia S.à r.l.              | VEON Holdings B.V. | 12 Nov. 2018         | Nov., 2019 | LIBOR+1.05%   | USD       | 428             | 472                 |
| <b>Total</b>                       |                    |                      |            |               |           | <b>54,809</b>   | <b>55,453</b>       |

<sup>1</sup> For the six-months period ended 30 June 2019, PJSC "VimpelCom" provided VEON Holdings B.V. with the equivalent of RUB 31,526 (as of the date of each transaction at the exchange rate provided by the Central Bank of Russia) and VEON Holdings B.V. repaid the equivalent of RUB 33,854 (as of the date of each transaction at the exchange rate provided by the Central Bank of Russia). In July and August of 2019, PJSC "VimpelCom" provided VEON Holdings B.V. with the equivalent of RUB 8,500 (as of the date of each transaction at the exchange rate provided by the Central Bank of Russia) and VEON Holdings B.V. repaid the equivalent of RUB 10,806 (as of the date of each transaction at the exchange rate provided by the Central Bank of Russia);

<sup>2</sup> The amount of interest capitalized for the six months ended 30 June 2019 was USD 3.76 million;

<sup>3</sup> For the six-months period ended 30 June 2019, the net changes in loans amounted to USD 64.78 million (the equivalent of RUB 4 300 as of the date of each transaction at the exchange rates provided by the Central Bank of Russia);

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#### 12. Related parties (continued)

##### Loans received from VEON Ltd. and its subsidiaries

As of 30 June 2019 and 31 December 2018, the principal amounts of loans received from VEON Ltd. and its subsidiaries were as follows:

| Lender                          | Borrower          | Date of agreement | Maturity   | Interest rate        | Currency | 30 June 2019   | 31 December 2018 |
|---------------------------------|-------------------|-------------------|------------|----------------------|----------|----------------|------------------|
| VEON Luxembourg Finance S.A.    | PJSC “VimpelCom”  | 19 May 2017       | May, 2022  | 11.40%               | RUB      | 95,000         | 95,000           |
| VEON Luxembourg Finance S.A.    | PJSC “VimpelCom”  | 19 Jun 2017       | Jun., 2022 | 11.00%               | RUB      | 40,100         | 40,100           |
| VEON Luxembourg Finance S.A.    | PJSC “VimpelCom”  | 11 Oct 2017       | Oct., 2022 | 125% of the key rate | RUB      | 15,000         | 15,000           |
| VEON Luxembourg Finance S.A.    | VEON Georgia, LLC | 26 Mar 2015       | Mar., 2032 | 6.50%                | USD      | 14,397         | 15,833           |
| VEON Luxembourg Finance S.A.    | PJSC “VimpelCom”  | 9 Aug 2017        | Aug., 2022 | 125% of the key rate | RUB      | 9,454          | 9,454            |
| VEON Luxembourg Finance S.A.    | VEON Georgia, LLC | 9 Jan 2018        | Dec., 2019 | 6.50%                | USD      | 294            | 347              |
| VEON Holdings B.V. <sup>1</sup> | PJSC “VimpelCom”  | 14 Dec 2018       | Jan., 2019 | 7.748%               | USD      | –              | 7 969            |
| <b>Total</b>                    |                   |                   |            |                      |          | <b>174,245</b> | <b>183,703</b>   |

<sup>1</sup> Eurobonds issued by VIP Finance Ireland purchased by VEON Holdings B.V. from the original bondholders. On 15 January 2019, PJSC “VimpelCom” bought the notes issued by VIP Finance Ireland Limited from VEON Holdings B.V. for further cancellation for a total purchase price of USD 129.2 million (Note 9);

##### Terms and conditions of transactions with related parties

Outstanding balances at period-end are unsecured, settlements occur in cash. During the six months ended 30 June 2019, there have been no new guarantees provided or received for any related party receivables or payables and no changes occurred to the terms and amounts of the Company’s guarantees of the related party loans that existed as of 31 December 2018 and were disclosed in the notes to the respective annual consolidated financial statements. No triggering events under the existing guarantees (Note 13) in favor of related parties occurred. The Company believes that the probability of these events is remote.

As of 30 June 2019 and 31 December 2018, the Group performed the impairment assessment over the loans granted to related parties and receivables owed by related parties held by the Company. As a result, the calculated amount of the expected credit loss allowance over the loans granted to related parties and receivables owed by related parties held by the Company was determined as insignificant from the Company’s perspective and was therefore not recognized as of 30 June 2019 and 31 December 2018.

#### 13. Risks, commitments, contingencies and uncertainties

Other than disclosed elsewhere in these interim condensed consolidated financial statements, there were no material risks, commitments, contingencies and uncertainties that occurred during the six-month period ended 30 June 2019 and there were no material changes during the same period to the commitments, contingencies and uncertainties as disclosed in the PJSC “VimpelCom”’s annual consolidated financial statements as of and for the year ended 31 December 2018.

As a result of the adoption of IFRS 16 all lease commitments were included into lease liabilities recognized in the interim condensed consolidated statement of financial position as of 1 January 2019 except for leases commencing subsequent to transition date committed to as of 31 December 2018. For reconciliation of the Company’s operating lease commitments as of 31 December 2018, to the lease liabilities recognized on 1 January 2019 please refer to Note 15. For additions of right-of-use assets during the six months ended 30 June 2019 commencing subsequent to transition date committed to as of 31 December 2018 please refer to Note 7.

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#### **13. Risks, commitments, contingencies and uncertainties (continued)**

##### **Guarantees in favour of VEON Holdings B.V.**

On 29 June 2011, VEON Holdings B.V., a subsidiary owned by VEON Ltd., completed an offering of an aggregate principal amount of USD 2,200 million notes (the equivalent of RUB 62,117 as of 29 June 2011 at the exchange rate provided by the Central Bank of Russia) split between three-, five- and ten-year tranches, with an annual interest rates range of LIBOR plus 4.0% - 7.50%. The Company guaranteed these notes issues. On 2 April 2015, 19 June 2017, 29 June 2017 and 31 December 2018 (Note 9), VEON Amsterdam B.V. partially repurchased the current notes issued by VEON Holdings B.V. As of 30 June 2019 and 31 December 2018, the outstanding principal amount under the notes was USD 417 million (the equivalent of RUB 26,303 as of 30 June 2019 at the exchange rate provided by the Central Bank of Russia) and USD 417 million (the equivalent of RUB 28,969 as of 31 December 2018 at the exchange rate provided by the Central Bank of Russia), respectively. No triggering events under the guarantee occurred. The Company believes that probability of these events is remote.

#### **14. Events after the reporting period**

Significant changes in financial assets and liabilities after the reporting period related to the loans granted to related parties and loans received from related parties were described in Note 12.

#### **15. Basis of preparation of the interim condensed consolidated financial statements**

##### **Basis of preparation**

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements as of and for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards.

The preparation of these interim condensed consolidated financial statements has required Company's management to apply accounting policies and methodologies based on complex and subjective judgments, estimates based on past experience and assumptions determined to be reasonable and realistic based on the related circumstances. The use of these judgements, estimates and assumptions affects the amounts reported in the interim consolidated statement of financial position, interim consolidated income statement, interim consolidated statements of comprehensive income, interim consolidated statement of changes in equity, interim consolidated statement of cash flows as well as the notes to the interim condensed consolidated financial statements. The final amounts for items for which estimates and assumptions were made in the interim condensed consolidated financial statements may differ from those reported in these statements due to the uncertainties that characterize the assumptions and conditions on which the estimates are based.

##### **New standards, interpretations and amendments adopted by the Group**

The accounting policies adopted in the preparation of the Group's interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as of and for the year ended 31 December 2018 except for the adoption of amended standards that are mandatory for financial annual periods beginning on 1 January 2019.

A number of new and amended standards became effective as of 1 January 2019, the impact of which is described below. The Group has not early adopted any other standards, interpretations or amendments that have been issued but have not yet become effective.

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**15. Basis of preparation of the interim condensed consolidated financial statements (continued)**

**New standards, interpretations and amendments adopted by the Group (continued)**

**IFRIC 23 “Uncertainty over income tax treatments”**

The interpretation clarifies the application of recognition and measurement requirements in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments. The Group has assessed the impact of IFRIC 23, which was not material to the consolidated financial statements of the Group upon adoption in 2019.

**IFRS 16 “Leases”**

IFRS 16 “Leases” (“IFRS 16”) replaces the IAS 17 “Leases”, the former lease accounting standard and became effective on 1 January 2019. Under the new lease standard assets leased by the Company are being recognized on the statement of financial position of the Company with a corresponding liability.

In 2018, the Group performed a detailed impact assessment of IFRS 16 and the impact of IFRS 16 adoption was as follows:

|                                                    | 31 December<br>2018 | Impact of IFRS<br>16 | 1 January<br>2019 |
|----------------------------------------------------|---------------------|----------------------|-------------------|
| <b>Assets</b>                                      |                     |                      |                   |
| <b>Non-current assets</b>                          |                     |                      |                   |
| Property and equipment                             |                     |                      |                   |
| Property and equipment                             | 193,895             | (4,777)              | <b>189,118</b>    |
| Right-of-use assets                                | –                   | 92,408               | <b>92,408</b>     |
| Intangible assets                                  | 28,557              | (1,038)              | <b>27,519</b>     |
| Goodwill                                           | 97,729              | –                    | <b>97,729</b>     |
| Deferred tax assets                                | 1,824               | 52                   | <b>1,876</b>      |
| Other financial assets                             | 1,148               | –                    | <b>1,148</b>      |
| Other non-current non-financial assets             | 1,126               | –                    | <b>1,126</b>      |
| <b>Total non-current assets</b>                    | <b>324,279</b>      | <b>86,645</b>        | <b>410,924</b>    |
| <b>Current assets</b>                              |                     |                      |                   |
| Trade and other receivables                        | 23,049              | –                    | <b>23,049</b>     |
| Other current assets                               | 110,348             | (1,316)              | <b>109,032</b>    |
| <b>Total current assets</b>                        | <b>133,397</b>      | <b>(1,316)</b>       | <b>132,081</b>    |
| Assets classified as held for sale                 | 23                  | –                    | <b>23</b>         |
| <b>Total assets</b>                                | <b>457,699</b>      | <b>85,329</b>        | <b>543,028</b>    |
| <b>Equity and liabilities</b>                      |                     |                      |                   |
| <b>Equity</b>                                      |                     |                      |                   |
| Equity attributable to equity owners of the parent | 133,763             | (217)                | <b>133,546</b>    |
| Non-controlling interests                          | 3,053               | –                    | <b>3,053</b>      |
| <b>Total equity</b>                                | <b>136,816</b>      | <b>(217)</b>         | <b>136,599</b>    |
| <b>Non-current liabilities</b>                     |                     |                      |                   |
| Non-current financial liabilities                  | 206,160             | (3,004)              | <b>203,156</b>    |
| Provisions                                         | 2,978               | –                    | <b>2,978</b>      |
| Lease liabilities                                  | –                   | 83,253               | <b>83,253</b>     |
| Deferred tax liabilities                           | 7,981               | 4                    | <b>7,985</b>      |
| Other liabilities                                  | 653                 | –                    | <b>653</b>        |
| <b>Total non-current liabilities</b>               | <b>217,772</b>      | <b>80,253</b>        | <b>298,025</b>    |
| <b>Current liabilities</b>                         |                     |                      |                   |
| Trade and other payables                           | 63,408              | (1,800)              | <b>61,608</b>     |
| Other current financial liabilities                | 10,228              | (486)                | <b>9,742</b>      |
| Lease liabilities                                  | –                   | 7,733                | <b>7,733</b>      |
| Provisions                                         | 3,877               | (154)                | <b>3,723</b>      |
| Other current liabilities                          | 25,598              | –                    | <b>25,598</b>     |
| <b>Total current liabilities</b>                   | <b>103,111</b>      | <b>5,293</b>         | <b>108,404</b>    |
| <b>Total equity and liabilities</b>                | <b>457,699</b>      | <b>85,329</b>        | <b>543,028</b>    |

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#### **15. Basis of preparation of the interim condensed consolidated financial statements (continued)**

##### **New standards, interpretations and amendments adopted by the Group (continued)**

##### **IFRS 16 “Leases” (continued)**

The Company, as a lessee, recognizes a right-of-use asset and a lease liability on the lease commencement date.

Upon initial recognition the right-of-use asset is measured as the amount equal to initially measure lease liability adjusted for lease prepayments, initial direct cost, lease incentives and the discounted estimated asset retirement obligation. Subsequently, the right-of-use asset is measured at cost net of any accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the shorter estimated useful lives of the right-of-use assets or the lease term.

The lease liability was measured upon initial recognition at the present value of the future lease and related fixed services payments over the lease term, discounted with the country specific incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Subsequently lease liabilities are measured at amortized cost using the effective interest rate method.

Right-of-use assets and lease liabilities will be remeasured subsequently if one of the following events occurs:

- Change in lease price due to indexation or rate which has become effective in reporting period;
- Modifications to the lease contract;
- Reassessment of the lease term.

Leases of non-core assets and not related to the main operating activities of the Group, which are short term in nature (less than 12 months including extension options) and leases of low-value items are expensed in the Income Statement as incurred.

##### **Transition**

The Company adopted IFRS 16 on the date the standard becomes effective, 1 January 2019. The Group adopted the standard using the modified retrospective approach. This means that the cumulative impact of the adoption was recognized in retained earnings as of 1 January 2019 and prior period comparatives were not restated.

The Group used the following practical expedients when adopting IFRS 16 on its effective date:

- IFRS 16 applied only to contracts that were previously assessed as leases in accordance with the previous IFRS standards (IAS 17 “Leases” and IFRIC 4 “Determining whether and Arrangement contains a Lease”);
- a single discount rate applied to a portfolio of leases with reasonably similar characteristics as permitted by IFRS 16;
- initial direct cost was excluded from the measurement of the right-of-use asset as of 1 January 2019;
- the Group’s onerous contract provision process used as the impairment assessment of right-of-use assets upon transition.

The weighted-average incremental rate applied to lease liabilities recognized on 1 January 2019 was 8.76%.

Carrying values of property and equipment and financial liabilities related to finance leases as of 31 December 2018 were reclassified to right-of-use assets and lease liabilities, respectively on 1 January 2019. These carrying values related to finance leases were not remeasured at the transition date.

Carrying value of right-of-use related to Euroset’s retail stores as of 31 December 2018 was reclassified to right-of-use assets on 1 January 2019.

Public Joint Stock Company “Vimpel-Communications”

Notes to the unaudited interim condensed consolidated financial statements  
as of 30 June 2019 and for the three and six months ended 30 June 2019

*(All amounts in millions of Rubles unless otherwise stated)*

**15. Basis of preparation of the interim condensed consolidated financial statements (continued)**

**New standards, interpretations and amendments adopted by the Group (continued)**

**IFRS 16 “Leases” (continued)**

**Significant judgements upon adoption IFRS 16**

IFRS 16 requires the Company to assess the lease term as the non-cancelable lease term in line with the lease contract together with the period for which the Company has extension options which the Company is reasonably certain to exercise and the periods for which the Company has termination options for which the Company is not reasonably certain to exercise those termination options.

A significant portion of the lease contracts included within Company’s lease portfolio includes lease contracts which are extendable through mutual agreement between Company and the lessor or lease contracts which are cancelable by the Company on immediately or on short notice. In assessing the lease term for the adoption of IFRS 16, the Company concluded that these cancelable future lease periods should be included within the lease term, which represents an increase to the future lease payments used in determining the lease liability upon initial recognition. The reasonably certain period used to determine the lease term is based on facts and circumstances related to the underlying leased asset and lease contracts.

The following table reconciles the Company’s operating lease commitments as of 31 December 2018, to the lease liabilities recognized upon initial application of IFRS 16 on 1 January 2019:

|                                                                                                  | <b>Amount</b>  |
|--------------------------------------------------------------------------------------------------|----------------|
| Operating lease commitments as of 31 December 2018                                               | 7,208          |
| Increase in lease commitments of cancelable leases included in reasonably certain lease term     | 105,457        |
| Use of IFRS 16 practical expedients (old lease accounting continues for exceptions)              | (4)            |
| Leases commencing subsequent to transition date committed to as of 31 December 2018*             | (3,255)        |
| Accruals included in the lease liability calculation                                             | 1,554          |
| Other                                                                                            | (157)          |
| <b>Total undiscounted lease payments which are reasonably certain</b>                            | <b>110,803</b> |
| Discounting effect using incremental borrowing rate                                              | (23,474)       |
| IAS 17 finance lease liabilities recognized on balance sheet as of 31 December 2018 (discounted) | 3,657          |
| <b>IFRS 16 Lease liability recognized on balance sheet as of 1 January 2019</b>                  | <b>90,986</b>  |
| Non-current                                                                                      | 83,253         |
| Current                                                                                          | 7,733          |

\* For additions of right-of-use assets during the six months ended 30 June 2019 commencing subsequent to transition date committed to as of 31 December 2018 please refer to Note 7.