

Unaudited interim condensed  
consolidated financial statements

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

*as of 31 March 2020 and  
for the three months ended 31 March 2020*

# Public Joint Stock Company “Vimpel-Communications”

## Unaudited interim condensed consolidated financial statements as of 31 March 2020 and for the three months ended 31 March 2020

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## Report on Review of Interim Condensed Consolidated Financial Statements

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

### Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Public Joint Stock Company "Vimpel-Communications" and its subsidiaries (together – the "VimpelCom") as at 31 March 2020 and the related interim consolidated income statement and statements of comprehensive income, changes in equity and cash flows for the three-month period then ended, and the related explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### Scope of Review

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

### Conclusion

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

*AO PricewaterhouseCoopers Audit*

18 May 2020

Moscow, Russian Federation

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

Audited entity: Public Joint Stock Company Vimpel-Communications

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

Taxpayer Identification Number 7713076301

Address: 10 bld 14 8th Marta, Moscow, Russian Federation, 127083

Independent auditor: AO PricewaterhouseCoopers Audit

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

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

Taxpayer Identification Number 7705051102

Member of Self-regulatory organization of auditors Association «Sodruzhestvo»

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 12006020338

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Public Joint Stock Company “Vimpel-Communications”

Interim consolidated income statement  
for the three months ended 31 March 2020

(All amounts in millions of Rubles)

	Note	Three months ended 31 March	
		2020 (unaudited)	2019 (unaudited)
Service revenue		74,726	76,452
Sale of equipment and accessories		5,637	5,764
Other revenue / other income		536	367
<b>Total operating revenue</b>	2	<b>80,899</b>	<b>82,583</b>
<b>Operating expenses</b>			
Service costs		(17,427)	(17,224)
Cost of equipment and accessories		(5,697)	(5,730)
Selling, general and administrative expenses	3	(24,734)	(24,742)
Depreciation	7	(17,938)	(17,691)
Amortization	8	(2,930)	(2,705)
Reversal of impairment loss / (impairment loss)		68	(335)
Loss on disposal of non-current assets		(252)	(367)
<b>Total operating expenses</b>		<b>(68,910)</b>	<b>(68,794)</b>
<b>Operating profit</b>		<b>11,989</b>	<b>13,789</b>
Finance costs		(6,783)	(6,981)
Finance income		1,098	804
Net foreign exchange (loss) / gain		(8,393)	1,444
Other non-operating gain / (loss), net	4	3,979	(2,454)
<b>Profit before tax</b>		<b>1,890</b>	<b>6,602</b>
Income tax expense	6	(1,223)	(1,563)
<b>Profit for the period</b>		<b>667</b>	<b>5,039</b>
<b>Attributable to:</b>			
The owners of the Company		2,283	4,830
Non-controlling interests		(1,616)	209
		<b>667</b>	<b>5,039</b>

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

Public Joint Stock Company “Vimpel-Communications”

Interim consolidated statement of comprehensive income  
for the three months ended 31 March 2020

*(All amounts in millions of Rubles)*

	Three months ended	
	31 March	
	2020	2019
	(unaudited)	(unaudited)
<b>Profit for the period</b>	<b>667</b>	<b>5,039</b>
<b>Other comprehensive income / (loss)</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences arising on net investment in foreign operations	5,791	(3,597)
Income tax effect	–	149
<b>Other comprehensive income / (loss) for the period, net of tax</b>	<b>5,791</b>	<b>(3,448)</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>6,458</b>	<b>1,591</b>
<b>Attributable to:</b>		
The owners of the Company	8,012	1,308
Non-controlling interests	(1,554)	283
	<b>6,458</b>	<b>1,591</b>

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

Public Joint Stock Company “Vimpel-Communications”

Interim consolidated statement of financial position

as of 31 March 2020

(All amounts in millions of Rubles)

	31 March 2020 (unaudited)	31 December 2019
	<b>Note</b>	
<b>Assets</b>		
<b>Non-current assets</b>		
Property and equipment	7	277,681
Intangible assets	8	121,974
Deferred income tax assets		1,359
Loans, derivatives and other financial assets	9	577
Other non-current assets	5	2,193
<b>Total non-current assets</b>		<b>403,784</b>
<b>Current assets</b>		
Inventories		8,038
Trade and other receivables		22,717
Other current assets	5	12,182
Current income tax assets		702
Loans, derivatives and other financial assets	9	71,424
Cash and cash equivalents	10	29,179
<b>Total current assets</b>		<b>144,242</b>
<b>Assets classified as held for sale</b>		<b>22</b>
<b>Total assets</b>		<b>548,048</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Equity attributable to equity owners of the Company		146,342
Non-controlling interests		(1,820)
<b>Total equity</b>		<b>138,330</b>
<b>Non-current liabilities</b>		
Trade and other payables		1,894
Debt, derivatives and other financial liabilities	9	224,294
Provisions		4,347
Deferred income tax liabilities		5,829
Other non-current liabilities	5	542
<b>Total non-current liabilities</b>		<b>258,480</b>
<b>Current liabilities</b>		
Trade and other payables		74,281
Debt, derivatives and other financial liabilities	9	72,858
Provisions		1,085
Current income tax payables		1,535
Other current liabilities	5	16,861
<b>Total current liabilities</b>		<b>156,519</b>
<b>Total equity and liabilities</b>		<b>530,503</b>

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

Public Joint Stock Company “Vimpel-Communications”

Interim consolidated statement of changes in equity  
for the three months ended 31 March 2020  
(All amounts in millions of Rubles)

	Attributable to the owners of the Company					Total	Non-controlling interests	Total equity
	Issued capital	Capital surplus	Other capital reserves	Retained earnings	Foreign currency translation reserve			
<b>As of 31 December 2019</b>	<b>3</b>	<b>40,234</b>	<b>37,458</b>	<b>122,594</b>	<b>(61,959)</b>	<b>138,330</b>	<b>(266)</b>	<b>138,064</b>
Profit for the period	–	–	–	2,283	–	2,283	(1,616)	667
Other comprehensive income / (loss)	–	–	–	–	5,729	5,729	62	5,791
<b>Total comprehensive income / (loss)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,283</b>	<b>5,729</b>	<b>8,012</b>	<b>(1,554)</b>	<b>6,458</b>
<b>As of 31 March 2020 (unaudited)</b>	<b>3</b>	<b>40,234</b>	<b>37,458</b>	<b>124,877</b>	<b>(56,230)</b>	<b>146,342</b>	<b>(1,820)</b>	<b>144,522</b>

Interim consolidated statement of changes in equity  
for the three months ended 31 March 2019  
(All amounts in millions of Rubles)

	Attributable to the owners of the Company					Total	Non-controlling interests	Total equity
	Issued capital	Capital surplus	Other capital reserves	Retained earnings	Foreign currency translation reserve			
<b>As of 31 December 2018</b>	<b>3</b>	<b>40,234</b>	<b>37,317</b>	<b>111,341</b>	<b>(55,132)</b>	<b>133,763</b>	<b>3,053</b>	<b>136,816</b>
Adjustments arising due to new accounting standards	–	–	–	(217)	–	(217)	–	(217)
<b>As of 1 January 2019</b>	<b>3</b>	<b>40,234</b>	<b>37,317</b>	<b>111,124</b>	<b>(55,132)</b>	<b>133,546</b>	<b>3,053</b>	<b>136,599</b>
Profit for the period	–	–	–	4,830	–	4,830	209	5,039
Other comprehensive income / (loss)	–	–	–	–	(3,522)	(3,522)	74	(3,448)
<b>Total comprehensive income / (loss)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,830</b>	<b>(3,522)</b>	<b>1,308</b>	<b>283</b>	<b>1,591</b>
Dividends declared	–	–	–	–	–	–	(1,659)	(1,659)
Acquisition of non-controlling interests	–	–	141	–	–	141	(497)	(356)
<b>As of 31 March 2019 (unaudited)</b>	<b>3</b>	<b>40,234</b>	<b>37,458</b>	<b>115,954</b>	<b>(58,654)</b>	<b>134,995</b>	<b>1,180</b>	<b>136,175</b>

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

Public Joint Stock Company “Vimpel-Communications”

Interim consolidated statement of cash flows  
for the three months ended 31 March 2020

(All amounts in millions of Rubles)

	Note	Three months ended 31 March	
		2020	2019
<b>Operating activities</b>			
Profit for the period		667	5,039
Income tax expense	6	1,223	1,563
<b>Profit before tax</b>		<b>1,890</b>	<b>6,602</b>
<b>Non-cash adjustments to reconcile profit before tax to net cash flows from operating activities:</b>			
Depreciation	7	17,938	17,691
(Reversal of impairment loss)/impairment loss		(68)	335
Amortization	8	2,930	2,705
Loss on disposal of non-current assets		252	367
Finance income		(1,098)	(804)
Finance costs		6,783	6,981
Other non-operating (gain)/loss, net	4	(3,979)	2,454
Net foreign exchange (gain)/loss		8,393	(1,444)
Movements in provisions		829	649
<b>Operating cash flows before working capital adjustments, interest and income taxes</b>		<b>33,870</b>	<b>35,536</b>
<b>Working capital adjustments</b>			
(Increase)/ decrease in trade and other receivables		(1,806)	(2,332)
Decrease / (increase) in inventories		1,661	(1,323)
(Decrease) / increase in trade and other payables		(428)	2,391
<b>Interest and income taxes</b>			
Interest paid		(6,573)	(6,733)
Interest received		792	451
Income tax paid		(1,076)	(1,054)
<b>Net cash flows from operating activities</b>		<b>26,440</b>	<b>26,936</b>
<b>Investing activities</b>			
Purchase of property, equipment and intangible assets		(16,808)	(15,534)
Proceeds from sale of property, equipment and intangible assets		117	156
Issue of loans		(17,158)	(27,871)
Repayment of loans issued		5,186	25,209
Outflows from investments in other financial assets		(700)	(103)
Inflows from deposits		31	34
<b>Net cash flows used in investing activities</b>		<b>(29,332)</b>	<b>(18,109)</b>
<b>Financing activities</b>			
Repayment of borrowings		(414)	(7,722)
Repayment of lease liabilities		(3,497)	(3,661)
Dividends paid to non-controlling interests		–	(1,594)
Repayment associated with early debt redemption		–	(705)
Acquisition of non-controlling interest		–	(356)
<b>Net cash flows used in financing activities</b>		<b>(3,911)</b>	<b>(14,038)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(6,803)</b>	<b>(5,211)</b>
<b>Effect of exchange rate changes on cash and cash equivalents, net</b>		<b>4,484</b>	<b>(1,434)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>31,498</b>	<b>29,420</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>29,179</b>	<b>22,775</b>

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



# Public Joint Stock Company “Vimpel-Communications”

## Notes to the unaudited interim condensed consolidated financial statements as of 31 March 2020 and for the three months ended 31 March 2020

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

### 1. General information

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

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

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

VimpelCom generates revenue from the provision of voice, data and other telecommunication services through a range of mobile and fixed and fixed-line technologies, as well as selling equipment and accessories. As of 31 March 2020, the Company operated telecommunications services in Russia, Kazakhstan, Uzbekistan, Armenia, Kyrgyzstan and Georgia primarily under the “Beeline” brand name.

The interim condensed consolidated financial statements of the Company as of 31 March 2020 and for the three months ended 31 March 2020 were authorized for issue by the General Director of PJSC “VimpelCom” on 18 May 2020.

#### **Coronavirus Outbreak**

On 11 March 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide.

The COVID-19 pandemic is increasing dependency on and demand for essential communications, connectivity and digital services across a number of markets. Operationally, this has resulted in divergent trends across our business.

While we are seeing some initial positive usage trends in both our voice and data services, we are facing a number of challenges across the business. These include disruption in our distribution channels, migration of our customer base away from urban areas and a migration in data utilization from our mobile to our fixed networks. These have had a direct financial impact on our business in recent weeks, particularly on roaming revenues, device sales and prepaid top-up volumes.

Changes in exchange rates has resulted in the devaluation of exchange rates in the countries in which VimpelCom operates.

Our management has taken appropriate measures to keep its personnel safe and secure. As of the date of these financial statements, we have not observed any particular material adverse impacts to our business, financial condition, and results of operations, other than as described above, and the group liquidity is sufficient to fund the business operations for at least another 12 months.

# Public Joint Stock Company “Vimpel-Communications”

## Notes to the unaudited interim condensed consolidated financial statements as of 31 March 2020 and for the three months ended 31 March 2020

(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”). Management does not analyze assets or liabilities by reportable segments.

The Company’s reportable segments include “Russia”, “Kazakhstan” and “Uzbekistan”. The “Other operating companies” column in the tables below includes our operations in Armenia, Kyrgyzstan and Georgia. The “Eliminations and other” column in the tables below includes inter-company eliminations, holding companies and other unallocated adjustments.

Financial information by reportable segment for the three months ended 31 March 2020 and 31 March 2019 is presented in the following tables.

#### Information by reportable segments for the three months ended 31 March 2020

	Russia	Kazakhstan	Uzbekistan	Other operating companies	Eliminations and other	Group
<b>Revenue</b>						
Service revenue	61,629	7,253	3,608	2,348	(112)	74,726
including:						
- Mobile	52,517	6,692	3,586	1,933	(50)	64,678
- Fixed	9,112	561	22	415	(62)	10,048
Sale of equipment and accessories	5,507	57	2	71	–	5,637
Other revenue / other income	444	67	21	14	(10)	536
<b>Total operating revenue</b>	<b>67,580</b>	<b>7,377</b>	<b>3,631</b>	<b>2,433</b>	<b>(122)</b>	<b>80,899</b>
- External customers	67,510	7,373	3,621	2,367	28	80,899
- Inter-segment	70	4	10	66	(150)	–
<b>EBITDA</b>	<b>27,295</b>	<b>3,643</b>	<b>1,687</b>	<b>837</b>	<b>(421)</b>	<b>33,041</b>
<b>Capital expenditures*</b>	<b>11,653</b>	<b>2,857</b>	<b>356</b>	<b>750</b>	<b>–</b>	<b>15,616</b>
<b>Reversal of impairment / (impairment) of assets</b>	<b>81</b>	<b>(4)</b>	<b>–</b>	<b>(9)</b>	<b>–</b>	<b>68</b>

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

Public Joint Stock Company “Vimpel-Communications”

Notes to the unaudited interim condensed consolidated financial statements  
as of 31 March 2020 and for the three months ended 31 March 2020

(All amounts in millions of Rubles unless otherwise stated)

2. Segment information (continued)

Information by reportable segments for the three months ended 31 March 2019

	Russia	Kazakhstan	Uzbekistan	Other operating companies	Eliminations and other	Group
<b>Revenue</b>						
Service revenue, including:	63,439	6,328	4,212	2,561	(88)	76,452
- Mobile	54,937	5,767	4,184	2,096	(41)	66,943
- Fixed	8,502	561	28	465	(47)	9,509
Sale of equipment and accessories	5,602	42	1	119	–	5,764
Other revenue / other income	330	35	2	11	(11)	367
<b>Total operating revenue</b>	<b>69,371</b>	<b>6,405</b>	<b>4,215</b>	<b>2,691</b>	<b>(99)</b>	<b>82,583</b>
- External customers	69,319	6,399	4,210	2,623	32	82,583
- Inter-segment	52	6	5	68	(131)	–
<b>EBITDA</b>	<b>29,937</b>	<b>3,095</b>	<b>2,095</b>	<b>894</b>	<b>(1,134)</b>	<b>34,887</b>
<b>Capital expenditures*</b>	<b>15,182</b>	<b>737</b>	<b>1,838</b>	<b>422</b>	<b>–</b>	<b>18,179</b>
<b>Impairment of assets</b>	<b>(305)</b>	<b>(16)</b>	<b>–</b>	<b>(14)</b>	<b>–</b>	<b>(335)</b>

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

The following table provides the reconciliation of consolidated EBITDA to consolidated profit for the three months ended 31 March 2020 and 31 March 2019:

	Three months ended 31 March	
	2020	2019
<b>EBITDA</b>	<b>33,041</b>	<b>34,887</b>
Depreciation	(17,938)	(17,691)
Amortization	(2,930)	(2,705)
Reversal of impairment loss / (impairment loss)	68	(335)
Loss on disposal of non-current assets	(252)	(367)
Finance costs	(6,783)	(6,981)
Finance income	1,098	804
Other non-operating gain / (loss), net	3,979	(2,454)
Net foreign exchange (loss) / gain	(8,393)	1,444
Income tax expense	(1,223)	(1,563)
<b>Profit for the period</b>	<b>667</b>	<b>5,039</b>

3. Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended 31 March 2020 and 31 March 2019 consisted of the following:

	Three months ended 31 March	
	2020	2019
Personnel costs	8,252	8,157
Network and IT costs	6,058	5,402
Customer associated costs	4,946	5,360
Taxes other than income tax	1,550	1,904
Losses on receivables	1,104	669
Services costs and variable part of the other lease payments	1,065	1,105
Consulting and professional service costs	752	1,124
Other general and administrative expenses	1,007	1,021
<b>Total</b>	<b>24,734</b>	<b>24,742</b>

Public Joint Stock Company “Vimpel-Communications”

Notes to the unaudited interim condensed consolidated financial statements  
as of 31 March 2020 and for the three months ended 31 March 2020

(All amounts in millions of Rubles unless otherwise stated)

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

Other non-operating gain / (loss), net for the three months ended 31 March 2020 and 31 March 2019 consisted of the following:

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2020</b>	<b>2019</b>
Changes in the fair value of non-hedge derivatives	4,000	(1,568)
Loss from early debt redemption	–	(719)
Other loss, net	(21)	(167)
<b>Total other non-operating gain / (loss), net</b>	<b>3,979</b>	<b>(2,454)</b>

**5. Other assets and liabilities**

Other assets consisted of the following items as of 31 March 2020 and 31 December 2019:

	<b>31 March</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
<b>Other non-current assets</b>		
Customer acquisition costs	844	705
Advances to suppliers and prepayments	113	134
Deferred costs related to connection fees	104	102
Input value added tax	68	62
Other non-current assets	1,064	885
<b>Total other non-current assets</b>	<b>2,193</b>	<b>1,888</b>
<b>Other current assets</b>		
Input value added tax	6,394	6,163
Advances to suppliers	4,649	3,708
Prepaid taxes	806	857
Deferred costs related to connection fees	95	93
Other current assets	238	325
<b>Total other current assets</b>	<b>12,182</b>	<b>11,146</b>

Other liabilities consisted of the following items as of 31 March 2020 and 31 December 2019:

	<b>31 March</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
<b>Other non-current liabilities</b>		
Long-term deferred revenue	205	227
Other non-current liabilities	337	420
<b>Total other non-current liabilities</b>	<b>542</b>	<b>647</b>
<b>Other current liabilities</b>		
Other taxes payable	7,857	4,262
Amounts due to employees	3,965	3,832
Customer advances, net of VAT	3,007	2,904
Short-term deferred revenue	2,030	1,719
Other current liabilities	2	–
<b>Total other current liabilities</b>	<b>16,861</b>	<b>12,717</b>

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**6. Income taxes**

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

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

Income tax expense consisted of the following for the three months ended 31 March 2020 and 31 March 2019:

	Three months ended 31 March	
	2020	2019
<b>Profit before tax</b>	<b>1,890</b>	<b>6,602</b>
Current income tax	(855)	(2,504)
Deferred income tax	(368)	941
<b>Income tax expense reported in the interim consolidated income statement</b>	<b>(1,223)</b>	<b>(1,563)</b>
<b>Effective tax rates</b>	<b>65%</b>	<b>24%</b>

The effective income tax rate for the three months ended 31 March 2020 was 65%. In the three-month period ended 31 March 2020 the effective income tax rate was mainly driven by loss in Georgia amounting to RUB 4,082 affecting profit before tax. No deferred tax was recognized on the loss according to tax model accepted in Georgia. The effective income tax rate for the three months ended 31 March 2019 amounts to 24%. In the three-month period ended 31 March 2019 the effective income tax rate was mainly driven by non-deductible expenses.

**Investing activities of the Group**

**7. Property and equipment**

During the three months ended 31 March 2020 and 31 March 2019, the Company had the following changes in property and equipment:

	Three months ended 31 March	
	2020	2019
<b>Net book value as of 1 January</b>	<b>278,147</b>	<b>281,526</b>
Additions*	13,448	17,944
Net book value of assets disposed	(520)	(1,145)
Depreciation charge	(17,938)	(17,691)
Reversal of impairment / (impairment)	68	(325)
Translation adjustment	4,476	(2,631)
Reclassification from assets held for sale	–	3
Other	–	278
<b>Net book value as of 31 March</b>	<b>277,681</b>	<b>277,959</b>

\* Including additions of right-of-use assets during the three months ended 31 March 2020 in the amount of RUB 1,630 (2019: RUB 2,641).

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**8. Intangible assets**

During the three months ended 31 March 2020 and 31 March 2019, the Company had the following changes in intangible assets and goodwill:

	Three months ended 31 March 2020			Three months ended 31 March 2019		
	Other intangible assets	Goodwill	Total intangible assets	Other intangible assets	Goodwill	Total intangible assets
<b>Net book value as of 1 January</b>	<b>26,815</b>	<b>93,216</b>	<b>120,031</b>	<b>27,519</b>	<b>97,729</b>	<b>125,248</b>
Additions	3,798	–	3,798	2,876	–	2,876
Net book value of assets disposed	(26)	–	(26)	(4)	–	(4)
Amortization charge	(2,930)	–	(2,930)	(2,705)	–	(2,705)
Impairment	–	–	–	(10)	–	(10)
Translation adjustment	527	574	1,101	(380)	(627)	(1,007)
<b>Net book value as of 31 March</b>	<b>28,184</b>	<b>93,790</b>	<b>121,974</b>	<b>27,296</b>	<b>97,102</b>	<b>124,398</b>

The movements in goodwill for the Group, per cash generating unit (“CGU”), consisted of the following items for the three-month period ended 31 March 2020:

CGU's*	31 March	Currency translation adjustment	31 December
	2020		2019
Russia	87,984	–	87,984
Kazakhstan	4,310	275	4,035
Uzbekistan	1,496	299	1,197
<b>Total</b>	<b>93,790</b>	<b>574</b>	<b>93,216</b>

\* The following CGUs' have no goodwill allocated to them: Armenia, Kyrgyzstan and Georgia.

**Impairment analysis**

Goodwill is tested for impairment annually (at October 1) or when circumstances indicate the carrying value may be impaired. The Company's impairment test for goodwill is primarily based on fair value less cost of disposal calculations that use a discounted cash flow model. When reviewing for indicators of impairment in interim periods, the Company considers, among others, the relationship between market capitalization of VEON Ltd. and its book value, as well as weighted average cost of capital and the quarterly financial performances of each cash-generating unit (“CGU”).

In addition to the above, in the first quarter of 2020, the Company also considered the impact of COVID-19 when reviewing for indicators of impairment (refer Note 1 for further details).

As a result of the above, the Company performed impairment testing for the Kyrgyzstan CGU as of 31 March 2020. Based on the recoverable amounts calculated and the carrying values of this CGU, no impairment loss was recorded in the first quarter of 2020.

Although we believe that judgments made supporting our impairment assessment are reasonable (relying on information reasonably available to us), the COVID-19 pandemic makes it challenging for us to estimate the future performance of our CGUs. As circumstances change and/or new information becomes available, we may be required to record impairments in future periods.

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#### 8. Intangible 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.

	<u>Kyrgyzstan</u>
Discount rate	12.4%
Average annual revenue growth rate*	16.9%
Long-term growth rate	4.0%
Average operating margin*	45.9%
Average CAPEX / revenue*,**	<u>33.2%</u>

\* During the explicit forecast period of five years;

\*\* CAPEX excludes licenses and right-of-use assets

##### Sensitivity to changes in assumptions

The following table illustrates the CGUs' remaining headroom if certain key parameters would adversely change by one percentage point within both the explicit forecast period and the terminal period. Any additional adverse changes in the key parameters by more than one percentage point would further proportionally decrease the headroom.

	<u>Kyrgyzstan</u>
<b>Existing headroom</b>	<b>700</b>
Discount rate (+1 pp)	233
Average growth rate (-1 pp)	466
Average operating margin (-1 pp)	-
Average CAPEX / revenue (+1 pp)*	-
Terminal growth rate (-1 pp)	<u>389</u>

\* CAPEX excludes licenses and right-of-use assets

#### Financing activities of the Group

#### 9. Financial assets and liabilities

The loans, derivatives and other financial assets consisted of the following items as of 31 March 2020 and 31 December 2019:

	<u>Note</u>	<u>31 March 2020</u>	<u>31 December 2019</u>
<b>Loans, derivatives and other financial assets</b>			
<b>At fair value</b>			
Derivatives not designated as hedges			
- Foreign exchange contracts		<u>4,065</u>	-
		<u>4,065</u>	-
<b>At amortized cost</b>			
- Loans granted to related parties, principal amount	11	<u>66,724</u>	51,659
- Loans granted to related parties, interest receivable		<u>540</u>	291
Loans granted to related parties		<u>67,264</u>	51,950
Other financial assets		<u>672</u>	704
		<u>67,936</u>	52,654
<b>Total loans, derivatives and other financial assets</b>			
		<u>72,001</u>	52,654
- Non-current		<u>577</u>	868
- Current		<u>71,424</u>	51,786

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

The debt, derivatives and other financial liabilities consisted of the following items as of 31 March 2020 and 31 December 2019:

	Note	31 March 2020	31 December 2019
<b>Debt, derivatives and other financial liabilities</b>			
<b>At fair value</b>			
Derivatives not designated as hedges			
- Foreign exchange contracts		-	659
		-	659
<b>At amortized cost</b>			
- Loans payables to related parties, principal amount	11	177,665	173,978
- Loans payables to related parties, interest payable		12,080	9,450
- Unamortised fees on loans payables to related parties		(385)	(429)
Loans payables to related parties		189,360	182,999
- Bonds, principal amount		21,084	17,321
- Bonds, interest payable		262	534
- Unamortised fees on bonds		(25)	(20)
Bonds		21,321	17,835
Lease liabilities		86,404	87,090
Other liabilities		67	80
		297,152	288,004
<b>Total debt, derivatives and other financial liabilities</b>			
- Non-current		224,294	247,280
- Current		72,858	41,383

#### Major treasury events during 2020

There were no significant changes in financial assets and liabilities in the three-month period ended 31 March 2020 except for the scheduled repayments of debt or as described below. Furthermore, there were no changes in risks and risk management policies as disclosed in the Group’s annual consolidated financial statements as of and for the year ended 31 December 2019.

On 28 February 2020, PJSC “VimpelCom” announced the reset of the coupon rate on its 7% puttable Ruble bonds for outstanding principal amount of RUB 597. The new coupon rate of 6.2% per annum is applicable for the next four coupon periods (next two years) till final maturity in March 2022. Following the reset of the coupon rate, bondholders exercised their put options in aggregate principal amounts of RUB 383 which was repaid in March 2020. Subsequent to the settlement, the total outstanding principal amount of 6.2% Ruble bonds was RUB 213. Outstanding principle amount of 1% Ruble bonds with final maturity in 2025 remained the same and amounted to RUB 505.

Significant changes in the financial assets and liabilities also relate to the loans received from related parties and the amount of interest accrued on them, loans granted to related parties and the amount of interest accrued on them as further described in Note 11.

#### Fair values

As of 31 March 2020, the fair values of all financial assets and liabilities are equal to or approximate their respective carrying amounts as shown in the table above, with the exception of:

- loans payables to related parties, principal amount, for which fair value is equal to RUB 179,832 (31 December 2019: RUB 184,521);
- bonds, principal amount, for which fair value is equal to RUB 21,389 (31 December 2019: 18,368);
- interest payable to related parties and interest payable on bonds for which fair value is equal to RUB 8,982 (31 December 2019: RUB 8,034);
- lease liabilities, for which fair value has not been determined.



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

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

The fair values were estimated based on quoted market prices (for bonds), derived from market prices or by discounting contractual cash flows at the rate applicable for the instruments with similar maturity and risk profile.

The fair value for loans to related parties is estimated by discounting contractual cash flows at the applicable rate for the instruments with similar maturity and risk profile.

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

As of 31 March 2020 and 31 December 2019, the Group recognized financial instruments at fair value in the statement of financial position.

As of 31 March 2020 and 31 December 2019, all financial assets and financial liabilities carried at fair value were measured based on Level 2 inputs. Carrying amounts of financial assets and financial liabilities carried at amortized costs approximates their fair value which is measured based on Level 2 inputs.

During the three-months period ended 31 March 2020, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

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

#### 10. Cash and cash equivalents

Cash and cash equivalents consisted of the following items as of 31 March 2020 and 31 December 2019:

	<b>31 March 2020</b>	<b>31 December 2019</b>
Cash and cash equivalents at banks and on hand	<b>22,882</b>	29,386
Short-term deposits with an original maturity of less than three months	<b>6,297</b>	2,112
<b>Total cash and cash equivalents</b>	<b>29,179</b>	31,498

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

As of 31 March 2020 and 31 December 2019, there were no restricted cash and cash equivalent balances.

#### Additional information

#### 11. Related parties

As of 31 March 2020 and 31 December 2019, PJSC “VimpelCom” was a wholly-owned indirect subsidiary of VEON Ltd. As of 31 March 2020 and 31 December 2019, VEON Ltd. was primarily owned by L1T VIP Holdings S.à r.l., a member of the LetterOne group of companies. VEON Ltd. has no ultimate controlling shareholder.

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

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**11. Related parties (continued)**

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

	For the three months ended 31 March	
	2020	2019
Revenue from VEON Ltd. and its subsidiaries:		
- Revenue from Teta Telecom and its subsidiaries	332	142
- Revenue from Kyivstar	63	65
- Revenue from VEON Ltd. and its other subsidiaries	145	496
	<b>540</b>	<b>703</b>
Services from VEON Ltd. and its subsidiaries:		
- Services from Teta Telecom and its subsidiaries	112	733
- Services from Kyivstar	826	119
- Services from VEON Ltd. and its other subsidiaries	1,609	2,865
Services from other related parties	-	6
	<b>2,547</b>	<b>3,723</b>
Finance income from VEON Ltd. and its subsidiaries	834	676
Finance costs from VEON Ltd. and its subsidiaries	4,708	4,753
Other gain from VEON Ltd. and its subsidiaries, net	2	-
	As of 31 March 2020	As of 31 December 2019
Accounts receivable from VEON Ltd. and its subsidiaries:		
- Accounts receivable from Teta Telecom and its subsidiaries	498	111
- Accounts receivable from Kyivstar	351	321
- Accounts receivable from VEON Ltd. and its other subsidiaries	487	441
Accounts receivable from other related parties	2	1
	<b>1,338</b>	<b>874</b>
Accounts payable to VEON Ltd. and its subsidiaries:		
- Accounts payable to Teta Telecom and its subsidiaries	193	260
- Accounts payable to Kyivstar	356	228
- Accounts payable to VEON Ltd. and its other subsidiaries	18,476	15,476
Accounts payable to other related parties	2	2
	<b>19,027</b>	<b>15,966</b>
Loans granted to VEON Ltd. and its subsidiaries	66,724	51,659
Interest receivable from VEON Ltd. and its subsidiaries	540	291
Loans received from VEON Ltd. and its subsidiaries	177,665	173,978
Interest payable to VEON Ltd. and its subsidiaries	12,080	9,450
Unamortized fees related to loans received from VEON Ltd. and its subsidiaries	(385)	(429)

# Public Joint Stock Company “Vimpel-Communications”

## Notes to the unaudited interim condensed consolidated financial statements as of 31 March 2020 and for the three months ended 31 March 2020

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### 11. Related parties (continued)

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

As of 31 March 2020 and 31 December 2019, 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 March 2020	31 December 2019
PJSC “VimpelCom” <sup>1</sup>	VEON Holdings B.V.	13 Dec. 2017	< 3 months	8.0%	RUB / USD	51,321	39,330
Golden Telecom Inc. <sup>2</sup>	VEON Holdings B.V.	31 Jan. 2018	On demand	LIBOR+0.70%	USD	10,739	8,552
VEON Armenia, CJSC	VEON Holdings B.V.	7 Aug. 2017	On demand	LIBOR+0.80%	USD	3,101	2,456
Clafdor Investments Ltd.	VEON Holdings B.V.	4 Sep. 2018	On demand	LIBOR+0.60%	USD	777	619
KaR-Tel, LLP	TNS-Plus	2007-2011	2020–2021	9.46%	KZT	713	668
VEON Eurasia S.à.r.l.	VEON Holdings B.V.	31 Mar. 2017	On demand	LIBOR+0.65%	USD	73	34
<b>Total</b>						<b>66 724</b>	<b>51,659</b>

<sup>1</sup> For the three months ended 31 March 2020, PJSC “VimpelCom” provided VEON Holdings B.V. with the equivalent of RUB 17,177 (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 5,186 (as of the date of each transaction at the exchange rate provided by the Central Bank of Russia). In April and May of 2020, PJSC “VimpelCom” provided VEON Holdings B.V. with the equivalent of RUB 8,200 (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 5,884 (as of the date of each transaction at the exchange rate provided by the Central Bank of Russia);

<sup>2</sup> In April and May of 2020, Golden Telecom Inc. provided VEON Holdings B.V. with the amount of USD 3.4 million (the equivalent of RUB 254 as of the date of each transaction at the exchange rate provided by the Central Bank of Russia). The amount of interest capitalized in April and May of 2020 was USD 1.6 million (the equivalent of RUB 124 as of the date of each transaction at the exchange rate provided by the Central Bank of Russia).

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

As of 31 March 2020 and 31 December 2019, 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 March 2020	31 December 2019
VEON Luxembourg Finance S.A.	PJSC “VimpelCom”	19 May 2017	May, 2022	11.40%	RUB	95,000	95,000
VEON Luxembourg Finance S.A.	PJSC “VimpelCom”	19 Jun 2017	Jun., 2022	11.00%	RUB	40,100	40,100
VEON Luxembourg Finance S.A.	PJSC “VimpelCom”	11 Oct. 2017	Oct., 2022	25% of the key rate	RUB	15,000	15,000
VEON Luxembourg Finance S.A.	VEON Georgia, LLC	26 Mar. 2015	Mar., 2032	6.50%	USD	17,722	14,114
VEON Luxembourg Finance S.A.	PJSC “VimpelCom”	9 Aug. 2017	Aug., 2022	25% of the key rate	RUB	9,454	9,454
VEON Luxembourg Finance S.A.	VEON Georgia, LLC	9 Jan. 2018	Dec., 2020	6.50%	USD	389	310
<b>Total</b>						<b>177,665</b>	<b>173,978</b>

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

Outstanding balances at period-end are unsecured, settlements occur in cash. During the three months ended 31 March 2020, there have been no new guarantees provided or received for any related party receivables or payables and no changes occurred to the terms and amounts of the Company’s guarantees of the related party loans that existed as of 31 December 2019 and were disclosed in the notes to the respective annual consolidated financial statements. No triggering events under the existing guarantees (Note 12) in favor of related parties occurred. The Company believes that the probability of these events is remote.

As of 31 March 2020 and 31 December 2019, the Group performed the impairment assessment over the loans granted to related parties and receivables owed by related parties held by the Company. As a result, the calculated amount of the expected credit loss allowance over the loans granted to related parties and receivables owed by related parties held by the Company was determined as insignificant from the Company’s perspective and was therefore not recognized as of 31 March 2020 and 31 December 2019.

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#### **12. Risks, commitments, contingencies and uncertainties**

Other than disclosed elsewhere in these interim condensed consolidated financial statements, there were no material risks, commitments, contingencies and uncertainties that occurred during the three-month period ended 31 March 2020 and there were no material changes during the same period to the commitments, contingencies and uncertainties as disclosed in the PJSC “VimpelCom”’s annual consolidated financial statements as of and for the year ended 31 December 2019.

#### **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 2019, VEON Amsterdam B.V. partially repurchased the current notes issued by VEON Holdings B.V. As of 31 March 2020 and 31 December 2019, the outstanding principal amount under the notes was USD 417 million (the equivalent of RUB 32,414 as of 31 March 2020 at the exchange rate provided by the Central Bank of Russia) and USD 417 million (the equivalent of RUB 25,815 as of 31 December 2019 at the exchange rate provided by the Central Bank of Russia), respectively. No triggering events under the guarantee occurred. The Company believes that probability of these events is remote.

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

Significant changes in financial assets and liabilities after the reporting period related to the loans granted to related parties and loans received from related parties were described in Note 11.

#### **Transactions under common control**

On 14 May 2020, PJSC “VimpelCom” entered into an agreement for the sale of Watertrail Industries Ltd., which holds our 51% stake VEON Georgia, LLC, an operating company in Georgia. Under the agreement, on 14 May 2020, PJSC “VimpelCom” transferred 100% of shares in Watertrail Industries Ltd. to VEON Georgia Holdings B.V. (a subsidiary of VEON Ltd. and related party of the Group), in exchange for purchase consideration of USD 16,000 (the equivalent of RUB 1.2 as of 14 May 2020 at the exchange rate provided by the Central Bank of Russia). As of 14 May 2020, the net liabilities of VEON Georgia, LLC amounted to RUB 27,247.

For business combinations exercised under common control, VimpelCom measures the net assets of the transaction at the carrying amounts, the difference between the amount received for the transaction and the corresponding carrying amount of the net assets is accounted for as equity transaction.

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

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

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group’s audited annual consolidated financial statements as of and for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards.

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

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

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

The accounting policies adopted in the preparation of the Group's interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as of and for the year ended 31 December 2019. The Group has not early adopted any standards, interpretations or amendments that have been issued but have not yet become effective.