Consolidated financial statements

Public Joint Stock Company "Vimpel-Communications"

as of 31 December 2021 and
for the year ended 31 December 2021

Public Joint Stock Company "Vimpel-Communications"

Consolidated financial statements
as of 31 December 2021 and
for the year ended 31 December 2021

Contents

Independent Auditor's Report

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Public Joint Stock Company "Vimpel-Communications" (the "Company" or "PJSC VimpelCom") and its subsidiaries (together – the "Group" or "VimpelCom") as at 31 December 2021, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

VimpelCom's consolidated financial statements comprise:

- the consolidated income statement for the year ended 31 December 2021;
- the consolidated statement of comprehensive income for the year ended 31 December 2021;
- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of changes in equity for the year ended 31 December 2021;
- the consolidated statement of cash flows for the year ended 31 December 2021; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of VimpelCom in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

Valuation of goodwill

Note 12 and Note 14

VimpelCom has a goodwill balance of RUB 84,714 million as of 31 December 2021.

VimpelCom performed its annual goodwill impairment test in accordance with IAS 36 - Impairment of Assets as of 30 September 2021. Based on the annual goodwill impairment test in the current year, no impairment charge was recorded. Management updated its assessment of key assumptions as of 31 December 2021 and determined that no goodwill impairment should be recorded.

Potential impairment is identified by comparing the recoverable value, in particular the fair value less cost of disposal, of a CGU to the carrying value.

Fair value is estimated by management using a discounted cash flow model, based on cash flow projections from business plans prepared by management. In estimating the fair value of a cash-generating unit, management uses assumptions relating to the discount rate as well as the projected revenue growth rate, projected operating margin, projected capital expenditure, and the related terminal rates. The Company's assumptions are affected by expected future market conditions and the continuing challenging economic and political environments in the territories where the Company and its subsidiaries operate, and which are inherently uncertain.

The focus of our audit effort was the Russia cash-generating unit, given the magnitude of its goodwill balance and its history of impairment. The amount of goodwill associated with the Russia CGU as of 31 December 2021 was RUB 80,439 million.

We considered this area to be a key audit matter due to the magnitude of the goodwill balance as well as the fact that the determination of the fair value less costs to dispose is complex, subjective, and, given the estimation uncertainty, requires substantial judgement from management.

</td><td>

In the context of the annual goodwill impairment test, we have performed procedures, with the help of PwC network valuation specialists, which varied in depth per CGU based on our risk assessment with respect to the volatility of the economic circumstances, the extent of the related goodwill balance as compared to our materiality used and the headroom available between the carrying value and the fair value less costs of disposal. We paid particular focus to the Russia CGU due to the magnitude of its goodwill balance and its history of impairment. Our audit procedures included, amongst others:

- Assessing the appropriateness of management's identification of the Company's CGUs.
- Performing a retrospective review of the prior year estimates by comparing the current year actual results to those projected in the prior year.
- Testing the composition of future cash flow forecasts by evaluating (i) the current and past performance of the CGUs, (ii) the consistency with external market and industry data, and (iii) the corroboration of strategic initiatives with evidence obtained in other areas of the audit. Specific attention was given to the Russia CGU valuation of strategic initiatives and whether such initiatives could be corroborated from a market participant's perspective and the impact of the macroeconomic environments in Russia on the business plan.
- Assessing any indications of management bias in determining the significant assumptions.
- Recalculating the carrying values used in the impairment test.
- Assessing the adequacy of the Group's disclosures regarding assumptions and sensitivities as included in Note 12 and Note 14 to the consolidated financial statements.

Our procedures did not result in material findings with respect to the valuation of goodwill on 31 December 2021 nor the respective disclosures in the consolidated financial statements.

</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
Revenue recognition Note 3 The total operating revenues of the Group from continuing and discontinued operations for the year ended 31 December 2021 amounted to RUB 342,518 million and were made up of billions of relatively small transactions in combination with multiple pricing plans, with the largest volume of plans in Russia. Throughout VimpelCom, there is a large number and wide variety of legacy billing and other operating support systems in the revenue process that result in an increased risk around the accuracy and occurrence of the revenue recorded. The magnitude of revenue as well as the increased risk, combined with control deficiencies identified, required substantial audit attention and effort with respect to the controls and substantive test procedures to be performed and assessment of management's remediation of identified deficiencies. Therefore, we continue to consider this a key audit matter.	With the assistance of our IT specialists, our audit approach included controls testing and performing substantive procedures, including data analytics, covering amongst others: • Updating our understanding of and testing the IT environment in which billing, rating and other relevant support systems reside, including the change management and restricted access procedures in place. • Testing the design and operational effectiveness of the revenue and receivable cycle related controls. • Assessing the remediation or mitigation of identified control deficiencies. • Testing the end-to-end reconciliation from mediation to billing and rating systems to the general ledger. The testing also included tracing material journals, between the billing system or intelligent network systems and the general ledger, to underlying documentation and confirming the rationale. • Reconciling the amounts of vouchers and other top-ups with respect to prepaid services to the transactional cash receipts data per the cash system. • Performing tests on the accuracy of customer bill generation on a sample basis and testing of a sample of the credits and discounts applied to customer bills. • Performing test calls and reconciling these with the billed amounts. • Testing cash receipts for a sample of customers back to the customer invoice. Our procedures did not result in material findings with respect to the revenues recorded in the consolidated financial statements for the year 2021.

Key audit matter	How our audit addressed the key audit matter
Compliance with anti-bribery laws and regulations Note 9 The Group operates in markets which pose increased risks of non-compliance with anti-bribery and corruption laws and regulations. As such, there is a heightened risk of potential liability associated with such non-compliance. We dedicated a significant amount of time in our audit to this increased risk and therefore have also determined this to be a key audit matter.	With the assistance of our forensic specialists, we have performed, among others, audit procedures including: • Understanding the local laws and regulations and applicable industry regulations governing the Group. • Understanding and evaluating various levels of interactions and communication with government officials. • Assessing the adequacy of the Group policies and procedures addressing the risk of non-compliance with anti-bribery and corruption laws and regulations. • Testing the effectiveness of internal controls which respond to the risk of non-compliance with anti-bribery and corruption laws and regulations, including code of conduct compliance and anti-bribery and compliance training programmes, response to whistle-blower allegations, single source procurement decision procedures and agent/vendor vetting procedures. • Identifying and testing potentially unusual payments or expenses, relationships within significant, unusual, or related party transactions, agents, charities, and social sponsorship, free or discounted services and review of complex contracts. • Assessing actions undertaken by management upon identification of potential instances of fraud or non-compliance. Our procedures included the use of forensics expertise and testing of selected investigations, including assessing and challenging management on the extent of investigation procedures performed to support conclusions reached and remedial actions taken. • Attending discussions in the Audit Committee, reading materials from the Business and Risk Committee (BRC) and the Russia Board Meeting established by the Company to follow up on the results of internal and external investigations and on the design and effectiveness of the Company's compliance programs and internal controls relating to the prevention and detection of fraud.

Key audit matter	How our audit addressed the key audit matter
	• Reading the minutes of the Shareholders and the Board of Directors meetings. • Obtaining external legal confirmations. • Assessing the adequacy of the Company's disclosures. Our procedures did not result in material findings with respect to compliance with anti-bribery and corruption laws and regulations nor the respective disclosures in the financial statements.
Sale of Russian tower assets Note 11 As described in Note 11 to the consolidated financial statements, VEON Ltd., the ultimate parent of the Company, and VEON Holdings B.V., a subsidiary of VEON Ltd., completed the sale of its direct subsidiary, National Tower Company ('NTC'), to Service Telecom Group of Companies LLC for RUB 70,650 million. Under the terms of the deal, the Company entered into a long-term lease agreement with NTC under which the Company will lease space on NTC's portfolio of approximately 15,400 towers for a period of 8 years, with up to ten optional renewal periods of 8 years each. In their assessment of the transaction, the Company deemed NTC to be a subset of its Russia CGU and, as such, allocated goodwill to the sale of towers assets on a relative fair value basis. The Company applied sale and leaseback guidance under IFRS 16 "Leases" and recognised a loss on sale of RUB 6,110 million in equity. As a result of the subsequent lease agreement, the Company recognised right-of-use assets of RUB 50,338 million and lease liabilities of RUB 53,842 million, as well as a proportionate amount of goodwill, with respect to the portion of cash generating assets retained through the lease, of RUB 12,593 million. The right-of-use assets recognised include RUB 3,446 million representing the proportional fair value of assets retained with respect to the carrying value of 2,210 tower assets sold to NTC during the year ended 31 December 2021.	With the assistance of our accounting specialists, our audit procedures included, amongst others: • Testing the design and operational effectiveness of controls relating to accounting for the sale and the leaseback of the tower assets. • Analysis of the sale of towers agreements between the Company and NTC, purchase agreement between VEON Holdings B.V. and VEON Ltd. with Service Telecom Group of Companies LLC, and lease agreement between the Company and NTC. • Evaluating management's assessment of transfer of control over tower assets to the Service Telecom Group of Companies LLC. • Evaluating management's assessment of goodwill allocation and relative fair value method applied. • Evaluating management's identification of each unit of account within the transaction. • Evaluating management's application of the sale and leaseback guidance under IFRS 16 "Leases" and the resulting accounting for and presentation of the right-of-use assets and related lease liabilities, including the assessment of the applied lease term. • Assessing the adequacy of the Company's disclosures. Our procedures did not result in material findings with respect to the sale and leaseback of tower assets during the year 2021 nor the respective disclosures in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
We consider the sale and leaseback of tower assets to be a key audit matter based on the materiality of the transaction to the consolidated financial statements and significant judgements and estimates made by management in determining whether the transaction is subject to accounting as a sale and leaseback of the tower assets, allocation of goodwill to the sale of tower assets on a relative fair value basis, and the assessment of the subsequent lease agreement provisions and the determination of the appropriate lease term. This required significant auditor's attention and effort in performing procedures to evaluate management's accounting for and presentation and disclosure in the financial statements of the sale and leaseback of the tower assets and the identification of each unit of account within the transaction in accordance with IFRS 16 "Leases".	

Other matter – Materiality and Group audit scope

Overview

PJSC VimpelCom is a telecommunications company providing telecommunication services through a range of mobile and fixed-line technologies. The Group comprises three components and therefore we considered our group audit scope and approach as set out in "How we tailored our group audit scope" section. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

Materiality	Overall Group materiality: RUB 3,100 million, which represents 2.4% of EBITDA from continuing and discontinued operations ("EBITDA") as disclosed in Note 2 to the consolidated financial statements.
Group scoping	• We conducted audit work at PJSC VimpelCom in Russia and at the most significant subsidiaries, located in Russia, Uzbekistan, and Kazakhstan. The work consisted of full scope audits for those significant subsidiaries and risk assessment procedures and certain specified procedures for less significant subsidiary in Kyrgyzstan. Uzbekistan subsidiary was disposed during the year. • Since some of the functions of VimpelCom, like accounting policies and methodology, valuation, treasury, and tax are centralised at the level of VEON Ltd. in the Netherlands our work also included those functions to the extent they are managing, approving and monitoring the related balances and transactions of VimpelCom. • The group engagement team remotely reviewed the work of the component team covering subsidiaries in Kazakhstan and Uzbekistan. • Audit coverage of 98% of consolidated EBITDA, 99% of consolidated revenue and 99% of consolidated total assets was obtained from full scope audits.

Materiality

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Our engagement as a whole consisted of review procedures on the quarterly interim financial information, interim tests of controls and year-end audit procedures. Given the size of VimpelCom and its operations, we are involved on a continuous basis and have ongoing discussions with the finance functions, Company and subsidiaries' management and the Board of Directors' representatives.

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences, which are needed for the audit of a telecommunications company.

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	RUB 3,100 million
How we determined it	We used our professional judgement to determine overall materiality. As a basis for our judgment, we used 2.4% of EBITDA as disclosed in Note 2 of the consolidated financial statements. EBITDA is defined by the Company as earnings before interest, tax, depreciation, amortization and impairment, loss on disposals for non-current assets, foreign exchange gain or loss and other non-operating losses and gain on sale of subsidiaries. EBITDA is a non-IFRS performance measure. Management is responsible for defining and establishing this measure, and the method of its calculation may vary from other entities' calculation of similar measures or the Group's use of the terms that comprise this measure may vary from similarly titled terms used by others.

Rationale for the materiality benchmark applied	Our rationale for determining the most appropriate materiality benchmark was based on our analysis of the common information needs of users of the financial statements. EBITDA is predominantly used by VimpelCom equity and debt holders to assess the financial performance of the Group, given the volatility of the Group's profit before tax. On this basis, we believe that EBITDA is an appropriate materiality benchmark.
Component materiality	To each component in our audit scope, we, based on our judgement, allocated materiality that is less than our overall materiality. The range of materiality allocated across components was between RUB 800 million and RUB 3,100 million.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the geographic and management structure of VimpelCom, the accounting processes and controls, and the industry in which VimpelCom operates.

PJSC VimpelCom is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of PJSC VimpelCom, the holder of shares in subsidiaries. Some of the functions of VimpelCom, including accounting policies and methodology, valuation, treasury and tax are centralised at the level of VEON Ltd. headquartered in Amsterdam.

Components in Russia, Uzbekistan and Kazakhstan were subjected to audits of their complete financial information as those components are individually significant to the Group. For Uzbekistan and Kazakhstan components we used component auditor from another PwC network firm who is familiar with the local laws and regulations to perform the audit work. For the Russian component, the group engagement team performed the work. For the processes centralised at the level of VEON Ltd. listed above we used PwC network firm in the Netherlands to perform the related audit work.

PJSC VimpelCom engages a service organization in its revenue processes, which is material to the financial statements. Audit work on the IT General Controls of this service organization has been performed by their independent auditor who has prepared report in accordance with ISAE 3402 'Assurance Reports on Controls at a Service Organization'. We assessed the objectivity and competence of the independent auditor of the service organization and reviewed the assurance report that includes the scope and results of the assurance procedures performed. We concluded that we could rely on the assurance report issued by the independent auditor of the service organization in combination with our own testing of complementary user entity controls.

In total, in performing these procedures, we achieved the following coverage:

Revenue	99%
EBITDA	98%
Total assets	99%

None of the remaining components represented individually more than 1% of the total operating revenues or total assets of the Group. For those remaining components we performed, among others, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components as well as specified procedures over certain material balances.

We issued instructions to the audit team of the components in our audit scope. These instructions included our risk analysis, materiality, and scope of the work to be performed. We determined the level of our involvement in the audit work of these entities in order to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. We have had conference calls with the in-scope component auditor during the year including upon the conclusion of their work. During these calls, we have discussed the significant accounting and audit issues identified by the component auditors, the reports of the component auditor, the findings of their procedures and other matters, which could be of relevance for the consolidated financial statements.

The Group engagement team typically visits the component auditors, or the component auditors used to visit Moscow. Due to circumstances surrounding COVID-19, various travel restrictions were imposed worldwide. As such, the Group engagement team performed virtual site reviews for each of these locations, which included our review of selected working papers of the component auditor.

As mentioned above certain reporting matters are predominantly centrally determined by VEON Ltd. group management and are audited by us with the involvement of the PwC network firm in the Netherlands. This includes amongst others non-current assets impairment testing and triggering events analysis for goodwill and non-goodwill CGUs, the appropriateness of application and testing of incremental borrowing rate for IFRS 16 “Leases”, the follow-up on whistle-blower allegations and other ethics cases monitored at the group management level. We have agreed the scope, evaluated competence, capabilities, expertise, and objectivity of the PwC Netherlands specialists involved, obtained, reviewed and evaluated the results of PwC Netherlands audit and specialist teams’ work in these complex audit areas and incorporated those into our audit file.

By performing the procedures above at components, combined with additional procedures at VimpelCom level and VEON Ltd. level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the Group as a whole to provide a basis for our opinion on the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises Securities Issuer’s Report for the 12 months 2021 and, the Annual Report (but does not include the consolidated financial statements and our auditor’s report thereon), which are expected to be made available to us after the date of this auditor’s report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read Securities Issuer’s Report for the 12 months 2021, and the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing VimpelCom's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate VimpelCom or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing VimpelCom's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The certified auditor responsible for the audit resulting in this independent auditor's report is A.A. Karlovski

AO PricewaterhouseCoopers Audit

29 April 2022

Moscow, Russian Federation

A.A. Karlovski is authorised to sign on behalf of the general director of AO PricewaterhouseCoopers Audit (Principal Registration Number of the Record in the Register of Auditors and Audit Organizations (PRNR – 12006020338), certified auditor (PRNR – 21906105805)

Public Joint Stock Company "Vimpel-Communications"

Consolidated income statement
for the year ended 31 December 2021
(All amounts in millions of Rubles)

	Note	For the years ended 31 December 2021	2020[1]
Continuing operations			
Service revenue		**294,587**	285,282
Sale of equipment and accessories		**35,997**	27,228
Other revenue		**1,416**	1,548
Total operating revenue	2,3	**332,000**	314,058
Other operating income		**274**	290
Service costs		**(77,717)**	(74,351)
Cost of equipment and accessories		**(34,376)**	(26,263)
Selling, general and administrative expenses (including impairment loss on financial assets of RUB 1,182 for 2021 and RUB 2,660 for 2020)	4	**(95,154)**	(92,047)
Depreciation	13	**(74,533)**	(69,357)
Amortization	14	**(10,518)**	(11,976)
Impairment loss	12	**(975)**	(9,951)
Loss on disposal of non-current assets		**(1,728)**	(2,023)
Gain on sale of subsidiary		**–**	8,628
Operating profit		**37,273**	37,008
Finance costs		**(21,538)**	(23,192)
Finance income		**2,052**	2,526
Foreign exchange gain / (loss), net		**547**	(8,456)
Other non-operating (loss) / gain, net	5	**(40)**	1,760
Profit before income tax from continuing operations		**18,294**	9,646
Income tax expense	10	**(4,436)**	(4,863)
Profit for the period from continuing operations		**13,858**	4,783
Profit after tax for the period from discontinued operations	15	**3,630**	1,046
Profit for the period		**17,488**	5,829
Profit / (loss) for the period attributable to:			
The owners of the Company, continuing operations		**10,828**	8,928
The owners of the Company, discontinued operations	15	**3,630**	1,046
Non-controlling interests	15	**3,030**	(4,145)
		17,488	5,829

[1] Prior year comparatives are re-presented following the classification of Uzbekistan as discontinued operations (Note 15).

Public Joint Stock Company ”Vimpel-Communications”

Consolidated statement of comprehensive income for the year ended 31 December 2021

(All amounts in millions of Rubles)

	For the years ended 31 December	
	2021	**2020**[1]
Profit for the period	**17,488**	5,829
Other comprehensive income / (loss)		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation reserve arising on exchange differences on translation of foreign operations of continuing operations	**(520)**	(5,588)
Foreign currency translation reserve arising on exchange differences on translation of foreign operations of discontinued operations	**(299)**	1,501
Items reclassified to profit or loss:		
Reclassification of accumulated foreign currency translation reserve to profit or loss upon disposal of foreign operation	**–**	(7,171)
Other comprehensive (loss) / income for the period	**(819)**	(4,087)
Total comprehensive income / (loss) for the period	**16,669**	1,742
Total comprehensive income / (loss) for the period attributable to:		
The owners of the Company	**13,787**	7,103
Non-controlling interests	**2,882**	(5,361)
	16,669	1,742
Total comprehensive income for the period attributable to the owners of the Company arises from:		
Continuing operations	**10,456**	4,556
Discontinued operations	**3,331**	2,547
	13,787	7,103

[1] Prior year comparatives are re-presented following the classification of Uzbekistan as discontinued operations (Note 15).

Public Joint Stock Company ”Vimpel-Communications”

Consolidated statement of financial position as of 31 December 2021

(All amounts in millions of Rubles)

	Note	31 December 2021	31 December 2020
Assets			
Non-current assets			
Property and equipment	13	**362,775**	298,938
Intangible assets	14	**111,161**	115,774
Deferred income tax assets	10	**1,195**	817
Loans and other financial assets	16,21	**28,224**	27,121
Other non-current assets	8	**2,176**	2,128
Total non-current assets		**505,531**	444,778
Current assets			
Inventories	7	**7,708**	7,318
Trade and other receivables	6	**24,531**	20,860
Other current assets	8	**11,756**	12,067
Current income tax assets	10	**1,169**	1,135
Loans and other financial assets	16,21	**10,776**	33,720
Cash and cash equivalents	17	**10,313**	12,302
		66,253	87,402
Assets classified as held for sale	11	**1,375**	–
Total current assets		**67,628**	87,402
Total assets		**573,159**	532,180
Equity and liabilities			
Equity			
Equity attributable to equity owners of the Company	19	**129,713**	119,082
Non-controlling interests	15	**8,362**	38,235
Total equity		**138,075**	157,317
Non-current liabilities			
Trade and other payables		**1,452**	2,059
Debt and other financial liabilities	16,21	**298,143**	223,008
Provisions	9	**2,514**	3,685
Deferred income tax liabilities	10	**5,034**	4,549
Other non-current liabilities	8	**1,130**	486
Total non-current liabilities		**308,273**	233,787
Current liabilities			
Trade and other payables		**79,993**	86,100
Debt and other financial liabilities	16,21	**28,455**	38,341
Provisions	9	**1,261**	2,042
Current income tax payables	10	**1,429**	835
Other current liabilities	8	**15,673**	13,758
Total current liabilities		**126,811**	141,076
Total equity and liabilities		**573,159**	532,180

Public Joint Stock Company ”Vimpel-Communications”

Consolidated statement of changes in equity for the year ended 31 December 2021

(All amounts in millions of Rubles)

		Attributable to the owners of the Company							
	Note	**Issued capital**	**Capital surplus**	**Other capital reserves**	**Retained earnings**	**Foreign currency translation reserve**	**Total**	**Non-controlling interests**	**Total equity**
As of 31 December 2020		**3**	**40,234**	**31,985**	**112,568**	**(65,708)**	**119,082**	**38,235**	**157,317**
Profit for the period		–	–	–	14,458	–	**14,458**	3,030	**17,488**
Other comprehensive income / (loss)		–	–	–	–	(671)	**(671)**	(148)	**(819)**
Total comprehensive income / (loss)		**–**	**–**	**–**	**14,458**	**(671)**	**13,787**	**2,882**	**16,669**
Dividends declared	20	–	–	–	(4,363)	–	**(4,363)**	(2,742)	**(7,105)**
Purchase of non-controlling interests without a change of control	15	–	–	15	–	–	**15**	(15)	**–**
Transactions under common control (purchase of non-controlling interests without a change of control)	15	–	–	31,027	–	–	**31,027**	(31,027)	**–**
Transactions under common control (acquisition of LLC “Sovintel Group”)	15	–	–	(1,198)	–	–	**(1,198)**	1,029	**(169)**
Transactions under common control (disposal of Uzbekistan operations)	15	–	–	(63,492)	–	51,576	**(11,916)**	–	**(11,916)**
Transactions under common control (transactions with tower assets)	11	–	–	(6,110)	–	–	**(6,110)**	–	**(6,110)**
Transactions under common control (forgiveness of debt on a loan issued to shareholders)	21	–	–	(10,611)	–	–	**(10,611)**	–	**(10,611)**
As of 31 December 2021		**3**	**40,234**	**(18,384)**	**122,663**	**(14,803)**	**129,713**	**8,362**	**138,075**

Public Joint Stock Company ”Vimpel-Communications”

Consolidated statement of changes in equity
for the year ended 31 December 2020

(All amounts in millions of Rubles)

	Attributable to the owners of the Company							
	Issued capital	**Capital surplus**	**Other capital reserves**	**Retained earnings**	**Foreign currency translation reserve**	**Total**	**Non-controlling interests**	**Total equity**
As of 31 December 2019	**3**	**40,234**	**37,458**	**122,594**	**(61,959)**	**138,330**	**(266)**	**138,064**
Profit for the period	–	–	–	9,974	–	**9,974**	(4,145)	**5,829**
Other comprehensive income / (loss)	–	–	–	–	(2,871)	**(2,871)**	(1,216)	**(4,087)**
Total comprehensive income / (loss)	**–**	**–**	**–**	**9,974**	**(2,871)**	**7,103**	**(5,361)**	**1,742**
Dividends declared	–	–	–	(20,000)	–	**(20,000)**	(170)	**(20,170)**
Transactions under common control (sale of Georgian operations)	–	–	14,775	–	(878)	**13,897**	13,351	**27,248**
Transactions under common control (sale of other companies)	–	–	(20,248)	–	–	**(20,248)**	30,681	**10,433**
As of 31 December 2020	**3**	**40,234**	**31,985**	**112,568**	**(65,708)**	**119,082**	**38,235**	**157,317**

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

Public Joint Stock Company "Vimpel-Communications"

Consolidated statement of cash flows for the year ended 31 December 2021

(All amounts in millions of Rubles)

	Note	For the years ended 31 December 2021	2020[1]
Operating activities			
Profit for the period from continuing operations		**13,858**	4,783
Income tax expense	10	**4,436**	4,863
Profit before income tax from continuing operations		**18,294**	9,646
Non-cash adjustments to reconcile profit before tax to net cash flows from operating activities:			
Depreciation	13	**74,533**	69,357
Impairment loss	12	**975**	9,951
Amortization	14	**10,518**	11,976
Loss on disposal of non-current assets		**1,728**	2,023
Gain on sale of subsidiary		**–**	(8,628)
Finance income		**(2,052)**	(2,526)
Finance costs		**21,538**	23,192
Other non-operating loss / (gain), net	5	**40**	(1,760)
Foreign exchange (gain) / loss, net		**(547)**	8,456
Changes in provisions and other movements		**637**	(531)
Change in operating assets and liabilities:			
Decrease / (increase) in trade and other receivables		**(9,751)**	(471)
Decrease / (increase) in inventories		**(502)**	2,893
(Decrease) / increase in trade and other payables		**2,867**	1,335
Operating cash flows before interest and income tax:		**118,278**	124,913
Interest and income tax:			
Interest paid		**(21,615)**	(22,016)
Interest received		**1,355**	2,185
Income tax paid		**(3,567)**	(6,544)
Net cash flows from operating activities of continuing operations		**94,451**	98,538
Net cash flows from operating activities of discontinued operations	15	**3,995**	6,107
Net cash flows from operating activities		**98,446**	104,645
Investing activities			
Purchase of property, equipment and intangible assets		**(78,523)**	(80,923)
Proceeds from sale of property, equipment and intangible assets		**661**	402
Loans issued		**(23,254)**	(67,674)
Repayment of loans issued		**34,424**	87,495
Inflows from investments in other financial assets		**31**	1,387
Inflows from deposits		**33**	145
Outflows from deposits		**(8)**	(382)
Acquisition of subsidiaries net of cash acquired		**(688)**	(1,419)
Disposal of subsidiaries net of cash received		**–**	2,349
Net cash flows used in investing activities of continuing operations		**(67,324)**	(58,620)
Net cash flows used in investing activities of discontinued operations (including cash disposed)	15	**(5,149)**	(3,040)
Net cash flows used in investing activities		**(72,473)**	(61,660)
Financing activities			
Proceeds from borrowings, net of fees paid		**118,819**	66,000
Repayment of borrowings and bonds		**(123,856)**	(95,411)
Repayment of lease liabilities		**(17,166)**	(15,512)
Dividends paid to equity holders		**(4,363)**	(20,000)
Dividends paid to non-controlling interests		**(787)**	(170)
Net cash flows used in financing activities of continuing operations		**(27,353)**	(65,093)
Net cash flows used in financing activities of discontinued operations	15	**(228)**	(255)
Net cash flows used in financing activities		**(27,581)**	(65,348)
Net change in cash and cash equivalents		**(1,608)**	(22,363)
Effect of exchange rate changes on cash and cash equivalents of continuing operations, net		**(275)**	2,351
Effect of exchange rate changes on cash and cash equivalents of discontinued operations, net	15	**(106)**	816
Cash and cash equivalents at the beginning of the period		**12,302**	31,498
Cash and cash equivalents at the end of the period		**10,313**	12,302

[1] Prior year comparatives are re-presented following the classification of Uzbekistan as discontinued operations (Note 15).

1. General information

Public Joint Stock Company ”Vimpel-Communications” (PJSC “VimpelCom”, together with its consolidated subsidiaries referred to as the “Group”, “VimpelCom” or the “Company”) 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 consolidated financial statements are presented in Russian Rubles (“RUB”). In these notes, Russian Ruble amounts are presented in millions unless otherwise indicated.

VimpelCom generates revenue from the provision of voice, data and other telecommunication services through a range of mobile and fixed-line technologies, as well as selling equipment and accessories. As of 31 December 2021, the Company operated telecommunications services in Russia, Kazakhstan and Kyrgyzstan primarily under the “Beeline” brand name.

Major developments during the year ended 31 December 2021

In September 2021, VimpelCom completed the reorganization of PJSC “VimpelCom” which resulted in the disposal of operations in Uzbekistan. The Company classified its operations in Uzbekistan as discontinued operations, the results for Uzbekistan in the consolidated income statements and the consolidated statements of cash flows for the years ended 31 December 2021 and 31 December 2020 have been presented separately (Note 15). Information about other transactions under common control is presented in Note 15.

On 5 September 2021, VEON Ltd., the ultimate parent of the Group, and VEON Holdings B.V., a subsidiary of VEON Ltd., signed an agreement for the sale of its direct subsidiary, Joint Stock Company “National Tower Company” (hereinafter – “NTC”), with Service Telecom Group of Companies LLC. The transaction was subject to regulatory approvals and consummation of other customary closing conditions which were obtained and completed on 1 December 2021. Under the terms of the deal, PJSC “VimpelCom” entered into a long-term lease agreement with NTC (Note 11).

Changes of exchange rates in the countries in which VimpelCom operates as well as changes in the structure of the Group that occurred in 2020 resulted in changes in the foreign exchange gain / (loss), net recognized in the consolidated income statement for the years ended 31 December 2021 and 31 December 2020 and changes in the foreign currency translation reserves recognized in the consolidated statement of comprehensive income and statement of changes in equity for the years ended 31 December 2021 and 31 December 2020.

Our working capital is monitored on a regular basis by our management. Although we have a negative working capital our management expects to repay our debt as it becomes due from our operating cash flows, through external financing, including funding from the VEON Ltd. Group (Note 21) and banks (Note 16 and Note 22), and management of expenses. Please also refer to Note 22 regarding the current geopolitical situation subsequent to the reporting date.

The consolidated financial statements of the Company as of 31 December 2021 and for the year ended 31 December 2021 were authorized for issue by the General Director of PJSC “VimpelCom” on 29 April 2022.

(All amounts in millions of Rubles unless otherwise stated)

Operating activities of the Group

2. Segment information

Management analyzes the Company's operating segments separately because of different economic environments and stages of development in different geographical areas, requiring different investment and marketing strategies.

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), 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"). EBITDA is a non-IFRS performance measure. Management is responsible for defining and establishing this measure, and the method of its calculation may vary from other entities' calculation of similar measures or the Group's use of the terms that comprise this measure may vary from similarly titled terms used by others. Management does not analyze, assets and liabilities by reportable segments.

The Company's reportable segments include "Russia" and "Kazakhstan". From 21 September 2021, "Uzbekistan" is no longer a reportable segment subsequent to its classification as discontinued operations (Note 15), the comparative information has been adjusted accordingly. The "Other operating companies" column in the tables below includes our operations in Kyrgyzstan (2020: Kyrgyzstan, Armenia and Georgia). The "Eliminations and other" column in the tables below includes inter-company eliminations, holding companies and other unallocated adjustments. Inter-segment transactions between operating segments are made on terms which are comparable to transactions with third parties.

Financial information by reportable segment for the years ended 31 December 2021 and 31 December 2020 is presented in the following tables.

Information by reportable segments for the year ended 31 December 2021

	Russia	Kazakhstan	Other operating companies	Eliminations and other	Group, continuing operations	Uzbekistan, discontinued operations (Note 15)	Total
Revenue							
External customers	289,345	39,335	3,186	134	332,000	10,518	**342,518**
Inter-segment	64	10	54	(128)	–	–	**–**
Total operating revenue	**289,409**	**39,345**	**3,240**	**6**	**332,000**	**10,518**	**342,518**
EBITDA	**104,811**	**19,680**	**1,661**	**(1,120)**	**125,027**	**6,340**	**131,367**
Capital expenditures*	**75,793**	**8,157**	**1,179**	**–**	**85,129**	**1,517**	**86,646**

** Excluding right-of-use assets (IFRS 16 "Leases").*

Information by reportable segments for the year ended 31 December 2020

	Russia	Kazakhstan	Other operating companies	Eliminations and other	Group, continuing operations	Uzbekistan, discontinued operations (Note 15)	Total
Revenue							
External customers	274,377	32,417	7,164	100	314,058	14,110	**328,168**
Inter-segment	214	9	170	(393)	–	–	**–**
Total operating revenue	**274,591**	**32,426**	**7,334**	**(293)**	**314,058**	**14,110**	**328,168**
EBITDA	**103,817**	**16,581**	**738**	**551**	**121,687**	**4,776**	**126,463**
Capital expenditures*	**73,788**	**9,355**	**2,174**	**1**	**85,318**	**4,132**	**89,450**

** Excluding right-of-use assets (IFRS 16 "Leases").*

(All amounts in millions of Rubles unless otherwise stated)

2. Segment information (continued)

The following table provides the reconciliation of consolidated EBITDA to consolidated profit from continuing operations for the years ended 31 December 2021 and 31 December 2020:

	2021	**2020**
EBITDA	**125,027**	121,687
Depreciation	**(74,533)**	(69,357)
Amortization	**(10,518)**	(11,976)
Impairment loss	**(975)**	(9,951)
Loss on disposal of non-current assets	**(1,728)**	(2,023)
Gain on sale of subsidiaries	**–**	8,628
Finance costs	**(21,538)**	(23,192)
Finance income	**2,052**	2,526
Other non-operating (loss) / gain, net	**(40)**	1,760
Net foreign exchange gain / (loss)	**547**	(8,456)
Income tax expense	**(4,436)**	(4,863)
Profit for the period from continuing operations	**13,858**	4,783

The following table provides the reconciliation of consolidated EBITDA to consolidated profit from discontinuing operations (Note 15) for the years ended 31 December 2021 and 31 December 2020:

	2021	**2020**
EBITDA	**6,340**	**4,776**
Depreciation	**(1,650)**	(2,389)
Amortization	**(130)**	(256)
Loss on disposal of non-current assets	**(220)**	(177)
Finance costs	**(173)**	(196)
Finance income	**75**	241
Other non-operating gain / (loss), net	**275**	(30)
Net foreign exchange loss	**(3)**	(137)
Income tax expense	**(884)**	(786)
Profit for the period from continuing operations	**3,630**	1,046

3. Operating revenue

VimpelCom generates revenue from the provision of voice, data and other telecommunication services through a range of wireless, fixed and broadband internet services, as well as selling equipment and accessories. Products and services may be sold separately or in bundled packages.

Revenue from contracts with customers

The following table provides a breakdown of revenue from contracts with customers for the year ended 31 December 2021:

	Russia	**Kazakhstan**	**Other operating companies**	**Eliminations and other**	**Group, continuing operations**	**Uzbekistan, discontinued operations (Note 15)**	**Total**
Revenue							
Service revenue	253,522	37,867	3,207	(9)	**294,587**	10,514	**305,101**
including:							
- Mobile	212,874	34,820	3,137	(11)	**250,820**	10,514	**261,334**
- Fixed	40,648	3,047	70	2	**43,767**	–	**43,767**
Sale of equipment and accessories	34,729	1,268	–	–	**35,997**	–	**35,997**
Other revenue	1,158	210	33	15	**1,416**	4	**1,420**
Total operating revenue	**289,409**	**39,345**	**3,240**	**6**	**332,000**	**10,518**	**342,518**

(All amounts in millions of Rubles unless otherwise stated)

3. Operating revenue (continued)

The following table provides a breakdown of revenue from contracts with customers for the year ended 31 December 2020, the comparative information was re-presented following the classification of Uzbekistan as discontinued operation (Note 15):

	Russia	Kazakhstan	Other operating companies	Eliminations and other	Group, continuing operations	Uzbekistan, discontinued operations (Note 15)	Total
Revenue							
Service revenue	246,790	31,703	7,041	(252)	**285,282**	14,084	**299,366**
including:							
- Mobile	209,110	29,174	5,622	(59)	**243,847**	14,002	**257,849**
- Fixed	37,680	2,529	1,419	(193)	**41,435**	82	**41,517**
Sale of equipment and accessories	26,439	536	253	–	**27,228**	4	**27,232**
Other revenue	1,362	187	40	(41)	**1,548**	22	**1,570**
Total operating revenue	**274,591**	**32,426**	**7,334**	**(293)**	**314,058**	**14,110**	**328,168**

These business activities include the following operations: mobile primarily includes providing wireless telecommunication services to the Company's customers and other operators, content services, mobile financial services; fixed line primarily includes providing wireline telecommunication services and broadband internet access.

Assets and liabilities arising from contracts with customers

The following table provides a breakdown of contract balances and capitalized customer acquisition costs.

	Note	31 December 2021	31 December 2020
Contract balances			
Receivables (billed)	6	**25,703**	21,616
Contract assets (unbilled)	6	**721**	633
Contract liabilities			
- Deferred revenue	8	**2,795**	2,615
- Customer advances	8	**2,847**	2,866
Capitalized costs			
Customer acquisition costs	8	**1,811**	2,086

Accounting policies

Revenue from contracts with customers

Service revenue

Service revenue includes revenue from airtime charges from contract and prepaid customers, monthly contract fees, interconnect revenue, roaming charges and charges for value added services (“VAS”). VAS includes short messages, multimedia messages, caller number identification, call waiting, data transmission, mobile internet, downloadable content, mobile finance services, machine-to-machine and other services. The content revenue relating to VAS is presented net of related costs when the Company’s performance obligation is to arrange the provision of the services by another party (the Company acts as an agent), and gross when the Company is primarily responsible for fulfilling the obligation to provide such services to the customer.

Revenue for services with a fixed-term, including fixed-term tariff plans and monthly subscriptions, is recognized on a straight-line basis over time. For pay-as-you-use plans, in which the customer is charged based on actual usage, revenue is recognized on a usage basis. Some tariff plans allow customers to rollover unused services to the following period. For these tariff plans, revenue is generally recognized on a usage basis.

3. Operating revenue (continued)

Accounting policies (continued)

Service revenue (continued)

For contracts which include multiple service components (such as voice, text, data), revenue is allocated based on stand-alone selling price of each performance obligations. The stand-alone selling price for these services is usually determined with reference to the price charged per service under a pay-as-you-use plan to similar customers.

Upfront fees, including activation or connection fees, are recognized on a straight-line basis over the contract term. For contracts with an indefinite term (for example, prepaid contracts), revenue from upfront fees is recognized over the average customer life.

Revenue from other operators, including interconnect and roaming charges, is recognized based on the price specified in the contract, net of any estimated retrospective volume discounts. Accumulated experience is used to estimate and provide for the discounts.

All service revenue is recognized over time as services are rendered.

Sale of equipment and accessories

Equipment and accessories are usually sold to customers on a stand-alone basis or together with service bundles. Where sold together with service bundles, revenue is allocated pro-rata, based on the stand-alone selling price of the equipment and the service bundle.

The vast majority of equipment and accessories sales pertain to mobile handsets and accessories. Revenue for mobile handsets and accessories is recognized when the equipment is sold to a customer, or, if sold via an intermediary, when the intermediary has taken control of the device and the intermediary has no remaining right of return. Revenue for fixed-line equipment is not recognized until installation and testing of such equipment are completed and the equipment is accepted by the customer.

All revenue from sale of equipment and accessories is recognized at a point in time.

Contract balances

Receivables and contracts assets mostly relate to amounts due from payment agents, other operators and postpaid customers. Contract assets, often referred to as "Accrued receivables" are transferred to receivables when the rights become unconditional, which usually occurs when the Group issues an invoice to the customer.

Contract liabilities, often referred to as "deferred revenue", relate primarily to non-refundable cash received from prepaid customers for fixed-term tariff plans or pay-as-you-use tariff plans. Contract liabilities are presented as "Long-term deferred revenue", "Short-term deferred revenue" and "Customer advances" in Note 8. All current contract liabilities outstanding at the beginning of the year have been recognized as revenue during the year.

Customer acquisition costs

Certain incremental costs incurred in acquiring a contract with a customer ("customer acquisition costs"), are deferred in the consolidated statement of financial position within other assets (Note 8). Such costs generally relate to commissions paid to third-party dealers and are amortized on a straight-line basis over the average customer life, within "Selling, general and administrative expenses".

The Group applies the practical expedient available for customer acquisition costs for which the amortization would have been shorter than 12 months. Such costs relate primarily to commissions paid to third-party dealers upon top-up of prepaid credit by customers and sale of top-up cards.

(All amounts in millions of Rubles unless otherwise stated)

3. Operating revenue (continued)

Source of estimation uncertainty

Average customer life

Management estimates the average customer life for revenue (such as upfront fees) from contracts with an indefinite term and for customer acquisition costs. The average customer life is calculated based on historical data, specifically churn rates which are impacted by relevant country or market characteristics, customer demographic and the nature and terms of the product (such as mobile and fixed line, prepaid and postpaid).

4. Selling, general and administrative expenses

Selling, general and administrative expenses from continuing operations consist of the following items for the years ended 31 December 2021 and 31 December 2020:

	2021	2020
Personnel costs	**36,206**	31,725
Network and IT costs	**23,142**	23,445
Customer associated costs	**20,423**	20,149
Taxes other than income tax	**4,054**	4,224
Services costs and variable part of the other lease payments	**3,899**	4,233
Consulting and professional service costs	**2,019**	1,791
Losses on receivables	**1,182**	2,660
Other general and administrative expenses	**4,229**	3,820
Total	**95,154**	92,047

Accounting policies

Leases

Short-term leases, leases for low value items, services costs and variable part of the other lease payments are immediately expensed as incurred.

Customer associated costs

Customer associated costs relate primarily to commissions paid to third-party dealers and marketing expenses. Certain dealer commissions are initially capitalized in the consolidated statement of financial position and subsequently amortized within "Customer associated costs", see Note 3 for further details.

5. Other non-operating (loss) gain, net

Other non-operating gain, net from continuing operations consisted of the following items for the years ended 31 December 2021 and 31 December 2020:

	2021	2020
Other loss, net	**(40)**	(97)
Changes in the fair value of non-hedge derivatives*	**–**	1,857
Total other non-operating gain from continuing operations, net	**(40)**	1,760

** Changes in the fair value of non-hedge derivatives relate to derivative transactions entered into by the Company to protect its USD cash outflows from adverse changes in the USD/RUB exchange rate.*

(All amounts in millions of Rubles unless otherwise stated)

6. Trade and other receivables

Trade and other receivables consisted of the following items as of 31 December 2021 and 31 December 2020:

	31 December 2021	31 December 2020
Trade receivables, gross*	**26,710**	22,249
Expected credit losses	**(2,837)**	(3,327)
Trade receivables, net	**23,873**	18,922
Other receivables, net of expected credit losses	**658**	1,938
Total trade and other receivables	**24,531**	20,860

** Includes contract assets (unbilled receivables), see Note 3 for further details.*

The following table summarizes the movements in the expected credit losses for the years ended 31 December 2021 and 31 December 2020:

	Note	2021	2020
Balance as of 1 January		**3,327**	3,406
Accruals for expected credit losses		**1,800**	2,937
Impairment		**123**	163
Divestment of subsidiaries	15	**(368)**	(201)
Accounts receivable written off		**(1,732)**	(2,479)
Recoveries		**(292)**	(319)
Foreign currency translation adjustment		**(21)**	(180)
Balance as of 31 December		**2,837**	3,327

Set out below is the information about the Group's trade receivables (including contract assets) using a provision matrix:

	Contract assets	Current	Days past due			Total
			< 30 days	30-120 days	> 120 days	
As of 31 December 2021						
Trade receivables, gross	721	20,984	1,875	868	1,976	26,424
Expected loss rate, %	0.001%	1.4%	9.8%	47.1%	84.5%	
Expected credit losses	–	(288)	(184)	(409)	(1,670)	(2,551)
Total trade receivables, net	**721**	**20,696**	**1,691**	**459**	**306**	**23,873**

	Contract assets	Current	Days past due			Total
			< 30 days	30-120 days	> 120 days	
As of 31 December 2020						
Trade receivables, gross	633	16,828	1,535	1,103	2,150	**22,249**
Expected loss rate, %	0.6%	1.7%	17.8%	55.8%	100.0%	
Expected credit losses	(4)	(285)	(273)	(615)	(2,150)	**(3,327)**
Total trade receivables, net	**629**	**16,543**	**1,262**	**488**	**–**	**18,922**

Accounting policies

Trade and other receivables

Trade and other receivables are measured at amortized cost and include invoiced amounts less expected credit losses.

Expected credit losses

The expected credit loss allowance ("ECL") is recognized for all receivables measured at amortized cost at each reporting date. This means that ECL is recognized for all receivables even though there may not be objective evidence that the trade receivable has been impaired.

(All amounts in millions of Rubles unless otherwise stated)

6. Trade and other receivables (continued)

Accounting policies (continued)

Expected credit losses (continued)

VimpelCom applies the simplified approach (i.e. provision matrix) for calculating a lifetime ECL for its trade and other receivables, including unbilled receivables (contract assets). The provision matrix is based on the historical credit loss experience over the life of the trade receivables and is adjusted for forward-looking estimates if relevant. The provision matrix is reviewed on a quarterly basis.

7. Inventories

Inventory consisted of the following items as of 31 December 2021 and 31 December 2020:

	31 December 2021	**31 December 2020**
Telephone handsets and accessories for sale	**8,113**	7,683
SIM-Cards	**403**	373
Other inventories	**130**	173
Obsolescence allowance	**(938)**	(911)
Total	**7,708**	7,318

The cost of inventories recognized as an expense was mainly reflected in the line “Cost of equipment and accessories” of the consolidated income statement. Other expenses and write down of inventories reflected in the other lines of the consolidated income statement amounted to RUB 1,118 and RUB 1,215 for the years ended 31 December 2021 and 31 December 2020, respectively.

Inventories are measured at the lower of cost and net realizable value and carried at the weighted-average cost basis.

(All amounts in millions of Rubles unless otherwise stated)

8. Other assets and other liabilities

Other assets consisted of the following items as of 31 December 2021 and 31 December 2020:

	Note	31 December 2021	31 December 2020
Other non–current assets			
Customer acquisition costs	3	**1,811**	2,086
Deferred costs related to connection fees		**264**	13
Other non-current assets		**101**	29
Total other non–current assets		**2,176**	2,128
Other current assets			
Input value added tax		**7,141**	7,351
Advances to suppliers		**3,992**	3,612
Deferred costs related to connection fees		**540**	101
Prepaid taxes		**8**	871
Other current assets		**75**	132
Total other current assets		**11,756**	12,067

Other liabilities consisted of the following items as of 31 December 2021 and 31 December 2020:

	Note	31 December 2021	31 December 2020
Other non–current liabilities			
Long–term deferred revenue	3	**472**	171
Other non–current liabilities		**658**	315
Total other non–current liabilities		**1,130**	486
Other current liabilities			
Amounts due to employees		**6,134**	4,204
Taxes payable (non-income tax)		**3,958**	4,244
Customer advances	3	**2,847**	2,866
Short–term deferred revenue	3	**2,323**	2,444
Other labilities		**411**	–
Total other current liabilities		**15,673**	13,758

(All amounts in millions of Rubles unless otherwise stated)

9. Provisions, contingencies and uncertainties

Provisions

The following table summarizes the movements in provisions for the years ended 31 December 2021 and 31 December 2020:

	Note	Decommis-sioning provision	Non-income tax provisions	Legal and other provisions	Total provisions
As of 31 December 2019		**4,556**	**984**	**37**	**5,577**
- Non–current portion		4,556	–	–	**4,556**
- Current portion		–	984	37	**1,021**
As of 31 December 2019		**4,556**	**984**	**37**	**5,577**
Arising during the year		360	2,542	–	**2,902**
Divestment of subsidiaries		(331)	(137)	(10)	**(478)**
Utilized		(67)	(1,345)	(45)	**(1,457)**
Unused amounts reversed and disposals		195	–	–	**195**
Discount and inflation rate adjustment		(1,119)	–	–	**(1,119)**
Translation adjustment and other movements		91	(4)	20	**107**
As of 31 December 2020		**3,685**	**2,040**	**2**	**5,727**
- Non–current portion		3,685	–	–	**3,685**
- Current portion		–	2,040	2	**2,042**
As of 31 December 2020		**3,685**	**2,040**	**2**	**5,727**
Arising during the year		326	958	285	**1,569**
Divestment of subsidiaries	15	(215)	(704)	(1)	**(920)**
Utilized		(48)	(892)	–	**(940)**
Unused amounts reversed and disposals		(813)	(367)	–	**(1,180)**
Discount and inflation rate adjustment		(407)	–	–	**(407)**
Translation adjustment and other movements		(14)	(61)	1	**(74)**
As of 31 December 2021		**2,514**	**974**	**287**	**3,775**
- Non–current portion		2,514	–	–	**2,514**
- Current portion		–	974	287	**1,261**

The timing of payments in respect of provisions is, with some exceptions, not contractually fixed and cannot be estimated with certainty. In addition, with respect to legal proceedings, given inherent uncertainties, there can be no guarantee that the ultimate outcome will be in line with VimpelCom’s current expectations.

See “Sources of estimation uncertainty” below in this Note for further details regarding assumptions and sources of uncertainty. For further details regarding risks associated with income tax and non-income tax positions, please refer to “Sources of estimation uncertainty” in Note 10.

The Group has recognized a provision for decommissioning obligations associated with future dismantling of its towers in various jurisdictions.

9. Provisions, contingencies and uncertainties (continued)

Contingencies and uncertainties

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, VEON Holdings B.V. partially repurchased its notes. As of 31 December 2021 and 31 December 2020, the outstanding principal amount under the notes was USD 417 million (the equivalent of RUB 30,980 as of 31 December 2021 at the exchange rate provided by the Central Bank of Russia) and USD 417 million (the equivalent of RUB 30,806 as of 31 December 2020 at the exchange rate provided by the Central Bank of Russia), respectively. In March 2022, VEON Holdings B.V. fully redeemed its notes, which were guaranteed by the Company. No triggering events under the guarantee occurred.

Other contingencies and uncertainties

The Company is involved in other disputes, litigation and regulatory inquiries and investigations, both pending and threatened, in the ordinary course of its business. The Company does not expect any liability arising from these contingencies to have a material effect on the results of operations, liquidity, capital resources or financial position of the Company. Furthermore, the Company believes it has provided for all probable liabilities arising in the ordinary course of its business.

For the ongoing matters where the Company has concluded that the potential loss arising from a negative outcome in the matter cannot be estimated, the Company has not recorded an accrual for the potential loss. However, in the event a loss is incurred, it may have an adverse effect on the results of operations, liquidity, capital resources, or financial position of the Company.

Accounting policy

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are discounted using a current pre-tax rate if the time value of money is significant. Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Source of estimation uncertainty

The Group is involved in various legal proceedings, disputes and claims, including regulatory discussions related to the Group’s business, licenses, tax positions and investments, and the outcomes of these are subject to significant uncertainty. Management evaluates, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Unanticipated events or changes in these factors may require the Group to increase or decrease the amount recorded for a matter that has not been previously recorded because it was not considered probable.

In the ordinary course of business, VimpelCom may be party to various legal and tax proceedings, including as it relates to compliance with the rules of the telecom regulators in the countries in which VimpelCom operates, competition law and anti-bribery and corruption laws. Non-compliance with such rules and laws may cause VimpelCom to be subject to claims, some of which may relate to the developing markets and evolving fiscal and regulatory environments in which VimpelCom operates. In the opinion of management, VimpelCom’s liability, if any, in all pending litigation, other legal proceeding or other matters, other than what is discussed in this Note, will not have a material effect upon the financial condition, results of operations or liquidity of VimpelCom.

(All amounts in millions of Rubles unless otherwise stated)

9. Provisions, contingencies and uncertainties (continued)

Domestic and global economy risks

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. The Russian economy continues to be negatively impacted by international sanctions against certain Russian companies and individuals.

The Group management has taken note of global awareness and concerns about the potential impact of climate change. Currently, this matter has had no significant impact on the consolidated financial statements, but Management continues to monitor developments in this area.

Management is taking necessary measures to ensure sustainability of the Group’s operations (Note 1). Please also refer to Note 22 regarding the current geopolitical situation subsequent to the reporting date.

10. Income taxes

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

Income tax payables

As of 31 December 2021 and 31 December 2020, current income tax payables consisted of the following items:

	31 December 2021	**31 December 2020**
Current tax payable	**96**	120
Withholding tax payable	**–**	372
Uncertain tax positions	**1,333**	343
Total current income tax	**1,429**	835

The Company is involved in a number of disputes, litigation and regulatory proceedings in the ordinary course of its business, pertaining to income tax claims. Due to the high level of estimation uncertainty, as described in “Source of estimation uncertainty” disclosed below in this Note, it is not practicable for the Company to reliably estimate the financial effect for certain contingencies and therefore no financial effect has been included within the preceding disclosure. The Company does not expect any liability arising from these contingencies to have a material effect on the results of operations, liquidity, capital resources or financial position of the Company, however we note that an unfavorable outcome of some or all of the specific matters could have a material adverse impact on results of operations or cash flows for a particular period. This assessment is based on our current understanding of relevant facts and circumstances. As such, our view of these matters is subject to inherent uncertainties and may change in the future. For further details on with respect to Company’s uncertain tax provisions and tax risks, please refer to the “Accounting policies” and “Source of estimation uncertainty” disclosed below in this Note.

Income tax assets

As of 31 December 2021, the Company reported current income tax assets totaling RUB 1,169 (as of 31 December 2020: RUB 1,135). This mainly relates to advanced tax payments in Russia and Kazakhstan (as of 31 December 2020: in Uzbekistan and Russia) which can only be offset against income tax liabilities in that relevant jurisdiction, in fiscal periods subsequent to balance sheet date.

(All amounts in millions of Rubles unless otherwise stated)

10. Income taxes (continued)

Income tax expense

Income tax expense attributable to continuing and discontinuing operations consisted of the following for the years ended 31 December 2021 and 31 December 2020:

	Note	2021	2020
Current income taxes			
Current income tax charge		**4,230**	4,700
Withholding tax expenses		**27**	512
Total current income tax attributable to continuing operations		**4,257**	5,212
Total current income tax attributable to discontinuing operations	15	**816**	791
Total current income tax		**5,073**	6,003
Deferred income taxes			
Movement of temporary differences and losses		**240**	(2,417)
Adjustments in respect of previous years		**(121)**	2,061
Current year tax losses unrecognized		**60**	5
Total deferred income tax expense / (benefit) attributable to continuing operations		**179**	(350)
Total deferred income tax expense / (benefit) attributable to discontinuing operations		**68**	(4)
Total deferred income tax expense / (benefit)		**247**	(354)
Income tax expense attributable to continuing operations reported in the consolidated income statement		**4,436**	4,863
Income tax expense attributable to discontinuing operations	15	**884**	786
Total income tax expense		**5,320**	5,649

Effective income tax rate

The table below outlines the reconciliation between the statutory tax rate in the Russian Federation and the effective income tax rates for the Group, together with the corresponding amounts, for the year ended 31 December 2021, the comparative information for the year ended 31 December 2020 was re-presented following the classification of Uzbekistan as discontinued operation (Note 15):

	2021		2020	
Profit before income tax from continuing operations	**18,294**	**%**	9,646	%
Income tax expense computed on profit before tax from continuing operations at statutory tax rate (20%)	**3,659**	**20.0%**	1,929	20.0%
Difference due to the effects of:				
Non-deductible impairment of non-current assets including goodwill	**59**	**0.3%**	1,542	16.0%
Movements in (un)recognized deferred tax assets	**(530)**	**(2.9%)**	(1,260)	(13.1%)
Other non-deductible expenses net of non-taxable income	**630**	**3.4%**	(523)	(5.4%)
Current and deferred tax effect of intragroup dividends	**–**	**–**	142	1.5%
Refiling of tax returns	**(285)**	**(1.6%)**	(19)	(0.2%)
Uncertain tax positions	**990**	**5.4%**	(211)	(2.2%)
Different tax rates in different jurisdictions	**–**	**–**	650	6.7%
Effect of prior year adjustments	**(121)**	**(0.7%)**	2,061	21.4%
Others	**35**	**0.2%**	552	5.7%
Income tax expense from continuing operations reported in the consolidated income statement	**4,436**	**28.9%**	4,863	50.4%

(All amounts in millions of Rubles unless otherwise stated)

10. Income taxes (continued)

Explanatory notes to the effective income tax rate attributable to continuing operations

Reason	Explanation 2021	Explanation 2020
Non-deductible impairment of non-current assets including goodwill	The effect of impairment mostly relates to impairment of property and equipment, intangible assets and other assets in Kyrgyzstan in the amount of RUB 1,361 (income tax effect of RUB 136), reverse of impairment of property and equipment in Russia in the amount of RUB (530) (income tax effect RUB (106)) and impairment of property and equipment in Kazakhstan in the amount of RUB 144 (income tax effect of RUB 29) (Note 12).	The effect of impairment mostly relates to impairment of property and equipment, intangible assets and other assets in Kyrgyzstan in the amount of RUB 4,480 (income tax effect of RUB 448) and impairment of goodwill in Russia in the amount of 5,436 RUB (income tax effect of 1,087).
Movements in (un)recognized deferred tax assets	The amount for 2021 of RUB (530) relates to tax losses on transaction with tower assets (Note 11) of RUB (585) net off by Current year tax losses unrecognized in Menacrest AG in the amount of RUB 60 and recognition of previously unrecognized tax losses in Russia in the amount of RUB (5).	In 2020, the effective income tax rate was impacted by a RUB (1,260) change in recognition of deferred tax assets resulting from recognition of previously unrecognized tax losses in VEON Eurasia S.à r.l., and Russia.
Other non-deductible expenses net of non-taxable income	The most significant items from RUB 630 non-deductible expenses are non-deductible taxes of RUB 267, non-deductible depreciation expense in the amount of RUB 142, non-deductible business expenses in the amount of RUB 109.	The non-deductible expenses net of non-taxable income have a decreasing effect on the effective income tax rate of RUB (523). The most significant items are nontaxable effect on sale of subsidiaries in Armenia in the amount of RUB (1,726), non-deductible foreign exchange results in the amount of RUB 127, non-deductible business expenses in the amount of RUB 220, non-deductible interest expense in the amount of RUB 193, non-deductible depreciation expense in the amount of RUB 185 and other items in the amount of RUB 481.
Current and deferred tax effect of intragroup dividends	There were no effects in 2021.	The effect of consists RUB 142 on WHT on intragroup dividends paid in Armenia and Russia.
Refiling of tax returns	In 2021, the effect of refiling of tax returns in Russia for previous periods amounts to RUB (285).	In 2020, the effect of refiling of tax returns in Russia for previous periods amounts to RUB (19).
Uncertain tax positions	The uncertain tax positions relate to changes in provisions for uncertain income tax positions in Russia.	The uncertain tax positions relate to changes in provisions for uncertain income tax positions and mostly relate to Russia of RUB (238) and Kyrgyzstan of RUB 27.
Different tax rates in different jurisdictions	The different tax rate effects in 2021 were not significant.	Adjustment of RUB 650 is due to different tax rates of countries that are higher or lower compared to the Russian statutory income tax rate of 20%. In 2020, the most significant effects were in Georgia, VEON Eurasia S.à r.l. and Kyrgyzstan and amounted to RUB 663, RUB 239 and RUB 184 respectively, net off by effect in Swiss entities of RUB (456).
Effect of prior year adjustments	Effect of prior year adjustments of RUB (121) mostly relates to updated tax positions in Russia in the amount of RUB (51) and prior year adjustment of RUB (70) in Kazakhstan.	Effect of prior year adjustments of RUB 2,037 mostly relates to updated tax positions in Russia in the amount of RUB 600 and prior year adjustment of RUB 1,267 in VEON Eurasia S.à r.l.
Others	Other effect of RUB 35 includes other withholding taxes, effect of minimum taxes and other tax effects.	Other effect of RUB 552 includes other withholding taxes, effect of minimum taxes and other tax effects.

(All amounts in millions of Rubles unless otherwise stated)

10. Income taxes (continued)

Deferred income taxes

The Group reported the following deferred income tax assets and liabilities in the consolidated statement of financial position as of 31 December 2021 and 31 December 2020:

	31 December 2021	31 December 2020
Deferred income tax assets	**1,195**	817
Deferred income tax liabilities	**(5,034)**	(4,549)
Net deferred income tax position	**(3,839)**	(3,732)

The following table shows the movements of the deferred income tax assets and liabilities in 2021:

	31 December 2021	Charge to profit and loss	Changes in composition of the Group	Other	Currency translation adjustment	31 December 2020
Property and equipment[1]	**(32,328)**	(4,871)	1,066	–	82	**(28,605)**
Intangible assets[2]	**1,586**	1,060	(44)	–	43	**527**
Other non-current assets	**(241)**	(27)	25	–	2	**(241)**
Trade accounts receivable	**(380)**	(9)	(198)	–	(17)	**(156)**
Other current assets	**(74)**	37	(45)	–	14	**(80)**
Undistributed retained earnings of subsidiaries	**–**	–	177	–	–	**(177)**
Provisions	**619**	63	(44)	–	(16)	**616**
Financial liabilities (non-current)[3]	**16,353**	3,445	(293)	–	(66)	**13,267**
Other liabilities (non-current)	**292**	(13)	–	–	(6)	**311**
Trade payables and other current liabilities	**6,149**	(508)	(429)	–	(18)	**7,104**
Other current financial liabilities	**3,925**	449	(6)	–	(32)	**3,514**
Other movements and temporary differences	**42**	–	–	(45)	13	**74**
Tax losses and other carry forwards	**13,748**	182	15	107	(17)	**13,461**
Non recognized deferred tax assets on losses and other carry forwards	**(13,530)**	(55)	–	(107)	(21)	**(13,347)**
Net deferred tax position	**(3,839)**	**(247)**	**224**	**(45)**	**(39)**	**(3,732)**

[1] Property and equipment: movements related to charge to profit and loss was due to decrease of PPE in Russia and recognition of right-of-use assets caused by sale of tower assets (Note 11), movements related to changes in composition of the group was due to disposal of deferred tax liabilities related to property and equipment in Uzbekistan (Note 15) and other changes;

[2] Intangible assets: movements related to charge to profit and loss was due to increase of balances caused by software purchases during the year in Russia;

[3] Financial liabilities (non-current): movements related to charge to profit and loss was due to increase of lease liabilities in Russia caused by new agreements related to tower assets (Note 11).

(All amounts in millions of Rubles unless otherwise stated)

10. Income taxes (continued)

Deferred income taxes

The following table shows the movements of the deferred income tax assets and liabilities in 2020:

	31 December 2020	Charge to profit and loss	Tax rate changes	Changes in composition of the Group	Currency translation adjustment	31 December 2019
Property and equipment	**(28,605)**	166	–	103	(122)	**(28,752)**
Intangible assets	**527**	391	–	(9)	27	**118**
Other non-current assets	**(241)**	265	–	(16)	13	**(503)**
Trade accounts receivable	**(156)**	(41)	–	(97)	26	**(44)**
Other current assets	**(80)**	(295)	–	(2)	18	**199**
Undistributed retained earnings of subsidiaries	**(177)**	238	–	–	(62)	**(353)**
Provisions	**616**	(160)	–	(28)	10	**794**
Financial liabilities (non-current)	**13,267**	(884)	–	(56)	91	**14,116**
Other liabilities (non-current)	**311**	181	–	(1)	2	**129**
Trade and other payables	**8,143**	11	–	244	40	**7,848**
Other current liabilities	**(1,039)**	492	–	(280)	27	**(1,278)**
Other current financial liabilities	**3,514**	307	–	1	16	**3,190**
Other movements and temporary differences	**74**	(4)	–	–	36	**42**
Tax losses and other carry forwards[1]	**13,461**	853	2	–	1,624	**10,982**
Non recognized deferred tax assets on losses and other carry forwards[2]	**(13,347)**	(1,166)	–	–	(1,593)	**(10,588)**
Net deferred tax position	**(3,732)**	**354**	**2**	**(141)**	**153**	**(4,100)**

[1] Tax losses and other carry forwards: movements related to charge to profit and loss was due to carry-forwards occurred in VEON Eurasia S.à r.l., movements related to currency translation adjustment was due to currency fluctuations. Prior year balance was corrected and re-presented on amount of additional non-recognized loss in Russia of RUB 2,766 (due to incorrect amount disclosed in prior year financial statements);

[2] Non recognized deferred tax assets on losses and other carry forwards: movements related to charge to profit and loss was due to non-recognized losses occurred in VEON Eurasia S.à r.l., movements related to currency translation adjustment was due to currency fluctuations.

Unused tax losses and other credits carried forwards

VimpelCom recognizes a deferred tax asset for unused tax losses and other credits carried forwards, to the extent that it is probable that the deferred tax asset will be utilized. The amount and expiry date of unused tax losses and other carry forwards for which no deferred tax asset is recognized as of 31 December 2021 and 31 December 2020 are as follows.

As of 31 December 2021	**0-5 years**	**6-10 years**	**Indefinite**	**Total**
Tax losses expiry				
Recognized losses	1,093	–	–	**1,093**
Recognized DTA	218	–	–	**218**
Non-recognized losses	594	23,239	70,738	**94,571**
Non-recognized DTA	60	4,649	8,821	**13,530**

As of 31 December 2020	**0-5 years**	**6-10 years**	**Indefinite**	**Total**
Tax losses expiry				
Recognized losses	572	–	–	**572**
Recognized DTA	114	–	–	**114**
Non-recognized losses[1]	121	23,265	69,475	**92,861**
Non-recognized DTA	30	4,653	8,664	**13,347**

[1] The 2020 non-recognized losses amount has been adjusted and re-presented for non-recognized loss in Russia.

Losses mainly relate to holding entity in Luxembourg (2021: RUB 70,738; 2020: RUB 69,475), operating entities in Russia (2021: RUB 23,239; 2020: RUB 23,265).

10. Income taxes (continued)

Unused tax losses and other credits carried forwards

As of 31 December 2021, undistributed earnings / (loss) of VimpelCom’s foreign subsidiaries outside the Russian Federation (these are mainly subsidiaries in Kyrgyzstan and Uzbekistan) which are indefinitely invested and that will not be distributed in the foreseeable future, amounted to approximately RUB (2,671) (as of 31 December 2020: RUB 96,551). Accordingly, no deferred income tax liability is recognized for this amount of undistributed profits / (loss).

Accounting policy

Income taxes

Income tax expense represents the aggregate amount determined on the profit for the period based on current tax and deferred tax. In cases where the tax relates to items that are charged to other comprehensive income or directly to equity, the tax is also charged respectively to other comprehensive income or directly to equity.

Uncertain tax positions

The Group’s policy is to comply with the applicable tax regulations in the jurisdictions in which its operations are subject to income taxes. The Group’s estimates of current income tax expense and liabilities are calculated assuming that all tax computations filed by the Company’s subsidiaries will be subject to a review or audit by the relevant tax authorities. Uncertain tax positions are generally assessed individually, using the most likely outcome method. The Company and the relevant tax authorities may have different interpretations of how regulations should be applied to actual transactions (refer below for details regarding risks and uncertainties).

Deferred taxation

Deferred taxes are recognized using the liability method and thus are computed as the taxes recoverable or payable in future periods in respect of deductible or taxable temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Company’s financial statements.

Source of estimation uncertainty

Tax risks

The tax legislation in the markets in which VimpelCom operates is unpredictable and gives rise to significant uncertainties, which could complicate our tax planning and business decisions. Tax laws in many of the emerging markets in which we operate have been in force for a relatively short period of time as compared to tax laws in more developed market economies. Tax authorities in our markets often deviate in their interpretation of tax laws from industry viewpoint, as well as in their enforcement and tax collection methods.

Any sudden and unforeseen amendments of tax laws or changes in the tax authorities’ interpretations of the respective tax laws and/or double tax treaties, could have a material adverse effect on our future results of operations, cash flows or the amounts of dividends available for distribution to shareholders in a particular period (e.g. introduction of transfer pricing rules and Controlled Foreign Operation (CFC) legislation and more strict tax residency rules).

Management believes that VimpelCom has paid or accrued all taxes that are applicable. Where uncertainty exists, VimpelCom has accrued tax liabilities based on management’s best estimate. From time to time, we may also identify tax contingencies for which we have not recorded an accrual. Such unaccrued tax contingencies could materialize and require us to pay additional amounts of tax.

10. Income taxes (continued)

Uncertain tax positions

Uncertain tax positions are recognized when it is probable that a tax position will not be sustained. The expected resolution of uncertain tax positions is based upon management’s judgment of the likelihood of sustaining a position taken through tax audits, tax courts and/or arbitration, if necessary. Circumstances and interpretations of the amount or likelihood of sustaining a position may change through the settlement process. Furthermore, the resolution of uncertain tax positions is not always within the control of the Group and it is often dependent on the efficiency of the legal processes in the relevant taxing jurisdictions in which the Group operates. Issues can, and often do, take many years to resolve.

Recoverability of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that the assets will be realized. Significant judgment is required to determine the amount that can be recognized and depends foremost on the expected timing, level of taxable profits, tax planning strategies and the existence of taxable temporary differences. Estimates made relate primarily to losses carried forward in some of the Group’s operations. When an entity has a history of recent losses, the deferred tax asset arising from unused tax losses is recognized only to the extent that there is convincing evidence that sufficient future taxable profit will be generated. Estimated future taxable profit is not considered such evidence unless that entity has demonstrated the ability by generating significant taxable profit for the current year or there are certain other events providing sufficient evidence of future taxable profit. New transactions and the introduction of new tax rules may also affect judgments due to uncertainty concerning the interpretation of the rules and any transitional rules.

Investing activities of the Group

11. Significant transactions

The Agreement between VEON Group and Service Telecom Group of Companies LLC regarding the Sale of its Russian tower assets

On 24 August 2016, a new legal entity JSC “National Tower Company” (hereinafter “NTC”) was incorporated as a result of a corporate spin-off of a portion of PJSC “VimpelCom”’s tower infrastructure, as a result, NTC became a 100% indirect subsidiary of VEON Ltd., the ultimate parent company of PJSC “VimpelCom”.

On 5 September 2021, VEON Ltd. and VEON Holdings B.V., a subsidiary of VEON Ltd., signed an agreement for the sale of its direct subsidiary, NTC, with Service Telecom Group of Companies LLC for RUB 70,650. The transaction was subject to regulatory approvals, which were obtained on 12 November 2021, and consummation of other customary closing conditions, which were completed on 1 December 2021. Before the sale of NTC to Service Telecom Group of Companies LLC, the Company sold approximately 2,210 tower assets to NTC for RUB 5,665. Under the terms of the deal, PJSC “VimpelCom” (part of the “Russia” operating segment of the Company) entered into a long-term lease agreement with NTC, under which PJSC “VimpelCom” will lease space for placement of its telecommunication equipment on NTC's existing tower portfolio of approximately 15,400 towers for a period of 8 years, with up to ten optional renewal periods of 8 years each. Under the same agreement, an additional 5,000 towers are committed to be leased. The long-term lease agreement was signed on 15 October 2021 and came into force at transaction completion.

On 5 September 2021, the Company classified relevant tower assets, which were subsequently partly sold to NTC during the third and fourth quarters of 2021 and the remainder to be sold in 2022, as assets held-for-sale, including relevant goodwill of CGU “Russia” related to entire scope of NTC’s operations as the Company deemed NTC to be a subset of the CGU “Russia” and retained control over NTC operations from the date of spin-off in 2016. As such, the Company allocated goodwill to the sale of towers assets on a relative fair value basis. Following the classification as assets held-for-sale, the Company did not account for depreciation and amortization expenses of tower assets.

(All amounts in millions of Rubles unless otherwise stated)

11. Significant transactions (continued)

The Agreement between VEON Group and Service Telecom Group of Companies LLC regarding the Sale of its Russian tower assets (continued)

On 1 December 2021, upon completion of the sale agreement with Service Telecom Group of Companies LLC, control of NTC was transferred from VEON Ltd. to Service Telecom Group of Companies LLC. As a result of the subsequent lease agreement under the terms of the deal, PJSC “VimpelCom” recognized right-of-use assets of RUB 50,338 and lease liabilities of RUB 53,842, based on an 8 year lease term, which are at market rates, as well as a proportionate amount of goodwill, with respect to the portion of cash generating assets retained through the lease, of RUB 12,593. The right-of-use assets recognized include RUB 3,446 representing the proportional fair value of assets retained with respect to the carrying value of 2,210 tower assets sold to NTC during the year ended 31 December 2021. A portion of goodwill in the amount of RUB 839 was also retained within CGU “Russia” as assets held for sale for future sites to be sold under the agreement.

The Company applied sale and leaseback guidance under IFRS 16 “Leases” and recognized a loss in the total amount of RUB 6,110 which was accounted for through equity as these transactions represented transactions under common control. The result of the transactions for the year ended 31 December 2021 are detailed in the table below:

	2021
Recognition of right-of-use assets	50,338
Recognition of lease liabilities	(53,842)
Property and equipment (towers assets) sold to related party, sale consideration (Note 21)	5,665
Property and equipment (towers assets) sold to related party, net book value (Note 12)	(5,725)
Derecognition of decommissioning provision	642
Goodwill disposed	(3,188)
Total	**(6,110)**

Lease commitments for the additional 5,000 towers to be leased in the duration of the lease term at 31 December 2021 are RUB 19 585 (Note 13).

The following table shows the assets classified as held-for-sale relating to tower assets as of 31 December 2021 and 31 December 2020:

	31 December 2021	**31 December 2020**
Other current assets[1]	**536**	–
Goodwill	**839**	–
Total assets classified as held for sale	**1,375**	–

[1] The remaining part of the tower assets, which will be transferred to the NTC during 2022.

(All amounts in millions of Rubles unless otherwise stated)

12. Impairment of assets

Impairment analysis

Property and equipment and intangible assets are tested regularly for impairment. The Company assesses, at the end of each reporting period, whether there exist any indicators that an asset may be impaired (i.e., asset becoming idle, damaged or no longer in use). If there are such indicators, the Company estimates the recoverable amount of the asset. Impairment losses of continuing operations are recognized in the consolidated income statement in a separate line item.

Goodwill is tested for impairment annually (at September 30) or when circumstances indicate the carrying value may be impaired. Refer to Note 14 for an overview of the carrying value of goodwill per cash-generating unit (“CGU”). The Company’s impairment test is primarily based on fair value less cost of disposal calculations (Level 3 in the fair value hierarchy) using a discounted cash flow model, based on cash flow projections from business plans prepared by management. The Company considers the relationship between the 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. Management also updated its assessment of key assumptions as of 31 December 2021 and determined that no additional goodwill impairment should be recorded.

Impairment losses

Impairment losses / (reversal of impairment losses) for the years ended 31 December 2021 and 31 December 2020 consisted of the following items:

CGU's	Property and equipment	Other intangible assets	Other assets	Total impairment loss for 2021	Property and equipment	Other intangible assets	Goodwill	Other assets	Total impairment loss for 2020
Russia	(530)	–	–	**(530)**	(69)	–	5,436	–	**5,367**
Kyrgyzstan	905	400	56	**1,361**	3,009	653	–	818	**4,480**
Kazakhstan	144	–	–	**144**	104	–	–	–	**104**
Total	**519**	**400**	**56**	**975**	**3,044**	**653**	**5,436**	**818**	**9,951**

Impairment losses in 2021

In 2020, due to the unstable political environment and uncertainties arising with respect to the recoverability of operating assets in Kyrgyzstan, VimpelCom had fully impaired the carrying value of all operating assets of Kyrgyzstan. As a result, the Company recorded a total impairment loss of RUB 4,480 for the year ended 31 December 2020. For the year ended 31 December 2021, the Company recognized an additional impairment of assets in Kyrgyzstan in the amount of RUB 1,361, for the same reasons. There were no triggering events indicating any impairment (including goodwill impairment) or decline in the fair value in respect of operations in Russia, Kazakhstan and Uzbekistan for the year ended 31 December 2021.

Impairment losses in 2020

In recent years, Beeline Russia has seen a decline in its subscriber and revenue market share on the back of competitive pressures in the market, which have impacted both revenues and profitability. This underperformance has negatively impacted the fair value of our Russian business, and over time has eroded the existing headroom over the book value of the business. The impact of a weaker Russian ruble, along with ongoing COVID lockdowns and associated travel restrictions, have had a negative impact on consumer spending, which weakened particularly during the third quarter of 2020. Together with a slower than anticipated recovery in Beeline’s ARPU, which has in turn impacted our future projected revenue, a revision to our previous estimates has been deemed necessary.

Based on these revisions, VimpelCom recorded an impairment of RUB 5,436 against the carrying value of goodwill in Russia in the third quarter of 2020. The recoverable amount of the CGU was determined based on fair value less costs of disposal calculations (Level 3 in the fair value hierarchy) using a discounted cash flow model, based on cash flow projections from the business plans prepared by management.

(All amounts in millions of Rubles unless otherwise stated)

12. Impairment of assets (continued)

Key assumptions

The recoverable amounts of CGUs have been determined based on fair value less costs of disposal calculations using cash flow projections from business plans prepared by management.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGUs. These budgets and forecast calculations are prepared for a period of five years. A long-term growth rate is applied to project future cash flows after the fifth year.

The tables below show key assumptions used in fair value less costs of disposal calculations for CGUs with material goodwill or those CGUs for which an impairment has been recognized.

Discount rate

The discount rates are initially determined in USD based on the risk-free rate for 20-year maturity bonds of the United States Treasury, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific CGU relative to the market as a whole.

The equity market risk premium and small capitalization premium is sourced from independent market analysts. The systematic risk, beta, represents the median of the raw betas of the entities comparable in size and geographic footprint with the ones of VEON Ltd. ("Peer Group") since the Company is part of VEON Ltd. Group. The debt risk premium is based on the median of Standard & Poor's long-term credit rating of the Peer Group. The weighted average cost of capital is determined based on target debt-to-equity ratios representing the median historical five-year capital structure for each entity from the Peer Group.

The discount rate in functional currency of a CGU is adjusted for the long-term inflation forecast of the respective country in which the business operates, as well as the applicable country risk premium.

	Discount rate (functional currency)	
CGU	**2021**	**2020**
Russia	**9.3%**	10.1%
Kazakhstan	**9.4%**	10.3%
Kyrgyzstan*	**–**	–
Uzbekistan	**11.8%**	13.8%

* In 2020, VimpelCom fully impaired the carrying value of all operating assets of Kyrgyzstan, therefore discount rate was not determined.

Revenue growth rates

The revenue growth rates during the forecast period vary based on numerous factors, including size of market, GDP (Gross Domestic Product), foreign currency projections, traffic growth, market share and others. A long-term growth rate into perpetuity is estimated based on a percentage that is lower than or equal to the country long-term inflation forecast, depending on the CGU.

	Average annual revenue growth rate during the forecast period		Terminal growth rate	
CGU	**2021**	**2020**	**2021**	**2020**
Russia	**4.6%**	4.3%	**1.6%**	1.8%
Kazakhstan	**6.6%**	5.3%	**1.0%**	3.1%
Kyrgyzstan*	**–**	–	**–**	–
Uzbekistan	**3.7%**	3.2%	**3.0%**	5.1%

* In 2020, VimpelCom fully impaired the carrying value of all operating assets of Kyrgyzstan, therefore revenue growth rates were not determined.

(All amounts in millions of Rubles unless otherwise stated)

12. Impairment of assets (continued)

Key assumptions (continued)

Operating margin

The Company estimates operating margin calculated based on pre-IFRS 16 EBITDA divided by Total Operating Revenue for each CGU and each future year. The forecasted operating margin is based on the budget and forecast calculations and assumes cost optimization initiatives which are part of on-going operations, as well as regulatory and technological changes known to date, such as telecommunication license issues and price regulation among others.

CGU	Average operating margin during the forecast period		Terminal period operating margin	
	2021	**2020**	**2021**	**2020**
Russia	**33.1%**	31.2%	**35.5%**	35.7%
Kazakhstan	**48.8%**	49.5%	**47.0%**	50.0%
Kyrgyzstan*	**–**	–	**–**	–
Uzbekistan	**40.9%**	34.0%	**34.0%**	34.0%

* In 2020, VimpelCom fully impaired the carrying value of all operating assets of Kyrgyzstan, therefore operating margin assumptions were not determined.

CAPEX

Capital expenditure is defined as purchases of property and equipment excluding right-of-use assets and intangible assets excluding goodwill and licenses. The cash flow forecasts for capital expenditure are based on the budgeted and forecasts calculations and include the network roll-outs plans and license requirements.

The cash flow forecasts for license and spectrum payments for each operating company for the initial five years include amounts for expected renewals and newly available spectrum. Beyond that period, a long-run cost of spectrum is assumed. Payments for right-of-use assets are considered in the operating margin as described above.

CGU	Average CAPEX as a percentage of revenue during the forecast period		Terminal period CAPEX as a percentage of revenue	
	2021	**2020**	**2021**	**2020**
Russia	**25.5%**	27.9%	**21.0%**	21.0%
Kazakhstan	**19.9%**	19.8%	**20.0%**	19.0%
Kyrgyzstan*	**–**	–	**–**	–
Uzbekistan	**20.2%**	21.4%	**21.0%**	21.0%

* In 2020, VimpelCom fully impaired the carrying value of all operating assets of Kyrgyzstan, therefore CAPEX assumptions were not determined.

Source of estimation uncertainty

The Group has significant investments in property and equipment, intangible assets, goodwill and other investments.

Estimating recoverable amounts of assets and cash generating units (“CGUs”) must, in part, be based on management’s evaluations, including the determination of the appropriate CGUs, the relevant discount rate, estimation of future performance, the revenue-generating capacity of assets, timing and amount of future purchases of property and equipment, assumptions of future market conditions and the long-term growth rate into perpetuity (terminal value). In doing this, management needs to assume a market participant perspective. Changing the assumptions selected by management, in particular, the discount rate and growth rate assumptions used to estimate the recoverable amounts of assets, could significantly impact the Group’s impairment evaluation and hence results.

12. Impairment of assets (continued)

Source of estimation uncertainty (continued)

A significant part of the Group’s operations is in countries with emerging markets. The political and economic situation in these countries may change rapidly and recession may potentially have a significant impact on these countries. On-going recessionary effects in the world economy and increased macroeconomic risks impact our assessment of cash flow forecasts and the discount rates applied.

There are significant variations between different markets with respect to growth, mobile penetration, average revenue per user (“ARPU”), market share and similar parameters, resulting in differences in operating margins. The future development of operating margins is important in the Group’s impairment assessments, and the long-term estimates of these margins are highly uncertain. In particular this is the case for emerging markets that are still not in a mature phase.

There were no reasonably possible changes in key assumptions that would cause the carrying value of CGUs to exceed their recoverable amount.

(All amounts in millions of Rubles unless otherwise stated)

13. Property and equipment

The following table summarizes the movements in property and equipment for the years ended 31 December 2021 and 31 December 2020:

Property and equipment	Telecom-munication equipment	Land, buildings and constructions	Office and other equipment	Equipment not installed and assets under construction	Right-of-use assets	Total
Net book value						
As of 31 December 2019	**146,538**	**8,490**	**21,237**	**17,245**	**84,637**	**278,147**
- Cost	466,057	19,957	73,786	24,496	106,016	**690,312**
- Accumulated depreciation and impairment	(319,519)	(11,467)	(52,549)	(7,251)	(21,379	**(412,165**
As of 31 December 2019	**146,538**	**8,490**	**21,237**	**17,245**	**84,637**	**278,147**
Additions	(1,233)	123	426	77,442	9,287	**86,045**
Acquisition of a subsidiaries	283	–	26	17	174	**500**
Divestment of subsidiaries under common control	(4,006)	(184)	(242)	(557)	(2,156)	**(7,145)**
Disposals	(1,959)	(59)	(598)	(645)	233	**(3,028)**
Depreciation charge	(43,708)	(1,283)	(7,065)	–	(19,690)	**(71,746)**
Impairment	(2,002)	(53)	(157)	(473)	(359)	**(3,044)**
Transfers	54,720	97	7,278	(62,151)	25	**(31)**
Reassessments and modifications[1]	–	–	–	–	16,401	**16,401**
Reclassification from assets held for sale	–	11				**11**
Translation adjustment	1,581	172	217	272	586	**2,828**
As of 31 December 2020	**150,214**	**7,314**	**21,122**	**31,150**	**89,138**	**298,938**
- Cost	468,511	16,486	77,311	37,838	127,880	**728,026**
- Accumulated depreciation and impairment	(318,297)	(9,172)	(56,189)	(6,688)	(38,742)	**(429,088)**
As of 31 December 2020	**150,214**	**7,314**	**21,122**	**31,150**	**89,138**	**298,938**
Additions	1,390	85	507	74,272	67,385	**143,639**
Acquisition of a subsidiaries	41	–	–	8	1,144	**1,193**
Business combinations under common control (Note 15)	1,833	(48)	94	36	799	**2,714**
Divestment of subsidiaries under common control (Note 15)	(5,833)	(546)	(959)	(3,756)	(1,997)	**(13,091)**
Disposals[2]	(6,983)	(18)	(395)	(446)	(426)	**(8,268)**
Depreciation charge	(45,880)	(1,054)	(7,495)	–	(21,861)	**(76,290)**
Impairment (Note 12)	(601)	16	(108)	349	(175)	**(519)**
Transfers	66,100	919	12,400	(79,725)	(148)	**(454)**
Reassessments and modifications[1]	–	–	–	–	15,681	**15,681**
Reclassification from / (to) assets held for sale	216	(48)	–	–	–	**168**
Translation adjustment	(469)	(32)	(61)	(217)	(157)	**(936)**
As of 31 December 2021	**160,028**	**6,588**	**25,105**	**21,671**	**149,383**	**362,775**
- Cost	468,142	16,021	81,868	27,305	207,605	**800,941**
- Accumulated depreciation and impairment	(308,114)	(9,433)	(56,763)	(5,634)	(58,222)	**(438,166)**

[1] The amount of RUB 11,685 (2020: 12,408) relates to lease term reassessment in Russia (Note 16);

[2] Including net book value of assets sold to VEON Ltd. and its subsidiaries in the amount of RUB 5,725 (Note 11).

(All amounts in millions of Rubles unless otherwise stated)

13. Property and equipment (continued)

The following table summarizes the movements in the net book value of right-of-use assets ("ROU") for the years ended 31 December 2021 and 31 December 2020:

Right-of-use assets	Telecom-munication equipment	Land, buildings and constructions	Office and other equipment	Total
Net book value				
As of 31 December 2019	**67,341**	**17,245**	**51**	**84,637**
- Cost	80,985	24,874	157	**106,016**
- Accumulated depreciation and impairment	(13,644)	(7,629)	(106)	**(21,379)**
As of 31 December 2019	**67,341**	**17,245**	**51**	**84,637**
Additions	8,741	474	72	**9,287**
Acquisitions of subsidiaries	134	36	4	**174**
Divestment of subsidiaries under common control	(1,982)	(174)	–	**(2,156)**
Disposals	(21)	253	1	**233**
Depreciation charge	(13,553)	(6,086)	(51)	**(19,690)**
Impairment	(111)	(248)	–	**(359)**
Transfers	7	18	–	**25**
Modifications and reassessments	9,866	6,505	30	**16,401**
Translation adjustment and other movements	520	69	(3)	**586**
As of 31 December 2020	**70,942**	**18,092**	**104**	**89,138**
- Cost	97,008	30,610	262	**127,880**
- Accumulated depreciation and impairment	(26,066)	(12,518)	(158)	**(38,742)**
As of 31 December 2020	**70,942**	**18,092**	**104**	**89,138**
Additions (Note 11)	66,431	888	66	**67,385**
Acquisitions of subsidiaries	1,110	34	–	**1,144**
Business combinations under common control (Note 15)	755	44	–	**799**
Divestment of subsidiaries under common control (Note 15)	(1,930)	(67)	–	**(1,997)**
Disposals	(771)	345	–	**(426)**
Depreciation charge	(16,350)	(5,425)	(86)	**(21,861)**
Impairment (Note 12)	7	(182)	–	**(175)**
Transfers	(259)	111	–	**(148)**
Modifications and reassessments	12,807	2,753	121	**15,681**
Translation adjustment and other movements	(140)	(16)	(1)	**(157)**
As of 31 December 2021	**132,602**	**16,577**	**204**	**149,383**
- Cost	173,539	33,620	445	**207,604**
- Accumulated depreciation and impairment	(40,937)	(17,043)	(241)	**(58,221)**

Non-cash investing activities

During 2021, VimpelCom acquired property and equipment in the amount of RUB 34,607 (2020: RUB 25,989), which were not paid for as of year-end.

Capital commitments

Capital commitments for the future purchase of equipment as of 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
Less than 1 year	**33,940**	45,712
Between 1 and 3 years	**1,529**	1,430
Between 3 and 5 years	**3,036**	–
More than 5 years	**14,737**	–
Total	**53,242**	47,142

The above table for 2021 includes future lease commitments of additional 5,000 tower assets relating to the lease agreements between Russia and NTC (Note 11) (less than 1 year: RUB 294, between 1 and 3 years: RUB 1,518, between 3 and 5 years: RUB 3,036 and more than 5 years: RUB 14,737).

(All amounts in millions of Rubles unless otherwise stated)

13. Property and equipment (continued)

Capital commitments arising from telecom licenses

The Company's ability to generate revenue in the countries it operates is dependent upon the operation of the wireless telecommunications networks authorized under its various licenses under GSM-900/1800, "3G" (IMT-2000/WCDMA/UMTS) and "4G" (LTE) mobile radiotelephony communications services.

Under the license agreements, operating companies are subject to certain commitments, such as territory or population coverage, level of capital expenditures, and number of base stations to be fulfilled within a certain timeframe. If we are found to be involved in practices that do not comply with applicable laws or regulations, we may be exposed to significant fines, the risk of prosecution or the suspension or loss of our licenses, frequency allocations, authorizations or various permissions, any of which could harm our business, financial condition, results of operations, or cash flows. The Company is in compliance with all applicable laws or regulations as of 31 December 2021 and as of the date of the consolidated financial statements authorization for issuance.

After expiration of the license, our operating companies might be subject to additional payments for renewals, as well as new license capital and other commitments.

Accounting policies

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The useful of life of VimpelCom's assets generally fall within the following ranges:

Class of property and equipment	Useful life
Telecommunication equipment	3-20 years
Buildings and constructions	10-30 years
Office and other equipment	3-10 years
Right-of-use assets	Equivalent lease term

Each asset's residual value, useful life and method of depreciation is reviewed at the end of each financial year and adjusted prospectively if necessary.

Right-of-use assets

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 at the company specific incremental borrowing rate adjusted for the country risk. 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.

13. Property and equipment (continued)

Right-of-use assets (continued)

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 consolidated income statement as incurred.

Where applicable under the facts and circumstances, the Company has applied sale and leaseback accounting principles under IFRS 16 "Leases" for a particular transaction (Note 11), whereas the right-of-use asset arising from the leaseback is measured at the proportion of the previous carrying amount of the asset that relates to the right of use retained by VimpelCom. Accordingly, VimpelCom recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. In considering whether a transaction should be accounted for as a sale and leaseback transaction, the Company considers not only those transactions structured in the form of a legal sale and leaseback but also other forms of transactions for which the economic effect is the same as a legal sale and leaseback.

Source of estimation uncertainty

Depreciation and amortization of non-current assets

Depreciation and amortization expenses are based on management estimates of useful life, residual value and amortization method of property and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the amortization or depreciation charges. Technological developments are difficult to predict and our views on the trends and pace of development may change over time. Some of the assets and technologies in which the Group invested several years ago are still in use and provide the basis for new technologies.

The useful lives of property and equipment and intangible assets are reviewed at least annually, taking into consideration the factors mentioned above and all other relevant factors. Estimated useful lives for similar types of assets may vary between different entities in the Group due to local factors such as growth rate, maturity of the market, historical and expected replacements or transfer of assets and quality of components used. Estimated useful life for right-of-use assets is directly impacted by the equivalent lease term, refer to Note 16 for more information regarding Source of estimation uncertainty for lease terms.

(All amounts in millions of Rubles unless otherwise stated)

14. Intangible assets

The following table summarizes the movements in intangible assets for the years ended 31 December 2021 and 31 December 2020:

Intangible assets	Telecommunications licenses, frequencies and permissions	Software	Customer relationships	Other intangible assets	Goodwill	Total
Net book value						
As of 31 December 2019	**12,544**	**11,395**	**1,838**	**1,038**	**93,216**	**120,031**
- Cost	38,891	35,175	19,600	11,191	113,155	**218,012**
- Amortization and impairment	(26,347)	(23,780)	(17,762)	(10,153)	(19,939)	**(97,981)**
As of 31 December 2019	**12,544**	**11,395**	**1,838**	**1,038**	**93,216**	**120,031**
Additions	2,863	9,585	–	244	–	**12,692**
Acquisitions of subsidiaries	–	38	405	257	1,003	**1,703**
Divestment of subsidiaries under common control	(407)	(387)	(504)	(43)	–	**(1,341)**
Disposals	–	–	–	–	1	**1**
Amortization	(3,295)	(8,524)	(290)	(123)	–	**(12,232)**
Impairment	(433)	(220)	–	–	(5,436)	**(6,089)**
Transfers	10	129	(46)	(61)	(1)	**31**
Translation adjustment	258	282	–	12	426	**978**
As of 31 December 2020	**11,540**	**12,298**	**1,403**	**1,324**	**89,209**	**115,774**
- Cost	35,252	33,514	19,259	8,371	108,310	**204,706**
- Amortization and impairment	(23,712)	(21,216)	(17,856)	(7,047)	(19,101)	**(88,932)**
As of 31 December 2020	**11,540**	**12,298**	**1,403**	**1,324**	**89,209**	**115,774**
Additions	573	8,899	–	860	–	**10,332**
Acquisitions of subsidiaries	–	22	–	–	915	**937**
Business combinations under common control (Note 15)	–	–	498	–	–	**498**
Divestment of subsidiaries under common control (Note 15)	–	(271)	–	–	(1,251)	**(1,522)**
Disposal of NTC operations (Note 11)	–	–	–	–	(3,188)	**(3,188)**
Assets classified as assets held for sale (Note 11)	–	–	–	–	(839)	**(839)**
Amortization	(3,410)	(6,731)	(336)	(41)	–	**(10,518)**
Impairment (Note 12)	(306)	(93)	–	(1)	–	**(400)**
Transfers	90	566	–	(323)	–	**333**
Translation adjustment	(75)	(40)	6	(5)	(132)	**(246)**
As of 31 December 2021	**8,412**	**14,650**	**1,571**	**1,814**	**84,714**	**111,161**
- Cost	31,189	36,940	20,005	7,841	98,785	**194,760**
- Amortization and impairment	(22,777)	(22,290)	(18,434)	(6,027)	(14,071)	**(83,599)**

(All amounts in millions of Rubles unless otherwise stated)

14. Intangible assets (continued)

Goodwill

The movements in goodwill for the Group, per cash generating unit (“CGU”), consisted of the following items for the years ended 31 December 2021 and 31 December 2020:

	Note	Russia	Kazakhstan	Uzbekistan	Total
31 December 2019		**87,984**	**4,035**	**1,197**	**93,216**
Acquisition of subsidiary		1,003	–	–	**1,003**
Impairment		(5,436)	–	–	**(5,436)**
Currency translation adjustment		–	326	100	**426**
31 December 2020		**83,551**	**4,361**	**1,297**	**89,209**
Acquisition of subsidiaries		915	–	–	**915**
Transactions under common control (divestment of subsidiaries)	15	–	–	(1,251)	**(1,251)**
Disposal of NTC operations	11	(3,188)	–	–	**(3,188)**
Assets classified as assets held for sale)	11	(839)	–	–	**(839)**
Currency translation adjustment		–	(86)	(46)	**(132)**
31 December 2021*		**80,439**	**4,275**	**–**	**84,714**

* As of 31 December 2021 and 31 December 2020, the following CGUs' had no goodwill allocated to them: Kyrgyzstan.

Non-cash investing activities

During 2021, VimpelCom acquired intangible assets in the amount of RUB 1,838 (2020: RUB 2,222), which was not paid for as at respective year end.

Capital commitments

Capital commitments for the future purchase of intangible assets as of 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
Less than 1 year	**3,599**	1,473
Between 1 and 3 years	**–**	–
Total	**3,599**	1,473

Accounting policies

Intangible assets acquired separately are carried at cost less accumulated amortization and impairment losses.

Intangible assets with a finite useful life are generally amortized with the straight-line method over the estimated useful life of the intangible asset. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least annually. The useful of life of VimpelCom’s intangible assets generally fall within the following ranges:

Class of intangible assets	Useful life
Telecommunications licenses, frequencies and permissions	3-20 years
Software	3-4 years
Brands and trademarks	4-10 years
Customer relationships	5-17 years
Other intangible assets	3-10 years

Goodwill is recognized for the future economic benefits arising from net assets acquired that are not individually identified and separately recognized. Goodwill is not amortized but is tested for impairment annually and as necessary when circumstances indicate that the carrying value may be impaired (Note 12).

(All amounts in millions of Rubles unless otherwise stated)

14. Intangible assets (continued)

Source of estimation uncertainty

Refer also to Note 13 for further details regarding source of estimation uncertainty.

Depreciation and amortization of non-current assets

Estimates in the evaluation of useful lives for intangible assets include, but are not limited to, the estimated average customer relationship based on churn, the remaining license or concession period and the expected developments in technology and markets.

The actual economic lives of intangible assets may be different than estimated useful lives, thereby resulting in a different carrying value of intangible assets with finite lives. We continue to evaluate the amortization period for intangible assets with finite lives to determine whether events or circumstances warrant revised amortization periods. A change in estimated useful lives is a change in accounting estimate, and depreciation and amortization charges are adjusted prospectively.

15. Investments in subsidiaries

The consolidated financial statements of the Group include the following subsidiaries as of 31 December 2021 and 31 December 2020 as detailed in the table below. The equity interest presented represents the economic rights available to the Company.

Name of subsidiaries	Country of operation	Nature of subsidiary	Ownership interest held by the Group 2021	2020
KaR-Tel, LLP	Kazakhstan	Operating	**75.0%**	75.0%
KazEuroMobile, LLP	Kazakhstan	Operating	**75.0%**	75.0%
Buzton, LLC[1]	Uzbekistan	Operating	**55.4%**	11.2%
Sky Mobile, LLC (Note 22)	Kyrgyzstan	Operating	**50.1%**	50.1%
Balance KG, LLC (Note 22)	Kyrgyzstan	Operating	**50.1%**	50.1%
West Call Ltd, LLC	Russia	Operating	**100.0%**	100.0%
DataFort, LLC	Russia	Operating	**100.0%**	–
National Service Company, JSC	Russia	Operating	**100.0%**	100.0%
Seti svyazi 2020, LLC	Russia	Operating	**100.0%**	100.0%
Ararima Enterprises Limited	Cyprus	Holding	**100.0%**	100.0%
Nouse Limited	Cyprus	Holding	**100,0%**	100,0%
Clafdor Investments Ltd.	Cyprus	Holding	**100,0%**	100,0%
Comnidor Holdings Ltd.	Cyprus	Holding	**100,0%**	100,0%
Menacrest AG (Note 22)	Switzerland	Holding	**50.1%**	50.1%
VEON Eurasia S.à r.l.	Luxemburg	Holding	**100.0%**	100.0%
VIP Kazakhstan Holding AG	Switzerland	Holding	**75.0%**	75.0%
VIP Kyrgyzstan Holding AG	Switzerland	Holding	**50.1%**	50.1%
VimpelCom Telecom Holding B.V.	The Netherlands	Operating	**100.0%**	100.0%
VK-IT, LLC	Russia	Operating	**100.0%**	–
AnTel Rascom Limited	Cyprus	Holding	**100.0%**	–
Rascom, CJSC	Russia	Operating	**54.0%**	–
Cubintersvyaz, JSC	Russia	Operating	**95.2%**	–
Arenda ES, LLC	Russia	Operating	**–**	100.0%
Golden Telecom Inc. (voting rights as of 31 December 2020: 85,922%)[2]	USA (Delaware)	Holding	**–**	20.2%
Limnotex Developments Ltd.	Cyprus	Holding	**–**	71.5%
VimpelCom Holding Laos B.V.	The Netherlands	Holding	**–**	100.0%
Unitel, LLC	Uzbekistan	Operating	**–**	100.0%
Freevale Enterprises	BVI	Holding	**–**	100.0%
Silkway Holding B.V.	The Netherlands	Holding	**–**	100.0%

[1] As of 31 December 2020, 55.4% stake in Buzton, LLC of was owned by Golden Telecom Inc.;

[2] As of 31 December 2020, the Group continued to control Golden Telecom Inc. and its subsidiaries.

(All amounts in millions of Rubles unless otherwise stated)

15. Investments in subsidiaries (continued)

Transactions under common control

Golden Telecom, Inc.

On 15 February 2021, PJSC “VimpelCom” completed the acquisition from VEON Holdings B.V. 79.8% shares in Golden Telecom, Inc. (14.078% of voting rights) for a consideration of USD 1 (the equivalent of RUB nil). After the transfer of ownership to PJSC “VimpelCom” for the indicated shares, PJSC “VimpelCom” became the only shareholder in Golden Telecom Inc. (100% shares and 100% of voting rights). This transaction represents a purchase of non-controlling interests without a change of control. Consequently, the difference between the carrying value of non-controlling interests (the relevant share acquired of the carrying value of net assets of the subsidiary) as of 15 February 2021 (positive value of RUB 31,027) and the cost of acquisition (USD 1 (the equivalent of RUB nil)) recorded directly within "Other capital reserves" in the consolidated statement of changes in equity (gain of RUB 31,027).

On 10 March 2021, Golden Telecom Inc. (a subsidiary of the PJSC “VimpelCom”) was liquidated. The assets of Golden Telecom Inc. comprising the investments in its own subsidiaries and loans granted to related parties (Note 21) were distributed to the shareholder (PJSC “VimpelCom”). The distribution of the remaining assets will be deferred and might take significant time.

Business combination under common control

On 31 March 2021, PJSC “VimpelCom” entered into a sale and purchase agreement for the acquisition of a 100% stake in LLC “Sovintel Group” (the “Agreement”) which, in turn, owned 54% shares in JSC "Raskom" (an operating company in Russia), 100% stake in LLC "Kubtelecom" (an operating company in Russia), 68.4% stake in JSC "Cubintersvyaz" (an operating company in Russia) and 99.2% stake in LLC “Sakhalin Telecom” (an operating company in Russia). Under the Agreement, on 31 March 2020, Bardym Enterprises Ltd. (related party of the Group) transferred the 100% stake in LLC “Sovintel Group” to PJSC “VimpelCom” in exchange for a purchase consideration of USD 235 million (the equivalent of RUB 17,790 as of 31 March 2021 and RUB 18,277 as of 8 April 2021 at the exchange rates provided by the Central Bank of Russia). Ownership of the 100% stake in LLC “Sovintel Group” passed to PJSC “VimpelCom” on 8 April 2021. On 12 May 2021, PJSC “VimpelCom” and Bardym Enterprises Ltd. agreed that the outstanding consideration of USD 235 million under the Agreement shall be deemed to be a loan (Note 21). The effect of the acquisition is detailed below:

	Note	Amount
Consideration payable as of 8 April 2021 (USD 235 million)		**(18,277)**
Recognition of assets:		
- Property and equipment		2,714
- Intangible assets		498
- Trade and other receivables due from other companies		179
- Other assets		589
- Cash and cash equivalents		431
		4,411
Recognition of liabilities:		
- Lease liabilities		(878)
- Trade and other payables due to other companies		(243)
- Other liabilities		(598)
		(1,719)
Settlement of pre-existing relationship:		
- Trade and other receivables due from PJSC “VimpelCom”		1,016
- Loans granted to PJSC “VimpelCom”, principal amount	21	12,764
- Loans granted to PJSC “VimpelCom”, interest receivable		1,753
- Trade and other payables due to PJSC “VimpelCom”		(117)
		15,416
Recognition of non-controlling interests		**(1,029)**
Effect of the acquisition		**(1,198)**

(All amounts in millions of Rubles unless otherwise stated)

15. Investments in subsidiaries (continued)

Transactions under common control (continued)

Business combination under common control (continued)

On 1 October 2021, the procedure for the reorganization of PJSC “VimpelCom” was completed in the form of the merger of LLC “Sovintel Group”, LLC “Sakhalin Telecom”, LLC "Kubtelecom" and Arenda ES, LLC with PJSC “VimpelCom”. This transaction did not have any impact on these financial statements.

Reorganization of PJSC “VimpelCom”

On 27 May 2021, during the Extraordinary General Meeting of Shareholders of PJSC “VimpelCom”, the decision was taken to reorganize PJSC “VimpelCom” by a spin-off with a new company LLC “VEON UZB”. The reorganization process in the form of a spin-off proceeded and was subject to the requirements of Russian legislation. On 21 September 2021, the reorganization of PJSC “VimpelCom” was completed at the moment of the state registration of LLC "VEON UZB". The participation interests in the charter capital of the spin-off LLC "VEON UZB" were allocated among the shareholders of PJSC "VimpelCom". LLC "VEON UZB", as a result of the spin-off, received 100% shares in Silkway Holding B.V. (former subsidiary of PJSC "VimpelCom”) and 100% shares in Freevale Enterprises Inc. (former subsidiary of PJSC "VimpelCom”). Silkway Holding B.V. and Freevale Enterprises Inc., in turn, jointly own a 100% stake in LLC “Unitel” (an operating company in Uzbekistan and former indirect subsidiary of PJSC "VimpelCom”). This reorganization was related to an internal restructuring process of the VEON Ltd. Group only, so the net assets of the Uzbekistan operations previously held by PJSC “VimpelCom” Group, upon completion of the reorganization are held by the main holding company in the VEON Ltd. Group. On 21 September 2021, the Company classified its operations in Uzbekistan as discontinued operations, and the results for Uzbekistan in the consolidated income statements and the consolidated statements of cash flows for 2021 and 2020 have been presented separately. The effect of the reorganization is detailed below:

	Amount
Derecognition of assets:	
- Property and equipment	(13,091)
- Intangible assets (excluding goodwill)	(271)
- Goodwill	(1,251)
- Inventories	(52)
- Trade and other receivables	(535)
- Current income tax assets	(67)
- Other assets	(842)
- Cash and cash equivalents	(3,525)
	(19,634)
Derecognition of liabilities:	
- Lease Liabilities	2,069
- Trade and other payables	2,473
- Provisions	920
- Deferred income tax liabilities	266
- Current income tax payables	235
- Other liabilities	1,755
	7,718
Total net assets disposed	**(11,916)**
Release of cumulative foreign currency translation reserve	(51,576)
Total effect of the reorganization	**(63,492)**

There was no impairment (including goodwill impairment) identified and recorded in respect of operations in Uzbekistan as of 21 September 2021 and for the period ended 21 September 2021. Information about the key assumptions used for impairment testing is provided in Note 12.

(All amounts in millions of Rubles unless otherwise stated)

15. Investments in subsidiaries (continued)

Reorganization of PJSC “VimpelCom” (continued)

The financial performance information of Uzbekistan operations (after excluding intra-group transactions) presented below are for the specified periods of 2021 ended 21 September 2021 (column “2021”) and for the year ended 31 December 2020 (column “2020”).

Discontinued operations	**Note**	**For the years ended 31 December 2021**	**2020**
Service revenue		**10,514**	14,084
Sale of equipment and accessories		**–**	4
Other revenue		**4**	22
Total operating revenue		**10,518**	14,110
Other operating income	21	**1,413**	11
Service costs		**(982)**	(1,954)
Cost of equipment and accessories		**–**	(2)
Selling, general and administrative expenses (including impairment loss on financial assets)		**(4,609)**	(7,389)
Depreciation		**(1,650)**	(2,389)
Amortization		**(130)**	(256)
Loss on disposal of non-current assets		**(220)**	(177)
Operating profit		**4,340**	1,954
Finance costs		**(173)**	(196)
Finance income		**75**	241
Foreign exchange loss, net		**(3)**	(137)
Other non-operating gain / (loss), net		**275**	(30)
Profit before income tax from discontinued operations		**4,514**	1,832
Income tax expense		**(884)**	(786)
Profit after tax for the period from discontinued operations (attributable to the owners of the Company)		**3,630**	1,046
EBITDA	2	**6,340**	4,776
Capital expenditures*	2	**1,517**	4,132

* Excluding right-of-use assets (IFRS 16 “Leases”).

(All amounts in millions of Rubles unless otherwise stated)

15. Investments in subsidiaries (continued)

Reorganization of PJSC “VimpelCom” (continued)

The cash flows of Uzbekistan operations presented below are for the specified periods of 2021 ended 21 September 2021 (column “2021”) and for the year ended 31 December 2020 (column “2020”).

Discontinued operations	2021	2020
Operating activities		
Net cash flows from operating activities	**3,995**	6,114
Net cash flows used in operating activities related to intra-group transactions	**(11)**	(49)
Net cash flows from operating activities including intra-group transactions	**3,984**	6,065
Investing activities		
Purchase of property, equipment and intangible assets	**(1,637)**	(3,032)
Proceeds from sale of property, equipment and intangible assets	**7**	–
Inflows from deposits	**6**	2,222
Outflows from deposits	**–**	(2,232)
Net cash flows used in investing activities	**(1,624)**	(3,042)
Purchase of property, equipment and intangible assets within the Group	**–**	(14)
Net cash flows used in investing activities including intra-group transactions	**(1,624)**	(3,056)
Financing activities		
Repayment of borrowings	**–**	(76)
Repayment of lease liabilities	**(228)**	(179)
Net cash flows used in financing activities	**(228)**	(255)
Dividends paid to equity holders within the Group	**(795)**	(10,166)
Capital contribution from equity holders within the Group	**–**	738
Net cash flows used in financing activities including intra-group transactions	**(1,023)**	(9,683)
Net change in cash and cash equivalents	**1,337**	(6,674)
Effect of exchange rate changes on cash and cash equivalents, net	**(106)**	816
Cash and cash equivalents at the beginning of the period	**2,294**	8,152
Cash and cash equivalents at the end of the period (derecognized on 21 September 2021)	**3,525**	2,294

Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests (“NCIs”) for the years ended 31 December 2021 and 31 December 2020 is provided below:

Name of subsidiaries	Country of operation	Equity interest held by NCIs 2021	Equity interest held by NCIs 2020	Book values of NCIs 2021	Book values of NCIs 2020	Profit / (loss) attributable to NCIs 2021	Profit / (loss) attributable to NCIs 2020
KaR-Tel, LLP	Kazakhstan	**25.0%**	25.0%	**5,570**	5,587	**2,162**	1,911
Sky Mobile, LLC	Kyrgyzstan	**49.9%**	49.9%	**(604)**	(443)	**(117)**	(7,408)
Golden Telecom Inc. (“GTI”)	USA (Delaware)	**–**	79.8%	**–**	29,892	**264**	496
VEON Georgia, LLC	Georgia	**–**	–	**–**	–	**–**	(2,293)

(All amounts in millions of Rubles unless otherwise stated)

15. Investments in subsidiaries (continued)

Material partly-owned subsidiaries (continued)

The summarized financial information of these subsidiaries before intercompany eliminations for the years ended 31 December 2021 and 31 December 2020 are detailed below.

Summarized income statements

	KaR-Tel, LLP		Sky Mobile, LLC		VEON Georgia, LLC		GTI	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Operating revenue	**38,900**	32,170	**3,169**	3,306	**–**	2,472	**–**	–
Operating expenses	**(27,058)**	(22,705)	**(2,033)**	(13,752)	**–**	(1,960)	**(73)**	(18)
Impairment loss	**(144)**	(104)	**(1,361)**	(4,480)	**–**	–	**–**	–
Other income / (expenses)	**(689)**	306	**(30)**	71	**–**	(5,183)	**338**	746
Profit / (loss) before tax	**11,009**	9,667	**(255)**	(14,855)	**–**	(4,671)	**265**	728
Income tax expense	**(2,360)**	(2,024)	**20**	3	**–**	(9)	**66**	(107)
Profit / (loss) for the year	**8,649**	7,643	**(235)**	(14,852)	**–**	(4,680)	**331**	621
Attributed to:								
Owners of the Company	**6,487**	5,732	**(118)**	(7,444)	**–**	(2,387)	**67**	125
Non-controlling interest	**2,162**	1,911	**(117)**	(7,408)	**–**	(2,293)	**264**	496

Summarized statements of financial position

	KaR-Tel, LLP		Sky Mobile, LLC		GTI	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Property and equipment	**22,305**	20,399	**–**	–	**3**	3
Intangible assets	**10,004**	11,283	**–**	–	**–**	–
Loans granted to related parties, non-current	**–**	–	**–**	–	**–**	26,742
Other non-current assets	**1,701**	1,320	**–**	–	**–**	–
Trade and other receivables	**2,163**	1,516	**–**	–	**2**	126
Cash and cash equivalents	**3,423**	2,706	**335**	973	**13**	10
Loans granted to related parties, current	**381**	388	**–**	–	**–**	10,598
Other current assets	**2,088**	1,953	**–**	–	**81**	5
Bank loans	**(956)**	(879)	**–**	–	**–**	–
Loans received from related parties	**(241)**	(231)	**–**	–	**–**	–
Other financial liabilities	**(6,337)**	(4,372)	**(339)**	(290)	**–**	–
Trade and other payables	**(8,793)**	(10,177)	**(615)**	(891)	**–**	–
Provisions	**(457)**	(451)	**(146)**	(485)	**–**	–
Other liabilities	**(3,003)**	(1,107)	**(446)**	(195)	**–**	(25)
Total equity	**22,278**	22,348	**(1,211)**	(888)	**99**	37,459
Attributed to:						
Owners of the Company	**16,708**	16,761	**(607)**	(445)	**99**	7,567
Non-controlling interests	**5,570**	5,587	**(604)**	(443)	**–**	29,892

Summarized cash flow statements

	KaR-Tel, LLP		Sky Mobile, LLC		VEON Georgia, LLC		GTI	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Net operating cash flows	**16,966**	13,302	**656**	1,108	**–**	1,178	**(47)**	(86)
Net investing cash flows	**(7,822)**	(6,350)	**(1,158)**	(1,364)	**–**	(740)	**48**	72
Net financing cash flows	**(8,455)**	(7,165)	**(124)**	(193)	**–**	(586)	**–**	–
Net foreign exchange difference	**17**	478	**(12)**	145	**–**	45	**–**	7
Net increase / (decrease) in cash and cash equivalents	**706**	265	**(638)**	(304)	**–**	(103)	**1**	(7)

15. Investments in subsidiaries (continued)

Accounting policies

Transactions under common control

For business combination under common control a predecessor accounting method is applied by the Company. The following principles of predecessor accounting are used by the Company: assets and liabilities of the acquired entities are stated at predecessor carrying values, fair value measurement is not required, no new goodwill arises in predecessor accounting, any difference between the consideration given or payable and the net carrying value of the assets and liabilities of the acquired entities at the date of the transaction is included in equity. The acquired entities' results and balances are incorporated in the Group's consolidated financial statements prospectively from the date on which the business combination between entities under common control occurred.

For disposal of assets (or disposal group) under common control including reorganizations, VimpelCom measures the net assets of the transaction at the carrying value, the difference between the consideration received or receivable for the transaction (if any) and the corresponding carrying value of the net assets disposed at the date of the transaction is included in equity.

Cash and cash equivalents amount of subsidiaries over which the Company's control is lost as a result of disposal, including disposals and reorganizations of subsidiaries under common control, are recognized by the Company as part of investing activities in the consolidated statement of cash flows.

Transactions with non-controlling interests that do not result in loss of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(All amounts in millions of Rubles unless otherwise stated)

Financing activities of the Group

16. Financial assets and liabilities

The loans and other financial assets consisted of the following items as of 31 December 2021 and 31 December 2020:

	Note	31 December 2021	31 December 2020
Loans and other financial assets			
At amortized cost			
- Loans granted to related parties, principal amount	21	**34,078**	57,776
- Loans granted to related parties, interest receivable		**968**	221
Loans granted to related parties		**35,046**	57,997
Loans granted to owners of the non-controlling interests		**2,229**	1,975
Other financial assets		**1,725**	869
Total loans and other financial assets		**39,000**	60,841
- Non-current		**28,224**	27,121
- Current		**10,776**	33,720

The debt and other financial liabilities consisted of the following items as of 31 December 2021 and 31 December 2020:

	Note	31 December 2021	31 December 2020
Debt and other financial liabilities			
At amortized cost			
- Loans payables to related parties, principal amount	21	**161,636**	142,318
- Loans payables to related parties, interest payable		**170**	2,275
- Unamortised fees on loans payables to related parties		**(582)**	–
Loans payables to related parties		**161,224**	144,593
- Bonds, principal amount		**701**	20,057
- Bonds, interest payable		**11**	631
- Unamortised fees on bonds		–	(10)
Bonds		**712**	20,678
- Bank loans, principal amount		**1,721**	886
- Bank loans, interest payable		**66**	5
Bank loans		**1,787**	891
Lease liabilities	11	**162,836**	95,091
Other financial liabilities		**39**	96
Total debt and other financial liabilities		**326,598**	261,349
- Non-current		**298,143**	223,008
- Current		**28,455**	38,341

(All amounts in millions of Rubles unless otherwise stated)

16. Financial assets and liabilities (continued)

Reconciliation of cash flows from financing activities

	Bonds	Loans received from related parties	Bank loans	Lease liabilities	Bank overdraft	Other	Total
As of 31 December 2019	**17,835**	**182,999**	–	**87,090**	–	**80**	**288,004**
- Principal amount	17,321	173,978	–	86,817	–	77	**278,193**
- Interest payable	534	9,450	–	273	–	3	**10,260**
- Unamortised fees	(20)	(429)	–	–	–	–	**(449)**
Cash flows							
Proceeds from borrowings	–	65,120	880	–	–	–	**66,000**
Repayment of borrowings and lease liabilities	(401)	(95,010)	–	(15,691)	–	(76)	**(111,178)**
Interest paid	(1,423)	(14,030)	–	(6,758)	–	–	**(22,211)**
	(1,824)	**(43,920)**	**880**	**(22,449)**	**–**	**(76)**	**(67,389)**
Non-cash movements							
Interest accrued	1,516	14,746	4	6,795	–	–	**23,061**
Lease - additions, disposals, modifications, reassessments and other movements	–	–	–	24,874	–	–	**24,874**
Acquisition of subsidiaries	–	–	–	174	–	–	**174**
Divestment of subsidiaries under common control	–	(14,169)	–	(2,403)	–	–	**(16,572)**
Unamortised fees	10	429	–	–	–	–	**439**
Foreign currency translation	3,141	4,508	7	1,010	–	5	**8,671**
Other non-cash movements	–	–	–	–	–	87	**87**
As of 31 December 2020	**20,678**	**144,593**	**891**	**95,091**	**–**	**96**	**261,349**
- Principal amount	20,057	142,318	886	94,850	–	96	**258,207**
- Interest payable	631	2,275	5	241	–	–	**3,152**
- Unamortised fees	(10)	–	–	–	–	**–**	**(10)**
As of 31 December 2020	**20,678**	**144,593**	**891**	**95,091**	**–**	**96**	**261,349**
Cash flows							
Proceeds from borrowings	–	117,838	885	–	681	–	**119,404**
Repayment of borrowings and lease liabilities	(19,960)	(103,215)	–	(17,166)	(681)	–	**(141,022)**
Interest paid	(813)	(13,802)	(146)	(6,854)	–	–	**(21,615)**
Unamortised fees paid	–	(585)	–	–	–	–	**(585)**
	(20,773)	**236**	**739**	**(24,020)**	**–**	**–**	**(43,818)**
Non-cash movements							
Interest accrued	173	13,379	208	6,820	–	–	**20,580**
Lease - additions, disposals, modifications, reassessments and other movements (Note 11 and Note 13)	–	–	–	85,714	–	–	**85,714**
Acquisition of subsidiaries	–	–	–	990	–	–	**990**
Business combinations under common control (Note 15)	–	2,910	–	878	–	–	**3,788**
Divestment of subsidiaries under common control (Note 15)	–	–	–	(2,069)	–	–	**(2,069)**
Unamortised fees	10	3	–	–	–	–	**13**
Foreign currency translation	624	103	(51)	(568)	–	5	**113**
Other non-cash movements	–	–	–	–	–	(62)	**(62)**
As of 31 December 2021	**712**	**161,224**	**1,787**	**162,836**	**–**	**39**	**326,598**
- Principal amount	701	161,636	1,721	162,836	–	39	**326,933**
- Interest payable	11	170	66	–	–	–	**247**
- Unamortised fees	–	(582)	–	–	–	–	**(582)**

(All amounts in millions of Rubles unless otherwise stated)

16. Financial assets and liabilities (continued)

Bonds

The Company had the following principal amounts outstanding for bonds as of 31 December 2021 and 31 December 2020:

Borrower	Type of bonds	Interest rate	Maturity	Currency	31 December 2021	31 December 2020
PJSC “VimpelCom”	Ruble bonds	5.55%	2025	RUB	**488**	488
PJSC “VimpelCom”	Ruble bonds	6.20%	2022	RUB	**213**	213
PJSC “VimpelCom”, via “VIP Finance Ireland”	Eurobonds	7.75%	2021	USD	**–**	19,356
Total bonds, principal amount					**701**	20,057
- Non-current portion					**488**	701
- Current portion					**213**	19,356

On 2 February 2021 PJSC “VimpelCom” fully repaid 7.748% Loan Participation Notes (Eurobonds), issued via “VIP Finance Ireland” in the amount of USD 262 million (the equivalent of RUB 19,782 as of 2 February 2021 at the exchange rate provided by the Central Bank of Russia) and USD 10 million (the equivalent of RUB 755 as of 2 February 2021 at the exchange rate provided by the Central Bank of Russia) of accrued interest.

In March 2022, PJSC “VimpelCom” fully repaid its 6.20% Rule bonds in the amount of RUB 213 (principal amount) and the accrued interest on them in the amount of RUB 7.

Bank loans

On 13 November 2020, KaR-Tel, LLP entered into a loan agreement with ForteBank, JSC on the provision of credit lines with a total limit of 10,000,000 thousand Kazakh tenge (the equivalent of RUB 1,796 as of 13 November 2020 at the exchange rate provided by the Central Bank of Russia). On 13 November 2020, under this loan agreement, KaR-Tel, LLP entered into an agreement with Bank RBK, JSC on the provision of a guarantee line in the amount of 5,000,000 thousand Kazakh tenge (the equivalent of RUB 898 as of 13 November 2020 at the exchange rate provided by the Central Bank of Russia). On 20 December 2020, KaR-Tel, LLP received financing in the amount of 5,000,000 thousand Kazakh tenge (the equivalent of RUB 873 as of 20 December 2020 at the exchange rate provided by the Central Bank of Russia) for the acquisition of fixed assets and other capital expenditures, the interest rate is 13%, the maturity date of the loan is until 13 November 2023. On 17 March 2021, KaR-Tel, LLP received the second tranche of financing in the amount of 5,000,000 thousand Kazakh tenge (the equivalent of RUB 871 as of 17 March 2021 at the exchange rate provided by the Central Bank of Russia) for the purchase of fixed assets and other capital expenditures, the interest rate is 13%, the maturity date of the loan is until 13 November 2023.

Loans granted to owners of the non-controlling interests

On 18 December 2020, VIP Kazakhstan Holding AG, a subsidiary of the Company, entered into a facility agreement with one of the owners of the non-controlling interests for USD 26.73 million with a maturity date of 18 December 2021. The interest rate under this facility agreement was 3.0%. On 23 December 2020, VIP Kazakhstan Holding AG provided the owner of the non-controlling interests with the amount of USD 26.73 million (the equivalent of RUB 2,014 as of the date of transaction at the exchange rate provided by the Central Bank of Russia). On 30 July 2021, VIP Kazakhstan Holding AG, a subsidiary of the Company, declared dividends. The portion of dividends attributable to owners of the non-controlling interests amounted to USD 26.75 million (the equivalent of RUB 1,958 as of 30 July 2021 at the exchange rate provided by the Central Bank of Russia) and was fully set-off against the loans previously granted to owners of the non-controlling interests.

16. Financial assets and liabilities (continued)

Loans granted to owners of the non-controlling interests (continued)

On 19 November 2021, VIP Kazakhstan Holding AG, a subsidiary of the Company, entered into a facility agreement with one of the owners of the non-controlling interests for USD 64.25 million. The interest rate under this facility agreement was LIBOR+1.25%. In in the 4th quarter of 2021, VIP Kazakhstan Holding AG provided the owner of the non-controlling interests with the amount of USD 30 million (the equivalent of RUB 2,229 as of 31 December 2021 at the exchange rate provided by the Central Bank of Russia) with maturities in May 2022 and June 2022. In March of 2022, VIP Kazakhstan Holding AG provided the owner of the non-controlling interests with the amount of USD 2 million (the equivalent of RUB 168 as of 31 March 2022 at the exchange rate provided by the Central Bank of Russia) with maturities in September 2022.

Loans granted to related parties and loans received from related parties

Significant changes in the financial assets and liabilities are also related to the loans received from related parties and the amount of interest accrued due on them, as well as loans granted to related parties and the amount of interest accrued due on them as further described in Note 21.

Fair value

As of 31 December 2021, the fair values of all financial assets and liabilities are equal to or approximate their respective carrying amounts as shown in the table at the beginning of this note, with the exception of:

- loans payables to related parties, including interest accrued, for which fair value is equal to RUB 161,806 (31 December 2020: RUB 146,075);
- bonds, including interest accrued, for which fair value is equal to RUB 712 (31 December 2020: RUB 20,870);
- bank loans, including interest accrued, for which fair value is equal to RUB 1,918 (31 December 2020: RUB 999);
- 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.

As of 31 December 2021 and 31 December 2020, carrying amounts of financial assets and financial liabilities carried at amortized costs approximates their fair value which is measured based on Level 2 inputs.

Fair values are 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 values for loans to related parties are estimated by discounting contractual cash flows at the applicable rate for the instruments with similar maturity and risk profile. 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 interbank interest rates, bond yields, swap curves, basis swap spreads, foreign exchange rates and credit default spreads.

On a quarterly basis, the Company reviews if there are any indicators for a possible transfer between fair value hierarchy levels. This depends on how the Company is able to obtain the underlying input parameters when assessing the fair valuations. During the years ended 31 December 2021 and 31 December 2020 there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

(All amounts in millions of Rubles unless otherwise stated)

16. Financial assets and liabilities (continued)

Offsetting financial assets and liabilities

For the financial assets and liabilities subject to netting arrangements, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities are settled on a gross basis.

The major arrangements applicable for the Group are agreements with national and international interconnect operators and agreements with roaming partners.

Several entities of the Group have entered into International Swaps and Derivatives Association, Inc. (ISDA) Master Agreements or equivalent documents with their counterparties, governing the derivative transactions entered into between these entities and their counterparties. These documents provide for set-off of outstanding derivative positions in the event of termination if an Event of Default of either entity or the counterparty occurs.

As of 31 December 2021	**Gross amounts recognized**	**Gross amounts set off in the consolidated statement of financial position**	**Net amounts presented in the consolidated statement of financial position**
Trade and other receivables (current assets)	24,892	(361)	24,531
Trade and other payables (current liabilities)	80,354	(361)	79,993

As of 31 December 2020	**Gross amounts recognized**	**Gross amounts set off in the consolidated statement of financial position**	**Net amounts presented in the consolidated statement of financial position**
Trade and other receivables (current assets)	21,014	(154)	20,860
Trade and other payables (current liabilities)	86,254	(154)	86,100

Accounting policies and source of estimation uncertainty

Fair value of financial instruments

All financial assets and liabilities are measured at amortized cost, except those which are measured at fair value as presented within this Note.

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques, including discounted cash flows model. The inputs to these models are taken from observable markets, but when this is not possible, a degree of judgment is required in establishing fair values. The judgments include considerations regarding inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Measurement of lease liabilities

Lease liabilities are measured upon initial recognition at the present value of the future lease and related fixed services payments over the lease term, discounted at the company specific incremental borrowing rate adjusted for the country risk as the rate implicit in the lease is generally not available. Subsequently lease liabilities are measured at amortized cost using the effective interest rate method. Interest expense on lease liabilities is presented in "Finance costs" within the consolidated income statement.

(All amounts in millions of Rubles unless otherwise stated)

16. Financial assets and liabilities (continued)

Accounting policies and source of estimation uncertainty

Absolute majority of the lease liabilities as of 31 December 2021 in the amount of RUB 162,836 and as of 31 December 2020 in the amount of 95,091 related to the lease contracts which are extendable through mutual agreement between the Company and the lessor, or lease contracts which are cancellable by the Company immediately or on short notice. The Company includes these cancellable future lease periods within the assessed lease term, which increases the future lease payments used in determining the lease liability upon initial recognition, except when it is not reasonably certain at the commencement of the lease that these will be exercised. The Company continuously assesses whether a revision of lease terms is required due to a change in management judgment regarding, for example, the exercise of extension and/or termination options (Note 13). Significant judgement is required when determining whether an extension option is not reasonably certain to be exercised, so the Company considers all relevant facts and circumstances that creates an economic incentive to exercise the extension option, or not to exercise a termination option, such as strategic plans, future technology changes, and various economic costs and penalties (Note 24).

17. Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents in the consolidated statement of financial position are comprised of cash at banks and on hand and highly liquid investments that are readily convertible to known amounts of cash, are subject to only an insignificant risk of changes in value and have an original maturity of less than three months (92 days).

Cash and cash equivalents consisted of the following items as of 31 December 2021 and 31 December 2020:

	31 December 2021	**31 December 2020**
Cash and cash equivalents at banks and on hand	**7,840**	9,259
Short–term deposits with an original maturity of less than three months	**2,473**	3,043
Total cash and cash equivalents	**10,313**	12,302

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.

The imposition of currency exchange controls or other similar restrictions on currency convertibility in the countries in which VimpelCom operates could limit VimpelCom’s ability to convert local currencies or repatriate local cash in a timely manner or at all, as well as remit dividends from the respective countries.

As of 31 December 2021 and 31 December 2020, there were no restricted cash and cash equivalent balances.

18. Financial risk management

The Group’s principal financial liabilities consist of loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group’s operations. The Group has loans given, trade and other receivables, cash and short-term deposits that are derived directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Company’s senior management together with the senior management of its ultimate parent company VEON Ltd. manages these risks with support of the treasury function, who proposes the appropriate financial risk governance framework for the Group, identifies and measures financial risks and suggests mitigating actions. Also, the Board of Directors of VEON Ltd., supported by its Finance Committee of VEON Ltd., approves the financial risk management framework and oversees its enforcement.

(All amounts in millions of Rubles unless otherwise stated)

18. Financial risk management (continued)

Interest rate risk

The Company's exposure to the risk of changes in market interest rates primarily due to its financial assets and long-term debt obligations. The Company together with the senior management of its ultimate parent company VEON Ltd. manages its interest rate risk exposure through a portfolio of fixed and variable rate loans and borrowings.

As of 31 December 2021, approximately 63% of the Company's borrowings are at a fixed rate of interest (31 December 2020: 85%).

The Group is exposed to possible changes in interest rates on variable interest loans and borrowings, variable loans granted partially mitigated through related derivative financial instruments, cash and cash equivalents and current deposits. With all other variables held constant, the Company's profit or loss is affected through changes in the floating rate of bank loans, loans received from related parties, loans granted to related parties, cash and cash equivalents and current deposits. An increase or decrease of 100 basis points in interest rates would have the following immaterial impact on the Company's income statement and other comprehensive income:

Interest rate sensitivity	+ Increase / - decrease in basis points	Effect on profit before tax / equity	
		2021	**2020**
US Dollar	+100	**25**	169
Euro	+100	**1**	2
Kazakh Tenge	+100	**27**	13
Russian Ruble	+100	**(552)**	(262)
Other currencies	+100	**2**	2
Uzbek Som (Note 15)	+100	**n/a**	14
US Dollar	-100	**(25)**	(169)
Euro	-100	**(1)**	(2)
Kazakh Tenge	-100	**(27)**	(13)
Russian Ruble	-100	**552**	262
Other currencies	-100	**(2)**	(2)
Uzbek Som (Note 15)	-100	**n/a**	(14)

Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the debt denominated in currencies other than their functional currency of the relevant entity, the Company's operating activities (predominantly capital expenditures denominated in a different currency from the functional currency) and the Company's net investments in foreign subsidiaries. The Company manages its foreign currency risk by selectively hedging committed exposures.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a possible change in exchange rates against the US Dollar with all other variables held constant. Additional sensitivity changes to the indicated currencies are expected to be approximately proportionate. The table shows the effect on the Company's profit before tax (due to changes in the value of monetary assets and liabilities, including foreign currency derivatives) and equity (due to the effect on the cash flow hedge reserve and/or effect on currency translation reserve for quasi-equity loans). The Company's exposure to foreign currency changes for all other currencies is not material.

(All amounts in millions of Rubles unless otherwise stated)

18. Financial risk management (continued)

Foreign currency sensitivity (continued)

Currency	Change in foreign exchange rate against USD	Effect on profit / (loss) before tax 2021	Effect on profit / (loss) before tax 2020	Effect on other comprehensive income 2021	Effect on other comprehensive income 2020
Russian Ruble	10% depreciation	**(758)**	266	**–**	–
Kazakh Tenge	10% depreciation	**(41)**	83	**–**	–
Kyrgyzstani Som	10% depreciation	**18**	52	**–**	–
Other currencies	10% depreciation	**438**	605	**–**	–
Uzbek Sum (Note 15)	10% depreciation	**n/a**	(47)	**–**	–
Russian Ruble	10% appreciation	**833**	(292)	**–**	–
Kazakh Tenge	10% appreciation	**45**	(91)	**–**	–
Kyrgyzstani Som	10% appreciation	**(19)**	(57)	**–**	–
Other currencies	10% appreciation	**(482)**	(665)	**–**	–
Uzbek Sum (Note 15)	10% appreciation	**n/a**	51	**–**	–

Credit risk

The Company is exposed to credit risk from its operating activities (primarily from trade receivables) and from its treasury activities, including deposits with banks and financial institutions, derivative financial instruments and other financial instruments.

Trade receivables consist of amounts due from customers and payment agents for airtime usage and amounts due from dealers and customers for equipment sales. VimpelCom's credit risk arising from the services the Company provides to customers is mitigated to a large extent due to the majority of its active customers being subscribed to a prepaid service as of 31 December 2021 and 31 December 2020 and, accordingly, not giving rise to credit risk. For postpaid services, in certain circumstances, VimpelCom requires deposits as collateral for airtime usage. Equipment sales are typically paid in advance of delivery, except for equipment sold to dealers on credit terms.

VimpelCom's credit risk arising from its trade receivables from dealers is mitigated due to the risk being spread across a large number of dealers. Management periodically reviews the history of payments and credit worthiness of the dealers. The Company also has receivables from other local and international operators from interconnect and roaming services provided to their customers, as well as receivables from customers using fixed-line services, such as business services, wholesale services and services to residents. Receivables from other operators for roaming services are settled through clearing houses, which helps to mitigate credit risk in this regard.

VimpelCom holds available cash in bank accounts as well as other financial assets with financial institutions in countries where it operates. To manage credit risk associated with such asset holdings, VimpelCom allocates its available cash to a variety of local banks and local affiliates of international banks within the limits set forth by its treasury policy. Management periodically reviews the credit worthiness of the banks with which it holds assets.

VimpelCom issues advances to a variety of its vendors of property and equipment for its network development. The contractual arrangements with the most significant vendors provide for equipment financing in respect of certain deliveries of equipment. VimpelCom periodically reviews the financial position of vendors and their compliance with the contract terms.

The Company's maximum exposure to credit risk for the components of the consolidated statement of financial position as of 31 December 2021 and 31 December 2020 are the carrying amounts of financial instruments as illustrated in Note 16, the carrying amounts of trade and other receivables and cash and cash equivalents as presented in the consolidated statement of financial position and the amounts of the related party loans guaranteed by the Company as disclosed in Note 9.

(All amounts in millions of Rubles unless otherwise stated)

18. Financial risk management (continued)

Liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. The Company’s objective is to maintain a balance between continuity of funding and flexibility through the use of bonds, bank overdrafts, loans and lease contracts. The Company’s policy is to create a balanced debt maturity profile. As of 31 December 2021, 1% (31 December 2020: 12%) of the Company’s debt will mature in less than one year based on the carrying value of bonds (Note 16), bank loans (Note 16) and loans received from related parties (Note 21) reflected in the consolidated financial statements. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low based on liquidity in the markets the Company has access to, and recent history of refinancing. The Company believes that access to sources of funding is sufficiently available and the Company’s policy is to diversify the funding sources where possible. Furthermore VEON Ltd. or its subsidiaries can act as a lender of funds (Note 21).

Maturity profile

The table below summarizes the maturity profile of the Company’s financial liabilities based on contractual undiscounted payments. The total amounts in the table differ from the carrying amounts as stated in Note 16 as the below table includes both notional amounts and interest while the carrying amounts are based on amongst others notional amounts, fair value adjustments and unamortized fees. Related information on guarantees issued is disclosed in Note 9.

As of 31 December 2021	On demand / less than 1 year 2022	1-3 years 2023-2024	3-5 years 2025-2026	More than 5 years > 2026	Total
Bonds and bank loans	1,672	1,025	–	–	**2,697**
Loans received from related parties	14,153	100,647	100,639	–	**215,439**
Lease liabilities	33,765	65,519	45,176	45,471	189,931
Trade and other payables	79,993	455	491	1,918	82,857
Total financial liabilities	**129,583**	**167,646**	**146,306**	**47,389**	**490,924**

As of 31 December 2020	On demand / less than 1 year 2021	1-3 years 2022-2023	3-5 years 2024-2025	More than 5 years > 2025	Total
Bonds and bank loans	20,261	1,736	–	–	**21,997**
Loans received from related parties	10,547	87,944	79,726	–	**178,217**
Lease liabilities	23,370	43,428	32,947	15,168	**114,913**
Trade and other payables	86,100	447	487	2,208	**89,242**
Total financial liabilities	**140,278**	**133,555**	**113,160**	**17,376**	**404,369**

Capital management

The primary objective of the Company’s capital management is to ensure that it maintains healthy capital ratios, so as to secure access to debt and capital markets at all times and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

19. Issued capital and reserves

Common shares

As of 31 December 2021 and 31 December 2020, PJSC "VimpelCom" had 51,281,022 issued and outstanding, fully paid registered common shares at a nominal value of 0.5 kopecks each. As of 31 December 2021 and 31 December 2020, 51,281,021 common shares of PJSC "VimpelCom were owned by VEON Holdings B.V., the wholly-owned indirect subsidiary of VEON Ltd. and 1 common share was owned by VEON Ltd., the ultimate parent of the Group. In addition to the issued and outstanding shares, the Company shall have the right to issue an additional 38,718,978 common registered shares having a nominal value of 0.5 kopecks each (authorized shares).

Each fully paid common shares are, subject to Charter of PJSC "VimpelCom" and Russian law, entitles its holder to: (a) participate in shareholder general meetings; (b) have one vote on all issues voted upon at a general shareholder meeting, except for the purposes of cumulative voting for the election of the Board of Directors, in which case each common share shall have the same number of votes as the total number of members to be elected to the Board Directors and all such votes may be cast for a single candidate or may be distributed between or among two or more candidates; (c) receive dividends approved by the general shareholder meeting; (d) in the event of our liquidation, receive a pro rata share of value of the property (or the portion of the value of the property); (e) any other rights set forth in Charter of PJSC "VimpelCom" and Russian law.

Convertible preference shares

As of 31 December 2021 and 31 December 2020, PJSC “VimpelCom” had issued and outstanding 6,426,600 Type A preferred shares. As of 31 December 2021 and 31 December 2020, all Type A preferred shares (6,426,600 shares) were owned by VEON Holdings B.V. Each share of preferred stock entitles its holder (i) to participate in Shareholders’ General Meetings with the right to vote on all issues (each preferred share shall have one vote at a Shareholders’ General Meeting); (ii) to receive annually a fixed dividend of 0.1 of a kopeck per preferred share and (iii) to receive a fixed liquidation value of 0.5 of a kopeck per preferred share in the event of VimpelCom’s liquidation, to the extent there are sufficient funds available; (iv) to include issues on the agenda of the Shareholders’ General Meeting. Each share of preferred stock is convertible into one share of common stock at any time after 30 June 2016, at the election of the holder upon payment to VimpelCom of a conversion premium equal to 100% of the market value of one share of common stock at the time of conversion.

Nature and purpose of reserves

Other capital reserves

Other capital reserves are mainly used to recognize the results of transactions that do not result in a change of control with non-controlling interest and to recognize the results of transactions under common control (Note 15). Other capital reserves do not affect the distribution of dividends as the dividend distribution is not based on the Company's consolidated financial statements, including other capital reserves and the Group's retained earnings.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. The increase in the foreign currency reserve relates mainly to the depreciation of the RUB and strengthening the of emerging markets currencies in which VimpelCom operates.

20. Dividends

On 7 December 2021, in the Annual General Meeting of Shareholders of PJSC “VimpelCom” the decision was taken to pay out interim dividends in the monetary form based on nine-month period of 2021 financial year results: (1) to holders of common registered shares in the amount of three hundred ninety rubles per one common share for the total amount of RUB 4,362.99; (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 0.005. In December 2021, PJSC “VimpelCom” paid interim dividends to the shareholders based on nine-month period of 2021 financial year results in the amount of RUB 4,144.84, 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 218.15.

On 30 July 2021, VIP Kazakhstan Holding AG, a subsidiary of the Company, declared dividends. The portion of dividends attributable to owners of the non-controlling interests amounted to USD 26.75 million (the equivalent of RUB 1,958 as of 30 July 2021 at the exchange rate provided by the Central Bank of Russia) and was fully set-off against the loans previously granted to owners of the non-controlling interests.

On 16 November 2021, VIP Kyrgyzstan Holding AG, a subsidiary of the Company, declared dividends to its shareholders which were paid on 23 November 2021. The portion of dividends paid to the to owners of the non-controlling interests amounted to USD 8.24 million (the equivalent of RUB 595 as of 16 November 2021 at the exchange rate provided by the Central Bank of Russia (as of the date of dividends declared)).

The portion of other dividends declared and paid to the owners of the non-controlling interests amounted to RUB 189 million (as of the date of dividends declared).

(All amounts in millions of Rubles unless otherwise stated)

Additional information

21. Related parties

As of 31 December 2021 and 31 December 2020, PJSC "VimpelCom" was a wholly-owned indirect subsidiary of VEON Ltd. As of 31 December 2021 and 31 December 2020, 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 years:

	For the years ended 31 December	
	2021	**2020**
Continuing operations		
Revenue from VEON Ltd. and its subsidiaries:		
- Revenue from Teta Telecom and its subsidiaries	**1,549**	1,426
- Revenue from Kyivstar	**455**	242
- Revenue from VEON Ltd. and its other subsidiaries	**623**	681
Revenue from other related parties	**–**	2
	2,627	2,351
Services from VEON Ltd. and its subsidiaries:		
- Services from Teta Telecom and its subsidiaries	**(3,721)**	(3,562)
- Services from Kyivstar	**(684)**	(490)
- Services from VEON Ltd. and its other subsidiaries	**(5,616)**	(5,455)
Services from other related parties	**(3)**	(1)
	(10,024)	(9,508)
Finance income from VEON Ltd. and its subsidiaries	**1,609**	2,001
Finance costs from VEON Ltd. and its subsidiaries[1]	**(13,558)**	(15,176)
Consideration for the sale of property and equipment to VEON Ltd. and its subsidiaries (VAT excluded) (Note 11)	**5,665**	–
Other gain from VEON Ltd. and its subsidiaries, net	**4**	3
Discontinued operations (Note 15)		
Other operating income from VEON Ltd. and its subsidiaries[2]	**1,413**	–
Services from VEON Ltd. and its subsidiaries	**(3)**	(59)

[1] Change in finance costs from VEON Ltd. and its subsidiaries for the years ended 31 December 2021 compared to the same period in 2020 was due to changes in the structure of loans received from VEON Ltd. and its subsidiaries, considering differences in loan amounts and interest rates on them in the respective reporting periods;

[2] Increase in other operating income from VEON Ltd. and its other subsidiaries related to discontinued operations for the year ended 31 December 2021 compared to the same period in 2020 was related to the reversal of consulting and professional services costs which were reflected in the line "Profit / (loss) after tax for the period from discontinued operations" (Note 15) of the consolidated income statement for the year ended 31 December 2021.

(All amounts in millions of Rubles unless otherwise stated)

21. Related parties (continued)

	As of 31 December 2021	As of 31 December 2020
Accounts receivable from VEON Ltd. and its subsidiaries:		
- Accounts receivable from Teta Telecom and its subsidiaries	**646**	597
- Accounts receivable from Kyivstar	**70**	61
- Accounts receivable from VEON Ltd. and its other subsidiaries	**1,289**	482
Accounts receivable from other related parties	**63**	4
	2,068	1,144
Accounts payable to VEON Ltd. and its subsidiaries:		
- Accounts payable to Teta Telecom and its subsidiaries	**387**	198
- Accounts payable to Kyivstar	**64**	88
- Accounts payable to VEON Ltd. and its other subsidiaries[1]	**2,052**	19,367
Accounts payable to other related parties	**1**	–
	2,504	19,653
Loans granted to VEON Ltd. and its subsidiaries	**34,078**	57,776
Interest receivable from VEON Ltd. and its subsidiaries	**968**	221
Loans received from VEON Ltd. and its subsidiaries	**161,636**	142,318
Interest payable to VEON Ltd. and its subsidiaries	**170**	2,275
Amortised fees related to loans received from VEON Ltd. and its subsidiaries	**(582)**	–

[1] Decrease in accounts payable to VEON Ltd. and its other subsidiaries as of 31 December 2021 compared to accounts payable to VEON Ltd. and its other subsidiaries as of 31 December 2020 was mainly associated with the settlements of accounts payable including the settlements of accounts payable by offsetting with accounts receivable for property and equipment sold (Note 11) and disposal of Uzbekistan operations (Note 15) including reversal of consulting and professional service costs which were reflected in the line “Profit / (loss) after tax for the period from discontinued operations” of the consolidated income statement for the year ended 31 December 2021.

(All amounts in millions of Rubles unless otherwise stated)

21. Related parties (continued)

Loans granted to VEON Ltd. and its subsidiaries

As of 31 December 2021 and 31 December 2020, the principal amounts of loans granted to VEON Ltd. and its subsidiaries were as follows:

Lender	Borrower	Date of agreement	Maturity	Interest Rate	Currency	31 December 2021	31 December 2020
PJSC "VimpelCom"[1] (Golden Telecom Inc.) (Note 15)	VEON Holdings B.V.	27 Oct. 2020	Oct. 2024	3.0%	USD	**26,745**	26,595
VIP Kazakhstan Holding AG[2]	VEON Holdings B.V.	19 Nov. 2021	June 2022	LIBOR+1.25%	USD	**6,166**	–
Clafdor Investments Ltd.	VEON Micro Holdings B.V.	4 Jun. 2018	On demand	LIBOR+0.60%	USD	**786**	781
KaR-Tel, LLP	TNS-Plus	2007-2011	Dec. 2026	9.46%	KZT	**381**	388
PJSC "VimpelCom"[3]	VEON Holdings B.V.	13 Dec. 2017	< 3 months	3.92-8.50%	RUB / USD	**–**	13,964
Golden Telecom Inc. (Note 15)[4]	VEON Holdings B.V.	31 Jan. 2018	On demand	LIBOR+0.70%	USD	**–**	10,579
VIP Kazakhstan Holding AG[5]	VEON Holdings B.V.	21 Dec. 2020	Dec. 2021	3.0%	USD	**–**	5,407
VEON Eurasia S.à r.l.[6]	VEON Holdings B.V.	31 Mar. 2017	On demand	LIBOR+0.65%	USD	**–**	62
Total						**34,078**	57,776

[1] On 10 March 2021, Golden Telecom Inc. (a subsidiary of the PJSC "VimpelCom") was liquidated. The assets of Golden Telecom Inc. comprising the investments in its own subsidiaries and loans granted to related parties were distributed to the shareholder (PJSC "VimpelCom"). The distribution of the remaining assets will be deferred and might take significant time;

[2] On 19 November 2021, VIP Kazakhstan Holding AG, a subsidiary of the Company, entered into a facility agreement with VEON Holdings B.V. for the amount of USD 185.75 million. The interest rate under the agreement was LIBOR+1.25%. In November 2021 and December 2021, VIP Kazakhstan Holding AG provided VEON Holdings B.V. with the amount of USD 83 million (the equivalent of RUB 6,166 as of 31 December 2021 at the exchange rate provided by the Central Bank of Russia) with maturities in May 2022 and June 2022. In March 2022, VIP Kazakhstan Holding AG provided VEON Holdings B.V. with the amount of USD 6 million (the equivalent of RUB 505 as of 31 March 2022 at the exchange rate provided by the Central Bank of Russia) with a maturity date in September 2022;

[3] For the year ended 31 December 2021, PJSC "VimpelCom" provided VEON Holdings B.V. with the equivalent of RUB 8,750 (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 22,714 (as of the date of each transaction at the exchange rate provided by the Central Bank of Russia);

[4] On 20 December 2021, with effectiveness as of 22 March 2021, Golden Telecom Inc. entered into a debt forgiveness agreement with VEON Holdings B.V. (indirect shareholder of Golden Telecom Inc.). The outstanding principal loaned by Golden Telecom Inc. to VEON Holdings B.V. in the amount of USD 143.69 million was forgiven. This transaction was accounted for through equity;

[5] On 3 August 2021, VEON Holdings B.V. fully early repaid the principal amount of USD 73.2 million (the equivalent of RUB 5,345 as of 3 August 2021 at the exchange rate provided by the Central Bank of Russia) and interest in the amount of USD 1.4 million (the equivalent of RUB 102 as of 3 August 2021 at the exchange rate provided by the Central Bank of Russia);

[6] On 26 August 2021, VEON Holdings B.V. fully repaid the principal amount and interest in the total amount of USD 0.84 million (the equivalent of RUB 62 as of 26 August 2021 at the exchange rate provided by the Central Bank of Russia).

On 2 August 2021, PJSC "VimpelCom" signed a credit facility agreement with VEON Holdings B.V. for the amount of USD 250 million (the equivalent of RUB 18 285 as of 2 August 2021 at the exchange rate provided by the Central Bank of Russia) for general corporate purposes with a maturity date of every separate tranche less than 3 months from the utilization date. An interest rate for every separate tranche determined by the formula "Bloomberg Screen USDR CMPN + Margin 0.72%" per annum. In August 2021, PJSC "VimpelCom" provided VEON Holdings B.V. with USD 84.8 million (the equivalent of RUB 6,274 million as of the date of each transaction at the exchange rate provided by the Central Bank of Russia). In the fourth quarter of 2021, VEON Holdings B.V. fully repaid the equivalent of RUB 6,214 (as of the date of each transaction at the exchange rate provided by the Central Bank of Russia).

(All amounts in millions of Rubles unless otherwise stated)

21. Related parties (continued)

Loans received from VEON Ltd. and its subsidiaries

As of 31 December 2021 and 31 December 2020, the principal amounts of loans received from VEON Ltd. and its subsidiaries were as follows:

Lender	Borrower	Date of agreement	Maturity	Interest rate	Currency	31 December 2021	31 December 2020
VEON Finance Ireland Designated Activity Company[1]	PJSC "VimpelCom"	23 Dec. 2021	22 Dec. 2026	10.2% and CBR key rate+2.25%	RUB	**45,000**	–
VEON Finance Ireland Designated Activity Company[2]	PJSC "VimpelCom"	23 Dec. 2021	22 Dec. 2026	CBR key rate+2.00%	RUB	**45,000**	–
VEON Holdings B.V.[3]	PJSC "VimpelCom"	14 Aug. 2020	Aug., 2024	8.75%	RUB	**30,000**	35,000
VEON Holdings B.V.[4]	PJSC "VimpelCom"	17 Dec. 2020	Dec., 2024	8.75%	RUB	**23,377**	–
VEON Holdings B.V.[5]	PJSC "VimpelCom"	12 May 2021	May, 2024	3.00%	USD	**17,459**	–
VEON Holdings B.V.[6]	PJSC "VimpelCom"	9 Aug. 2021	Aug., 2024	8.75%	RUB	**800**	–
VEON Holdings B.V.[7]	PJSC "VimpelCom"	19 Aug. 2020	Aug., 2024	8.75%	RUB	**–**	40,100
VEON Holdings B.V.[8]	PJSC "VimpelCom"	14 Aug. 2020	Aug., 2023	8.50%	RUB	**–**	30,000
VEON Holdings B.V.[9]	PJSC "VimpelCom"	11 Oct. 2017	Oct., 2022	125% of the key rate	RUB	**–**	15,000
Sovintel Group, LLC[5]	PJSC "VimpelCom"	23 Nov. 2009	Nov., 2022	1.00%	RUB	**–**	10,454
VEON Holdings B.V.[9]	PJSC "VimpelCom"	9 Aug. 2017	Aug., 2022	125% of the key rate	RUB	**–**	9,454
Kubtelecom, LLC[5]	PJSC "VimpelCom"	2 Aug. 2010	Aug., 2022	7.50%	RUB	**–**	2,310
Total						**161,636**	142,318

[1] On 23 December 2021, PJSC "VimpelCom" signed the facility agreement with VEON Finance Ireland Designated Activity Company ("VFI") for the amounts of RUB 45,000 with a maturity date of 26 December 2026 for general corporate purposes. The interest rate under this facility agreement for Facility A in the amount of 30,000 is 10.2% and for Facility B in the amount of 15,000 is set based on the current key rate of the Bank of Russia plus 2.25% per annum. In December 2021, under this facility agreement VFI provided PJSC "VimpelCom" with RUB 45,000. In March 2022, the parties agreed to postpone the interest payment date from 24 March 2022 to 23 September 2022;

[2] On 23 December 2021, PJSC "VimpelCom" signed the facility agreement with VEON Finance Ireland Designated Activity Company ("VFI") for the amounts of RUB 45,000 with a maturity date of 26 December 2026 for general corporate purposes. The interest rate under this facility agreement for is set based on the current key rate of the Bank of Russia plus 2.00% per annum. In December 2021, under this facility agreement VFI provided PJSC "VimpelCom" with RUB 45,000. In March 2022, the parties agreed to postpone the interest payment date from 21 March 2022 to 21 September 2022;

[3] In December 2021, PJSC "VimpelCom" early repaid the principal amount of RUB 5,000. In the first quarter of 2022, PJSC "VimpelCom" early repaid the principal amount of RUB 30,000;

[4] On 17 December 2020, PJSC "VimpelCom" signed a credit facility agreement with VEON Holdings B.V. for the amount of RUB equivalent of USD 377 million (the equivalent of RUB 27,679 as of 17 December 2020 at the exchange rate provided by the Central Bank of Russia) with a maturity date of 17 December 2024 for general corporate purposes. The interest rate under the credit facility agreement is 8.75%. For the year ended 31 December 2021, under this facility agreement VEON Holdings B.V. provided PJSC "VimpelCom" with the equivalent of RUB 27,037 (as of the date of each transaction at the exchange rate provided by the Central Bank of Russia) and PJSC "VimpelCom" repaid the equivalent of RUB 3,660 (as of the date of each transaction at the exchange rate provided by the Central Bank of Russia). In the first quarter of 2022, VEON Holdings B.V. provided PJSC "VimpelCom" with the equivalent of RUB 1,337 (as of the date of each transaction at the exchange rate provided by the Central Bank of Russia). In March and April 2022, the parties agreed to postpone the interest payment date from 14 March 2022 and 15 April 2022 to 12 September 2022;

[5] On 31 March 2021, PJSC "VimpelCom" entered into a sale and purchase agreement for the acquisition of a 100% stake in LLC "Sovintel Group" which, in turn, owned 100% stake in LLC "Kubtelecom" and other subsidiaries. Under the sale and purchase agreement, on 31 March 2020, Bardym Enterprises Ltd. (related party of the Group) transferred the 100% stake in LLC "Sovintel Group" to PJSC "VimpelCom" in exchange for a purchase consideration of USD 235 million (Note 15). On 12 May 2021, PJSC "VimpelCom" and Bardym Enterprises Ltd. entered into facility agreement where it was agreed that the outstanding consideration of USD 235 million under the sale and purchase agreement shall be deemed to be a loan (the "Facility agreement"). On 5 July 2021, Bardym Enterprises Ltd. (the "Existing Lender") notified PJSC "VimpelCom" (the "Borrower") that, with effect from 5 July 2021, the Existing Lender has transferred by novation its rights and obligations under the USD 235 million Facility Agreement to VEON Holdings B.V.;

[6] On 9 August 2021, PJSC "VimpelCom" signed a credit facility agreement with VEON Holdings B.V. for the amount of RUB 2,290 with a maturity date of 9 August 2024 for general corporate purposes. The interest rate under the credit facility agreement is 8.75%. In August 2021, under facility agreement VEON Holdings B.V. provided PJSC "VimpelCom" RUB 800. In the first quarter of 2022, VEON Holdings B.V. provided PJSC "VimpelCom" with RUB 1,490;

[7] In December 2021, PJSC "VimpelCom" fully early repaid the principal amount and interest payable;

[8] In December 2021, PJSC "VimpelCom" early repaid the principal amount of RUB 30,000;

[9] On 19 February 2021, VEON Luxembourg Finance S.A. entered into deed of transfer in accordance with which, starting from 1 January 2021, all rights of claims under these loans were transferred from VEON Luxembourg Finance S.A. to VEON Holdings B.V. In December 2021, PJSC "VimpelCom" fully early repaid the principal amount and interest payable.

21. Related parties (continued)

Compensation of key management personnel of the Company

The General Director and key vice presidents of PJSC “VimpelCom” are the key management personnel. The amount of accrued remuneration to key management personnel of the Company in 2021 amounted to RUB 1,086 (2020: RUB 1,394). The amount of remuneration paid to key management personnel of the Company in 2020 amounted to RUB 727 (2020: RUB 562). The amount of social insurance contributions related to remuneration paid to key management personnel of the Company amounted to RUB 107 (2020: RUB 80). Remuneration to key management personnel of the Company is mainly represented by a short-term category of employee benefits.

Terms and conditions of transactions with related parties

Outstanding balances at year-end are unsecured, settlements occur in cash. There have been no guarantees provided or received for any related party receivables or payables. The terms and amounts of the Company’s guarantees of the related party loans that existed as of 31 December 2021 are disclosed in Note 9.

Impairment assessment over the Group loans granted to related parties and receivables owed by related parties

For the years ended 31 December 2021 and 31 December 2020, the impairment assessment of loans granted to related parties and receivables from related parties was undertaken through examining the financial position of the related party and the market in which the related party operates. The Company accounts for the expected credit loss allowance for the Group loans granted to related parties and receivables due from related parties, deemed as intercompany loans from VEON Ltd. Group’s perspective, in the same way as for the trade receivables and loans granted as ones from third parties, in accordance with IFRS 9.

The Group assesses, on a forward-looking basis, the expected credit loss for loans given to related parties and receivables from related parties. The Group measures expected credit loss and recognizes net impairment losses at each reporting date. The measurement of expected credit loss reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Loans given are presented in the consolidated statement of financial position net of the allowance for expected credit loss. The Group applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their expected credit loss measured at an amount equal to the portion of lifetime expected credit loss that results from default events possible within the next 12 months or until contractual maturity, if shorter (“12 Months expected credit loss”). If the Group identifies a significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and its expected credit loss is measured based on expected credit loss on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any (“Lifetime expected credit loss”). If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its expected credit loss is measured as a Lifetime expected credit loss.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for receivables from related parties similar to other trade and other receivables.

As of 31 December 2021 and 31 December 2020, 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 immaterial from the Company’s perspective and was therefore not recognized as of 31 December 2021 and 31 December 2020.

21. Related parties (continued)

Forgiveness of loans issued to shareholders

When loans and interest due to shareholders are forgiven, the present value of the forgiven loans and interest due is recognized in equity.

22. Events after the reporting period

Loans granted to related parties, loans received from related parties, bonds and bank loans

On 15 February 2022, PJSC “VimpelCom” signed the facility agreement with VEON Finance Ireland Designated Activity Company for the amounts of RUB 30,000 with a maturity date of 15 February 2029 for general corporate purposes. The interest rate under this facility agreement is the CBR key rate+2.15%. In the first quarter of 2022, under this facility agreement VEON Finance Ireland Designated Activity Company provided PJSC “VimpelCom” with RUB 30,000. In March and April 2022, the parties agreed to postpone the interest payment date from 15 March 2022 and 15 April 2022 to 14 September 2022.

Sberbank

On 22 December 2021, VEON Finance Ireland Designated Activity Company (“VFI”), the subsidiary of VEON Ltd. and the related party of the Company, signed a RUB 45 000 Term Facilities Agreement with PJSC Sberbank with a floating rate for which the interest rate is set based on the current key rate of the Bank of Russia plus 1.90% per annum. Maturity date of the facility is December 2026. The proceeds from PJSC Sberbank facility have been used by VFI to finance intercompany loans to PJSC “VimpelCom” (Note 21). On 12 April 2022, PJSC “VimpelCom” entered into a novation agreement with VFI and PJSC Sberbank, according to which it has been agreed to transfer by novation absolutely all of the VFI ’s rights and obligations under the Term Facilities Agreement to PJSC “VimpelCom”, and PJSC Sberbank has agreed to release VFI from its existing obligations under the Term Facilities Agreement dated 22 December 2021 and release VEON Holdings B.V. from its guarantee under the Term Facilities Agreement. On 29 April 2022, a Set-Off Agreement was signed between “VFI” and PJSC “VimpelCom” to offset VFI's obligations to pay consideration to PJSC “VimpelCom” in the amount of RUB 45,520 for assuming the borrower's obligations under the novation agreement dated 12 April 2022. The amount of consideration due to PJSC “VimpelCom” was set off against the existing obligation of PJSC “VimpelCom” to VFI under the facility agreement with VFI for the total amount of RUB 45 000 dated 23 December 2021 (Note 21) together with all accrued but unpaid interest as of the date of set-off excluding the RUB 403 interest amounts for which the interest payment date was amended to 21 September 2022 under the waiver letter dated 22 March 2022 (Note 21).

ALFA-BANK

On 23 December 2021, VEON Finance Ireland Designated Activity Company (“VFI”), the subsidiary of VEON Ltd. and the related party of the Company, signed a RUB 45 000 Term Facilities Agreement with AO "ALFA-BANK" which includes a RUB 30 000 fixed 10.1% rate Facility A and a RUB 15 000 floating rate Facility B for which the interest rate is set based on the current key rate of the Bank of Russia plus 2.15% per annum, both with a maturity date of December 2026. The proceeds from AO "ALFA-BANK" facilities have been used by VFI to finance intercompany loans to PJSC “VimpelCom” (Note 21). On 15 April 2022, PJSC “VimpelCom” entered into a novation agreement with VFI and AO "ALFA-BANK", according to which it has been agreed to transfer by novation absolutely all of the VFI ’s rights and obligations under the Term Facilities Agreement to PJSC “VimpelCom”, and AO "ALFA-BANK" has agreed to release VFI from its existing obligations under the Term Facilities Agreement dated 23 December 2021 and release VEON Holdings B.V. from its guarantee under the Term Facilities Agreement. On 29 April 2022, a Set-Off Agreement was signed between “VFI” and PJSC “VimpelCom” to offset VFI's obligations to pay consideration to PJSC “VimpelCom” in the amount of RUB 45,314 for assuming the borrower's obligations under the novation agreement dated 15 April 2022. The amount of consideration due to PJSC “VimpelCom” was set off against the existing obligation of PJSC “VimpelCom” to VFI under the facility agreement with VFI for the total amount of RUB 45 000 dated 23 December 2021 (Note 21) together with all accrued but unpaid interest as of the date of set-off excluding the RUB 1 316 interest amounts for which the interest payment date was amended to 23 September 2022 under the waiver letter dated 22 March 2022 (Note 21).

22. Events after the reporting period (continued)

Loans granted to related parties, loans received from related parties, bonds and bank loans (continued)

Significant changes in financial assets and liabilities after the reporting period also related to movements in loans granted to related parties (Note 21), loans received from related parties (Note 21) and the scheduled repayments of debt including ruble bonds (Note 16). In March 2022, the Company agreed to postpone the interest payment date for several agreements related to loans received from related parties (Note 21).

Guarantees in favour of VEON Holdings B.V.

In March 2022, VEON Holdings B.V. fully redeemed its notes, which were guaranteed by the Company (Note 9).

Transactions under common control

In March 2022, VEON Eurasia S.à r.l. (a subsidiary of the Company) entered into an agreement for the sale of 50.1% shares of VIP Kyrgyzstan Holding AG (the subsidiary of the Company), which holds 100% shares in Menacrest AG (the subsidiary of the Company), which in turn holds 100% stake Sky Mobile, LLC and 100% stake Balance KG, LLC, an operating companies and subsidiaries of the Company in Kyrgyzstan. Under the agreement, on 10 March 2022, VEON Eurasia S.à r.l. transferred 50.1% shares of VIP Kyrgyzstan Holding AG to VEON Holdings B.V. (a subsidiary of VEON Ltd. and related party of the Group), in exchange for consideration of USD 12.1 million (the equivalent of RUB 1,405 as of 10 Marc 2022 at the exchange rate provided by the Central Bank of Russia). As of 10 March 2022, the net liabilities of VIP Kyrgyzstan Holding AG, Menacrest AG, Sky Mobile, LLC and Balance KG, LLC amounted to the equivalent of RUB 1,081. This transaction will be accounted for through equity of the Group with a total impact on equity of RUB 2,486.

Current geopolitical situation

As of 29 April 2022, in response to the events in Ukraine, the United States, the European Union (and individual EU member states) and, the United Kingdom, as well as other countries have imposed wide-ranging economic sanctions and trade restrictions which have targeted individuals and entities as well as large aspects of the Russian economy, including freezing the assets of the Russia’s Central Bank, other Russian financial institutions, and individuals, removing selected Russian banks from the Swift banking system, and restricting export of certain products to Russia. Furthermore, as a response to the imposed sanctions, Russia introduced a number of countersanctions aimed at stabilizing domestic financial markets. These, among others, include new restrictions related to capital and foreign exchange controls, restrictions on lending to foreign (non-Russian) persons and certain financial operations for persons, controlled from “hostile” jurisdictions, restrictions on foreign persons’ transactions with Russian securities and real estate, limitations on export and import of certain goods into and outside Russia. The above circumstances have negatively affected the commodity and financial markets, as well as increased volatility in the stock and currency markets.

As of 29 April 2022, the Company is not itself subject to any sanctions imposed by the aforementioned jurisdictions. The sanctions imposed by the various jurisdictions, as well as decisions of our service providers, partners, suppliers and other counterparties, and the ensuing economic effects may have adverse effect on our results and operations in Russia and the Company’s financial performance as a whole, as well as the Company’s liquidity position and ability to attract new financing or source relevant network equipment from vendors. In addition, an increase in the key interest rate by the Central Bank of Russia to 17% will increase the cost of financing for the Company due to the Company's floating interest rate credit lines. At the moment, it is not possible to determine the exact quantitative financial effect of the above events and circumstances.

Currently, the management of the Company is focused on ensuring the provision of uninterrupted services to our customers and supporting the economic sustainability of the Company in the current environment. The quality of the Company’s telecommunication network remains a key focus, and the Company continues to build new LTE base stations and to progress in the fiberization of its transport infrastructure. While the pace of these developments has somewhat decelerated due to the current context, the Company is proactively addressing market-wide component availability issues through cooperation with other major domestic telecom operators, researching possibility to build new supply chains and introducing flexible sourcing.

22. Events after the reporting period (continued)

Current geopolitical situation (continued)

The management of the Company actively monitors the Company’s liquidity position, financial and non-financial covenants, and our equity levels on a regular and continuous basis both at the group and operating company levels. The Company has sufficient liquidity to satisfy our obligations in the foreseeable future, at least over the next twelve months. The company expects stable cash flows from operating activities for the foreseeable future. The Company is also actively monitoring any new developments to ensure that we are in compliance and any potential impact on the Company’s financial performance, operations, and governance.

The management of the Company has evaluated the aforementioned conditions and events, considered in aggregate, and has concluded the Company’s ability to continue as a going concern for at least twelve months after the date of the consolidated financial statements are issued. Therefore, the accompanying consolidated financial statements have been prepared on a going concern basis.

23. Basis of preparation of the consolidated financial statements

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective at the time of preparing the consolidated financial statements and applied by VimpelCom.

The consolidated financial statements have been prepared on a historical cost basis, unless disclosed otherwise.

PJSC ”VimpelCom” maintains its accounting records and prepares its consolidated financial statements in accordance with the Regulations on Accounting, Reporting and tax legislation in the Russian Federation. PJSC ”VimpelCom”’s subsidiaries outside the Russian Federation maintain their accounting records in accordance with local regulations and tax legislation. The accompanying consolidated financial statements have been prepared from these accounting records and adjusted as necessary in order to comply with IFRS.

Basis of consolidation

The consolidated financial statements comprise the financial statements of PJSC “VimpelCom” and its subsidiaries. Subsidiaries are all entities over which PJSC “VimpelCom” has control.

Intercompany transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group’s accounting policies.

When the Group ceases to consolidate a subsidiary due to loss of control, the related subsidiary’s assets (including goodwill), liabilities, non-controlling interest and other components of equity are de-recognized. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss. Any consideration received is recognized at fair value, and any investment retained is re-measured to its fair value with the change in carrying amount, and this fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest. Any resultant gain or loss is recognized in the income statement.

(All amounts in millions of Rubles unless otherwise stated)

23. Basis of preparation of the consolidated financial statements (continued)

Foreign currency translation

The consolidated financial statements of the Group are presented in Russian Rubles. Each entity in the Group determines its own functional currency and amounts included in the financial statements of each entity are measured using that functional currency.

As part of consolidation, the assets and liabilities of foreign operations are first translated into the functional currency of any intermediate parent entity (USD) and then translated from USD into Russian Rubles at the rate of exchange prevailing at the reporting date and their income statements are translated at the weighted average exchange rate for the period. The resulting exchange rate differences arising on translation of foreign operations are recognized in other comprehensive income (currency translation reserve).

On disposal or loss of control of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss as part of the gain or loss on disposal; or as a reclassification within the equity in other reserves if it is a result of a transaction under common control.

Transactions denominated in foreign currencies are initially recognized at the exchange rate prevailing on the date of the transaction. At period end, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the closing exchange rate with differences taken to profit and loss. Non-monetary items carried at historical cost that are denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing on the initial transaction dates. Non-monetary items carried at fair value are translated into the functional currency at the exchange rate at the date when the fair value was determined.

The following table shows the exchange rates of currencies against the US dollar as of 31 December 2021 and 31 December 2020:

Currency (for 1 USD)	31 December 2020	31 December 2020
Russian Ruble	**74.2926**	73.8757
Kazakh Tenge	**431.67**	420.71
Kyrgyzstani Som	**84.7586**	82.6498
Uzbek Sum	**n/a**	10,476.92

24. Significant accounting policies

Significant accounting judgments, estimates and assumptions

The preparation of these consolidated financial statements has required management to apply accounting policies and methodologies based on complex and subjective judgments, as well as 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 these consolidated financial statements. The final amounts for items for which estimates and assumptions were made in the 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.

The sources of uncertainty identified by the Group are described together with the applicable note, as follows:

Significant accounting judgement / source of estimation uncertainty	Described in:
Uncertain tax positions (significant accounting judgement)	Note 10
Impairment of non-current assets (significant accounting estimate)	Note 12
Lease term (significant accounting estimate)	Note 11, Note 13 and Note 16
Application of the sale and lease back guidance and allocation of goodwill on a relative fair value basis (significant accounting judgement and significant accounting estimate)	Note 11

24. Significant accounting policies (continued)

New standards, interpretations and amendments

A number of new and amended standards became effective as of 1 January 2021, which did not have a material impact on VimpelCom financial statements.

In May 2020, the IASB issued an amendment to IFRS 16 “Leases”, providing an option to apply a practical expedient in respect of accounting for certain rent concessions arising as a direct consequence of COVID-19, such as rent holidays and temporary rent reductions. Under this amendment, which became effective in 2020, lessees are exempted from having to consider whether these rent concessions are lease modifications. The Group has chosen not to apply the practical expedient available and will therefore account for any rent concessions as lease modifications.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on VimpelCom financial statements in current or future reporting periods or on foreseeable future transactions. The Group has not early adopted any other standards, interpretations or amendments that have been issued but have not yet become effective.