

**IMPORTANT NOTICE: NOT FOR DISTRIBUTION IN OR INTO THE UNITED STATES OR TO U.S. PERSONS EXCEPT TO QUALIFIED INSTITUTIONAL BUYERS (“QIBs”) AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933 (THE “SECURITIES ACT”) THAT ARE ALSO QUALIFIED PURCHASERS (“QPs”) WITHIN THE MEANING OF SECTION 2(A)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940 OR OTHERWISE TO PERSONS TO WHOM IT CAN LAWFULLY BE DISTRIBUTED**

**IMPORTANT:** You must read the following before continuing. The following applies to the attached preliminary listing particulars (the “**Listing Particulars**”), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Listing Particulars. In accessing the Listing Particulars, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access. If you have gained access to this transmission contrary to any of the following restrictions, you are not authorised and will not be able to purchase any of the securities described herein (the “**Notes**”). You acknowledge that this electronic transmission and the delivery of the attached Listing Particulars is intended for you only and you agree you will not forward this electronic transmission or the attached Listing Particulars to any other person. Any forwarding, distribution or reproduction of this document in whole or in part is unauthorised. Failure to comply with the following directives may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

The Listing Particulars have been prepared solely in connection with the proposed offering to certain institutional and professional investors of the Notes. In particular, the Listing Particulars refer to certain events as having occurred that have not occurred at the date it is made available but that are expected to occur prior to approval of the Listing Particulars to be delivered in due course.

Investors should not subscribe for or purchase Notes except on the basis of information in the Listing Particulars. Copies of the Listing Particulars will, following publication, be made available to the investors in accordance with the applicable rules. Investors should note that it is intended that the Listing Particulars will not be made available to the public.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE SECURITIES REFERRED TO HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT (“**REGULATION S**”) TO OR FOR THE ACCOUNT OR BENEFIT OF A PERSON NOT KNOWN TO THE TRANSFEROR TO BE A U.S. PERSON (AS DEFINED IN REGULATION S), BY PREARRANGEMENT OR OTHERWISE, OR WITHIN THE UNITED STATES ONLY TO QIBs THAT ARE ALSO QPs IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A UNDER THE SECURITIES ACT, OR ANOTHER EXEMPTION THEREFROM, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

**Confirmation of your representation:** In order to be eligible to view the Listing Particulars or make an investment decision with respect to the Notes, investors must be (i) non-U.S. persons (within the meaning of Regulation S under the Securities Act) outside the United States who are not acting for the account or benefit of U.S. persons or (ii) QIBs that are also QPs that are acquiring the Notes for their own account or the account of another QIB that is also a QP. By accepting this e-mail and accessing the Listing Particulars, you shall be deemed to have represented to us that: (1) (A) you and any customers you represent are not U.S. persons and/or are not acting for the account or benefit of any U.S. persons and the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the U.S.; or (B) you are a QIB that is also a QP acquiring the Notes for your own account and/or for another QIB that is also a QP; or (C) you are a Relevant

Person (as defined below) if in the United Kingdom or you are outside the United Kingdom and (2) you consent to delivery of the Listing Particulars by electronic transmission.

The Listing Particulars may only be communicated or caused to be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 (the “**FSMA**”) does not apply. In the United Kingdom, the Listing Particulars are being distributed to and are directed only at: (i) people who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the “**Order**”), or (ii) high net worth entities, and other persons to whom they may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order; and (iii) other persons to whom it may otherwise lawfully be communicated under the Order (all such persons together referred to as “**Relevant Persons**”). Any investment or investment activity to which the Listing Particulars relate is available only in the United Kingdom to Relevant Persons and will be engaged in only with Relevant Persons.

Manufacturer target market (MiFID II product governance) is eligible counterparties and professional clients only (all distribution channels). No PRIIPs key information document has been prepared as the Notes will not be made available to retail investors in the European Economic Area.

The Listing Particulars do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licenced broker or dealer and the underwriters or any affiliate of the underwriters is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the issuer of the Notes in such jurisdiction.

The Listing Particulars are being sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently, none of Private Joint Stock Company “VF Ukraine”, VFU Funding PLC, J.P. Morgan Securities plc, Raiffeisen Bank International AG, Dragon Capital (Cyprus) Limited and ICBC Standard Bank Plc nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the attached document distributed to you in electronic format and the hard copy version available to you on request.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



U.S.\$500,000,000

## 6.20 per cent. Loan Participation Notes due 2025

issued by, and with limited recourse to,

### VFU Funding PLC

(incorporated under the laws of England)

for the sole purpose of financing a loan to

### Private Joint Stock Company “VF Ukraine”

(incorporated under the laws of Ukraine)

**Issue Price: 100 per cent.**

VFU Funding PLC, a company incorporated as a public limited company under the laws of England (the “**Issuer**”), is issuing an aggregate principal amount of U.S.\$500,000,000 6.20 per cent. Loan Participation Notes due 2025 (the “**Notes**”) for the sole purpose of financing a loan (the “**Loan**”) to Private Joint Stock Company “VF Ukraine”, a private joint stock company organised under the laws of Ukraine (the “**Company**” or the “**Borrower**”), pursuant to a loan agreement dated 6 February 2020 (the “**Loan Agreement**”) between the Issuer and the Borrower.

Pursuant to the trust deed (the “**Trust Deed**”) relating to the Notes between the Issuer and BNY Mellon Corporate Trustee Services Limited, as trustee (the “**Trustee**”), the Issuer will provide certain security for all payment obligations in respect of the Notes for the benefit of the holders of Notes (the “**Noteholders**”), including a first fixed charge in favour of the Trustee of all amounts paid and payable to it under the Loan Agreement and an assignment to the Trustee of the Issuer’s rights and interests under the Loan Agreement, other than in respect of certain reserved rights (as more fully described in “*Overview of the Transaction Structure and the Security*”). Interest on the Loan will be payable at a rate of 6.20 per cent. per annum (subject to increase to reflect any applicable Ukrainian Withholding Tax (as defined in the Loan Agreement)) semi-annually in arrear on the interest payment dates falling on 11 February and 11 August in each year, commencing on 11 August 2020, and the Notes will bear interest from, and including, 11 February 2020 and payable on such dates at the same rate.

The Notes are limited recourse obligations of the Issuer. In each case where amounts of principal, interest, premium (if any) and additional amounts (if any) are stated to be payable in respect of the Notes, the funds available to the Issuer to meet its obligations to the Noteholders, on each date upon which such amounts of principal, interest, premium (if any) and additional amounts (if any) are due in respect of the Notes, shall be equivalent to the sums of principal, interest, premium (if any) and additional amounts (if any) actually received and retained (net of tax) by or for the account of the Issuer from the Borrower pursuant to the Loan Agreement. **Noteholders will be deemed to have accepted and agreed that they will be relying solely and exclusively on the credit and financial standing of the Borrower in respect of the obligations of the Borrower under the Loan Agreement.**

The Loan, and correspondingly the Notes, may be redeemed early at the option of the Company in certain circumstances, all as more fully described in “*Loan Agreement*” and “*Terms and Conditions of the Notes*”. The Issuer may (i) in limited circumstances, redeem the Notes in whole, but not in part, at any time, at the principal amount thereof, together with accrued and unpaid interest, if any, to the date of redemption, in the event that it becomes unlawful for the Issuer to allow the Loan to remain outstanding under the Loan Agreement or allow the Notes to remain outstanding or for the Issuer to maintain or give effect to any of its obligations in connection with the Loan Agreement and/or to charge or receive or to be paid interest at the rate then applicable to the Loan; (ii) at any time prior to 11 February 2022, following the exercise by the Company of a related option to prepay the Loan under the Loan Agreement, on any one or more occasions, redeem up to 35 per cent. of the aggregate principal amount of the Notes at a redemption price of 106.20 per cent. of the principal amount, plus accrued and unpaid interest (if any) to the redemption date, with the net cash proceeds of one or more Equity Offerings (as defined in the Loan Agreement), provided that (a) at least 65 per cent. of the aggregate principal amount of the Notes (excluding Notes held by the Issuer, the Company, any member of the Group or any of their respective Affiliates (as defined in the Loan Agreement)) remains outstanding immediately after the occurrence of such redemption and (b) the redemption occurs within 90 days of the date of the closing of such Equity Offering; (iii) at any time prior to 11 February 2022, upon not less than 30 nor more than 60 days’ notice, redeem the Notes at any time in whole but not in part at the Make Whole Prepayment Amount (as defined in the Loan Agreement), and accrued and unpaid interest (if any) to the redemption date following the exercise by the Company of a related option to prepay the Loan under the Loan Agreement; (iv) at any time on or after 11 February 2022, redeem all or, from time to time, part of the Notes upon not less than 30 nor more than 60 days’ notice to the Noteholders, at the redemption prices (expressed as a percentage of the principal amount of the Notes) set forth in Condition 5(e) in “*Terms and Conditions of the Notes*”, plus accrued and unpaid interest, if any, to (but excluding) the applicable redemption date. The Notes are subject to redemption by the Issuer in whole, but not in part, upon giving notice to the Trustee and the Noteholders, at the principal amount thereof, together with accrued and unpaid interest, if any, to (but excluding) the date fixed for redemption in the event the Loan should become repayable pursuant to Clause 5.2 of the Loan Agreement. The Issuer will, at the option of any Noteholder, redeem any Notes held by such Noteholder on the occurrence of a Change of Control Put Event (as defined in the Loan Agreement), at 101 per cent. of their principal amount, together with accrued and unpaid interest, if any, to the date of such early redemption. See Condition 5 (*Redemption and Purchase*).

**AN INVESTMENT IN THE NOTES INVOLVES A HIGH DEGREE OF RISK. SEE “*RISK FACTORS*” BEGINNING ON PAGE 20.**

The Notes and the Loan (together, the “**Securities**”) have not been, and will not be, registered under the U.S. Securities Act of 1933 (the “**Securities Act**”), and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (“**Regulation S**”)). The Notes may be offered and sold (i) within the United States only to qualified institutional buyers (“**QIBs**”), as defined in Rule 144A under the Securities Act (“**Rule 144A**”), that are also qualified purchasers (“**QPs**”), as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940 (the “**Investment Company Act**”), in reliance on the exemption from registration under Section 5 of the Securities Act provided by Rule 144A or on another exemption therefrom (the “**Rule 144A Notes**”) and (ii) to non-U.S. persons in offshore transactions as defined in and in reliance on Regulation S (the “**Regulation S Notes**”). The Issuer has not been and will not be registered under the Investment Company Act. Prospective purchasers are hereby notified that sellers of the Rule 144A Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of the Notes and this distribution of the Listing Particulars (as defined below), see “*Subscription and Sale*” and “*Transfer Restrictions*”.

These listing particulars (the “**Listing Particulars**”) have been prepared for the purposes of providing disclosure information with regard to the Notes to be admitted to the Official List of the Irish Stock Exchange plc (trading as Euronext Dublin) (the “**Official List**”) and trading on its Global Exchange Market (the “**Global Exchange Market**”). The Global Exchange Market is not a regulated market for the purposes of Directive 2014/65/EU (“**MiFID II**”). These Listing Particulars constitute listing particulars in respect of the admission of the Notes and do not constitute a prospectus for the purposes of Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). Application has been made for these Listing Particulars to be approved by the Irish Stock Exchange plc (trading as Euronext Dublin) (“**Euronext Dublin**”) and the Notes to be admitted to the Official List and trading on the Global Exchange Market.

It is expected that the Notes will be rated “B” by Fitch Ratings CIS Ltd (“**Fitch**”) and “B” by Standard & Poor’s Credit Market Services Europe Ltd (“**Standard and Poor’s**”). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. Fitch and Standard and Poor’s are established in the European Union and are registered under the Regulation (EC) No. 1060/2009, as amended (the “**CRA Regulation**”). As such, Fitch and Standard and Poor’s are included in the list of credit rating agencies published by the European Securities and Markets Authority (“**ESMA**”) on its website in accordance with the CRA Regulation.

The Notes will be offered and sold in the minimum denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. The Regulation S Notes will initially be represented by interests in a global note certificate in registered form (the “**Regulation S Global Note Certificate**”), without interest coupons, which will be deposited with a common depository for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”), and registered in the name of a nominee for such common depository, on or about 11 February 2020 (the “**Issue Date**”). The Rule 144A Notes will initially be represented by interests in a global note certificate in registered form (the “**Rule 144A Global Note Certificate**”) and, together with the Regulation S Global Note Certificate, the “**Global Note Certificates**”), which will be registered in the name of Cede & Co., as nominee of, and deposited with a custodian for, The Depository Trust Company (“**DTC**”) on or about the Issue Date. Beneficial interests in the Global Note Certificates will be shown on, and transfers thereof will be effected only through records maintained by, DTC, Euroclear or Clearstream, Luxembourg (as the case may be) and their respective participants. See “*Clearing and Settlement*”. Individual note certificates in registered form will only be available in certain limited circumstances as described herein.

The Issuer will use the proceeds received from the issue and sale of the Notes for the sole purpose of making the Loan. The Company intends to use the proceeds of the Loan as described under “*Use of Proceeds*”.

*Sole Global Coordinator, Bookrunner and Joint Lead Manager*

**J.P. Morgan**

*Bookrunner and Joint Lead Manager*

**Raiffeisen Bank International AG**

*Joint Lead Managers*

**Dragon Capital**

**ICBC Standard Bank**

Listing Particulars dated 6 February 2020

## IMPORTANT INFORMATION ABOUT THESE LISTING PARTICULARS

These Listing Particulars do not comprise a prospectus for the purposes of the Prospectus Regulation and constitute listing particulars for the purpose of giving information with regard to the Issuer, the Company, and the Company and its subsidiaries taken as a whole (the “**Group**”) which, according to the particular nature of the Issuer, the Company, the Group, the Notes and the Loan, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer, the Company and the Group and of the rights attaching to the Notes.

Each of the Issuer and the Company (whose registered offices are set out on the penultimate page of these Listing Particulars) accepts responsibility for the information contained in these Listing Particulars. To the best of the knowledge of each of the Issuer and the Company (each of whom has taken all reasonable care to ensure that such is the case), the information contained in these Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer in respect of itself and the Company (other than in respect of the Issuer), having made all reasonable enquiries, confirm that (i) these Listing Particulars contain all information with respect to the Issuer, the Company, the Group, the Notes and the Loan that is material in the context of the issue and offering of the Notes; (ii) the statements contained in these Listing Particulars relating to the Issuer, the Group and the Company, are in every material respect true and accurate and are not misleading; (iii) the opinions, expectations and intentions expressed in these Listing Particulars with regard to the Issuer, the Company and the Group, are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts with respect to the Issuer, the Company, the Group, the Notes or the Loan the omission of which would, in the context of the issue and offering of the Notes, make any statement in these Listing Particulars misleading in any material respect; and (v) all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements. The Issuer and the Company accept responsibility accordingly.

These Listing Particulars do not constitute an offer of, or an invitation by or on behalf of the Issuer, the Company, the Joint Lead Managers (as defined in “*Subscription and Sale*”) or the Trustee to subscribe for or purchase any Notes in any jurisdiction where it is unlawful to make such an offer or invitation. The distribution of these Listing Particulars and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession these Listing Particulars come are required by the Issuer, the Company, the Joint Lead Managers and the Trustee to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Notes and distribution of these Listing Particulars, see “*Subscription and Sale*” and “*Transfer Restrictions*”.

No person is authorised to provide any information or to make any representation not contained in these Listing Particulars and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Company, the Joint Lead Managers or the Trustee. The delivery of these Listing Particulars at any time does not imply that the information contained in it is correct as at any time subsequent to its date. Neither the delivery of these Listing Particulars nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or the Company since the date of these Listing Particulars.

None of the Issuer, the Company, the Joint Lead Managers, the Trustee or any of their respective representatives or affiliates makes any representation to any offeree or purchaser of the Notes offered hereby regarding the legality of an investment by such offeree or purchaser under applicable legal, investment or similar laws. Each investor should consult with its own advisers as to the legal, tax, business, financial and related aspects of the purchase of the Notes.

Prospective purchasers must comply with all laws that apply to them in any place in which they buy, offer or sell any Notes or possess these Listing Particulars. Any consents or approvals that are needed in order to purchase any Notes must be obtained. The Issuer, the Company, the Joint Lead Managers and the Trustee are not responsible for compliance with these legal requirements. The appropriate characterisation of the Notes under various legal investment restrictions, and thus the ability of investors subject to these restrictions to purchase the Notes, is subject to significant interpretative uncertainties. No representation or warranty is made as to whether, or the extent to which, the Notes constitute a legal investment for investors whose investment authority is subject to legal restrictions, and investors should consult their legal advisers regarding such matters.

In connection with the issue of the Notes, J.P. Morgan Securities plc (the “**Stabilisation Manager**”) (or any person acting on behalf of the Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager (or any person acting on behalf of the Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or any person acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

The contents of the Company’s website do not form any part of these Listing Particulars.

No representation or warranty, express or implied, is made by the Joint Lead Managers, the Trustee or any of their respective affiliates or any person acting on their behalf as to the accuracy or completeness of the information set forth in these Listing Particulars. Nothing contained in these Listing Particulars is, or shall be relied upon as, a promise or representation, whether as to the past or the future.

Each person receiving these Listing Particulars acknowledges that such person has not relied on the Joint Lead Managers, the Trustee or any of their respective affiliates or any person acting on their behalf in connection with its investigation of the accuracy or completeness of such information or its investment decision. Each person contemplating making an investment in the Notes from time to time must make its own investigation and analysis of the creditworthiness of the Company and the Group and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment.

**MiFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

**Prohibition of sales to EEA and the United Kingdom retail investors** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”) or in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key

information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the United Kingdom may be unlawful under the PRIIPs Regulation.

**SINGAPORE SFA PRODUCT CLASSIFICATION:** In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

#### **NOTICE TO UNITED KINGDOM RESIDENTS**

In the United Kingdom, these Listing Particulars are being distributed only to and are directed only at (1) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”) or (2) high net worth entities, and other persons to whom they may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order; and (3) other persons to whom it may otherwise lawfully be communicated under the Order (all such persons together referred to as “**Relevant Persons**”). Any investment or investment activity to which these Listing Particulars relates is available only in the United Kingdom to Relevant Persons and will be engaged in only with Relevant Persons.

#### **NOTICE TO PROSPECTIVE U.S. INVESTORS**

**THE NOTES AND THE LOAN HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THESE LISTING PARTICULARS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.**

THIS OFFERING IS BEING MADE IN THE UNITED STATES IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT FOR AN OFFER AND SALE OF THE NOTES WHICH DOES NOT INVOLVE A PUBLIC OFFERING. IN MAKING YOUR PURCHASE, YOU WILL BE DEEMED TO HAVE MADE CERTAIN ACKNOWLEDGMENTS, REPRESENTATIONS AND AGREEMENTS. SEE “*SUBSCRIPTION AND SALE*” AND “*TRANSFER RESTRICTIONS*”.

#### **AVAILABLE INFORMATION**

The Issuer and the Company have agreed that, for so long as any Notes are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, they will, during any period in which they are neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner or to the Trustee for delivery to such holder, beneficial owner or prospective purchaser, in each case upon the request of such holder, beneficial owner, prospective purchaser or the Trustee, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

## FORWARD-LOOKING STATEMENTS

These Listing Particulars contain “forward-looking statements” which relate, without limitation, to any of the Company’s or the Group’s plans, objectives, goals, strategies, future events, future revenue or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to financial performance and future operations and development, business strategy and the trends in the industry and the political and legal environment in which the Group operates and other information that is not historical information. The words “anticipates”, “estimates”, “expects”, “believes”, “intends”, “plans”, “may”, “will”, “should” and any similar expressions to identify forward-looking statements may be used herein. Prospective purchasers of the Notes are cautioned that actual results could differ materially from those anticipated in forward-looking statements. The forward-looking statements contained in these Listing Particulars are largely based on the Group’s expectations, which reflect estimates and assumptions made by the Group’s management. These estimates and assumptions reflect the Group’s best judgement based on currently known market conditions and other factors, some of which are discussed below. Although the Group believes such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond the Group’s control. In addition, assumptions about future events may prove to be inaccurate. The Group cautions prospective purchasers of the Notes that the forward-looking statements contained in these Listing Particulars are not guarantees of outcomes of future performance and the Group cannot assure any prospective purchasers of the Notes that such statements will be realised or the forward-looking events and circumstances will occur.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, many of which are beyond the Group’s control and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. These risks, uncertainties and other factors include, among other things, those described in the section headed “*Risk Factors*”, as well as those included elsewhere in these Listing Particulars. Prospective purchasers of the Notes should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

When relying on forward-looking statements, prospective purchasers of the Notes should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Group operates. Such forward-looking statements speak only as of the date on which they are made. Accordingly, the Group does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. The Group does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. These cautionary statements qualify all forward-looking statements attributable to the Group or persons acting on its behalf.

## PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

### Financial Information

The financial information (i) as of and for the years ended 31 December 2017 and 31 December 2018 set forth herein, unless otherwise indicated, has been derived from the Group's audited consolidated financial statements as of and for the years ended 31 December 2017 and 31 December 2018 as set forth on pages F-24 to F-105 in these Listing Particulars (the “**Annual Consolidated Financial Statements**”) and (ii) as of and for the nine months ended 30 September 2019 set forth herein, unless otherwise indicated, has been derived from the Group's unaudited condensed consolidated interim financial information as of and for the nine months ended 30 September 2019, as set forth on pages F-2 to F-23 in these Listing Particulars (the “**Interim Consolidated Financial Information**” and together with the Annual Consolidated Financial Statements, the “**Financial Statements**”). The Financial Statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”), as issued by the International Accounting Standards Board. The Interim Consolidated Financial Information has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

The Group adopted IFRS 16 Leases (“**IFRS 16**”) from 1 January 2018, but has not restated comparatives for the 2017 reporting period, as permitted under the specific transitional provisions. The adoption of IFRS 16 had an impact on the reported assets, liabilities and income statement of the Group which affects comparability of consolidated financial statements as of and for the years ended 31 December 2017 and 31 December 2018. In particular, as a consequence of adopting IFRS 16, the Group's total assets and liabilities increased as the associated right of use with leases, and the corresponding liability, previously treated as operating leases, became recognised on the statement of financial position. In addition, operating lease expenses were replaced with depreciation on the right of use asset and interest expense on the lease liabilities.

The Issuer is a special-purpose vehicle established to raise funds by the issuance of debt securities and to use the proceeds of each such issuance to make loans to the Company. Since its date of incorporation, save as disclosed herein, the Issuer has not commenced operations and no financial statements of the Issuer have been prepared as of the date of these Listing Particulars. Following the offering, the Issuer's only material liabilities will be its liabilities under the Notes, and its only material assets will be the Loan to the Company pursuant to the Loan Agreement. For an overview of the Issuer, see “*Description Of The Issuer*”.

### Non-IFRS Information and other operating data

These Listing Particulars contain certain financial measures and alternative performance measures/metrics that are not required by, defined or presented in accordance with IFRS, including the items listed below in this section. Information regarding these measures is useful to the Group's business managers and may sometimes be used by investors, securities analysts and other interested parties as a supplemental measure of performance and liquidity. There are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company. These measures, by themselves, do not provide a sufficient basis to compare the Group's performance with that of similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of the Group's performance and liquidity measures under IFRS. Furthermore, these items are unaudited and therefore undue reliance should not be placed on them.

#### *Non-IFRS measures (other than ARPU measures)*

OIBDA and OIBDA Margin, Operating Free Cash Flow, Total Debt, Net Debt and Net Debt/OIBDA are widely used by securities analysts, investors and other interested parties for evaluating the profitability and liquidity of



companies in the telecommunications industry. Therefore, Group management closely monitor the Group's OIBDA and OIBDA Margin as key measures of the Group's financial performance. OIBDA eliminates potential differences in performance caused by variations in capital structures (affecting net finance costs), tax positions, the cost and age of tangible and intangible assets including leases (affecting depreciation expense and amortization expenses). The purpose of operating free cash flow is to indicate the ongoing cash generation within the control of the Group after taking account of necessary cash expenditures of maintaining the capital and operating structure of the Group.

Net debt is an indicator of the Group's indebtedness, financial flexibility and capital structure. It indicates the level of borrowings after taking account cash and cash equivalents within the Group's business that could be used to pay down outstanding borrowings. The Group believes that the Pro forma Adjusted Total Debt to LTM OIBDA, Pro forma Adjusted Net Debt to LTM OIBDA and Net Debt/OIBDA ratio are commonly used by securities analysts, investors and other interested parties in the evaluation of a Group's leverage, which would be expected to be more pertinent after consummation of the Offering.

The Group also presents its Last Twelve Months financial data ("LTM") for Revenue, OIBDA, OIBDA Margin, Capital Expenditures, Operating Free Cash Flow and Profit for the Period. LTM is a useful indicator of the Group's most recent performance and should indicate the Group's current trends that are not inappropriately influenced or distorted by factors such as seasonality or brief market or economic downturns.

The Group calculates these measures and certain ratios relating to these measures as follows:

- OIBDA by adding back depreciation and amortization, finance income and finance costs, currency exchange gain or loss, and other non-operating expenses (income) and charges for income tax, to the Group's consolidated profit for the period. Note that "Consolidated EBITDA", as calculated in accordance with the definitions set out in the Loan Agreement, is identical to the Group's OIBDA for the periods presented in these Listing Particulars.
- OIBDA Margin is the ratio of OIBDA to the Group's total revenue.
- Capital expenditures comprised of purchases of property, plant and equipment plus purchases of other intangible assets (excl. costs to obtain contracts) plus the purchase of 4G licenses, if any.
- Operating Free Cash Flow is represented by net cash flow from operating activities minus capital expenditures.
- Total Debt is the sum of Notes payables, related parties, borrowings and lease obligations, current and non-current portions.
- Net Debt is the Total Debt minus cash and cash equivalents.
- LTM data is derived by subtracting the comparative figures for the nine months ended 30 September 2018 from the figures for the year ended 31 December 2018 and adding the figures for the nine months ended 30 September 2019.
- Net Debt/OIBDA ratio is calculated as Net debt as of the end of the relevant period divided by OIBDA for the relevant period. The Loan Agreement includes a Consolidated Leverage Ratio which is equal to Net Debt/OIBDA calculated below in these Listing Particulars.
- Pro forma Adjusted Total Debt and Pro forma Adjusted Net Debt are calculated by adding financial indebtedness of US\$500 million incurred under the Loan in connection with the Offering to the amounts of Total Debt and Net Debt, respectively, as at 30 September 2019, converted to UAH using NBU exchange rate of UAH 24.08 set as at 30 September 2019. See "*Capitalisation*."

None of these are measures of financial performance under IFRS; they are solely derived from management's accounts and estimates and as such may not be comparable to similar titled measures used by other companies. Therefore you should not consider the Group's reported OIBDA or OIBDA Margin and Operating Free Cash Flow as substitutes for performance and liquidity measures reported in the Financial Statements. OIBDA and Operating Free Cash Flow have limitations as analytical tools. Some of these limitations are:

- they do not reflect the Group's cash expenditures or future requirements for capital expenditure or contractual commitments;
- they do not reflect changes in, or cash requirements for, the Group's working capital needs;
- they do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on the Group's debt;
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and OIBDA do not reflect any cash requirements for such replacements; and
- they are not adjusted for all cash and non-cash income or expense items that are reflected in the Group's statements of cash flows.

#### *ARPU measures*

Throughout these Listing Particulars, a "subscriber" is considered to be a SIM-card that is held by an organisation or individual over the course of any three-month period, inclusive within the reporting period, who was not blocked at the end of that period, and whose SIM-card (i) showed traffic-generating activity or (ii) accrued a balance for services rendered or (iii) was replenished or topped up.

The Group uses the term average revenue per user ("ARPU") to refer to the average revenue per subscriber, for a period by dividing total revenue for such period (excluding VAT) by the average number of subscribers in that period.

In the Group's ARPU calculations, individual customers using multiple SIM cards would appear as more than one subscriber. Because the Group's definition of a subscriber and calculation approach to ARPU may differ from other companies within the telecommunications industry, you should use caution in comparing the Group's ARPU figures to other companies.

#### *Additional note regarding financial measures and alternative performance metrics*

Unless otherwise stated, non-IFRS information and other operating data provided in these Listing Particulars is collected on a network-wide basis, which includes the Temporarily Occupied Territories. See also "*Risk Factors—Risks relating to the Group—The Group does not control its assets in the Temporarily Occupied Territories*".

## **Market and Industry Data**

The Company extracted the market data used in these Listing Particulars from the Ukrainian National Commission for the State Regulation of Communications and Informatization ("NCCIR"), internal surveys, other industry sources and third party sources that the Company believes to be reliable and public information currently available. The main sources for market information and foreign exchange data used in this these

Listing Particulars are the NCCIR and National Bank of Ukraine, respectively. The Company obtained Ukrainian macroeconomic data principally from State Fiscal Service of Ukraine.

Where information has been sourced from a third party, the Company confirms that this information has been accurately reproduced and that as far as the Company is aware and is able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## Currencies

In these Listing Particulars, all references to:

- “EUR” and “euro” are to the currency of the participating member states in the third stage of the Economic and Monetary Union of the Treaty establishing the European community, as amended;
- “UAH” and “hryvnia” are to the currency of Ukraine; and
- “USD”, “U.S. dollar” and “U.S.\$” are to the currency of the United States of America.

## Exchange Rates

The table below sets out, for the periods indicated, the period-end, average and high and low official rates set by the National Bank of Ukraine (the “NBU”), in each case for the purchase of UAH, all expressed in UAH per U.S. dollar. The UAH/U.S. dollar exchange rate set by the NBU reported on 31 January 2020 was UAH 24.92 to U.S.\$1.00. The rates may differ from the actual rates used in the preparation of the Group’s Consolidated Financial Statements appearing in these Listing Particulars. The Issuer does not represent that the U.S. dollar amounts referred to below could be or could have been converted into UAH at any particular rate indicated or any other rate at all.

The average rate for a year means the average of the exchange rates set by the NBU on the last day of each month during a year. The average rate for a month, or for any shorter period, means the average of the rate set by the NBU during that month, or shorter period, as the case may be.

Year	UAH per U.S.\$1.00			
	High	Low	Average	Period end
2015.....	30.01	15.75	21.85	24.00
2016.....	27.25	23.27	25.55	27.19
2017.....	28.07	25.44	26.60	28.07
2018.....	28.88	25.92	27.20	27.69
2019.....	28.27	23.26	25.85	23.69
<b>Month</b>				
August 2019	25.73	25.02	25.25	25.23
September 2019	25.31	24.08	24.77	24.08
October 2019	25.17	24.20	24.81	25.00
November 2019	24.82	23.98	24.37	24.04
December 2019	24.04	23.25	23.61	23.69
January 2020 .....	24.92	23.68	24.12	24.92

Source: NBU.

Fluctuations in the exchange rates between the UAH and U.S. dollar in the past are not necessarily indicative of fluctuations that may occur in the future. No representation is made that UAH amounts referred to in these Listing Particulars could have been or could be converted into U.S. dollars at the above exchange rates or at any other rate.

*Convenience translations*

Certain references in these listing particulars to amounts denominated in USD and EUR are accompanied by a translation to a corresponding amount in UAH. Unless otherwise specified, each of these corresponding figures has been calculated using the relevant official exchange rate set by the NBU as of 30 September 2019:

	UAH per	
	USD 1.00	EUR 1.00
30 September 2019 .....	24.0828	26.3346

Such translations of USD and EUR amounts to UAH as of 30 September 2019 are provided for convenience only. No representation is made that USD and EUR amounts in these Listing Particulars which are accompanied by UAH denominated convenience translations could have been or could be converted into the UAH amounts shown in such convenience translations as of 30 September 2019 or at any other date.

## **Rounding**

Certain figures included in these Listing Particulars have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

## **Certain Jurisdictions**

In these Listing Particulars, all references to:

“**CIS**” are to the following countries that formerly comprised the Union of Soviet Socialist Republics and that are now members of the Commonwealth of Independent States: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Ukraine and Uzbekistan;

“**EU**” are to the European Union;

“**Temporarily Occupied Territories**” and “**TOT**” are to territories of Donetsk and Luhansk Regions that are uncontrolled by Ukraine due to armed hostilities and declared as the temporarily occupied territories;

“**United Kingdom**” are to the United Kingdom of Great Britain and Northern Ireland; and

“**U.S.**” and “**United States**” are to the United States of America.

## ENFORCEABILITY OF JUDGMENTS

The courts of Ukraine will not recognise or enforce any judgment obtained in a court established in a country other than Ukraine unless such enforcement is envisaged by an international treaty to which Ukraine is a party providing for enforcement of such judgments, and then only in accordance with the terms of such treaty. There is no such treaty between the United Kingdom and Ukraine or between the United States and Ukraine providing for enforcement of judgments.

In the absence of an international treaty providing for enforcement of judgments, the courts of Ukraine may only recognise or enforce a foreign court judgment on the basis of the principle of reciprocity. Under Article 462 of the Civil Procedure Code of Ukraine (dated 18 March 2004, in effect from September 2005 (the “**Civil Procedure Code**”)), unless proven otherwise, reciprocity is deemed to exist in relations between Ukraine and the country where the judgment was rendered. The Civil Procedure Code does not provide for any clear rules on the application of the principle of reciprocity and there is no official interpretation or well-established court practice in respect of the relevant provisions of the Civil Procedure Code. Accordingly, there can be no assurance that the courts of Ukraine will recognise or enforce a judgment rendered by the courts of the United Kingdom or the United States on the basis of the principle of reciprocity. Furthermore, the courts of Ukraine may refuse to recognise or enforce a foreign court judgment on the basis of the principle of reciprocity on the grounds provided in the Civil Procedure Code.

The contractual agreements to which the Company is a party provide for resolution of disputes by arbitration under the LCIA Arbitration Rules with the seat of arbitration in London, England. Ukraine is a party to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the “**New York Convention**”) with a reservation to the effect that, in respect of the awards made in a state which is not party to the New York Convention, Ukraine will only apply the New York Convention on a reciprocal basis. Consequently, a foreign arbitral award obtained in a state which is party to the New York Convention, such as the United Kingdom, should be recognised and enforced by a Ukrainian court (under the terms of the New York Convention), subject to compliance with applicable procedural requirements.

## TABLE OF CONTENTS

	Page
OVERVIEW OF THE GROUP .....	1
OVERVIEW OF THE OFFERING .....	12
RISK FACTORS .....	20
USE OF PROCEEDS .....	71
CAPITALISATION .....	72
SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION .....	73
OPERATING AND FINANCIAL REVIEW .....	78
TELECOMMUNICATIONS INDUSTRY .....	103
BUSINESS .....	108
MATERIAL AGREEMENTS .....	131
OTHER FINANCING ARRANGEMENTS .....	133
MANAGEMENT .....	134
SHAREHOLDERS .....	145
RELATED PARTY TRANSACTIONS .....	146
REGULATION .....	147
DESCRIPTION OF THE ISSUER .....	150
OVERVIEW OF THE TRANSACTION STRUCTURE AND THE SECURITY .....	153
LOAN AGREEMENT .....	155
TERMS AND CONDITIONS OF THE NOTES .....	217
SUMMARY OF THE PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM .....	233
TRANSFER RESTRICTIONS .....	238
CERTAIN ERISA CONSIDERATIONS .....	242
CLEARING AND SETTLEMENT .....	244
TAXATION .....	248
SUBSCRIPTION AND SALE .....	255
INDEPENDENT AUDITORS .....	260
GENERAL INFORMATION .....	261
DEFINITIONS AND GLOSSARY .....	263
INDEX TO THE FINANCIAL STATEMENTS OF THE GROUP .....	F-1

## OVERVIEW OF THE GROUP

*This overview may not contain all the information that may be important to prospective purchasers of the Notes and, therefore, should be read in conjunction with these entire Listing Particulars, including the more detailed information regarding the Group's business and the Financial Statements beginning from page F-2 of these Listing Particulars. Prospective purchasers of the Notes should also carefully consider the information set forth under the heading "Risk Factors". Certain statements in these Listing Particulars include forward-looking statements that also involve risks and uncertainties as described under "Forward-Looking Statements".*

As at 30 September 2019, the Group is the second largest mobile network operator ("MNO") in Ukraine based on the number of subscribers and has maintained a strong number two position in Ukraine's three-player market over the last ten years. The Group has maintained a consistent market share, which it estimates at 36 per cent. in 2014 and 37 per cent. in 2018, and a stable subscriber base. Its primary operations comprise the provision of mobile services to a range of residential and corporate customers in Ukraine, as well as retail sales, value-added services and fixed-line services. As at the date of these Listing Particulars, the Group's retail chain consists of 617 stores, including 247 leased outlets and 370 franchised stores. The Group uses the globally recognisable brand of Vodafone group, the second largest telecommunications operator in Europe by revenue in 2018. Vodafone was the winner of the UK's most valuable brand award and the Vodafone Branding Agreement gives the Group the right to use Vodafone's global digital products portfolio designed to stimulate subscribers' data usage and increase user retention. In addition, the Group believes it offers the best solution for roaming and that it has a leading position in Ukraine's youth and mobile internet segments.

The Group obtains revenue from providing mobile telecommunications services (access charges, messaging, interconnect fees, TV and musical content and connection fees), as well as selling equipment and accessories. The most significant part of its revenue relates to prepaid contracts. For the nine months ended 30 September 2019, the Group had a diversified revenue stream, with 55 per cent. of its revenue derived from data sales, 18 per cent. from voice services, 16 per cent. from interconnection, 11 per cent. from other mobile services and the remainder deriving from its retail and fixed line offerings.

In the nine-month period ended 30 September 2019, the Group's revenue was UAH 11,478 million. In the year ended 31 December 2018, the Group's revenue was UAH 12,799 million. In the year ended 31 December 2017, the Group's revenue was UAH 11,731 million compared to UAH 11,138 million in the year ended 31 December 2016.

The Group operates a mobile network with 2G (GSM), 3G (UMTS) and 4G (LTE) technologies from, as at the date of these Listing Particulars, 13,043 physical locations, including approximately 15,829 2G base stations (including 1,603 base stations in the TOT), approximately 8,289 3G base stations and approximately 6,610 LTE base stations. The Group's 4G network coverage spans 66 per cent. of Ukraine's population, its 3G coverage spans 86 per cent. of Ukraine's population and its 2G coverage spans 99 per cent. of Ukraine's population.

The Group operates solely in Ukraine. The Group offers the following services:

**Mobile services:** The Group provides voice and mobile broadband services, utilising 2G, 3G and 4G/LTE technologies. As at 30 September 2019, the Group had approximately 19.8 million subscribers, of which 90.5 per cent. were pre-paid subscribers and 9.5 per cent. were post-paid subscribers. As at 30 September 2019, the Group's 4G coverage reached 66 per cent. of Ukraine's population. The Group's mobile services revenue is primarily derived from provision of mobile voice and data services to its subscribers.

While the Ukrainian mobile market has previously suffered from widespread economic decline, the national ARPU levels have been significantly increased by 3G and 4G mobile broadband network rollouts that began in 2015 and 2018 respectively. The Group estimates that its portion of the market share of the three Ukrainian

mobile customer market's major operators was 37.3 per cent. by number of subscribers as of 30 September 2019, with the other two major operators serving 49.7 per cent. and 13.0 per cent., respectively.

As at 30 September 2019, mobile services constituted 95 per cent. of the Group's total revenue. The remainder of the Group's revenue for the period ended 30 September 2019 was generated primarily from retail.

**Retail sales:** The Group started developing its own retail chain in 2018. As at 30 September 2019, the Group had a total number of 617 stores, including 247 leased outlets and 370 franchised stores. The Group's retail stores sell goods, provide customer services for the Group's subscribers, and hold more than 85 per cent. of the Group's inventories.

## History

The Company was established under the name "Ukrainian-German-Dutch-Danish Joint Venture Ukrainian Mobile Communications" ("**UMC**") in Ukraine on 11 November 1992 launching Ukraine's first mobile network based on analogue NMT in 1993. The Company later launched its GSM service in September 1997. During March to July 2003, Russia-based OJSC Mobile TeleSystems, which was later renamed as Public Joint-Stock Company Mobile TeleSystems ("**MTS**"), acquired 100 per cent. of UMC's share capital. In April 2010, UMC registered the change of its name to PrJSC "MTS Ukraine" ("**MTS Ukraine**") to ensure the unity of the brand and to comply with the Law of Ukraine "On Joint Stock Companies".

In February 2015, the Company acquired a 15-year licence on the 3G network.

On 15 October 2015, MTS Ukraine signed a strategic agreement with Vodafone Sales and Services Limited on the cooperation and use of the Vodafone brand in Ukraine. The Vodafone group is one of the world's largest telecommunications companies providing a wide range of services, including mobile voice, data transmission, messaging, fixed internet and cable television.

On 28 April 2017, MTS Ukraine changed its name to Private Joint Stock Company "VF Ukraine" (the new name being registered on May 2017) and on 12 July 2017, VF Ukraine founded a retail company, LLC VF Retail, to provide goods, services and customer support.

In the first quarter of 2018, the Group acquired licences on the 4G network in 2600 MHz and 1800 MHz bands and, by October 2018, the Group's LTE coverage reached all 25 regions spanning 43 per cent. of the population. As of October 2018, the Group's 2G network (GSM/GPRS/EDGE) covered 99 per cent. of the population and 98 per cent. of the territory in Ukraine, and the Group's 3G (WCDMA/DC-HSPA+) network covered a population footprint of over 82 per cent. a coverage of more than 10,000 settlements in Ukraine. As at 30 September 2019, the Group's recent expansion of the 4G network reached 66 per cent. of the population, or 28 million Ukrainians, with signal access provided across all 25 regions of Ukraine.

## The acquisition of the Group by Telco Solutions and Investments LLC

On 22 November 2019, Allegretto Holding S.à r.l. as Seller (the "**Seller**") and "Telco Solutions and Investments" LLC as Purchaser (the "**Purchaser**"), amongst others, signed a share purchase agreement (the "**Acquisition Agreement**") for the Purchaser to acquire the entire share capital of Preludium B.V. (the "**Target**") for a headline price of U.S.\$669,193,000 plus cash, excess working capital and earn out consideration less debt and net intragroup balances (the "**Acquisition**"). The Acquisition completed on 3 December 2019 (the "**Acquisition Closing Date**"). At the Acquisition Closing Date, the Target owned 99 per cent. of the entire share capital of the Company, and 100 per cent. of the entire share capital of Enterprise with 100% Foreign Investment PTT Telecom Kiev ("**PTT**") which owned the remaining 1 per cent. of the share capital of the Company; this remains representative of the Group structure at the date of these Listing Particulars (see "*Business—Ownership Structure of the Group*").



On 22 November 2019, in connection with the Acquisition and with effect from the Acquisition Closing Date, MTS assigned to the Seller all the rights of claim, title, benefits and interests in certain dividends owed to MTS by the Company (the “**Assigned Receivables**”) and the Seller further assigned such rights, claim, title, benefits and interests to the Purchaser. The Assigned Receivables, after netting of withholding tax, amounted to UAH 2,182 million as at 3 December 2019.

#### ***Financing for the purpose of the Acquisition***

On 29 November 2019, the Purchaser entered into a U.S.\$464 million bridge facility (equivalent to UAH 11,174 million using the NBU exchange rate set as at 30 September 2019) for the purposes of obtaining debt financing for the Acquisition (the “**Bridge Facility**”). The Bridge Facility is due to mature on the date falling six months following the date of the Bridge Facility, unless otherwise extended at the option of the Purchaser to the period ending 9 months or 12 months following the date of the Bridge Facility. On the Acquisition Closing Date, the Target acceded to the Bridge Facility as a guarantor, and PTT and the Company subsequently became sureties in respect of the Bridge Facility. The proceeds received from the issue of the sale of the Notes will ultimately be applied towards prepayment of the Bridge Facility (See “*Use of Proceeds*”).

The obligations of the Purchaser under the Bridge Facility are secured by the Company under a rights to funds pledge agreement dated 9 December 2019 in relation to bank accounts of the Company maintained at 11 Ukrainian banks. In addition, the Company entered into a suretyship dated 3 December 2019, pursuant to which it guaranteed the payment obligations of the Purchaser under the Bridge Facility.

#### **Strategy**

The Group’s key strategy is based on the three key pillars of brand leadership, digital services and its aim to become viewed as Ukraine’s “best MNO”.

#### ***Brand leadership***

The Group uses the globally recognisable brand of Vodafone group, the second largest telecommunications operator in Europe by revenue in 2018. The Group aims to leverage the strength of this global brand to enhance its image in Ukraine, particularly with customers in the youth segment (where the Group believes it is currently the top mobile operator), including through regional offers tailored to what the Group perceives to be the purchase power and behaviour of local populations and promotional campaigns to increase brand awareness. The Group believes that these brand development initiatives are underpinned by the Group’s investment in network quality and base quality, and its retail chain development.

#### ***Network quality and development.***

The Group continues the development and deployment of its 4G coverage throughout Ukraine. By the end of 2020, the Group aims to achieve coverage of 78 per cent. of the Ukrainian population with 4G coverage. The Group is also finalising the deployment of 2G phase 3 coverage in regions, to match the level of coverage provided by Kyivstar.

In the medium term, the Group believes that its expansion of 4G coverage will be aided by the reorganisation of the 900 MHz spectrum under the memorandum signed in October 2019 by Prime Minister Oleksiy Honcharuk with four leading mobile network operators in Ukraine, including the Group. This may allow the Group to reallocate some of its 2G coverage to 4G, which may allow the Group to expand its 4G coverage in a cost effective manner. However, there is no guarantee that such reallocation would be sufficient to allow the Group to meet its 4G coverage targets by 2022.

The Group is also undergoing an IT transformation programme, switching many of its current systems to new solutions, developed to modernise the Company’s network and IT infrastructure. The Group expects this IT transformation will allow it to maintain a technological advantage over its competitors by improving customer

experience and switching network maintenance in its Network Operation Centre from mainly manual processes to automated processes. The new solutions are expected to improve customer experience by upgrading legacy network elements and migrating these to newer systems. This will allow for increased implementation of advanced telecommunications services, such as Voice over LTE (“VoLTE”) and Wi-Fi calling.

#### *Base quality*

The Group targets continued growth in 4G smartphone use in its user base as a key priority in monetising the Group’s investments in expanded 4G coverage offered by the Group through its network. By the end of 2020, the Group aims to grow its digital user base (comprising those users who are able to access the Group’s 3G or 4G networks and use more than 200 Mb of data services per month on a regular base) to 47 per cent. of its total subscribers. To reach its’ objectives, the Group has a clearly defined program of free-of-charge SIM to Usim (4G) cards replacement for existing subscribers, as well as digital tariffs tailored to the needs of particular segments and device types. To enhance ARPU growth, the Group also intends to continue expanding its selection of new, more expensive tariffs that offer more data and introductory free services to its subscribers.

#### *Retail chain development*

As at the date of these Listing Particulars, the Group had a chain of over 617 branded stores, of which 247 outlets were leased by the Group and the remainder franchised. The Group has substantially completed its previously planned retail expansion and does not plan to significantly increase the number of stores. The primary goal for the Group’s retail chain is the further development of existing locations and improving efficiency. Further growth in average revenue per store is expected as the Group improves efficiency, actively monitors sales trends and adjusts each SKU to match local demand. Management also expects retail sales to grow due to the increase in purchasing power of Ukraine’s population.

#### *Digital ecosystem*

The Group has increased its focus on its digital ecosystem for the mass market. The My Vodafone application has over 2.5 million users, with the TV and Music applications having a total of approximately 219,000 users. The Group plans innovations and new businesses including eLearning, eHealth, eSports and AdTech as well as the development of its Cloud platform and use of Software as a Service (“SaaS”). For its Internet of Things (“IoT”) portfolio, the Group uses one of the leading solutions (IoT platform by Vodafone UK) and management expects the Group to occupy a key role within the Ukrainian IoT market.

#### *Best mobile operator*

The Group aims to become what it views as Ukraine’s best MNO and leverage this market position for continued revenue growth. The Group seeks to enhance its perceived reputation as Ukraine’s most innovative carrier and the best carrier for mobile internet through continued deployment of new digital products and services for its subscribers. The Group also believes that it offers ‘worry-free’ tariffs to customers and seeks to become the best operator in Ukraine for international roaming. The Group intends to continue pursuing brand-awareness initiatives and targeted marketing campaigns to further increase its net promoter score among subscribers, as well as deploying active retention initiatives for customers intending to switch.

#### **Competitive Strengths**

The Group believes that its business is characterised by the following key competitive strengths.

##### ***Telecommunications operator with a leading market position and brand***

The Group has a well-established position as the second largest mobile operator in Ukraine with an estimated market share as at 30 September 2019 of approximately 37 per cent based on number of subscribers. The Group positions itself as the best price and quality combination operator in Ukraine. The Group has used its market

position to launch new tariffs to meet increased demand for data usage. This has led to an increased share of subscribers migrating to more expensive tariff plans resulting in an increase of the ARPU of the Group.

The Group's mobile service has a strong brand in Ukraine as a result of the Vodafone Branding Agreement. The Vodafone Branding Agreement has provided a number of customer service innovations including access to Vodafone's global digital products portfolio with services such as "My Vodafone", "Vodafone Music", "Vodafone Market", and "Vodafone Book & Press".

#### ***Upscaled offering for under-penetrated and growing market segments***

The growing economy and increase in purchasing power in Ukraine has driven further demand for telecommunications services. The Group expects to continue to roll out its 4G network, increasing penetration across the country. The Group expects this will increase the number of data users, as increased demand for data and smartphone penetration will be supported by the developing 4G network, as well as a number of IoT connections. The Group has seen large increases in 4G mobile customer penetration with the user base of 1.7 million in September 2018 increasing to over 4.3 million in September 2019. In addition, the total number of data users in the Group's network across its 2G, 3G and 4G networks was approximately 8.7 million in September 2018 increasing to almost 10 million in September 2019.

The Group has a program of free-of-charge SIM to USIM (4G) card replacements for existing subscribers. Management believes that this will further develop the Group's adoption of 4G LTE technology and enable the Group to further monetise this segment of its subscribers. In addition, the Group has launched new, more profitable tariffs to meet demand for more data including introductory free services. The Group has strengthened its tariff offering by tailoring plans to customer segments and device types.

Despite growth in total number of data users from 10 million (or approximately 18 per cent. penetration) in December 2016 to 24.9 million in December 2018 (approximately 47 per cent. penetration), the mobile data market remains underpenetrated in comparison with neighbouring countries. The Group believes that continuous roll-out of its 4G network, coupled with smartphone penetration, will drive take up of mobile data, and leave the Group well-positioned in this growing market segment and in a strong position to benefit from current market trends.

#### ***Broad and high-quality network***

The Group provides mobile telecommunications services in GSM (2G), UMTS (3G) and LTE (4G) standards. The Group's 4G network coverage spans 66 per cent. of Ukraine's population, its 3G coverage spans 86 per cent. of Ukraine's population and its 2G coverage spans 99 per cent. of Ukraine's population, using 30,728 base stations across 13,043 physical locations, as at 30 September 2019. The Company's Radio Access Network equipment providers are split among Huawei, Nokia, ZTE and Siemens, which have supplied 50 per cent., 32 per cent., 13 per cent. and 5 per cent. of such equipment, respectively.

The Group believes that the application of technological solutions in accordance with the unified systems and quality standards of Vodafone UK allows the Group to ensure what it believes is a high level of quality for the services it provides.

The Group measures the quality of its services using the Network and Services Quality Index (NSQI), which includes the Network Quality Index (NQI) and High Priority BTS Quality Index (HPQI). All of the Group's main technical metrics are in accordance with the ETSI TS 102 250-2 standard.

In 2019, the Group obtained an ISO 9001 2015 certificate which demonstrates its ability to consistently provide products and services that meet customer and applicable statutory and regulatory requirements.

### ***Robust operating performance, profitability and strong cash flows***

The Group has historically maintained stable growth across its operations in Ukraine. For the nine month period ended 30 September 2019, the Group had OIBDA of UAH 6,054 million. For the year ended 31 December 2018, the Group had OIBDA of UAH 6,864 million compared to UAH 5,017 million and UAH 3,799 million in the years ended 2017 and 2016, respectively. The Group's balanced and disciplined expansion policy has enabled it to maintain and develop its strong infrastructure network while delivering profitability. The Group believes that its strong operating performance and financial condition and prudent risk management will enable it to continue monitoring the competitive landscape in order to take advantage of new opportunities in Ukraine as they arise.

The Group has historically maintained what it views as a conservative financial profile. The Group's historically low indebtedness levels have enabled it to generate cash flow that it has utilised to maintain its investment and growth strategy. The Group generated net cash from operating activities of UAH 7,130 million in the year ended 31 December 2018, compared to UAH 5,020 million and UAH 2,533 million for the years ended 31 December 2017 and 2016, respectively. The cash flow generation allowed the Group to maintain a cash position at the end of each of these periods, with UAH 2,629 million and UAH 707 million in cash and cash equivalents in the years ended 31 December 2018 and 2017, respectively. The Group anticipates that cash generation will continue to improve due to enhanced OIBDA margins. Accordingly, the Company expects its liquidity profile will continue to be strong.

### ***Experienced Management***

The Group believes that it has a stable executive team with a strong track record in the telecommunications business. The Group's executive team have extensive knowledge of the telecommunications sector and bring with them significant experience in leading telecommunications institutions with an international presence.

The Group believes that the composition of its management team puts it in a very good position to successfully implement its growth strategy, as well as to focus on improving its operating performance as the Group encounters opportunities to generate benefits from its significant investments in infrastructure to date. Senior executives of the Group have extensive experience in the telecommunications industry. The Group's management continuously looks to strengthen its management bench, and attract managers with diversified expertise, particularly in the area of technology and innovation.

### **Risk Factors**

An investment in the Notes involves a high degree of risk. For a detailed discussion of the risks and other factors to be considered when making an investment with respect to the Notes, see "*Risk Factors*" and "*Forward-Looking Statements*". Prospective investors in the Notes should carefully consider the risks and other information contained in these Listing Particulars prior to making any investment decision with respect to the Notes. Prospective investors should note that the risks described in these Listing Particulars are not the only risks the Group faces. The Company and the Issuer have described only the risks they consider to be material. However, there may be additional risks that they currently consider immaterial or of which they are currently unaware.

### **Summary of Consolidated Financial Data**

The following tables set forth selected financial data of the Group as of and for the nine months ended 30 September 2019 and 2018 derived from the Interim Consolidated Financial Information and as of and for the years ended 31 December 2018, 2017 and 2016 derived from the Annual Consolidated Financial Statements included elsewhere in these Listing Particulars.

The information in this section should be read in conjunction with sections entitled “*Presentation of Financial and Certain Other Information*” and “*Operating and Financial Review*”.

### Consolidated Statement of Profit or Loss and Other Comprehensive Income Data

(UAH millions)	For the nine months ended 30 September		For the year ended 31 December		
	2019	2018	2018	2017	2016
Service revenue.....	10,863	9,217	12,531	11,703	11,115
Sales of goods.....	615	122	268	28	23
<b>Revenue.....</b>	<b>11,478</b>	<b>9,339</b>	<b>12,799</b>	<b>11,731</b>	<b>11,138</b>
Cost of services.....	(2,992)	(2,788)	(3,714)	(4,329)	(4,980)
Cost of goods.....	(564)	(127)	(261)	(68)	(74)
Selling, general and administrative expenses.....	(1,939)	(1,411)	(2,022)	(2,292)	(2,301)
Depreciation and amortization.....	(3,493)	(2,978)	(4,088)	(2,758)	(2,384)
Other operating income/(expenses)...	71	36	62	(25)	16
<b>Operating profit.....</b>	<b>2,561</b>	<b>2,071</b>	<b>2,776</b>	<b>2,259</b>	<b>1,415</b>
Finance income.....	140	93	165	132	195
Finance costs.....	(508)	(506)	(745)	(24)	(21)
Currency exchange gain/(loss).....	58	(95)	11	236	(2)
Other expenses	-	-	-	(1)	(1)
<b>Profit before tax.....</b>	<b>2,251</b>	<b>1,563</b>	<b>2,207</b>	<b>2,602</b>	<b>1,586</b>
Income tax expense.....	(480)	(300)	(460)	(470)	(285)
<b>Profit for the period.....</b>	<b>1,771</b>	<b>1,263</b>	<b>1,747</b>	<b>2,132</b>	<b>1,301</b>

### Consolidated Statement of Financial Position Data

(UAH millions)	As of 30 September	As of 31 December		
	2019	2018	2017	2016
<b>Assets</b>				
<i>Non-current assets</i>				
Property and equipment	9,890	9,456	8,618	7,057
Right-of-use assets	3,148	3,459	—	—
Other intangible assets	6,663	7,258	4,646	4,067
Cost to obtain contracts	226	200	—	—
Deferred tax assets	606	596	846	935
<b>Total non-current assets</b>	<b>20,533</b>	<b>20,969</b>	<b>14,110</b>	<b>12,059</b>
<i>Current assets</i>				
Inventories	255	188	42	31
Trade and other receivables	538	496	1,702	1,421
Accounts receivable, related parties	46	53	529	466
Short-term investments	482	324	—	—
Advances paid and prepaid expenses	102	109	72	67
VAT receivable	219	216	251	113
Current income tax assets	—	44	—	8
Cash and cash equivalents	2,067	2,629	707	1,445
<b>Total current assets</b>	<b>3,709</b>	<b>4,059</b>	<b>3,303</b>	<b>3,551</b>
<b>Total assets</b>	<b>24,242</b>	<b>25,028</b>	<b>17,413</b>	<b>15,610</b>

<b>Equity and liabilities</b>				
<i>Equity</i>				
Common stock	8	8	8	8
Other components of equity	2	2	2	2
Retained earnings	13,607	11,836	10,738	10,006
<b>Total equity</b>	<b>13,617</b>	<b>11,846</b>	<b>10,748</b>	<b>10,016</b>
<i>Non-current liabilities</i>				
Notes payable, related parties	—	2,854	—	—
Borrowings	—	2	38	63
Lease obligation	2,502	2,779	—	—
Provisions	276	232	64	49
Contract liabilities	4	1	3	79
<b>Total non-current liabilities</b>	<b>2,782</b>	<b>5,868</b>	<b>105</b>	<b>191</b>
<i>Current liabilities</i>				
Trade and other payables	1,695	1,567	1,739	1,266
Accounts payable, related parties	3,191	3,264	3,294	2,871
Contract liabilities	1,394	1,245	1,139	947
Interest on notes payable, related parties	—	97	—	—
Borrowings	15	45	47	47
Lease obligation	916	879	—	—
Income tax liabilities	217	—	114	—
Provisions	182	179	166	84
Other non-financial liabilities	233	38	61	188
<b>Total current liabilities</b>	<b>7,843</b>	<b>7,314</b>	<b>6,560</b>	<b>5,403</b>
<b>Total equity and liabilities</b>	<b>24,242</b>	<b>25,028</b>	<b>17,413</b>	<b>15,610</b>

#### Last Twelve Months Financial Data<sup>(1)</sup>

(UAH millions)

	For the nine months ended 30 September 2018	For the year ended 31 December 2018	For the nine months ended 30 September 2019	For the twelve months ended 30 September 2019 <sup>(1)</sup>
Revenue	9,339	12,799	11,478	14,938
OIBDA	5,049	6,864	6,054	7,869
OIBDA Margin	54.0%	53.6%	52.7%	52.7%
Net cash provided by operating activities	5,372	7,130	5,496	7,254
Capital Expenditures	5,000	6,641	2,669	4,310
Operating Free Cash Flow	372	489	2,827	2,944
Profit for the period	1,263	1,747	1,771	2,255
Total Debt to LTM OIBDA	-	-	-	0.4x
Net Debt to LTM OIBDA	-	-	-	0.2x
Pro forma Adjusted Total Debt to LTM OIBDA <sup>(2)</sup>	-	-	-	2.0x
Pro forma Adjusted Net Debt to LTM OIBDA <sup>(2)</sup>	-	-	-	1.7x

(1) Last twelve months financial data is derived by subtracting the comparative figures for the nine months ended 30 September 2018 from the figures for the year ended 31 December 2018 and adding the figures for the nine months ended 30 September 2019.

(2) Pro forma Adjusted Total Debt and Pro forma Adjusted Net Debt are calculated by adding financial indebtedness of US\$500 million incurred under the Loan in connection with the Offering to the amounts of Total Debt and Net Debt, respectively, as

at 30 September 2019, converted to UAH using NBU exchange rate of UAH 24.08 set as at 30 September 2019. See “Capitalisation.”

## Reconciliation of Non-IFRS Measures

### 1. OIBDA

(UAH in millions)

	For the nine months ended 30 September		For the year ended 31 December		
	2019	2018	2018	2017	2016
<b>Profit for the period</b>	<b>1,771</b>	<b>1,263</b>	<b>1,747</b>	<b>2,132</b>	<b>1,301</b>
<i>add back:</i>					
Depreciation and amortization	3,493	2,978	4,088	2,758	2,384
Finance income	(140)	(93)	(165)	(132)	(195)
Finance cost	508	506	745	24	21
Income tax expense	480	300	460	470	285
Currency exchange (gain)/loss	(58)	95	(11)	(236)	2
Other non-operating (income) / expenses		-	-	1	1
<b>OIBDA</b>	<b>6,054</b>	<b>5,049</b>	<b>6,864</b>	<b>5,017</b>	<b>3,799</b>

### 2. OIBDA Margin

(UAH in millions)

	For the nine months ended 30 September		For the year ended 31 December		
	2019	2018	2018	2017	2016
Revenue	11,478	9,339	12,799	11,731	11,138
OIBDA	6,054	5,049	6,864	5,017	3,799
<b>OIBDA Margin</b>	<b>52.7%</b>	<b>54.0%</b>	<b>53.6%</b>	<b>42.8%</b>	<b>34.1%</b>

% of revenue

	For the nine months ended 30 September		For the year ended 31 December		
	2019	2018	2018	2017	2016
<b>Net Profit Margin</b>	<b>15.4%</b>	<b>13.5%</b>	<b>13.6%</b>	<b>18.2%</b>	<b>11.7%</b>
<i>add back:</i>					
Depreciation and amortization	30.4%	31.9%	31.9%	23.5%	21.4%
Finance income	-1.2%	-1.0%	-1.3%	-1.1%	-1.8%
Finance cost	4.4%	5.4%	5.8%	0.2%	0.2%
Income tax expense	4.2%	3.2%	3.6%	4.0%	2.6%
Currency exchange (gain)/loss	-0.5%	1.0%	-0.1%	-2.0%	0.0%
Other non-operating (income) / expenses	0.0%	-	-	0.0%	0.0%
<b>OIBDA Margin</b>	<b>52.7%</b>	<b>54.0%</b>	<b>53.6%</b>	<b>42.8%</b>	<b>34.1%</b>

### 3. Operating Free Cash Flow

(UAH in millions)

	For the nine months ended 30 September		For the year ended 31 December		
	2019	2018	2018	2017	2016
<b>Net cash provided by operating activities</b>	<b>5,496</b>	<b>5,372</b>	<b>7,130</b>	<b>5,020</b>	<b>2,533</b>
Purchases of property, plant and equipment	(2,007)	(1,683)	(2,752)	(3,383)	(2,216)
Purchases of other intangible assets (excl. cost to obtain contracts)	(662)	(884)	(1,456)	(1,407)	(975)
Purchase of 4G licenses in Ukraine	-	(2,433)	(2,433)	-	-
<b>Total Capital Expenditures</b>	<b>(2,669)</b>	<b>(5,000)</b>	<b>(6,641)</b>	<b>(4,790)</b>	<b>(3,191)</b>
<b>Operating Free Cash Flow</b>	<b>2,827</b>	<b>372</b>	<b>489</b>	<b>230</b>	<b>(658)</b>



### Calculation of certain ratios

(UAH in millions)

	As of 30 September	As of 31 December		
	2019	2018	2017	2016
Borrowings, current	15	45	47	47
Borrowings, non-current	-	2	38	63
Notes payable, related parties	-	2,854	-	-
Lease obligation, current	916	879	-	-
Lease obligation, non-current	2,502	2,779	-	-
<b>Total Debt</b>	<b>3,433</b>	<b>6,559</b>	<b>85</b>	<b>110</b>
Cash and cash equivalents	2,067	2,629	707	1,445
<b>Net debt</b>	<b>1,366</b>	<b>3,930</b>	<b>(622)</b>	<b>(1,335)</b>
 <b>OIBDA</b>	 <b>6,054</b>	 <b>6,864</b>	 <b>5,017</b>	 <b>3,799</b>
<b>Net debt / OIBDA</b>	<b>n/a</b>	<b>0.6 x</b>	<b>(0.1) x</b>	<b>(0.4) x</b>

## OVERVIEW OF THE OFFERING

*The following overview of the Offering should be read in conjunction with, and is qualified in its entirety by, “Terms and Conditions of the Notes”, “Clearing and Settlement” and “Loan Agreement”.*

### **The Notes**

Issuer .....	VFU Funding PLC, a company incorporated as a public limited company under the laws of England.
Legal Entity Identifier of the Issuer.....	213800C9OW7RIPPP6Z96
Joint Lead Managers .....	J.P. Morgan Securities plc, Raiffeisen Bank International AG, Dragon Capital (Cyprus) Limited and ICBC Standard Bank Plc.
Notes Offered .....	U.S.\$500,000,000 6.20 per cent. Loan Participation Notes due 2025.
Issue Price .....	100 per cent. of the principal amount of the Notes.
Issue Date .....	11 February 2020.
Maturity Date .....	11 February 2025.
Trustee .....	BNY Mellon Corporate Trustee Services Limited.
Principal Paying Agent.....	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent.....	The Bank of New York Mellon SA/NV, Luxembourg Branch.
Interest.....	The Notes shall bear interest on their outstanding principal amount from and including 11 February 2020 at a rate equal to 6.20 per cent. per annum. On each interest payment date (being 11 February and 11 August in each year and commencing on 11 August 2020), the Issuer shall account to the Noteholders for an amount equal to amounts of interest actually received (net of tax) by or for the account of the Issuer pursuant to the Loan Agreement.
Form and Denomination.....	The Notes will be issued in registered form, in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. The Regulation S Notes and the Rule 144A Notes will be represented by a Regulation S Global Note Certificate and a Rule 144A Global Note Certificate, respectively. The Regulation S Global Note Certificate and the Rule 144A Global Note Certificate will be exchangeable for Definitive Certificates in the limited circumstances specified in the Regulation S Global Note Certificate and the Rule 144A Global Note Certificate.
Initial Delivery of Notes.....	On or before the Issue Date, the Regulation S Global Note Certificate shall be deposited with a common depositary for Euroclear and Clearstream, Luxembourg and registered in the name of a nominee of such common depositary and the Rule 144A Global Note Certificate

	shall be registered in the name of Cede & Co. as nominee of, and deposited with a custodian for, DTC.
Status of the Notes.....	<p>The Notes are limited recourse, secured obligations of the Issuer as more fully described in “<i>Terms and Conditions of the Notes—Status</i>”. The sole purpose of the issue and the Notes is to provide the funds for the Issuer to finance the Loan.</p> <p>The Issuer has authorised the creation, issue and sale of the Notes for the sole purpose of financing the Loan. The funds available to the Issuer to meet its obligations to the Noteholders under the Notes shall be equivalent to the sums of principal, interest and other amounts (if any) actually received (net of tax) by or for the account of the Issuer pursuant to the Loan Agreement less any amount in respect of the Reserved Rights and any shortfall shall remain due and become payable on such later date as is provided for under the Conditions of the Notes, all as more fully described in “<i>Terms and Conditions of the Notes—Status and Limited Recourse</i>”.</p>
Security.....	<p>The Notes will be secured by the Charge (as defined in “<i>Overview of the Transaction Structure and the Security</i>”) on:</p> <ul style="list-style-type: none"> <li>• all the Issuer’s rights to principal, premium, interest and other amounts now or hereafter payable to the Issuer by the Borrower under the Loan;</li> <li>• the right to receive all sums which may be or become payable by the Borrower under any claim, award or judgment relating to the Loan Agreement; and</li> <li>• all the rights, title, benefit and interest in and to all sums of money now or in the future deposited in the Account (as defined in “<i>Overview of the Transaction Structure and the Security</i>”) and the debts represented thereby (including interest from time to time earned on the Account, if any), pursuant to the Trust Deed,</li> </ul> <p>provided that Reserved Rights and any amounts relating to Reserved Rights are excluded from the Charge.</p> <p>The Notes will also be secured by an assignment with full title guarantee by the Issuer to the Trustee of its rights under the Loan Agreement (save for the Reserved Rights and those rights subject to the Charge) pursuant to the Trust Deed.</p>
Withholding Taxes.....	All payments in respect of the Notes by or on behalf of the Issuer will be made free and clear of and without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental

	<p>charges of whatever nature imposed or levied, collected, withheld or assessed by or on behalf of the United Kingdom or Ukraine or any political subdivision or any authority thereof or therein having the power to tax, other than as required by law or regulations. Subject to certain exceptions, in the event that any such deduction or withholding is required, the Issuer will pay such additional amounts as shall result in the receipt by the Noteholders of such amount as would have been received by them had no such withholding or deduction been required, to the extent the Issuer receives corresponding amounts from the Borrower under the Loan Agreement.</p>
Redemption for Taxation Reasons or as a result of Increased Costs.....	<p>As more fully described in the “<i>Terms and Conditions of the Notes</i>”, the Issuer may redeem the Notes in whole, but not in part, upon giving notice to the Trustee and the Noteholders, at the principal amount thereof, together with accrued and unpaid interest, if any, to (but excluding) the date fixed for redemption in the event the Loan should become repayable pursuant to Clause 5.2 of the Loan Agreement.</p>
Optional Redemption by the Issuer for Illegality .....	<p>In limited circumstances as more fully described in the “<i>Terms and Conditions of the Notes</i>”, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, at the principal amount thereof, together with accrued and unpaid interest, if any, to the date of redemption, in the event that it becomes unlawful for the Issuer to allow the Loan to remain outstanding under the Loan Agreement or allow the Notes to remain outstanding or for the Issuer to maintain or give effect to any of its obligations in connection with the Loan Agreement and/or to charge or receive or to be paid interest at the rate then applicable to the Loan and, in such case, the Issuer shall require the Loan to be repaid in full. The Issuer shall use all reasonable endeavours to give not less than 15 days’ notice thereof to the Trustee and the Noteholders.</p>
Optional Redemption by the Issuer .....	<p>All as more fully described in “<i>Terms and Conditions of the Notes—Redemption and Purchase</i>”, at any time prior to 11 February 2022, the Issuer, following the exercise by the Company of a related option to prepay the Loan under the Loan Agreement, on any one or more occasions, may redeem up to 35 per cent. of the aggregate principal amount of Notes at a redemption price of 106.20 per cent. of the principal amount, plus accrued and unpaid interest (if any) to the redemption date, with the net cash proceeds of one or more Equity Offerings (as defined in the Loan Agreement), provided that:</p>

- (1) at least 65 per cent. of the aggregate principal amount of the Notes (excluding Notes held by the Issuer, the Company, any member of the Group or any of their respective Affiliates (as defined in the Loan Agreement)) remains outstanding immediately after the occurrence of such redemption; and
- (2) the redemption occurs within 90 days of the date of the closing of such Equity Offering.

All as more fully described in “*Terms and Conditions of the Notes—Redemption and Purchase*”, at any time prior to 11 February 2022, upon not less than 30 nor more than 60 days’ notice, the Issuer may redeem some of the Notes at any time in whole but not in part at the Make Whole Prepayment Amount (as defined in the Loan Agreement), and accrued and unpaid interest (if any) to the redemption date following the exercise by the Company of a related option to prepay the Loan under the Loan Agreement.

All as more fully described in “*Terms and Conditions of the Notes—Redemption and Purchase*”, at any time on or after 11 February 2022, the Issuer may redeem all or, from time to time, part of the Notes upon not less than 30 nor more than 60 days’ notice to the Noteholders, at the redemption prices (expressed as a percentage of the principal amount of the Notes) set forth below, plus accrued and unpaid interest, if any, to (but excluding) the applicable redemption date, if redeemed during the periods indicated below:

<b>Period</b>	<b>Percentage</b>
<i>Twelve-months beginning on 11 February 2022</i>	<i>103.10%</i>
<i>Twelve -months beginning on 11 February 2023</i>	<i>101.55%</i>
<i>on or after 11 February 2024</i>	<i>100%</i>

Early Redemption at the Option of the Noteholders upon a Change of Control ....

All as more fully described in the “*Terms and Conditions of the Notes—Redemption and Purchase*”, the Notes may be redeemed early at the option of the Noteholders on the occurrence of a Change of Control Put Event (as defined in the Loan Agreement), at 101 per cent. of their principal amount, together with accrued and unpaid interest, if any, to the date of such early redemption.

Relevant Events.....

Upon the occurrence of a Relevant Event (as defined in the Trust Deed), the Trustee may, subject as provided in the Trust Deed and subject to being indemnified and/or

	secured and/or prefunded to its satisfaction, enforce the security created in its favour pursuant to the Trust Deed.
Ratings.....	<p>It is expected that the Notes will be rated:</p> <ul style="list-style-type: none"> <li>• “B” by Fitch; and</li> <li>• “B” by Standard &amp; Poor’s.</li> </ul> <p>A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Similar ratings on different types of notes do not necessarily mean the same thing. The ratings do not address the likelihood that the principal on the Notes will be prepaid or paid on a particular date before the legal final maturity date of the Notes. The ratings do not address the marketability of the Notes or any market price. Any change in the credit ratings of the Notes could adversely affect the price that a subsequent purchaser will be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.</p>
Listing.....	Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and trading on the Global Exchange Market.
Selling Restrictions.....	The Notes are subject to selling restrictions in the United States, the EEA, the United Kingdom, Ukraine, Hong Kong, Singapore, Canada and any other applicable jurisdictions. See “ <i>Subscription and Sale</i> ” and “ <i>Transfer Restrictions</i> ”.
Governing Law and Arbitration /Submission to Jurisdiction.....	The Notes, the Trust Deed, the Paying Agency Agreement (as defined below) and any non-contractual obligations arising out of or in connection with them shall be governed by and construed in accordance with English law. The Issuer has agreed to arbitration in respect of the Notes and the Paying Agency Agreement and has submitted to the jurisdiction of the courts of England in respect of the Trust Deed.
Use of Proceeds.....	The Issuer will use the proceeds received from the issue and sale of the Notes for the sole purpose of making the Loan.
Security Codes.....	<p><i>Regulation S Notes:</i></p> <p>Common Code: 211420162 ISIN: XS2114201622</p> <p><i>Rule 144A Notes:</i></p> <p>Common Code: 211413956 ISIN: US918212AA96 CUSIP: 918212AA9</p>

Clearing Systems .....	DTC (in the case of the Rule 144A Notes) and Euroclear and Clearstream, Luxembourg (in the case of the Regulation S Notes).
Yield .....	The annual yield of the Notes when issued is 6.20 per cent.
Risk Factors .....	An investment in the Notes involves a high degree of risk. See “ <i>Risk Factors</i> ”.
Certain Covenants	The Issuer has covenanted under the Trust Deed that, as long as any Notes remain outstanding, it will not, without the prior written consent of the Trustee or the Noteholders, agree to any amendment to or modification or waiver of, or authorise any breach or proposed breach of, the terms of the Loan Agreement, except as otherwise expressly provided in the Trust Deed or the Loan Agreement.
<b>The Loan</b>	
Lender.....	VFU Funding PLC, a company incorporated as a public limited company under the laws of England.
Borrower.....	Private Joint Stock Company “VF Ukraine”, a private joint stock company registered and existing under the laws of Ukraine.
Status of the Loan.....	The Loan is a direct, unconditional, unsubordinated and unsecured obligation of the Company and, under current laws of Ukraine, such obligations under the Loan will rank at least <i>pari passu</i> with all other direct, unconditional, unsubordinated and unsecured indebtedness of the Company.
Principal Amount of the Loan .....	U.S.\$500,000,000
Interest on the Loan.....	6.20 per cent. per annum, divided, where the relevant payment of interest is subject to Ukrainian Withholding Tax (as defined in the Loan Agreement), by X, where X is equal to: <div style="text-align: center;"> <math display="block">\frac{100 - Y}{100}</math> </div> and Y is the Ukrainian Withholding Tax, expressed as a percentage (a rate of 5 per cent. for example, therefore being “5” for these purposes), applicable in respect of a payment of interest under the Loan Agreement to the Lender. Interest on the Loan is payable semi-annually in arrear on 11 February and 11 August in each year starting on 11 August 2020.
Use of Proceeds.....	The Company will agree in a deed of undertaking dated 7 February 2020 between the Issuer, the Company, the Borrower Entities (as defined therein), Raiffeisen Bank

	<p>International AG as Bridge Agent, the Trustee and the Joint Lead Managers (the “<b>Deed of Undertaking</b>”) to use the proceeds of the Loan in the amount of approximately U.S.\$500,000,000 for the purposes of providing upstream intra-group financial aid to “Telco Solutions and Investments” LLC to enable it to prepay existing indebtedness incurred under the Bridge Facility.</p> <p>Remaining proceeds of the Loan after the prepayment of the Bridge Facility will be used to reimburse the Company for the payment of the commissions, costs and expenses in connection with the issuance and offering of the Notes and the admission to trading thereof, and, to the extent any further proceeds remain, for general corporate purposes. See “<i>Use of Proceeds</i>”.</p>
Early Prepayments by the Company .....	<p>See “<i>Redemption for Taxation Reasons or as a result of Increased Costs</i>” and “<i>Optional Redemption by the Issuer for Illegality</i>”, “<i>Optional Redemption by the Issuer</i>” and “<i>Early Redemption at the Option of the Noteholders upon a Change of Control</i>” above and Clause 5 (<i>Repayment and Prepayment</i>) described in “<i>Loan Agreement</i>”.</p>
Withholding Taxes and Increased Costs ...	<p>Payments under the Loan Agreement shall be made without deduction or withholding for or on account of Ukrainian or United Kingdom taxes, except as required by law. Subject to certain exceptions, in the event that any deduction or withholding for or on account of such taxes is required by law with respect to payments under the Loan Agreement or that any deduction or withholding for or on account of United Kingdom taxes is required by law or regulations with respect to payments under the Notes, the Company will be obliged to increase the amounts payable under the Loan Agreement to the extent necessary to ensure that the Issuer receives (or the Noteholders receive, as applicable) the amount which would have been received had such deduction or withholding not been required (except where such withholding on account of Ukrainian taxes is effectively taken into account upon calculation of the interest rate).</p> <p>See also “<i>Risk Factors – Risks relating to the Loan and the Notes – Tax gross-up provisions in the Loan Agreement may be unenforceable under Ukrainian law</i>”</p>
Certain Covenants .....	<p>The Loan Agreement contains covenants related to:</p> <ul style="list-style-type: none"> <li>• Limitation on Restricted Payments;</li> <li>• Limitation on Incurrence of Indebtedness and Issuance of Preference Shares;</li> <li>• Limitation on Liens;</li> <li>• Limitation on Asset Sales;</li> </ul>



- Limitation on Transactions with Affiliates;
- Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries;
- Corporate Existence;
- Merger, Consolidation and Disposition of Assets;
- Maintenance of Properties;
- Insurance;
- Payment of Taxes and Other Claims;
- Statement as to Compliance;
- Reports;
- Guarantees;
- Business Activities;
- Listing;
- Suspension of Covenants when Notes rated Investment Grade; and
- Further Instruments and Acts.

The covenants are more fully described in “*Loan Agreement*”.

Events of Default.....

The Loan Agreement contains various events of default, including non-payment, breach of covenants and other obligations (including obligations under the Deed of Undertaking), cross default and cross acceleration provisions in respect of certain indebtedness of the Company or any Restricted Subsidiary (as defined in the Loan Agreement) in excess of U.S.\$25 million (or its equivalent in another currency), all as more fully described in “*Loan Agreement*”.

Governing Law and Arbitration.....

The Loan Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law. The Company has agreed to arbitration in respect of the Loan Agreement.

## RISK FACTORS

*Investment in the Notes involves a high degree of risk. Prospective investors in the Notes should carefully consider the following information about the risks described below, together with other information contained in these Listing Particulars prior to making any investment decision with respect to the Notes. The risks highlighted below could have a material adverse effect on the Group's business, results of operations, financial condition or prospects, which, in turn, could have a material adverse effect on the ability of the Company to service its payment obligations under the Loan Agreement and, as a result, the debt service on the Notes. In addition, the trading price of the Notes could decline if any of these risks materialise, and Noteholders may lose some or all of their investment.*

*Prospective investors should note that the risks described below are not the only risks the Group faces. The Company and the Issuer have described only the risks they consider to be material. However, there may be additional risks that they currently consider immaterial or of which they are currently unaware, and any of these risks could have the effect set forth above.*

### **Risks relating to the Group**

***The Group is subject to risks associated with doing business in Ukraine, including economic and political factors***

The Group's operations are primarily located in, and its revenue is primarily sourced from, Ukraine. The Group's results of operations are, and will continue to be, significantly affected by political, financial and economic developments in or affecting Ukraine, including civil disturbances, political instability and the ongoing military action in certain parts of eastern Ukraine. Other factors such as fluctuations in gross domestic product, inflation, interest and currency exchange rates, levels of unemployment, personal income, tourism activity and the financial position of corporates can have a material impact on customer demand for the Group's products and services.

Deterioration of the economic or political situation in Ukraine, or in any of its regions where the Group has a significant number of customers, could reduce demand for the Group's services. The Group tries to assess the demands of its target audience and competitive environment when determining product development and tariff policy. However, in case of major economic or political turmoil, such calculations may turn out to be inaccurate and the Group may not be in the position to respond to the changed circumstances, which in a highly competitive environment could have a negative effect on the size of its subscriber base and its income.

The Group provides electronic communications services to both corporate and individual customers. Any deterioration of the economic situation in Ukraine could have a negative effect on the disposable income of individuals and revenue of companies in Ukraine, which in turn, will affect the ability of customers to pay service fees.

For more detailed discussion of risks in relation to Ukraine see “—Risks relating to Ukraine”.

***The Group's growth and profitability depend principally on continued demand for telecommunications products and services in Ukraine, its ability to attract and retain customers and to successfully expand the mobile telecommunications services business line***

The Group's growth and profitability depend on a continued demand for its products and services. One factor which may affect demand is unfavourable demographic characteristics, including a trend of emigration from Ukraine, resulting in a reduced customer base, causing a subsequent decrease in demand for the Group's products and services. The Group may also be unable to grow its revenue generating units in line with its demand or successfully expand mobile telecommunications services. It may also be affected by churn

experienced due to customers switching to competitors or otherwise terminating their subscriptions to the services.

If demand for the Group's services in general does not increase, if the Group is unable to further maximise revenue generated from existing customers through cross-selling, if the Group is unable to continue to expand its mobile telecommunications services business or if the Group is unable to gain new customers from the competitors or otherwise, it could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

***The Group's revenue and profit could be adversely affected if growth in the Ukrainian mobile telecommunications market slows***

Most of the Group's revenue is derived from Ukraine, and future growth in revenue and profit is dependent on the growth of the market for mobile telecommunications services and the evolution of average telecommunications spending by customers in Ukraine. Penetration of mobile telecommunications services has slightly decreased during the past few years. The Group estimates, as at September 2019, that mobile penetration was approximately 127 per cent. of the population of Ukraine, however, it may become more difficult for the Group to expand its subscriber base. As a result, its future revenue growth may be dependent upon growth in spending per customer rather than an increase in the number of customers, and such growth may not occur as anticipated. If growth in the Ukrainian mobile telecommunications market is slower than anticipated, it could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

***The Group may not be able to refinance its indebtedness***

Companies based in Ukraine have from time to time faced difficulties accessing international debt markets, including, in particular debt capital markets. Most recently, the ongoing civil disturbances, political instability and military action in certain parts of eastern Ukraine have resulted in decreased demand from the international investor base for investment in Ukraine and has hampered the ability of Ukrainian companies and banks to obtain funding from the international capital and loan markets.

Any continuing or escalating military action in eastern Ukraine could further hamper the ability of Ukrainian companies and banks to obtain such funding, and there can be no assurance that demand for investment in Ukrainian companies and banks will return to their previous levels after the geopolitical situation in Ukraine has stabilised. This could have a material adverse effect on the Group's business, financial condition, results of operations or prospects and the Group's ability to repay the Notes.

***The Group is subject to risks associated with exchange rate fluctuations***

The Group's functional currency is the Ukrainian hryvnia and most of its revenue is released in this currency. As at 30 September 2019, after giving pro forma effect to the issuance of up to U.S.\$ 500 million of Notes offered hereby (equivalent to UAH 12,041 million using the NBU exchange rate set as at 30 September 2019), the Group would have had up to U.S.\$ 507 of obligations denominated in U.S. dollars (equivalent to UAH 12,210 million using the NBU exchange rate set as at 30 September 2019) and €24 million of obligations denominated in euro (equivalent to UAH 632 million using the NBU exchange rate set as at 30 September 2019), which are balance sheet liabilities of the Group as of 30 September 2019 that are denominated in foreign currencies. In addition, 12 per cent. of the Group's operating costs in the nine months ended 30 September 2019 were denominated in foreign currencies, principally euro and U.S. dollars, as the Group purchases equipment and services from global vendors.

In particular, the Group's ability to repay or refinance its U.S. dollar-denominated financial indebtedness could be adversely impacted by a significant appreciation of the U.S. dollar relative to the Ukrainian hryvnia. In 2016 and 2017, the Ukrainian hryvnia depreciated against the U.S. dollar by 13.3 per cent. and by 3.2 per cent. respectively according to the NBU. The UAH further strengthened by 16.9 per cent. against the U.S. dollar as

of 31 December 2019 as compared to closing rates on 31 December 2018. The NBU, among other measures, has been imposing certain restrictions on the processing of client payments by banks and on the purchase of foreign currency on the inter-bank market. However, with the adoption by the Parliament of the Law of Ukraine “On Currency and Currency Transactions” No. 2473-VIII dated 21 June 2018 and effective from 7 February 2019, the NBU envisages liberalisation of currency control and has been gradually relaxing currency regulation. Nevertheless, it remains difficult to predict further actions of the NBU which has a certain level of discretion in introducing various currency control measures.

Although the country experienced GDP growth in 2017 and 2018, the Managing Director of the International Monetary Fund (the “IMF”) in her statement on Ukraine dated 7 December 2019 indicated that Ukraine’s economic success depends crucially on strengthening the rule of law, enhancing the integrity of the judiciary, and reducing the role of vested interests in the economy. Although the inflation rate change has been slowing down from 9.8 per cent. in December 2018 to 4.1 per cent. in December 2019, the country remains subject to currency devaluation risk, continuing instability, a large current account deficit, high external funding needs and tight liquidity conditions.

Such appreciation could also markedly reduce the Group's consolidated financial results as reported in U.S. dollars (see “—*The Group is subject to transactional currency risks associated with exchange rate fluctuations*”). The Group does not currently use any derivatives to manage exchange rate fluctuation exposure. Any hedging arrangements the Group may enter into in the future may not adequately offset the risks of foreign exchange rate fluctuations and may result in losses. In addition, further appreciation of the U.S. dollar could require the Group to offset the impact of such exchange rate fluctuations by price increases for customers in Ukraine that are invoiced in local currencies, which could cause a reduction in the number of revenue generating units and could have a material adverse effect on the business, prospects, results of operations and financial condition.

***Rapid technological changes may increase competition and render the Group's technologies or services obsolete, and the Group may fail to adapt to or implement new technological developments in a cost-efficient manner or at all***

The markets in which the Group operates are characterised by rapid and significant change in technology, customer demand and behaviour and, as a result, are characterised by a changing competitive environment. Given the fast pace of technological innovation in the industry, the Group faces the risk of its technology becoming obsolete. The Group may need to make substantial investments to upgrade the networks or to obtain licences for and develop and install new technologies such as, for instance, 5G, to remain competitive. The cost of implementing these investments could be significant, and there is no assurance that the services enabled by new technologies will be accepted by customers to the extent required to generate a rate of return that is acceptable to the Group. In addition, the Group faces the risk of unforeseen complications in the deployment of these new services and technologies and there is no assurance that the Group's original estimates of the necessary capital expenditure to offer such services will be accurate. New services and technologies may not be developed and/or deployed according to expected schedules or may not be commercially viable or cost effective. Should the Group's services fail to be commercially viable, this could result in additional capital expenditures or a reduction in profitability. Any such change could have a material adverse effect on the business, prospects, results of operations and financial condition of the Group.

In addition, rapid technological change makes it difficult to predict the extent and nature of the Group's future competition. For example, new transmission technologies and means of distributing content or increased consumer demand for and affordability of products based on new communication technologies could trigger the emergence of new competitors or strengthen the position of existing competitors. There is no guarantee that the Group will successfully anticipate the demands of the marketplace regarding new technologies. Any failure to do so could affect the Group's ability to attract and retain customers and generate revenue growth, which in

turn could have a material adverse effect on the financial condition and results of operations. Conversely, the Group may overestimate the demand in the marketplace for certain new technologies and services. If any new technology or service that the Group introduces fails to achieve market acceptance, the revenue, margins and cash flows of the Group may be adversely affected and, as a result, the Group may not recover any investment made to deploy such new technology or service. The Group's future success depends on its ability to anticipate, react and adapt in a timely manner to technological changes. Responding successfully to technological advances and emerging industry standards may require substantial capital expenditure and access to related or enabling technologies to introduce and integrate new products and services successfully. Failure to do so could have a material adverse effect on the Group's competitive position, business, prospects, results of operations and financial condition.

***The Group operates in a capital-intensive business and may be required to make significant capital expenditure and to finance a substantial increase in its working capital to maintain its competitive position. The Group's capital expenditure may not generate a positive return or a significant reduction in costs or promote the growth of the business***

The Group operates in a capital-intensive industry. The development and acquisition of new networks, expansion, improvement and operation of existing mobile networks, as well as the costs of development, sales and marketing of its products and services, require substantial capital expenditure. In recent years, the Group has undertaken significant investment to attract and retain customers, including expenditures for equipment and installation costs, and the licencing and implementation of new technologies as well as upgrades of existing networks. The Group also faces costs associated with expanding its 4G network coverage to meet regulator mandated coverage targets. See “—*The Group faces risks associated with expanding its 4G network coverage in line with regulator-mandated targets*”. As at the date of these Listing Particulars, the Group has ongoing capital requirements relating to, among other things, the following:

- roll out and swap of the Group's Radio Access Network (“**RAN**”) in particular regions of Ukraine;
- current 2G, 3G and 4G network maintenance;
- expansion of 3G and 4G network coverage;
- expansion and further development of its LTE network;
- costs associated with expansion of Vodafone-branded retail chain outlets;
- payments relating to obtaining additional radio frequency licences; and
- IT and billing development.

In addition, continued customer demand for fixed broadband or mobile data services may require the Group to incur further capital expenditures to expand its network in order to accommodate such usage. In the event that licences for further services or additional spectrum rights are granted, including for additional 4G/LTE services or the introduction of 5G, the Group may require significant amounts of capital to compete for such rights or invest in improvements to its network capabilities. The Group may also consider further acquisition or growth opportunities.

The Group's capital expenditures, including the purchase of operating licences, in the year ended 31 December 2018 were UAH 6,641 million (including UAH 2,433 million for the payment of 4G licences), compared to UAH 4,790 million and UAH 3,191 million in the years ended 31 December 2017 and 2016, respectively. In particular, the Group's capital expenditure with respect of the acquisition of an LTE licence, as at 31 December 2018, was UAH 2,433 million.

In the past, the Group financed these expenditures primarily through internally generated cash flows. In the future, the Group expects to incur capital expenditure for continued enhancement of its existing network, and to utilise internally generated cash flows to finance its capital expenditure projects. However, if external financing is required in the future, there can be no assurance that sources of capital will be available to the Group on commercially reasonable terms, if at all. The Group's ability to attract external financing, and the cost of such financing, will depend on numerous factors, including the Group's future financial condition, general economic and capital markets conditions, interest rates, credit availability from banks or other lenders, investor confidence in the Group, applicable provisions of tax and securities laws, and political and economic conditions in Ukraine or other relevant jurisdictions.

In addition, covenants to be contained in the Group's future financing agreements, including the Notes, may restrict the Group from undertaking capital expenditure in amounts and at times that it deems necessary or desirable. If the Group is unable to generate or obtain funds sufficient to make, or is otherwise restricted from making, necessary or desirable capital expenditure and other investments, it may be unable to grow its business, which may have a material adverse effect on its business, financial condition, results of operations or prospects.

Finally, there can be no assurance can be given that any existing or future capital expenditures will generate a positive return, a significant reduction in costs, or promote the growth of the Group's business. If the investments fail to generate the expected positive returns or cost reductions, the Group's operations could be significantly adversely affected and future growth could be significantly curtailed.

***The Group faces risks associated with expanding its 4G network coverage in line with regulator-mandated targets and could face additional capital expenditure requirements if Ukraine initiates 5G rollout***

According to licensing conditions imposed by the NCCIR, mobile network operators must ensure that 4G services can be received within 12 months (from the respective licences' validity start date) for at least 90 per cent. of the population of each regional centre of Ukraine, and within 42 months (from the respective licences' validity start date) for at least 90 per cent. of the population of each locality with a population of more than 10,000 people, except for regional centres and settlements located in the temporarily occupied territories in the Donbass region and Crimea. As at 30 September 2019, the Group's 4G network coverage spans 66 per cent. of Ukraine's population. The Group is investing in expanding its LTE coverage in order to meet its regulator mandated targets, however, there is no guarantee that such investment would allow the Group to meet its targets by the stated deadline. Any failure by the Group to achieve its regulator mandated targets may result in the suspension or revocation of its operating licenses, which would have a material adverse effect on its business, prospectus, results of operation and financial condition.

In order to assist mobile operators to achieve these targets, including 90 per cent. 4G penetration by 2022, in October 2019, Prime Minister Oleksiy Honcharuk signed a memorandum with four leading mobile network operators in Ukraine, including the Group, to reorganise radio-frequency resource to the 900 MHz band (previously allocated for 2G) to 4G. This may allow the Group to reallocate some of its 2G coverage to 4G. However, there is no guarantee that such reallocation would be sufficient to allow the Group to meet its 4G coverage targets by 2022.

The NCCIR rules may also allow the Group to enter into active sharing arrangements with competitors, including Kyivstar, to share existing network infrastructure to achieve the 4G rollout coverage targets. However, there is no guarantee that any such agreements will be on favourable terms for the Group. If the Group is unable to enter into such agreements with its competitors to achieve its targets, or enters them on unfavourable or unprofitable terms, its business, prospects, results of operations and financial condition will be materially adversely affected.

Furthermore, on 17 May 2019, Petro Poroshenko, the former President of Ukraine signed a decree to initiate the process for rolling out 5G mobile network services in Ukraine. Ukraine's former Minister of Infrastructure

confirmed in his statement from 3 May 2019 that Ukraine's first frequencies specifically allocated for 5G are intended to be auctioned during 2020. As at the date of these Listing Particulars, no timetable has been announced by the NCCIR for the introduction of 5G technology in Ukraine. Nevertheless, given the fast development of 5G technology, there is a risk that NCCIR may initiate the process of 5G introduction in the near future. Auctions for 5G spectrum licenses could be costly and require significant capital expenditure by the Group, which could adversely affect its free cash flow and/or require additional debt financing. If the Group fails to obtain 5G spectrum licences, it could lose its competitive position on the Ukrainian market which could have a material adverse effect on its business, financial condition, results of operations or prospects.

***The Group is in the process of transforming its IT infrastructure, which could have a material adverse effect on its business, financial condition, result of operations or prospects in the short term***

The Group is undergoing an IT transformation programme developed to introduce improved and standardised processes across the Group. This includes the establishment of Limited Liability Company "IT SmartFlex" ("LLC IT SmartFlex"), a limited liability company targeted at software development and the integration of IT products and solutions. LLC IT SmartFlex uses the latest technologies and methodologies for the development of Business Support Services ("BSS") / Operating Support Services ("OSS") and enterprise resource planning systems ("ERP"). In 2019, the major products in LLC IT SmartFlex's portfolio were Omnichannel Bulk Messaging, DSP Middleware, customer relationship management systems for business-to-business relations ("B2B CRM") and SAP logistics/finance/HR solutions. An essential growth strategy is planned for 2020-2021 which demands an enhanced IT landscape and infrastructure including BSS, OSS, ERP, IT processes/products/services. Among the Company's planned major projects, LLC IT SmartFlex is implementing Digital Service Provider Middleware, Foris Billing system upgrade for support of digital services convergency, "Big Data Lake", a swap of centralized Monitoring System, the migration of SAP ERP to S4HANA, which is an updated version of SAP ERP software, cloud services for external customers, construction of a new disaster recovery site, and the IT landscape for Business Continuity in Lviv.

The Group may face difficulties and delays in implementing its growing IT infrastructure. Although the Group expects to achieve an increase in its overall efficiency and a reduction in its expenses as a result of the upgrades, it is still necessary for the Group to run some of the old and new IT systems simultaneously during the transition period, which will create additional burdens on its technical support staff. The Group may also experience technical problems with the new IT system during the transition period. These factors may increase the Group's operational risks and expenses and inconvenience subscribers in the short term which may decrease customer satisfaction and increase churn rates. In addition, the optimisation of the Group's IT infrastructure may result in temporary technical disruptions. The failure or breakdown of key components of the Group's infrastructure in the future, including its IT system and its susceptibility to fraud, could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

***The Group's frequency allocation licences and permits are issued for specific terms and are subject to ongoing review and/or periodic renewal, each of which may result in modification or early termination of such licences and permits. In addition, the Group's failure to obtain new licences and permits could adversely affect its business***

The Group's frequency allocation licences and permits are issued for specific terms and are subject to ongoing review and/or periodic renewal. As a result, such licences and permits may be modified or annulled by the respective government authorities. The Company operates its network under 21 key licences which are material in terms of revenue generated on the basis of such licences. For more information please see "Business—Licences and permits". While the Company does not expect that it or any of its subsidiaries or associated companies would be required to cease operations at the end of the term of the applicable licences and permits, there can be no assurance that such licences and permits will be renewed at similar or redeemable prices or terms.

In addition to expiry and non-renewal, the licences may be annulled by the National Commission for the State Regulation of Communications and Informatization of Ukraine (the “NCCIR”) in certain circumstances, for example, in case of repeated violation of licence conditions during the one year period after the first violation was detected by the NCCIR or inability to rectify violations of licence conditions after being instructed to do so by the NCCIR. Similarly, a change in licencing terms or conditions could raise the costs incurred by the Company to provide telecommunications services in Ukraine or have an adverse effect on the quality of the network available to carry the Company’s services. Failure to obtain or renew licences and permits on satisfactory terms or at all may have a material adverse effect on the Group’s business, financial condition, results of operations or prospects.

***The Group’s services depend on the performance of networks, technical equipment and suppliers***

The Group depends to a significant degree on the uninterrupted operation of its networks to provide its services. The Group invests heavily to ensure that its network provides an advanced variety of services for customers within Ukraine and seeking access to Ukraine. The Group cannot provide any assurance to potential investors that it will be able to continue to invest heavily in its networks. Any failure by the Group to upgrade or maintain its networks at current levels could affect its profitability and have a material adverse effect on its business, financial condition, results of operations or prospects.

In addition, the Group’s technical infrastructure is vulnerable to damage or interruption from acts of war, terrorism, intentional wrongdoing, human error and similar events (see, for example “—*The Group does not control its assets in the Temporarily Occupied Territories*”). Unanticipated problems at the Group’s facilities, system failures, hardware or software failures, computer viruses or hacker attacks could affect the quality of its services and cause service interruptions. Although the Group has undertaken steps to ensure it could continue operating in the event of a disruption, there can be no assurance that these efforts would be successful. As such, any of these occurrences could result in reduced user traffic and reduced revenue and could harm the Group’s operations.

The Group’s network, including its information systems, information technology and infrastructure, relies to a certain extent on its interconnection to the networks of other telecommunications operators to carry calls from its customers to the customers of fixed line operators and other mobile operators, both within Ukraine and internationally. The Group cannot be assured that it can continue to rely on its interconnection to the networks of other operators, or that the networks of other operators with whom its customers interconnect will not be affected by interruptions caused by events such as equipment failure, network software flaws or transmission cable disruption.

Any interruption of the Group’s operations, or of the provision of any service, whether from operational disruption or otherwise, could damage the Group’s ability to attract and retain customers, cause significant customer dissatisfaction and have a material adverse effect on its business, financial condition, results of operations or prospects.

The Group’s proper operation and its financial position largely depend on a limited number of technical equipment and service providers. In case the commercial conditions deteriorate, or suppliers fail to provide adequate equipment or services to the Group in a timely manner, or suppliers are or become subject to any international sanctions, the Group’s activities may be interrupted. Huawei, ZTE, Nokia, Sitronics Telecom Solutions and Intracom are major suppliers of technical equipment, software and services to the Group. Also, the Group uses Russian origin software including billing system and payment gateway, the producers or suppliers of which may become subject to sanctions, or such software or Russian origin telecommunication equipment may be banned from usage in telecommunication systems as objects of critical infrastructure in Ukraine. The Group attempts to maintain viable alternatives in network scheduling and equipment acquisition



in order to reduce commercial and technical risks; however, any replacement of these suppliers may be difficult and time-consuming.

The Group is also exposed to risks associated with the potential financial instability of its suppliers. If the suppliers were to discontinue certain products, were unable to provide equipment to meet the Group's specifications or interrupt the provision of equipment or services to the Group, whether as a result of bankruptcy or otherwise, and if the Group were unable to procure satisfactory substitutes, it could have a material adverse effect on its business, results of operations and financial condition.

Materialisation of any of the above risks could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

***The interruption, inadequacy or other failure of the Group's internal systems, including its internal controls over financial reporting and information technology systems, could have an adverse effect on the Group***

The Group maintains and regularly reviews internal controls over its financial reporting. However, internal control over financial reporting has inherent limitations. It is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdown resulting from human failures. In addition, it can be circumvented by collusion or overriding improper management. It is possible to design safeguards to mitigate, although not eliminate, this risk. A failure to detect or correct deficiencies and weaknesses in a timely manner could have an adverse effect on the accuracy of financial reporting.

In addition, the Group is subject to the risk of interruption or loss of its computer and information system capabilities, including certain technologically sophisticated management information systems and other systems, such as its customer billing system, the failure of computer equipment or software systems, failure of the Group's website, telecommunications failure or other disruption, whether due to system failures, computer viruses, software errors, cyber-attacks (including "phishing"), theft of or physical damage to IT hardware or otherwise. The Group's information and technology systems are designed to enable the Group to use its infrastructure resources as effectively as possible and to monitor and control all aspects of its operations. Due to the nature of its business, the Group faces risks related to network and information security, including the integrity, confidentiality and availability of information arising from cyber-attack or other vulnerabilities across its networks and systems. Any failure or breakdown in these systems could interrupt normal business operations and result in a significant slowdown in operational and management efficiency for the duration of such failure or breakdown, and a prolonged failure or breakdown could dramatically impact the Group's ability to offer services to its customers. While security systems are in place to protect the Group's systems and information, there can be no assurance that these systems will be effective under all circumstances, and the Group may remain vulnerable to the loss of information. Additionally, the Group does not maintain an offsite data recovery centre. In the event that there is an interruption or loss of its computer and information systems, this could interrupt normal business operations, lead to loss of revenue, loss of subscribers and damage the Group's brands.

The occurrence of any of the above risks could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

***The Group has become active in providing products and services for industries other than telecommunications, many of which are developed and/or maintained by third party providers. The Group's reliance on these third-party providers to help it navigate the regulatory, security and business risks of industries where it traditionally does not compete could adversely affects its business***

The operation of the Group's business depends, in part, upon the successful deployment of continually-evolving products and services, including applications in industries other than telecommunications, such as TV, music, mobile financial services, data centre cloud solutions, "Big Data" services, and entertainment and community services. The Group is reliant on third party providers to help it navigate risks relating to security, regulations

and business in the industries where the Group does not traditionally compete. Changes in such industries may impair the Group's partners' business and/or negatively impact the content the Group is developing, such as for entertainment.

***The Group's assets may be subject to seizure or expropriation by the Ukrainian authorities or the Group's title to its assets, including base stations, may be challenged***

The Ukrainian authorities could seize or expropriate the Group's assets without appropriate compensation, limit compensatory payments or deny the Group due process to defend itself against state measures. Pursuant to Ukrainian law, the authorities can exercise these eminent domain powers with respect to the Group's assets in the event such action is deemed by the relevant authorities to be required in order to protect public interests or in response to an emergency situation. Any compensation that is paid may be lower than the price for which the expropriated assets could have been sold in the open market, or litigation may arise as to the fair market value of the assets, which could delay the payment of any compensation, or no compensation may be paid for the seized assets, each of which could have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, some of the properties and land plots owned or used by the Group may be subject to prior claims or unregistered agreements, and title may be affected by defects undetected at the time of acquisition of such property. Similarly, it is possible that some of the properties of the Group may have previously been acquired, constructed or altered without full compliance with applicable laws, including planning or zoning laws or regulations. There can be no assurance that the Group's title to these properties will not be challenged.

***The Group does not control its assets in the Temporarily Occupied Territories***

The Group has physical assets, property and infrastructure (including those which may contain MTS trademarks and branding, which are owned by MTS and licensed to the Company) in the TOT. The Company estimates that the net book value of assets in the TOT, which it cannot control or access, to be close to zero as at 31 December 2019. Due to political hostilities in the TOT, the Group does not have control over or access to these assets. Although the Company continues to realise revenue from subscribers based in the TOT that use its network, it does not offer new services to such customers, does not have contracts or business relations with TOT-based entities, does not make or receive payments to/from such assets and has no relationships with "local authorities" there. As a result, the Company has no physical access to, or proper control of, its base stations and other assets in the TOT. The Company is unable to repair, maintain, upgrade – or even assess the condition of – such assets.

However, due to the existing political and military hostilities in the region, and the Company's absence of control over such assets, the Company cannot control the use of MTS trademarks and branding on and by such assets or cease such use. The Seller has consented in the Acquisition Agreement to the continued use of such MTS trademarks and branding in the TOT, and to not bring any claims for use of the same, provided that such territories remain outside the control of the Ukrainian government. Should the Ukrainian government regain control of the TOT, the Company must cease its use of MTS trademarks and branding. Continuation of hostilities may result in further degradation or ruination of Company assets in the TOT. If cessation of hostilities and normalisation of legal business in the TOT occurs, the Company may incur material uncompensated expenses to reclaim, restore and repair its assets and change branding in the TOT.

***The Group is reliant on Vodafone Branding Agreement and there can be no assurance that it will be extended on satisfactory terms***

On 15 October 2015, the Company was granted a right to use the Vodafone trademarks in the territory of Ukraine by Vodafone Sales and Services Limited ("**Vodafone UK**"). This right was obtained by entering into a branding agreement ("**Vodafone Branding Agreement**") with Vodafone UK. The Vodafone Branding Agreement

governs the terms and conditions of this right. The Vodafone Branding Agreement is effective until 31 December 2020. As the Vodafone Branding Agreement allows the Company to use the Vodafone brand materials as well as the Vodafone trademarks in all materials used for marketing, promoting and advertising the Company's telecommunications business, on interior display signage and exterior signage for all retail stores in Ukraine, in all mobile and online environments where telecommunications business is conducted and on all business stationery and materials used for internal and external communication, it is integral for the Group's business to maintain this Vodafone Branding Agreement.

The Vodafone Branding Agreement contains a change of control clause, whereby Vodafone UK may within 60 business days following the occurrence of any change to the direct shareholding of the Company terminate the Vodafone Branding Agreement. The Company's shareholding changed following the Acquisition. Vodafone UK signed a waiver confirming that it agrees not to terminate the Vodafone Branding Agreement and irrevocably and unconditionally waives any right it may have to terminate the Vodafone Branding Agreement upon this change of control. Moreover, the Group has entered into a Memorandum of Understanding with Vodafone UK to negotiate, in good faith, the terms of a definitive agreement for a potential 5-year co-operation partnership between Vodafone and the Company in order to support the commercial and strategic objectives of the Company.

There can be no assurance that the Company will successfully negotiate the extension of the Vodafone Branding Agreement. There is also a risk that any subsequent change of control in the shareholding of the Company or its holding company may trigger the termination clause of the Vodafone Branding Agreement. If the Group fails to maintain the Vodafone Branding Agreement or an equivalent agreement with Vodafone UK, it could have a material adverse effect on its business, financial condition, results of operations or prospects.

***The Group may be unable to control misconduct by its employees***

More than 4,500 personnel are employed by the Group. The Group is also susceptible to, among other things, fraud by employees or outsiders, including unauthorised transactions and operational errors, loss of customer or employee data, theft of sensitive business or operational information, clerical or record-keeping errors and errors resulting from faulty computer or telecommunications systems. Employee misconduct, misrepresentation or fraud could subject the Group to financial losses, regulatory sanctions and serious harm to its reputation.

It is not always possible to deter or prevent employee misconduct. Although the Group takes precautions to prevent and detect misconduct, such as hiding unauthorised activities from the Group, carrying out improper or unauthorised activities on behalf of customers or improper use of confidential information or funds, by its employees, such precautions may not be effective in all cases. Employee errors in recording or executing transactions for customers can cause the Group to enter into transactions that customers may disavow and refuse to settle. Given the Group's high volume of transactions, fraud or errors may be repeated or compounded before they are discovered and rectified. Failure by the Group to identify, prevent or manage employee misconduct, or any inadequacy of the Group's internal processes or systems in detecting or containing such risks, could result in unauthorised transactions and errors and expose it to risk of loss, which could have a material adverse effect on its business, financial condition, results of operations or prospects.

***The Group is dependent on the Seller for certain essential services and software***

Following the completed acquisition of the Company by the Purchaser in November 2019, those entities and the Sellers are parties to a transitional services agreement ("TSA"), which amends the terms of any existing intra-group services agreements ("Services Agreements"). The Services Agreements relate to the provision of certain IT services and software licences, but these services are described in the underlying agreements rather than in the TSA. The term of each Services Agreement is extended to 2 years from 3 December 2019 with a right for the Company to terminate any of the services upon 2 months' notice without any early termination charges. For the duration of the TSA, the Company is entitled to continue to receive the services from the Seller.

Once the TSA expires, or earlier if the Company elects to terminate the services, the Company will have to implement a transition plan to restructure the way in which it obtains such services. The parties will agree on a migration plan, and the Seller will provide reasonable assistance to the Company to comply with the plan and migrate the services. Any early termination of the underlying Services Agreements, or a failure on the part of the Company to successfully implement the migration plan in advance of the TSA's expiration, could result in disruption of certain essential services which could have a material adverse effect on the Group's business, financial condition, results of operations, cash flows and prospects.

In addition, the Company uses Billing System and Payment Gateway produced by MTS Group companies NVision (Czech Republic) and MTS IT. There is a risk that these platforms could become subject to an embargo or sanctions by the Ukrainian government due to production/ownership by Russian companies (members of MTS Group). If this occurs, the Group could be required to urgently change these platforms. The Group estimates that the cost of such a change could be up to USD 40 million. Although this direct cost would be required to be covered by guarantees of Allegretto Holding S.à.r.l under the Acquisition Agreement, there can be no assurance that disruption or unrecovered expenses would not have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

***Spectrum limitations may adversely affect the Group's ability to provide services to its customers***

The number of customers that can be accommodated on a mobile network is constrained by the amount of spectrum allocated to the operator of the network and is also affected by customer usage patterns and network infrastructure. The spectrum is a continuous range of frequencies within which waves have certain specific characteristics. For more information on the spectrum see "Business—Network Infrastructure—Wireless Mobile Network". As the Group's customer base grows, new technologies are introduced and a broader range of services are offered, the Group may require additional capacity for mobile data. However, the currently available spectrum may be limited by competition, regulation or financial constraints, and the Group may face a bottleneck, especially in metropolitan areas. Furthermore, the NCCIR may increase, reduce or change the frequency bands allocated to operators. If 5G spectrum licences were to be auctioned in Ukraine, the Group would consider submitting a bid in such auctions. If the Group were not successful in the pursuit of such licences for any reason, such as prohibitive cost or limited number of available licences, it could find itself at a competitive disadvantage in the Ukrainian mobile market.

***The Group's mobile voice businesses are in decline as more customers move to data-based communications services***

Market-wide movements towards data-based communications continue to impact traditional telecommunications revenue streams, such as mobile voice services. The Group may be exposed to significant disruption as the telecommunications market continues to shift away from mobile voice services.

The industry has been characterised by periods of marked fixed-to-mobile substitution and subsequently, as a result of rapid advances in mobile data services, significant declines in mobile voice services in recent years. A variety of factors have contributed to these trends, including the introduction of new services by mobile operators, increasing high-speed mobile penetration, which permits elevated usage of data connectivity, improvement in mobile networks and an expanding operational environment of connected devices and e-businesses and e-marketing relying on mobile data communication services.

These developments have affected mobile voice markets, including those of the Group, resulting in periods of decline in the Group's mobile voice performance. Despite these declines, the Group has experienced increases in ARPU by 56 per cent. from UAH 43.6 per user the year ended 31 December 2016 to approximately UAH 68.2 per user for the nine months ended 30 September 2019, in line with the Group's LTE network development and trend towards increased data usage. As a result, data services have become the key driver of the Group's revenue growth and, therefore, the Group will need to continue to develop new competitive services, including

value-added, 3G, 4G/LTE, and others, as well as consider vertical integration opportunities in relation to ICT services in order to provide the Group with sources of revenue in addition to standard voice services. If the Group fails to effectively compete in the mobile and data services business, or loses its market share in data-based or mobile communications services, this could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

***Any deterioration in the Group's or ultimate beneficial shareholder's or Vodafone's reputation may have a negative effect on its financial position***

Any deterioration of the Group's brand reputation could affect the number of subscribers and reduce the prospects of gaining new customers, which could adversely affect the Group's revenue. The Group periodically conducts customer opinion and market research and tries to improve the quality of the products and customer services on the basis of feedback provided by customers. The Group's reputation may be damaged if it fails to maintain the quality of its services, offer competitive products, promptly introduce new technologies or by marketing campaigns that are poorly received by the public, which, in turn, could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Any deterioration in the reputation of Mr. Nasib Hasanov, the ultimate beneficial shareholder of the Group (for more information, see "*Business–Capital Structure*"), could have a material adverse effect on the Group's business, financial condition, results or prospects and in particular on the ability of the Group to raise funds in the future.

Additionally, the Group is affiliated with the Vodafone brand following the entry into the Vodafone Brand Agreement in 2015. Vodafone has a strong brand internationally as a result of being one of the largest telecommunications providers in the world. As such, any reputational damage the wider Vodafone brand suffers from incidents or events outside of the Ukraine market could negatively affect the Group's revenue which, in turn, could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

***The Group may face increased competition from new entrants or established telecommunications operators in the markets in which it operates***

The Group faces intensifying competition both from new entrants to the telecommunications markets in which it operates and from existing competitors, and its results may be adversely affected by the actions of competitors in a number of ways, including, among other things, (i) lower prices or higher quality services, features or content, (ii) more rapid development and deployment of new or improved products and services or (iii) more rapid enhancement of their networks. In addition, the competitive situation in Ukraine may be further affected by (i) the changes in regulation of mobile number portability service, (ii) the possible emergence of new and development of existing virtual mobile network operators in the market, (iii) the NCCIR's plans to reduce tariffs for international roaming, and (iv) interconnect fees for termination of international traffic. If the Group does not continue to provide products and services that are useful and attractive to customers, it may erode profitability in these markets. If the Company is slow to respond to the actions of its competitors or does not adequately invest in new technologies or develop technologically advanced or innovative mobile communications services demanded by customers at competitive prices, it could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Existing and new operators in the electronic communications market may start operating business models which generate income through non-communication-related services, such as advertising, financial services and collecting data of customers' behaviour and selling it to third parties and others.

Increased competition may lead to a decrease in the Group's market share as customers purchase telecommunications services from other providers. The competitive focus in certain of the Group's markets,

particularly in the fixed voice and mobile markets in Ukraine, continues to shift from customer acquisition to customer retention as a result of increased market penetration. In recent years, investment in mobile connectivity has resulted in significant increases in penetration of advanced mobile technologies and access to high-speed mobile broadband services for large parts of the country. There can be no assurance that the Group will not experience an increase in churn rates, measured by an increased number of customer deactivations, particularly as competition for existing customers intensifies.

Customer churn could increase as a result of:

- the availability of competing services, some of which may be less expensive or technologically superior to those offered by the Group or offer content or features that the Group does not offer;
- customers moving to areas where the Group cannot offer services;
- customer dissatisfaction with the quality of the Group's customer service, including billing errors;
- interruptions in the delivery of services to customers over the network and poor fault management; and
- customers choosing to discontinue a certain service without replacing it with an equivalent service provided by the Group or the competitors.

An increase in churn rates may result in lower revenue and higher costs due to increased marketing expenses due to the need to replace customers or lower prices to remain competitive, which may consequently have a material adverse effect on the Group's business, financial condition, results of operations or prospects. The Group monitors international trends through different types of partnerships and tries to develop connections and new services. However, the Group's efforts may not be sufficient to be competitive with other operators which could lead to a decrease in revenue and the number of subscribers of the Group.

Although churn may have a negative effect on the Group's business, the Group believes that its churn levels are in line with its principal competitors in Ukraine. The inability to control customer churn or an increase in customer churn as a result of any of these factors can lead to a reduction in revenue or increased costs to retain these customers, which could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

***The Group may be unable to successfully manage the growth of its business***

The Group provides no assurance to prospective investors that it will be able to manage sustainable growth. The Group's ability to manage its existing businesses and its future growth depends upon a number of factors, including its ability (i) to increase effectively the scope of its operational and financial systems and controls to accommodate the increasing complexity and expanding geographical area of its operations, (ii) to recruit, train and retain qualified staff to manage and operate its growing business, (iii) to obtain necessary permits, licences, spectrum allocation or approvals from governmental authorities and agencies and (iv) to explore new markets and establish new businesses and services. Moreover, the Group's business plan envisages growth in ARPU which may not be achievable. If the Group is unable to successfully manage sustainable growth this could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

***If the Group fails to retain and attract qualified and experienced management, engineers and other qualified personnel, this could have a material adverse effect on its business, financial condition, results of operations or prospects***

The success of the Group depends, in part, on the Group's ability to continue to attract, retain and motivate qualified and skilled personnel. The Group relies on its senior management for the implementation of its strategy and its day-to-day operations. In addition, as technological capabilities in the telecommunications market

continue to advance, the Group must also ensure that its workforce is sufficiently skilled to work with these new technologies.

The Group is currently seeking more IT personnel and telecommunications engineers. If the Group is unable to retain experienced, capable and reliable personnel, especially senior and middle management with appropriate professional qualifications, or fails to determine or predict and recruit the required number of skilled professional and technical staff at a pace consistent with its growth, then its financial condition, business, results of operations or prospects may be adversely affected. Experienced and capable personnel in the telecommunications industry remain in high demand and there is strong competition for their talents.

There is a risk that following the Acquisition, the Group may experience changes in management personnel, including through higher attrition. Any management changes, including the loss of some members of the Group's senior management team or any significant number of its mid-level managers/skilled professionals may result in (i) a loss of organisational focus, (ii) poor execution of operations and corporate strategy and/or (iii) an inability to identify and execute potential strategic initiatives such as the expansion of capacity or acquisitions. These adverse consequences could, among other things, reduce potential revenue and expose the Group to downturns in the markets in which it operates, all of which, both in the aggregate and individually, could materially and adversely affect the Group's business, financial condition, results of operations or prospects.

***The Group may be, from time to time, involved in disputes and litigation with regulators, competitors and other parties***

The Group is subject to the risk of legal claims, judicial proceedings and regulatory enforcement actions in the ordinary course of its business. These matters may arise from any review or inspection by the NCCIR into the Group's compliance with the terms of its licences and applicable regulation. See "*Business—Litigation*" for a detailed description of the litigation proceedings of the Group pending as at the date of these Listing Particulars. See "*—Emerging markets including Ukraine are subject to greater risk than more developed markets*".

Similar matters may arise from time to time with respect to the Antimonopoly Committee of Ukraine ("**AMC**"). For example, LLC Lifecell, a competitor of the Group, initiated an AMC investigation against the Group by claiming abuse of dominant position by the Group. The investigation resulted in the AMC closing the case without a decision on merits. LLC Lifecell challenged the decision and the court of first instance rejected the claim. On 24 December 2019, LLC Lifecell filed an appeal. In cases where the AMC determines that an enterprise has abused a dominant position, the AMC may impose a fine in the amount of up to 10 per cent. of that enterprise's consolidated revenue in the year immediately preceding the year of imposition of the fine.

In addition to the risks that arise under the Group's regulatory obligations, it may also from time to time become subject to contractual disputes with third parties, including suppliers and customers. Although the Group is not currently subject to any material proceedings, or aware of any circumstances that may give rise to material claims in the future, there is no assurance that it will not become subject to such claims in the ordinary course of its business, or that the Group will be successful in these matters.

The Group's involvement in litigation and regulatory proceedings may be costly and/or adversely affect its reputation or trade relationships, even if such litigation or regulatory proceedings were successful. Furthermore, litigation and regulatory proceedings (or settlements thereof) are inherently unpredictable. If the Group is unsuccessful in any future claims, or its reputation suffers as a result of any such claims, it could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

***The Group may be adversely affected by the changes in governmental regulation of Significant Market Power (“SMP”) operators in Ukraine***

Ukraine’s competition legislation involves ex-ante control exercised by the NCCIR and ex-post control exercised by the AMC. Regulations for control of both state authorities are complex, often uncertain, and inconsistent in application. The interconnecting fees charged by the Company and its competitors for terminating calls connecting to any of the Company’s respective networks are subject to regulation by the NCCIR due to the Company’s status as SMP operator.

Qualification as an SMP is assessed with reference to the market as defined by the NCCIR according to the Law of Ukraine “On Telecommunications” № 1280-IV dated 18 November 2003 as amended (the “**Telecommunications Law**”). An operator qualifies as an SMP in a particular market if it has more than 25 per cent. of the total revenue of all telecommunications operators and providers in the respective telecommunications services market or if the service may be rendered to other operators or providers only within the network of one particular operator or provider (due to the technological process of rendering service). The legislation separates fixed and mobile telecommunications networks, both regulated by the NCCIR. The NCCIR has a right to set different termination rates for different types of networks. Accordingly, rates for traffic termination on fixed-line networks might be higher than on the network of the Company. Different rates could lead to a decrease in the Group’s revenue in Ukraine and an increase in costs.

In October 2019, two new draft laws were registered in the Ukrainian Parliament: draft law "On Electronic Communications" and draft law "On Infrastructure Development for Digital Transformation of Economic and Society". Both draft laws provide for, inter alia, the introduction of a "virtual operator" concept, tougher regulation of SMP operators, submission of retail tariffs in certain electronic communication services markets for approval and/or restriction by the state regulator, mutual use of operators' infrastructure, increase of fines for violation of legislative requirements. The drafts are under consideration as at the date of these Listing Particulars. If these drafts, or any other laws containing similar provisions, are adopted and enter into force, this may influence the Group’s revenue and could have an adverse effect on the Group’s business, financial condition and results of operations.

The majority of international mobile operators have recently increased fees for interconnecting to their networks. A further rise in interconnect fees is likely to result in an increase in costs. In addition, interconnect fees for SMP operators for providing international roaming services may become subject to further governmental regulation. To comply with the Decree of the President of Ukraine No. 146/2017 "On Measures Aimed at Introduction of a Visa-free Regime with the European Union" the NCCIR approved a roadmap for harmonisation and reduction of roaming charges on the territory of the Eastern Partnership. According to this plan, harmonisation and a reduction in tariffs is planned in 2019 and 2020 for Ukraine and other countries of the Eastern Partnership, namely Armenia, Azerbaijan, Belarus, Georgia and Moldova.

In August 2016, the NCCIR adopted the regulation for SMP operators (both mobile and fixed international operators) with a maximum international termination rate of EUR 0.10 per minute, excluding VAT. This regulation has had an adverse effect on the Group’s business and decreased the Group’s revenue from international business at the wholesale level.

In September 2017, the European Parliament preliminary approved a possibility of abolition of roaming charges between the European Union and the members of the Eastern Partnership. As at the date of these Listing Particulars, the European Parliament has not issued any official document with regards to the harmonisation or reduction of roaming charges. A decrease in such tariffs may have an adverse effect on the Group’s revenue from international roaming charges.

Additionally, in February 2019, a new procedure for telecommunications market analysis and identification of SMP operators developed by the NCCIR entered into force. It established a procedure for analysing markets to



identify SMP companies and implementing the preliminary regulation of these companies by the NCCIR in accordance with the Association Agreement signed by Ukraine and the European Union. In accordance with Articles 116 and 118 of the Association Agreement, it is planned to, inter alia, increase a number of telecommunications markets (to up to 17) where the NCCIR will be responsible for regulating the activities of SMP operators. The procedure may lead to an increased level of regulation of SMP operators and changes to the current procedure for identifying SMP operators in telecommunications.

The adoption of new procedures, an increased regulation of international tariffs for subscribers and fees for traffic transfer, in addition to an increase in international interconnect fees by the European Union may negatively affect revenue of the Company.

***If the Group cannot generate revenue from its interconnect operations, it may be unable to provide services at competitive prices, which may diminish its market share and result in a loss of revenue and margins***

Commercially viable services of the Group depend on its ability to continue to generate revenue from interconnection fees charged to zonal, intercity and international fixed-line and mobile operators in Ukraine and other countries. Interconnect fees are established by agreements with network operators and vary depending on the network used, the nature of the call and the call destination. In Ukraine, the NCCIR establishes the connection fees for the SMP operators' networks and interconnect fees for the termination of traffic on such networks. As of 30 September 2019, 16 per cent. of the Group's revenue came from interconnection fees. Conversely, the Group had interconnect expenses amounting to 11 per cent. of its revenue during the same period. As a result, the Group operating profit would be expected to be adversely affected if interconnection fees decrease.

Since 1 October 2015, the NCCIR has several times substantially lowered interconnect fees for the termination of traffic on SMP operators' networks. According to the latest decision of the NCCIR № 525 dated 9 October 2018, the new lowered rates for termination of traffic on the networks of SMP operators at national level became effective on 1 January 2019. In particular, this decision established a maximum rate for termination of traffic on the networks of SMP operators. This maximum rate currently stands at UAH 0.12 per minute for national traffic and EUR 0.10 per minute for international traffic (both rates exclusive of VAT). Any further decrease in interconnect fees charged in Ukraine could adversely affect the Group's results of operations. In addition, any difficulties or delays in interconnecting cost-effectively with other networks could hinder the Group's ability to provide services at competitive prices, or at all. As a result, the Company may lose its market share and revenue, which would have a material adverse effect on its business and results of operations.

***The Group uses a number of retailers, franchise shops and other distributors to distribute or sell its products, and any interruption to these contractual relationships could increase the Group's costs and/or have a material adverse effect on its business, financial condition, results of operations or prospects***

The Group markets its products through its own retail shops, as well as franchise shops and other distributors in addition to its own channels. As at 30 September 2019, the Group leased 247 retail shops and 370 franchise shops. A failure by the Group to maintain these distribution relationships, or a failure by distribution partners to provide sufficient customer intake for the Group, could have a material effect on the Group's business, results of operations, financial condition or prospects.

Moreover, the retail business of telecommunications operators is sensitive to changes in the economic environment, state regulation and economic policies and can be affected by the national currency exchange rate volatility. An economic downturn or an increased national currency exchange rate volatility may significantly increase price competition in the Group's retail business and thereby hinder its subscriber growth rate, which could lead to loss of revenue and retail margin. The inability to develop and sustain the Group's own distribution network could have a material adverse effect on its business, financial condition, results of operations and prospects.

***The Group could face disputes arising from its intellectual property rights, or face accusations related to infringement of third-party proprietary rights***

The Group relies on third party licences and other intellectual property arrangements to conduct its business. Intellectual property rights owned by the Group or its subsidiaries, or licenced to any of them, may be challenged or circumvented by competitors or other third parties. In addition, the relevant intellectual property rights may be or may become invalid, unenforceable or may not be broad enough to protect the interests of the Group or may not provide it with any competitive advantage. Any loss or withdrawal of those intellectual property rights could affect the Group's ability to provide services and could adversely affect its business, results of operations, financial condition or prospects.

In addition, the Group or any of its subsidiaries may be sued for copyright or trademark infringement for purchasing and distributing content through various fixed line or mobile communications and other media. Any claims or lawsuits in relation to the violation of a third party's intellectual property rights, irrespective of their merit, could be time consuming, result in costly litigation, legal liability and diversion of technical and management personnel, cause delays in the granting of patent applications or require the Group to develop non-infringing technology or to enter into royalty or licencing agreements.

***The Group's daily business actively involves personal customer data and leakage of such data could result in fines, reputational damage and customer churn***

The Group accumulates, stores and uses in its operations personal customer data protected by the law. Although the Group takes precautions to process and protect such data in accordance with the applicable legislation, it is possible that there may be data leakages in the future. The Group works with third-party service providers, such as certain software companies, which may not fully comply with the relevant contractual terms and all data protection obligations imposed on them.

The Personal Data Process Policy ("**Personal Data Policy**") regulates the way in which the Company processes and operates personal data of contractual customers, prepaid customers, employees and contractors. The Personal Data Policy provides for general requirements of personal data processing, including the transfer, storage, deletion and destruction of personal data. The Personal Data Policy also establishes the limit for the duration of personal data storage and regulates the protection of personal data.

The telecommunications sector has become increasingly digitised, automated and online-based in recent years, increasing the Group's exposure to risks of unauthorised or unintended data leakage because of hacking and general information technology system failures. This may result in a failure to maintain and protect customer data in accordance with the applicable legislation and could affect the quality of the Group's services, compromise the confidentiality of its customer data or cause service interruptions and a subsequent imposition of fines and other penalties. In 2015 - 2016, the Company was inspected by the Ukrainian Parliament Commissioner for Human Rights (the "**Ombudsman**") with respect to data protection compliance. The Ombudsman office revealed privacy breaches and non-compliance in the way the Company processed the subscribers' and employees' personal data, in particular with regards to having a non-compliant internal policy regulating the personal data processing and the lack of internal tracking system allowing the Company to monitor and control access to personal data by its employees and subcontractors. Although the Group implemented all recommendations of the Ombudsman and the positive feedback from the Ombudsman about the Group's work in this regard was reflected in the media, should any violations of data protection laws continue to exist or arise in the future, they may result in fines, claims for damages, liability of relevant employees and managers, reputational damage and customer churn. All of the above may have a material adverse effect on the Group's business, prospects, results of operation and financial condition.

***The Group's leverage may make it difficult for it to service its debt and operate its business***

The Group's indebtedness and debt service requirements could have important consequences for how it operates its business. Pursuant to the Loan Agreement, the Group could incur additional indebtedness so long as its Consolidated Leverage Ratio does not exceed 2.75 to 1 for any period ending prior to (and including) two years from the Issue Date, and 2.5 to 1 for any period thereafter, and could incur other debt under exceptions provided for in Clause 7.2(b) of the Loan Agreement. Certain of such additional indebtedness could also be incurred on a secured basis (subject to the limitations of the Loan Agreement), which would be effectively senior to the Notes. The Group's existing and future indebtedness, could:

- require the Group to dedicate a substantial portion of its cash flow from operations to payments on its debt, thus reducing the availability of its cash flow to fund internal growth through working capital and capital expenditures and for other general corporate purposes;
- make it more difficult for the Group to satisfy its obligations with respect to existing or future debt and liabilities;
- place the Group at a competitive disadvantage compared to its competitors that have less debt in relation to cash flow; and
- increase the Group's vulnerability to a downturn in its business or in economic or industry conditions adversely affect the Group's ability to repay the Loan and its results of operations and financial condition.

The Group's ability to service its indebtedness will depend on its future performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors. Many of these factors are beyond the Group's control. If the Group cannot service its indebtedness and meet its other obligations and commitments, it might be required to refinance its debt or to dispose of assets to obtain funds for such purpose. There cannot be any assurance that refinancing or asset dispositions could be affected on a timely basis or on satisfactory terms, if at all, or would be permitted by the terms of the Group's debt instruments. The inability to manage existing and future debt, and to retain flexibility to operate the Group's business, could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

***Restrictive covenants under the Loan Agreement and the Group's other indebtedness could adversely affect the Group's operational flexibility.***

The Loan Agreement contains a number of restrictive covenants, which, among other things limit the Group's ability to incur additional indebtedness, limit its ability to dispose of assets or enter into certain transactions. These restrictive covenants could:

- limit the Group's flexibility in planning for, or reacting to, changes in its business and industry;
- restrict the Group from investing in customer acquisitions, growing its business, pursuing strategic acquisitions and exploiting certain business opportunities;
- limit, among other things, the Group and its subsidiaries' ability to borrow additional funds or raise equity capital in the future and increase the costs of such additional financings; and
- subject the Group to a greater risk of non-compliance with other restrictive covenants in its Notes.

A breach of the terms of any indebtedness, including the restrictive covenants under the Loan Agreement could cause the Group's creditors to require the Group to accelerate repayment, which may trigger a cross default, and could lead to termination of existing commitments and declaration by creditors that all amounts borrowed under the Group's indebtedness are due and payable, together with accrued and unpaid interest.

***The interests of the Group's controlling shareholder may be inconsistent with the interests of Noteholders***

The interests of the Group's controlling shareholder, in certain circumstances, may conflict with the interests of the Noteholders. The Group is indirectly controlled Mr. Nasib Hasanov. Accordingly, Mr Hasanov has the power to control the outcome of most matters, including the appointment of a majority of management and supervisory board members and removal of all management and supervisory board members, amendments to the charter, proposed reorganisations and substantial asset sales and other major corporate transactions, among other things. The interests of the Group's controlling shareholder could conflict with the interests of the Noteholders, particularly if the Group encounters financial difficulties or is unable to pay its debts when due. Therefore, the controlling shareholder can take actions that may conflict with the interests of the Noteholders and other creditors.

***The Group's operations could be adversely affected by natural disasters or other catastrophic events beyond the Group's control***

The Group's business operations, technical infrastructure (including its network infrastructure) and development projects could be adversely affected or disrupted by natural disasters (such as earthquakes, floods, and fires) or other catastrophic or otherwise disruptive events, including, but not limited to:

- changes to weather, the hydrologic cycle (involving the movement and distribution of water resources) and climatic patterns;
- major accidents, including chemical or other material environmental contamination; and
- power loss.

***The tax authorities could challenge some of the Group's transactions on the basis of the "substance over form" principle***

Despite Ukrainian tax authorities and courts historically taking the position that, for tax purposes, the form of a transaction prevailed over its substance, recent developments show greater attention being paid to the substance over the form of transactions for tax purposes. Even though the relevant practice is under development and inconsistent, there is a risk that Ukrainian tax authorities may claim that certain agreements lack business purpose or are used for tax evasion, and that their tax treatment should be different or that they should be completely disregarded from a tax perspective. This approach allows the tax authorities to challenge tax benefits obtained by parties to the relevant transaction and it appears it is being widely applied.

Therefore, although management believes that the Borrower can demonstrate that all its transactions were concluded for proper business reasons and that they are in compliance with all applicable tax rules, there is a risk that the Ukrainian tax authorities might challenge some of the Borrower's transactions. Should the Ukrainian tax authorities attempt to or successfully challenge the Borrower's tax benefits recognised under these transactions, and impose penalties or fines, such an outcome could have a material adverse effect on the Borrower's business, financial condition and results of operations.

***Ukrainian tax authorities could challenge accounting records and financial statements of the Group in the course of tax audits***

As a part of the tax reform approved on 28 December 2014 and effective as of 1 January 2015, the rules concerning the computation of corporate income tax ("CIT") liabilities were significantly amended. Under these new rules, corporate income tax must be charged on accounting profits subject to a limited number of corrections (referred to as tax differences). As a result, tax authorities were granted a right to review accounting records of taxpayers and their correctness, which also covers the review of the accounts of those taxpayers that prepare financial statements under IFRS. Based on statements of the Ministry of Finance of Ukraine and the

tax authorities, this authority is not likely to be removed or revoked. However, given that local tax inspectors are typically not sufficiently qualified or experienced to review IFRS-based financial statements and UAS-based accounting (local accounting standards), this could result in unjustified corrections to the tax statements of the Borrower's businesses and in the assessment of additional taxes or material penalties and fines, which could have a material adverse effect on the Borrower's business, financial condition and results of operations.

***The Group's intragroup transactions and other related party transactions are/may be subject to Ukrainian transfer pricing regulations as well as other measures aimed at prevention of double tax treaty abuse***

Ukrainian transfer pricing rules apply to a wide range of cross-border transactions. These rules typically regulate pricing for goods and services sold or purchased to or from related parties and, in certain cases, unrelated parties. Transfer pricing rules provided in the Tax Code of Ukraine (the "**Tax Code**") entered into force on 1 September 2013 and require that liabilities for tax on certain transactions are calculated on an arm's length basis.

The Tax Code includes a list of transactions that are subject to transfer pricing regulation, including, but not limited to, cross-border transactions with related non-resident entities, cross-border transactions for the sale of goods and services via non-resident agents, cross-border transactions with non-resident entities incorporated in the so-called "low-tax" jurisdictions or in certain corporate forms, and transactions between a non-resident and its permanent establishment in Ukraine, if certain monetary thresholds are met (the "**Controlled Transactions**"). Accordingly, it imposes various reporting obligations, and a failure to observe these reporting obligations may result in sanctions imposed by the tax authorities. Based on such reporting, as well as their own monitoring and tax audits, the Ukrainian tax authorities can make transfer pricing adjustments and impose additional tax liabilities in respect of Controlled Transactions if the transaction is not at arm's length.

The Group's historical and current trading relationships could fall within the scope of the transfer pricing rules. In particular, if the Group's foreign counterparties that do not have a permanent establishment in Ukraine are located in a designated "low-tax" jurisdiction or are incorporated in certain corporate forms, the Ukrainian tax authorities may apply the transfer pricing rules to transactions between those members of the Group that are tax-resident in Ukraine and their foreign counterparties, regardless of whether they are related parties. On 1 January 2017, Ukraine joined the Inclusive Framework for implementation of the OECD Base Erosion and Profit Shifting Action Plan ("**OECD BEPS**"). Ukraine has undertaken to implement four "minimum standard" actions of OECD BEPS. In light of this, tax authorities will likely look more closely at transfer pricing, the economic substance of legal structures employed by taxpayers and various anti-abuse rules applicable to cross-border transactions.

On 21 June 2018, the Parliament passed the Law of Ukraine "On Currency and Currency Transactions" No. 2473-VIII. This law entered into force on 7 July 2018 and applies from 7 February 2019. Under the law, the Ukrainian government and the NBU should have developed and submitted to the Parliament by 7 January 2019 bills on international cooperation in tax matters. Among others, these changes should introduce country-by-country reporting ("**CbC reporting**") rules. CbC reporting is a part of Action 13 of OECD BEPS intended to provide tax authorities with additional information necessary to conduct an informed transfer pricing risk assessment. The draft laws are expected to be submitted to the next Ukrainian Parliament, which was elected on 21 July 2019 and held its first session on 29 August 2019. On 16 January 2020, the corresponding Draft Law No. 1210 on amendments to the Tax Code of Ukraine was adopted by the Parliament and is now awaiting approval by the President of Ukraine. According to this draft law, the first period for CbC reporting rules will be 2021. If CbC reporting rules were introduced into national legislation, Ukraine may require the Group to submit additional transfer pricing reporting in case certain thresholds specified in the draft law would be met by the Group (including CbC reporting and master file describing the Group's global transfer pricing practices).

On 23 July 2018, Ukraine also signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting ("**MLI**"), which implements certain OECD BEPS measures that

prevent abuse of the provisions of double tax treaties of Ukraine. The MLI came into force in Ukraine on 1 December 2019 and simultaneously amends several existing double tax treaties of Ukraine, namely those which are designated as a “covered tax agreement” (as defined in the MLI) by both Ukraine and the other contracting jurisdiction. The MLI introduces measures that prevent abuse of the tax treaties’ provisions, including rules in relation to recognising of permanent establishment.

Although management believes that the Group is in compliance with transfer pricing regulations, and that it has paid all applicable taxes, it is not always possible to determine an appropriate arm’s length price for all such transactions, and the Ukrainian tax authorities’ view as to what constitutes an arm’s length price may differ from the Borrower’s opinion on the same transaction. In particular, there can be no assurance that the transfer pricing method and the underlying data used by the tax authorities to determine the arm’s length basis would always correspond to the method and data used by the Group. Accordingly, any discrepancies between such tax assessments could lead to transfer pricing adjustments by the Ukrainian tax authorities, which may also lead to the imposition of fines and penalties besides requiring the payment of additional amounts to cover underpaid tax liabilities. Further, there is no assurance that the Group’s non-Ukrainian companies will be successful in an offsetting adjustment, a failure that could increase the Group’s overall tax burden for a particular transaction and result in a double taxation of its trading profits. The imposition of any such fines, penalties and/or additional payment obligations, or any dispute between the tax authorities and the Group in relation thereto, could have a material adverse effect on the Group’s business, results of operations, financial condition and prospects.

***The Group’s working capital may be decreased by a delay or non-repayment of VAT by the Ukrainian tax authorities***

Despite the improvements in the VAT refund procedure and the implementation of an electronic VAT administration system since 2015 in the Ukraine, there is still a risk that VAT owed to the Group will not be paid promptly, which will lead to decreases in working capital. There is also a risk that the Ukrainian government’s financial position will preclude the timely repayment of VAT, leading to a financial loss depending on the terms of repayment imposed. In addition, any errors or malfunctions in the operation of the electronic VAT administration system could result in excessive transfers of funds from the Group’s bank accounts to accounts that are held for VAT payments by Ukrainian companies and/or an inability to reclaim any excess from the VAT accounts, which could have a material adverse effect on the Group’s working capital, business, financial condition and results of operations.

***The Group may be required to discontinue certain deferred tax assets upon introduction of the dividend distribution based corporate income tax***

Following years of debate around corporate taxation, the Cabinet of Ministers and the Parliament are considering replacing the existing corporate income tax with a dividend distribution-based tax (the so-called “exit capital tax” or “capital withdrawal tax”). The Ministry of Finance of Ukraine has drafted the tax reform bill and the bill was submitted to the Parliament by the President in July 2018 as an urgent measure. The bill provides that corporate profits are taxable only when distributed, either in the form of dividends or in other forms of taxable capital withdrawals. Accordingly, businesses will be allowed to defer income tax liabilities until the distribution of profits as dividends. Although this regime could be beneficial to corporations and limit their tax liabilities, it would not allow the deduction of deferred tax assets (such as tax losses incurred in preceding taxable periods) against tax liabilities arising out of the distribution of dividends, and Ukrainian companies would have to discontinue all corporate income tax related recognised tax assets and deferred tax benefits.

Despite any positive offsetting effects arising from this tax reform, there can be no assurance that the Group will not incur additional tax liabilities due to capital withdrawals to service or repay its debt, including the Loan, expand its operations in jurisdictions other than Ukraine, or for other corporate purposes. Such additional tax

liabilities could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

***The Company's withholding tax treatment of the payments under cross-border transactions may be challenged by Ukrainian tax authorities***

The Company has been engaged in a number of cross-border transactions that trigger withholding tax ("WHT") implications for the Company. Despite the statutory WHT rates, there are WHT rates prescribed by the double tax treaties that provide for more beneficial treatment of the relevant payments. The Company relied on the lower WHT rates prescribed by the double tax treaties where applicable. However, the Ukrainian tax authorities may challenge the application of such reduced WHT rates due to non-fulfilment of conditions for treaty relief. The accrual of additional WHT liabilities and penalties could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

***The tax authorities may challenge the Company's tax positions and claimed expenses, deny the Company the right to use certain tax assets or otherwise determine that additional income should have been claimed, which could increase overall tax liabilities.***

As described under "*Risks relating to Ukraine—Ukraine's tax system is underdeveloped and subject to frequent change, which creates an uncertain environment for investment and business activity*", the Ukrainian tax system is underdeveloped and subject to frequent changes, which creates an uncertain environment for investment and business activity. Although management believes that the Group is in compliance with all applicable tax rules, and that the Borrower has taken reasonable interpretive positions with respect to Corporate Income Tax ("CIT"), there is a risk that the Ukrainian tax authorities might challenge some of the Borrower's tax positions, including disallowing expenses relating to non-fulfilled contracts, unpaid distributed dividends and use of certain tax assets. Should the Ukrainian tax authorities attempt to or successfully challenge the Borrower's tax positions with respect to these interpretations, and impose penalties or fines, such an outcome could have a material adverse effect on the Borrower's business, financial condition and results of operations.

***The Company may be required to pay Radio Frequency Tax at a greater rate due to the changes in tax legislation of Ukraine***

Activities subject to Radio Frequency Tax ("RFT") constitute the substantial part of the business of the Company and may form a large part of the tax liabilities of the Company. According to the Ukrainian tax legislation, the rates for RFT may be updated annually with the initiation of such process vested upon the Cabinet of Ministers of Ukraine. Should the rates for RFT be increased, the Company's working capital may be adversely affected.

The occurrence of any of these events, or events of a similar nature, or if they were to occur at an increasing frequency due to any effects of climate change, at one or more of the Group's facilities may cause disruptions to the Group's operations in part or in whole, may increase costs associated with remedial work (which the Group may not be able to pass on to its customers), may subject the Group to liability or impact the Group's brands and reputation and may otherwise hinder the normal operation of the Group's business, which could materially adversely affect its business, financial condition, results of operations or prospects.

***A significant event that exceeds the coverage limits of the Group's insurance could result in substantial losses***

The Company and LLC VF Retail maintain insurance policies against certain losses, including property damage, third party liability and other, in accordance with the Group's policies. See "*Business—Insurance*". The Group cannot, however, give any assurance that this insurance will be adequate to protect it from all expenses related to potential future claims for personal injury and property damage or that these levels of insurance will be available in the future at commercially reasonable prices. Additionally, the Group does not maintain business interruption insurance as it is either not available or not economically feasible to obtain in

Ukraine. To the extent any loss is not covered by the Group's insurance policies, or exceeds the coverage limits specified therein, the Group would not be able to obtain compensation for its losses from the insurer and may have to incur expenses to remedy the damage caused by relevant disruptions. In addition, depending on the severity of the property damage, it may not be able to rebuild damaged property in a timely manner or at all. The Group does not maintain separate funds or otherwise set aside reserves for these types of events or other insurable losses. Any such losses or third-party claims for damages not covered by insurance may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

***Actual or perceived health risks or other problems relating to mobile devices or transmission masts could lead to litigation or decreased mobile communications usage***

The effects of any damage caused by exposure to an electromagnetic field have been and continue to be the subject of careful evaluations by the international scientific community, but to date there is no conclusive scientific evidence of any harmful effects on health. However, the Group cannot be assured that exposure to electromagnetic fields or other emissions originating from wireless handsets will not be identified as a health risk in the future.

The Group's mobile communications business may be harmed as a result of these potential health risks. For example, the perception of health risks could result in a lower number of customers, reduced usage per customer or potential liability to customers. In addition, other changes in the regulatory environment concerning the use of mobile devices may lead to a reduction in the usage of mobile devices or otherwise adversely affect the Group. Concerns may cause regulators to impose greater restrictions on the construction of base station towers or other infrastructure, which may hinder the completion of network build-outs and the commercial availability of new services and may require additional investments.

If these health risks were to be conclusively identified, the Group could potentially face unquantifiable litigation risks that could affect its future revenue and profitability. The Group cannot predict the effect that lawsuits, appeals, investigations or any future investigations relating to health concerns by regulatory bodies or by any third party would have on its business, results of operations or prospects. In addition, any fines or other penalties on the Group, imposed by the relevant authority as a result of any such investigation, or any prohibition on the Group engaging in certain types of business in one or more of the regions in which it operates, could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

***The Company may face complications during the implementation of the project on refarming of radiofrequency spectrum within 900 MHz band***

In October 2019, the Company, together with other major Ukrainian MNOs and the Government of Ukraine signed a Memorandum of Understanding, to define steps to be taken in relation to refarming of radiofrequency spectrum in the 900 MHz band aimed at increasing LTE coverage in Ukraine (the "**Refarming Project**"). The Refarming Project envisages that all MNOs, including the Company, shall voluntarily give up their 900 MHz spectrum which will be subsequently redistributed among the MNOs to eliminate spectrum fragmentation. Following the Memorandum of Understanding, on 20 January 2020, these MNOs submitted a joint application to the NCCIR, whose decision on the joint application is expected in February 2020.

The Refarming Project is heavily dependent on the cooperation of all participants and the NCCIR, as well as steps to be taken by other authorities as a prerequisite to its successful implementation. Therefore, if at any point in time the NCCIR or any of the MNOs decide to stop cooperating, further implementation of the Refarming Project might be at risk or delayed, which may adversely affect the Company's business plans on its LTE network expansion and financial performance. Among other things, in case a joint application submitted by MNOs on 20 January 2020 is not timely satisfied by the NCCIR, there is a risk that the current 900 MHz band frequency licences of the Company (and other MNOs) will automatically become invalid.



*Some transactions of the Company and its Ukrainian subsidiaries may be subject to specific corporate approval requirements; hence, the approval process may be subject to delay or may be more difficult*

Transactions of the Company (being a joint stock company) are subject to specific corporate approval requirements applicable to “interested party transactions” and “material transactions”.

An “**interested party transaction**” is a transaction in which an interested party:

- is the company’s counterparty or exercises control over the company's counterparty;
- is a representative or intermediary of a party (except for the representation of the company by its officers);
- is remunerated by the company (or its officers) or another party to the transaction in return for undertaking the transaction; and/or
- acquires any property as a result of such transaction.

An “**interested party**” is any of the following:

- an officer of the company (being a member of the management board, supervisory board, audit committee or any other company’s body), or a person affiliated with any such officer;
- a shareholder who alone or together with its affiliated parties holds 25 per cent. or more of the company’s voting shares, and shareholder’s affiliated persons (except for the cases when such shareholder holds either directly or indirectly 100 per cent. of the company’s voting shares);
- a legal entity in which any of the above-mentioned persons serves as an officer; or
- other persons defined in the company’s charter.

An “**interested party transaction**” is subject to (i) the verification of its commercial terms that should be on an arm’s-length basis (“**customary market terms**”) as certified by an independent licenced auditor or valuator retained by the supervisory board or executive body of a private joint stock company (if such verification is provided under the charter) and (ii) a prior approval (or, failing such approval, a post-execution ratification) by the company’s supervisory board or general shareholders’ meeting, in each case with mandatory abstention of the member or shareholder, respectively, that is an interested party. The charter of a private joint stock company may establish that a shareholder, which is an interested party, may vote at the general shareholders’ meeting. The charter of the Company does not entitle shareholders which are interested parties to vote at the general shareholders’ meeting and does not provide for the verification of the commercial terms of interested party transactions.

Under Ukrainian law, an interested party transaction must be approved by the company’s general shareholders’ meeting if:

- the supervisory board has not been established;
- all members of the supervisory board are interested parties; or
- the market value of the property or services which are the subject of the transaction constitutes more than 10 per cent. of the value of the company’s assets based on the company’s most recent annual financial statements.

If the supervisory board either rejects the transaction or fails to issue any decision with respect to the transaction within 30 days of receipt of all necessary information, such transaction may be approved by the company’s general shareholders’ meeting, unless the charter provides for a shorter period.

According to the charter of the Company, an interested party transaction must be approved by the company's general shareholders' meeting if (i) more than half of the members of the supervisory board are interested parties, and (ii) the supervisory board either rejects the transaction or fails to issue any decision with respect to the transaction within 5 business days of receipt of all necessary information from the director general of the Company.

A transaction is defined as a **“material transaction”** if the market value of the property or services which are the subject of such transaction equals or exceeds 10 per cent. of the value of the company's assets based on the company's most recent annual financial statements. Such transaction generally requires an approval of the supervisory board of the company (if the transaction's value does not exceed 25 per cent. of the company's assets) or the general shareholders' meeting (if the transaction's value exceeds 25 per cent. of the company's assets).

Transactions of the Company's subsidiaries being limited liability companies are also subject to specific corporate approval requirements applicable to **“material transactions”**. In this case, a **“material transaction”** is a transaction where value of the property or services which are the subject of such transaction exceeds 50 per cent. of the value of company's net assets according to the company's financial statements as of the end date of the previous quarter. Such corporate approval is granted by each subsidiary's general participants' meeting.

Also, for the Company's subsidiaries, a transaction involving their directors as counterparties constitutes an interested party transaction requiring corporate approval of the supervisory board of the respective subsidiary.

There is no assurance that the relevant Ukrainian subsidiary may obtain the requisite approval in time or at all, which may constrain Group's ability to enter into business transactions in a timely manner or at all and therefore adversely affect its business, results of operations, financial condition and prospects.

***The Group's activities are associated with a variety of corporate reorganisation risks***

The following corporate reorganisations are planned in the Group (the **“Reorganisations”**):

- (i) liquidation of the direct shareholder of the Company – Preludium B.V. (which now owns 99 per cent. shares in the Company), as a result of which Telco Solutions and Investments LLC, being the sole shareholder of Preludium B.V., will become the owner of 99 per cent. of shares of the Company; and
- (ii) merger by accession of Telco Solutions and Investments LLC into the Company (the **“Merger”**).

In the course of the Merger, the debt of Telco Solutions and Investments LLC under the financial aid made available by the Company pursuant to the Financial Aid Agreement dated 3 December 2019 as amended from time to time will be extinguished by the operation of law as the debtor and creditor will be the same entity (the Company). Following the completed Merger, Telco Solutions and Investments LLC shall cease to exist and the Company, as a surviving entity, shall be full legal successor of all its assets, rights and obligations. As a result of the Merger, Telco Investments B.V., being the sole shareholder of Telco Solutions and Investments LLC, will become the owner of around 99 per cent. of shares of the Company. The above-mentioned corporate reorganisation procedures are complex, poorly regulated by the effective Ukrainian laws and time-consuming. For example, the Merger may take from nine months to more than year. These procedures require significant involvement of various Ukrainian state authorities and bodies, which, due to lack of proper legislative regulation, may complicate and delay the process. Furthermore, the draft legislation on joint-stock companies is being prepared and is planned to be adopted in the beginning of 2020 which may significantly impact the planned procedures and may require undertaking additional steps which could delay the Reorganisations. Consequently, there can be no assurance that the Reorganisations, and any transaction contemplated by them, will be implemented successfully and will not have adverse impact on the operations of the Company. If the implementation of the Reorganisations is delayed, the Group may face difficulties in adopting shareholder resolutions necessary for business operations.

***The Company may be unable to use and access one of its facilities in Kyiv where certain telecommunication equipment is placed***

The Main Department of State Emergency Service of Ukraine in the city of Kyiv (the “**State Emergency Service**”) identified the Company’s failure to comply with safety requirements in one facility located in Kyiv and issued a related order. The Company subsequently failed to eliminate all violations of fire safety requirements identified by the State Emergency Service. In response, the State Emergency Service initiated an action against the Company requiring a complete cessation of operations at the facility on 5 February 2019. Currently, the Company is working on eliminating all violations that were indicated in the State Emergency Service’s action. According to the Company, 23 out of 31 violations have already been eliminated. Taking all the facts into account, the Company expects a favorable outcome in this case. However, should the Company fail to eliminate the remaining violations of fire safety, there is a risk that the mentioned facility could not be used and the Company would bear the cost of relocation of relevant equipment and personnel to another facility.

***The Group’s operations may be limited by antitrust law***

The Group is the second largest MNO in Ukraine. Although the Group believes that its operations are in compliance with applicable antitrust law, there can be no certainty that the Group’s activity will not result in the initiation of proceedings or investigations by the AMC. If any proceedings or investigations were to result in decisions against the Group, it could be prohibited from engaging in certain activities and/or financial penalties could be imposed on the Group. Such prohibitions or financial penalties could have an adverse effect on the Group’s business, financial condition and results of operations. In addition, any potential acquisition by the Group, subject to financial thresholds stipulated by the relevant competition laws, requires the AMC’s prior approval. Furthermore, any potential acquisition by the Group may be subject to closer scrutiny by the AMC, which may conclude that such acquisition, given the Group’s existing market share, would restrict competition on a given market and prohibit the acquisition. Such a decision could adversely affect the Group’s ability to expand through acquisitions.

Under Ukrainian antitrust law, an undertaking (including all entities connected to it by virtue of a control relationship) with more than 35 per cent. of the relevant market share is deemed to enjoy a dominant market position, unless it can prove that a high degree of competition nevertheless exists in the relevant market. Ukrainian law also provides that an enterprise with a market share of 35 per cent. or less can be recognised as having a dominant market position, if such enterprise does not face sufficient competition in the product market due to, for example, low market shares of its competitors.

Dominant position status is not itself sanctioned. However, the law imposes additional restrictions on enterprises with a dominant position and the AMC reviews the activities of such companies with particular scrutiny. Under Ukrainian antitrust laws, actions that may amount to an abuse of a dominant position include, among others, setting prices or other conditions for purchase or sale of goods (which could not have been set if there was significant competition in the market) and applying different conditions to equivalent transactions without reasonable justification and limiting production. Under Ukrainian law, an abuse of an enterprise’s dominant position may result in a fine of up to 10 per cent. of that enterprise’s consolidated revenue in the year immediately preceding the year of imposition of the fine. Accordingly, if the Group were to be deemed to have a dominant position on any relevant market in Ukraine and the AMC determines that the Group’s actions constitute an abuse of that dominant position, it could take such actions against the Group that could have a material adverse effect on the Group’s business, financial condition and results of operations.

***Change of law***

The terms and conditions of the Notes are based on English law and the structure of the transaction has regard to, in particular, the United Kingdom and Ukrainian tax, regulatory and administrative law and practice in effect as at the date of these Listing Particulars. No assurance can be given as to the impact of any possible judicial

decision or change to English law and/or United Kingdom or Ukrainian tax, regulatory or administrative law or practices after the date of these Listing Particulars.

### ***UK tax treatment of the Issuer***

The Issuer has been advised that it should fall within the permanent regime for the taxation of securitisation companies (as set out in the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296) (as amended)) (the “**Taxation of Securitisation Companies Regulations**”), and, as such, should be taxed only on the amount of its “retained profit” (as that term is defined in the Taxation of Securitisation Companies Regulations), for so long as it satisfies the conditions of the Taxation of Securitisation Companies Regulations. However, if the Issuer does not satisfy the conditions of the Taxation of Securitisation Companies Regulations (or subsequently ceases to satisfy those conditions), then the Issuer may be subject to tax liabilities not contemplated in the cash flows for the transaction described in these Listing Particulars. Any such tax liabilities may reduce amounts available to the Issuer to meet its obligations under the Notes and may result in investors receiving less interest and/or principal than expected.

### **Risks relating to Ukraine**

#### ***General***

Since obtaining independence in 1991, Ukraine has undergone a substantial political transformation from a constituent republic of the former Union of Soviet Socialist Republics to an independent sovereign state. Concurrently with this transformation, Ukraine is changing from a centrally planned to a market-based economy. The EU granted Ukraine market economy status at the end of 2005. The United States granted Ukraine market economy status in February 2006. Ukraine joined the World Trade Organisation (“**WTO**”) in 2008. Although some progress has been made since independence to reform Ukraine’s economy and its political and judicial systems, to some extent Ukraine still lacks the necessary legal infrastructure and regulatory framework that are essential to support market institutions, the effective transition to a market economy and broad-based social and economic reforms. The pace of economic, political and judicial reforms has been adversely affected by political instability caused by continuing disagreement among the Ukrainian government, the Parliament of Ukraine (the Verkhovna Rada of Ukraine) (the “**Parliament**”) and the President of Ukraine. Further, substantial parts of Ukraine’s territory have effectively been either annexed by the Russian Federation or are under de facto control of separatist militants. An important industrial region in Eastern Ukraine has been severely impacted by the military action, along with the industrial and social infrastructure therein. Beyond the humanitarian consequences of the military action, this has resulted in a loss of a significant proportion of the country’s productive capacity and a consequent substantial fall in Ukraine’s gross domestic product. This, along with the associated loss of tax revenue and the increased military and social welfare expenditure, has had, and continues to have, a very significant detrimental effect on the Ukrainian economy and financial position as a whole.

#### ***Emerging markets including Ukraine are subject to greater risk than more developed markets***

An investment in a country such as Ukraine, which achieved independence less than 30 years ago and whose economy is in transition, is subject to substantially greater risks than an investment in a country with a more developed economy and more mature political and legal systems. Although some progress has been made since independence in 1991 to reform Ukraine’s economy and its political and judicial systems, to some extent Ukraine still lacks the necessary legal infrastructure and regulatory framework that are essential to support market institutions, the effective transition to a market economy and broad-based social and economic reforms. As a consequence, there are risks associated with investments in emerging markets and, specifically, Ukraine, that are not typically associated with investing in more mature markets. The availability of credit to entities operating within emerging markets is significantly influenced by levels of investor confidence in such markets as a whole. Consequently, any factors that impact market confidence (for example, a decrease in credit ratings

or state or central bank intervention in one market) could affect the price or availability of funding for entities within such markets. These risks may be compounded by incomplete, unreliable or unavailable economic and statistical data on Ukraine, including elements of the information provided in these Listing Particulars. For more information, see “—*Official economic data and third-party information*”. Investors should also note that emerging economies such as Ukraine’s are subject to rapid change and that the information set out in these Listing Particulars may become outdated relatively quickly.

Accordingly, investors should exercise particular care in evaluating the risks involved. Generally, investments in emerging markets, such as Ukraine, are only suitable for sophisticated investors who fully appreciate the significance of the risks involved and investors are urged to consult their own legal and financial advisers before making a decision with respect to these Listing Particulars.

***Official economic data and third-party information may not be reliable***

Official statistics and other data published by Ukrainian State authorities (including the NBU and the State Statistics Service of Ukraine) may not be as complete or reliable as those of more developed countries. Official statistics and other data may also be produced on a different basis than those criteria used in more developed countries. Furthermore, standards of accuracy of statistical data may vary from agency to agency and from period to period due to application of different methodologies. The Issuer has not independently verified such official statistics and other data, and any discussion of matters relating to Ukraine in these Listing Particulars is, therefore, subject to uncertainty due to questions regarding the completeness or reliability of such information. Specifically, investors should be aware that certain statistical information and other data contained in these Listing Particulars has been extracted from official governmental sources in Ukraine and was not prepared in connection with the preparation of these Listing Particulars. Further, such figures, including those relating to Ukraine’s gross domestic product (“**GDP**”), average rates of inflations and other official statistics cited in these Listing Particulars may be subject to some degree of uncertainty and may not be fully in accordance with international standards. In these Listing Particulars, data is presented as provided by the relevant governmental agency or institution to which the data is attributed, and no attempt has been made to reconcile such data to the data compiled by other ministries or by other organisations, such as the IMF. Whilst Ukraine has produced data in accordance with the IMF’s Special Data Dissemination Standard for over 15 years, there can be no assurance, however, that this IMF standard has been fully implemented or correctly applied. The existence of a sizeable unofficial or shadow economy may also affect the accuracy and reliability of statistical information. Prospective investors should be aware that none of these statistics has been independently verified. The Issuer accepts responsibility only for the correct extraction and reproduction of such information.

***Ukraine may continue to experience political instability or uncertainty***

In recent years, Ukraine has been experiencing continuous political transformations accompanied by gradual movement towards fully-fledged democracy. However, the establishment of strong democratic institutions is not complete. Historically, a lack of political consensus in Parliament has made it difficult for the Ukrainian government to secure the necessary support to implement policies intended to foster liberalisation, privatisation and financial stability. As a result of the rapid political developments in Ukraine in recent years, the procedures and rules governing the political process in Ukraine may be subject to change.

Following a period of mass rallies and violent protests since late 2013, Russia’s occupation of the Ukrainian administrative territories of the Autonomous Republic of Crimea and the City of Sevastopol commenced on 20 February 2014. For more information, see “—*The occupation of Crimea, civil disturbances, political instability and military action have negatively impacted and may continue to affect the Group’s business, financial condition and results of operations*” below.

In April 2019, Volodymyr Zelenskiy was elected as Ukraine's President. On 21 May 2019, immediately after taking office, President Zelenskiy signed a decree to dissolve the existing parliament and hold an early parliamentary election. The election was held on 21 July 2019 and resulted in President Zelenskiy's political party winning an outright majority in Parliament. Despite President Zelenskiy's early success in consolidating both legislative and executive political power in Ukraine, there can be no assurance that President Zelenskiy will successfully implement the necessary reforms to support a stable investment climate in Ukraine, maintain the country's relationship with the IMF and other global multilateral lenders, and facilitate economic growth in Ukraine.

Furthermore, Ukraine's relationship with Russia remains strained as a result of the occupation of Crimea and the conflict in Donbas. The United States, the EU and Ukraine amongst other countries have imposed several rounds of increasingly stringent economic sanctions on Russia and individuals and Russia has retaliated with sanctions of its own against Ukrainian companies. There is currently no certainty as to how the relationship between Ukraine and Russia will develop in the future.

The continued political and geopolitical uncertainty could continue to undermine the economic development of Ukraine, which could result in a material adverse effect on the Group's business, financial condition and results of operations.

***The occupation of Crimea, civil disturbances, political instability and military action have negatively impacted and may continue to affect the Group's business, financial condition and results of operations***

In 2014, following the Euro-Maidan Revolution, strategic military and governmental locations across the Autonomous Republic of Crimea and in the City of Sevastopol, including the Crimean Parliament, were occupied by unmarked Russian armed forces. Subsequently, on 16 March 2014, an illegal referendum was held in the Autonomous Republic of Crimea in violation of Ukrainian law and norms of international law. It was reported that the majority voted to secede from Ukraine and join the Russian Federation as a federal subject. The Parliament has declared the Crimean referendum unconstitutional and its legitimacy and results have generally not been recognised internationally. All EU members, the United States and Canada have declared it to be illegitimate and 13 members of the United Nations Security Council voted in favour of a resolution declaring it invalid, although the resolution was vetoed by the Russian Federation. Nevertheless, on 27 March 2014, the United Nations General Assembly passed a resolution declaring the referendum invalid and affirming Ukraine's territorial integrity. On 10 April 2014, the Council of Europe also adopted a resolution condemning the separatist militants' aggression and the annexation of Crimea by the Russian Federation as being in violation of international law. On 21 March 2014, the Russian parliament passed legislation extending the effect of Russian laws and state authorities to the territory of the Autonomous Republic of Crimea. Ukraine considers the Autonomous Republic of Crimea to be, as at the date of these Listing Particulars, under temporary occupation by the Russian Federation. There is currently no indication when or whether this temporary occupation will end.

Further, the civil disturbances and political instability in Ukraine and the military conflict in some parts of the Donetsk and Luhansk regions of Ukraine have negatively impacted Ukraine's economy and the relations between the Russian Federation and Ukraine.

Following a period of continuous military conflict, an agreement calling for an immediate ceasefire was reached on 5 September 2014 between delegates from Ukraine, the Russian Federation and the Organisation for Security and Cooperation in Europe ("OSCE"), as well as separatist representatives from the self-proclaimed "Donetskaya Narodnaya Respublika" and "Luhanskaya Narodnaya Respublika". However, sporadic heavy fighting continued and the conflict again escalated in January 2015 as fighting intensified over control of the Donetsk International Airport. Between 2014 and 2015, three separate agreements, which included the Minsk Protocol, the Minsk Memorandum and the Package of Measures for the Implementation of the Minsk

Agreements, were entered into (together, the “**Minsk Agreements**”) to further the peace process in the conflict area. However, as at the date of these Listing Particulars, the Minsk Agreements have not been implemented in full and the process continues to be protracted amid continued occasional military action and civil disturbances.

On 1 October 2019, the OSCE, Ukraine, Russia and self-proclaimed “Donetskaya Narodnaya Respublika” and “Luhanskaya Narodnaya Respublika” agreed a so-called “Steinmeier’s formula” providing for elections on the temporary occupied territories in Donetsk and Luhansk regions to be held under Ukrainian laws and supervision of the OSCE. If the elections are recognised by representatives of the OSCE, the Donbas Special Regime Law should be implemented. Additionally, as at the date of these Listing Particulars, it is unclear as to how the Donbas Special Regime Law will be implemented and whether the Parliament will adopt a new law on special status of Donbas.

On 9 December 2019, the Normandy format meetings of the leaders of France, Germany, Russia, and Ukraine took place in Paris. The results of the meetings included, among others, a renewed commitment to a comprehensive ceasefire and an agreement on the exchange of the prisoners from the military conflict in east Ukraine.

There are also risks of further escalation of tensions between Russia and Ukraine. For example, on 25 November 2018, Russia seized three Ukrainian naval vessels in the Black Sea as they headed towards a Ukrainian naval base in the Sea of Azov, and 24 crew members were detained in Lefortovo prison in Moscow until their eventual release in September 2019, which occurred as part of a negotiated prisoner exchange between Russia and Ukraine. In addition, on 18 November 2019 three seized naval vessels were returned to Ukraine.

The escalating geopolitical tensions and political instability described above have had an adverse effect on the Ukrainian financial markets, and there have been reports of increased capital outflows from Ukraine. The ability of Ukrainian companies and banks to obtain funding from the international capital and loan markets has also been hampered as a result of decreased demand from the international investor base. Any continuing or escalating military action in Eastern Ukraine could have a further material adverse effect on the Ukrainian economy and consequently, on the Group’s business, financial condition and results of operations.

***Risks relating to the Ukrainian banking sector could impair the Group’s business, restrict the Group’s ability to use cash held in Ukrainian banks or lead to a total loss of funds held in Ukraine***

The Ukrainian banking sector is weaker than those of developed economies and has weakened in recent periods. The banking sector is heavily exposed to a devaluation of the Ukrainian currency as well as to other external and internal factors. Further, Ukrainian banks are heavily reliant on support from the NBU and dependent on banking and currency control requirements enacted or amended from time to time by the NBU affecting the banks’ ability to manage their liquidity and foreign currency. Doubtful and bad loans are another factor affecting the asset quality of Ukrainian banks. According to the NBU, the proportion of loans represented by doubtful and bad loans was 42.0 per cent., 55.6 per cent. and 54.0 per cent. as at 31 December 2016, 31 December 2017 and 31 December 2018, respectively. As at 1 June 2019, the proportion of loans represented by doubtful and bad loans was 51.3 per cent, and 48.69 per cent. as at 1 December 2019. Further, in recent years, a number of Ukrainian banks, including Bank Finance and Credit, Nadra Bank and VAB Bank, faced financial difficulties and were forced to restructure their outstanding eurobonds. On 21 November 2014, temporary administration was introduced at VAB Bank and on 6 February 2015, at Nadra Bank, reflecting the difficulties faced by some in the banking sector. Further, on 2 March 2015, Delta Bank, one of the systemic banks of Ukraine, was declared insolvent.

According to the NBU, Delta Bank was the fourth biggest bank in Ukraine based on the value of assets. Further, during 2015-2016, temporary administration was introduced at, among others, Bank Finance and Credit Bank Mykhailivskyi and Commercial Bank Khreshchatyk. As at the date of these Listing Particulars, these banks are under liquidation procedure. In addition, on 18 December 2016, the NBU declared PrivatBank insolvent,

leading to the nationalisation of the bank by the Ukrainian government on 21 December 2016. On 26 December 2016, according to the NBU, PrivatBank's existing debt was converted into equity and there is currently uncertainty as to the effects such conversion will have on PrivatBank's existing investors and creditors. Although a number of claims are currently being considered at various courts in connection with Privatbank's nationalisation, it is unlikely that a judgment in any of such cases would result in a change of ownership of Privatbank. The future increase in the share of non-performing loans in banks' loan portfolios, or a failure to decrease this share, could place additional strain on the banking system, and may lead to further banks being declared insolvent and being nationalised by the Ukrainian government. The fragile condition of the Ukrainian banking system has also been the main factor in restricting the availability of domestic credit required by domestic businesses to continue to grow their operations. Troubled domestic banks are in many cases unwilling or unable to lend to domestic businesses in need of renewed or increased funding. A continuing stagnation of credit conditions within Ukraine, resulting from bank profitability remaining low and the anticipated recovery being slow to materialise, is likely to continue to have a negative effect on Ukraine's GDP growth. Further, increased domestic borrowing by the Ukrainian government is likely to reduce the availability of domestic credit for Ukrainian businesses, exacerbating the effect on GDP levels. In addition, depreciation of the hryvnia may have a negative effect on bank balance sheets.

Several European banks have terminated their activities in Ukraine in recent years including Commerzbank, Austria's Erste Group Bank, Swedish bank Swedbank, the Greek Eurobank Group and UniCredit Group. This is largely due to the high risk of doing business in Ukraine, high credit risk, a high ratio of non-performing loans and exchange rate risk. In addition, primarily as a result of the political tensions between Russia and Ukraine, the number of Russian banks operating in Ukraine has recently decreased.

The continuation or worsening of the financial position of Ukrainian banks, including possible Ukrainian government intervention and nationalisation of Ukrainian banks, increased constraints on liquidity and growth of doubtful or bad loans or the failure by the Ukrainian government to adopt and implement a system of banking regulation that achieves an increased degree of soundness and stability of the Ukrainian banks, could affect the Ukrainian economy and the Group's business, financial condition, and results of operations.

***The Ukrainian currency is subject to volatility and depreciation***

As a result of the high dollarisation of the Ukrainian economy and the reliance of Ukrainian borrowers on external markets, Ukraine has become increasingly exposed to the risk of hryvnia exchange rate fluctuations. As at 31 December 2013, immediately prior to the Euro-Maidan Revolution, the NBU official UAH/USD exchange rate was pegged at UAH 7.99 to one U.S. dollar. In February 2014, the NBU allowed the exchange rate to float, and as at 31 December 2014, the NBU official UAH/USD exchange rate was UAH 15.77 to one U.S. dollar. As at 30 September 2019 and 31 December 2019 the NBU official UAH/USD exchange rate was UAH 24.16 to one U.S. dollar and UAH 23.67 to one U.S. dollar, respectively.

On 4 March 2015, the NBU increased its discount rate from 19.5 per cent. to 30 per cent. in an attempt to stabilise the currency. On 28 August 2015, the discount rate was subsequently reduced from 30 per cent. to 27 per cent. Subsequently, the NBU gradually reduced the discount rate until it reached the minimum of 12.5 per cent. with effect from 26 May 2017. Following that, until 27 October 2017, the NBU kept the discount rate unchanged at 12.5 per cent. With effect from 27 October 2017, the discount rate was increased to 13.5 per cent. and since then had been rising until it reached 18 per cent. with effect from 7 September 2018. On 19 July 2019, the discount rate was reduced to 17 per cent, on 6 September 2019 further reduced to 16.5 per cent. With effect from 25 October 2019, the discount rate was reduced to 15.5 per cent. and on 13 December 2019 it was further reduced to 13.5 per cent. With effect from 31 January 2020 the discount rate was further reduced to 11 per cent. The NBU has also started preparations to adopt inflation targeting, but overall its ability to stabilise the currency is dependent on many factors (including political stability and the crisis in Eastern Ukraine) which cannot be predicted with any degree of certainty.



The Group could be impacted by restrictions on transfer of foreign currency. Ukraine has never had an entirely free capital account and transfers of foreign currency have always been subject to restrictions. Recent restrictions include the introduction of an electronic limit system, under which a Ukrainian corporate resident can make foreign currency payments abroad up to an annual limit of EUR 2 million (or equivalent), unless any such payment falls under a statutory exemption.

The Ukrainian currency may continue to be volatile in the future, given within Ukraine the weak economic condition, the continuing political instability, the absence of significant currency inflow from exports and foreign investment, the limited foreign currency reserves and the need for borrowers to repay a substantial amount of external debt. Any further currency fluctuations could have a material adverse effect on the Group's business, financial condition and results of operations (See – *“The Group is subject to transactional currency risks associated with exchange rate fluctuations”*).

***Ukraine's physical infrastructure is in a poor condition and could deteriorate further, which may lead to disruptions in the Group's business or an increase in its costs***

Ukraine's physical infrastructure, including its power generation and transmission and communication systems and building stock, largely dates back to Soviet times and has not been adequately funded and maintained over the past decade. Road conditions throughout Ukraine are relatively poor in comparison with more developed countries. The Ukrainian government has been implementing plans to develop the nation's rail and electricity systems, which may result in increased charges and tariffs whilst failing to generate the anticipated capital investment needed to repair, maintain and improve these systems. The deterioration of Ukraine's physical infrastructure has an adverse effect on the national economy, disrupts the transportation of goods and supplies, adds costs to doing business in Ukraine and can interrupt business operations. Any further deterioration in Ukraine's physical infrastructure could have a materially adverse effect on the Group's business, financial condition and results of operations.

***Inability to obtain financing from external sources could affect Ukraine's ability to meet financing expectations in its budget***

Ukraine's internal debt market remains illiquid and underdeveloped compared to markets in most western countries. In the wake of the emerging market crisis in the autumn of 1998 and until the second half of 2002, loans from multinational organisations such as the European Bank for Reconstruction and Development (the “EBRD”), the World Bank, the EU and the IMF comprised Ukraine's only significant sources of external financing.

On 11 March 2015, the IMF approved a four-year extended arrangement under the Extended Fund Facility for Ukraine (the “2015 EFF”). The arrangement amounts to U.S.\$17.5 billion and was approved under the IMF's exceptional access policy. Ukraine received the first tranche of the loan in the amount of U.S.\$5 billion on 13 March 2015, the second tranche in the amount of U.S.\$1.7 billion on 4 August 2015, the third tranche in the amount of U.S.\$1 billion on 14 September 2016 and the fourth tranche in the amount of U.S.\$1 billion in April 2017. Other than the first tranche, these funds were used to support gold and foreign exchange reserves. In lieu of additional payments under the 2015 EFF, following a payment in 2017 of U.S.\$1 billion, Ukraine and the IMF entered into a stand-by agreement (the “SBA”) for a total of U.S.\$3.9 billion on 18 December 2018. The SBA supplanted the 2015 EFF, cancelling all funds that had not yet been provided to Ukraine. On 20 December 2018, Ukraine received the first tranche of U.S.\$1.4 billion under the SBA.

An IMF mission visited Ukraine on 14 – 22 November 2019. On 7 December 2019, the Managing Director of the IMF made a statement that a new three-year, U.S.\$5.5 billion arrangement for Ukraine was reached on the staff level. The arrangement is subject to IMF management and IMF Executive Board approval, and effectiveness of the arrangement will be conditional on the implementation of a set of prior actions required by IMF.

Following the restructuring of Ukraine's outstanding eurobonds in November 2015, Ukraine's access to international debt markets may be constrained, depending on the market environment, and the Ukrainian government relies to a significant extent on official or multilateral borrowings to finance part of the budget deficit, fund its payment obligations under domestic and international borrowings and maintain foreign exchange reserves. The future stability of the Ukrainian economy continues to be largely dependent upon economic reforms and the effectiveness of economic, financial and monetary measures as well as cooperation with international financial institutions to avoid defaulting on its sovereign debt.

Further external borrowings from multilateral organisations such as the IMF, the EBRD, the World Bank or the EU may be contingent upon Ukraine's satisfaction of certain requirements including:

- implementing strategic, institutional and structural reforms;
- effectively managing corruption and anti-money laundering requirements;
- managing the budget deficit in order to restore confidence in fiscal sector sustainability;
- enacting a conservative and prudent fiscal policy;
- improving the sovereign debt credit ratings; and
- improving the corporate governance of state-owned banks.

If Ukraine is unable to meet these requirements, multilateral organisations may withhold or suspend their funding. A failure by official creditors and multilateral organisations such as the EBRD, the World Bank or the IMF to grant adequate financing combined with any inability to access the international capital markets and syndicated loan markets may put pressure on Ukraine's budget and foreign exchange reserves and have a material adverse effect on the Ukrainian economy and, as a result, on the Group's business, financial condition and results of operations. Further, Ukraine's ability to refinance its debt to these multilateral organisations or its other lenders could come under pressure once again if relations between Russia and Ukraine further deteriorate or access to the international markets remains restricted in the medium term, or where no additional external financing is secured.

If Ukraine is unable to meet the stringent criteria set out in the various support programmes provided by multilateral organisations such as the IMF, the World Bank and the EU, these multilateral organisations may withhold or suspend funding and may prevent Ukraine from raising the external funding on the international capital markets. In the current circumstances, inability to raise funds on the international capital markets, a failure by official creditors and multilateral organisations to grant adequate financing would put severe pressure on Ukraine's budget and foreign exchange reserves and have a material adverse effect on Ukraine's economy.

In addition, many companies in the Ukrainian private sector have significant levels of indebtedness, and as a result of low credit ratings and low levels of international reserves held by the sovereign, the private sector may experience difficulty accessing new financing. Although private-sector debt, unlike state debt, does not have a direct negative effect on the Ukrainian government's foreign currency reserves or liquidity, high levels of indebtedness of, and limited availability of new credit to, the private sector may complicate economic recovery and pose a significant risk in an already challenging economic environment. Any further deterioration in the economic environment in Ukraine could have a material adverse effect on the Group's ability to obtain refinancing, and consequently have a material adverse effect on the Group's business, financial condition and results of operations.

***Ukraine may not be able to maintain access to foreign trade and investment***

Cumulative foreign direct investment remains low for a country of Ukraine's size. As a result of a significant shortage of internal financial resources, Ukraine has sought to attract foreign investment as an important

contributor to economic growth and structural reform. However, the pace and amount of foreign direct investment in Ukraine has been adversely affected by overly complex and inconsistent legislation and non-transparent procedures, including in the areas of privatisation, government intervention and taxation, and by perceived corruption. Cumulative foreign direct investment, including debt and equity investments, amounted to U.S.\$43.9 billion as of 1 October 2019 according to the State Statistics Service. Investments made in Ukraine to date have primarily been in the following sectors: industry, financial services, real estate, engineering, trade and repair of cars and household goods.

Any increase in the perceived risks associated with investing in Ukraine and tightening of the foreign investment regulations could dampen foreign direct investment in Ukraine and adversely affect the Ukrainian economy.

***Ukraine's economy has traditionally been heavily dependent on trade with Russia and certain other CIS countries and any significant prolongation of the crisis in relations with Russia, absent a material increase in financial support and long-term trade with the European Union and other Western economies, would be likely to have adverse effects on the economy as well as the political stability of the country***

Ukraine's economy historically depended heavily on its trade flows with Russia and the rest of the CIS, largely because Ukraine imports a large proportion of its energy requirements, especially from Russia (or from countries that transport energy-related exports through Russia). In addition, a large share of Ukraine's services receipts comprised of transit charges for oil, gas and ammonia from Russia.

Ukraine historically considered its relations with Russia to be of strategic importance. However, relations between Ukraine and Russia are strained due to:

- the armed military conflict in some parts of Donetsk and Luhansk regions of Ukraine between the Ukrainian army and separatist militants;
- recent political events including the annexation of the Crimean Peninsula by the Russian Federation;
- ongoing disagreements over the prices and methods of payment for gas delivered by the Russian gas monopolist Gazprom to, or for transportation through, Ukraine;
- issues relating to the delineation of the Russia-Ukraine maritime border;
- Russian bans on imports of food products from Ukraine and anti-dumping investigations conducted by Russian authorities in relation to certain Ukrainian goods; and
- certain economic sanctions by Ukrainian authorities on Russian companies and persons.

For further information, see “—Ukraine may continue to experience political instability or uncertainty” and “—The occupation of Crimea, civil disturbances, political instability and military action have negatively impacted and may continue to affect the Group's business, financial condition and results of operations”.

Following the increased geopolitical tensions and military conflict between Russia and Ukraine, exports of Ukrainian goods to Russia decreased by 7.2 per cent. in 2018 and by 9.7 per cent. as of 31 October 2019, compared to 2017 and the same period in 2018, respectively. The total value of goods and services exported from Ukraine in 2018 increased by 9.7 per cent. and as of 30 September 2019 further increased by 7.1 per cent., as compared to 2017 and 2018, respectively. The foregoing events may have a long-standing impact on trade and other aspects of Ukraine's bilateral relations with Russia and could lead to the imposition of trade and other punitive measures by Russia. These factors, in turn, could have a material adverse effect on the Ukrainian economy.

Further, Russia has, recently and in the past, threatened to cut off the supply of oil and gas to Ukraine in order to apply pressure on Ukraine to settle outstanding gas debts and maintain the low transit fees for Russian oil

and gas through Ukrainian pipelines to European consumers. Following the tension between Ukraine and Russia, Gazprom decided not to continue to implement the agreed discount on gas prices for Ukraine, suspended gas supplies to Ukraine and introduced an advance payment system and also filed a claim for U.S.\$4.5 billion concerning non-payment for gas by Naftogaz. In return, Naftogaz submitted a claim to the Arbitration Institute of the Stockholm Chamber of Commerce for the establishment of a fair price for gas supplied to Ukraine by Gazprom, reimbursement of all overpayments and retroactive revision of the transit contract and has prevailed in its claims in arbitration.

Since December 2015, Naftogaz has refrained from buying any Russian natural gas. Until the end of 2019, legal proceedings have been ongoing between Naftogaz and Gazprom in relation to gas sales and transit contracts.

In addition, on 1 January 2020, the current contract between Naftogaz and Gazprom for the transit of Russian gas through Ukraine expired. In November 2019, Gazprom proposed a new contract for the transit of Russian gas through Ukraine for one year demanding the Ukrainian party to waive the Stockholm arbitration award. In December 2019, Naftogaz and Gazprom reached an agreement over a new five-year gas transit deal with the minimum annual volumes of gas transit. As part of the deal (i) Gazprom agreed to pay U.S.\$2.9 billion compensation awarded to Naftogaz under the arbitral decisions of December 2017 and February 2018 (including accrued interest), and (ii) the parties agreed to withdraw all currently pending and future claims in relation to the gas contracts concluded in January 2009.

In December 2014, the Ukrainian President signed a bill repealing the Ukrainian law on non-alignment status of Ukraine that was adopted in 2010 and defined nonalignment as “nonparticipation of Ukraine in the military-political alliance”. It was declared by the Ukrainian President that the decision on joining the North Atlantic Treaty Organisation (“NATO”) should be determined via a referendum and a series of reforms should first be implemented for Ukraine to meet NATO’s standards. On 10 March 2018, NATO added Ukraine in the list of NATO aspiring members and on 7 February 2019, the Parliament voted with majority of 334 out of 385 to change the Ukrainian constitution to help Ukraine join NATO. Ukraine’s aspiration to join NATO and any further steps taken in that direction could lead to further pressure on diplomatic and economic relations with Russia.

These and any further changes in Ukraine’s relations with Russia, in particular any changes adversely affecting supplies of energy resources from Russia to Ukraine or Ukraine’s revenues derived from transit charges for Russian oil and gas, may have negative effects on large parts of the Ukrainian economy, which could in turn have a material adverse effect on the Group’s business, financial condition and results of operations.

***A deterioration in Ukraine’s relations with the EU might have negative effects on the Ukrainian economy and the Group’s business, financial condition and operational results***

Ukraine’s relationship with governments in the EU and with multinational institutions is of great importance to Ukraine. Their perceptions of the commitment to and nature of legislative and regulatory reform programmes in Ukraine, the improvement and continued independence of the judicial system and political developments in Ukraine could significantly impact those relations.

The EU accounted for 40.5 per cent., 42.6 per cent. and 42.1 per cent. of all of Ukraine’s exports in 2017, 2018 and as of 30 September 2019, respectively, according to the State Fiscal Service, making it the largest external trade partner of Ukraine. In 2017, the increase in the total exports from Ukraine to the EU was attributable to increases in exports of ore, slags and cinder, ferrous metals, electrical machines and grains. In 2018, the total exports from Ukraine to EU increased by 15.0 per cent. and to Russia decreased by 7.2 per cent. as compared to 2017. As of 30 September 2019, the total exports of goods and services from Ukraine to EU increased respectively by 6.8 per cent. and 4.6 per cent. and to Russia decreased respectively by 9.7 per cent. and by 2.7 per cent. as compared to the same period in 2018.

Since 2008, the parties have progressed the harmonisation of, among others, the following areas: trade in goods (including in relation to instruments of trade protection, tariffs, technical barriers in trade, sanitary and customs issues), intellectual property, rules relating to the origin of goods, sustainable development and trade, trade in services, and public procurement.

The political section of the Association Agreement was signed on 21 March 2014, while the economic section, including the Deep and Comprehensive Free Trade Agreement (the “DCFTA”), was signed on 27 June 2014. The Association Agreement sets out detailed approximation schedules for the approximation of Ukrainian legislation to EU regulatory norms, including timetables for implementation. The DCFTA is intended to substantially integrate the EU and Ukraine markets, by dismantling import duties and banning other trade restrictions, albeit with specific limitations and transitional periods in certain areas, such as trade in agricultural products. It will also partially integrate public procurement markets. On 29 September 2014, following tri-lateral consultations between Ukraine, the EU and Russia, the EU set 1 January 2016 as the date for the provisional application of the DCFTA to take effect while continuing autonomous trade measures of the EU to the benefit of Ukraine during this period, as part of a comprehensive peace process in Ukraine.

Should Ukraine fail to develop its relations with the EU, or should the development of such relationship be protracted or regress, this may have a negative effect on the Ukrainian economy, which could in turn have a material adverse effect on the Group’s business, financial condition and results of operations.

***The Ukrainian economy is sensitive to fluctuations in the global economy***

As an open economy, Ukraine is vulnerable to market downturns and economic slowdowns elsewhere in the world. As Ukraine is a major producer and exporter of agricultural and metal products, the Ukrainian economy is especially vulnerable to world commodity prices and the imposition of import duties by the United States, the EU, Russia or by other major export markets. In particular, a deterioration in global economic and financial conditions as well as a decrease in domestic demand has affected industrial production, which, according to the State Statistics Service, increased by 0.4 per cent. and 1.6 per cent. in 2017 and 2018, respectively, and subsequently decreased by 0.6 per cent. as at 31 October 2019 as compared to the same period in 2018. Also, Ukraine’s relatively strong reliance on exports of ferrous and non-ferrous metals and related products makes the country’s export revenues and, by extension, its broader macroeconomic performance, vulnerable to declines or fluctuations in global metal demand or prices. Recent significant civil disturbances and political instability in Ukraine and the military action in some parts of the Donetsk and Luhansk regions have negatively impacted Ukraine’s economy and the relations between the Russian Federation and Ukraine. In 2018 and as at 31 October 2019, exports of Ukrainian goods to Russia decreased by 7.2 per cent. and by 9.7 per cent. as compared to 2017 and the same period in 2018, respectively, and the total value of goods exported from Ukraine increased by 9.7 per cent. and by 7.4 per cent., as compared to 2017 and the same period in 2018. Any such developments or continuations of similar trends may have negative effects on the economy of Ukraine, which in turn may adversely affect the Group’s business, financial condition and results of operations.

***Corruption and money laundering may have an adverse effect on the Ukrainian economy***

External analysts have identified corruption and money laundering as problems in Ukraine. In accordance with Ukrainian anti-money laundering legislation, which came into force in Ukraine in June 2003, the NBU and other state authorities, as well as various entities performing financial transactions, are required to monitor certain financial transactions more closely for evidence of money laundering.

On 14 October 2014, Parliament adopted a number of laws aimed at prevention of corruption, improvement of corporate transparency and reforms of the State prosecutor’s office, namely: (i) the Law of Ukraine “On Prevention of Corruption”, (ii) The Law of Ukraine “On National Anti-Corruption Bureau of Ukraine”, (iii) the Law of Ukraine “On Amendments to Certain Legislative Acts of Ukraine Regarding the Definition of Ultimate

Beneficial Owners of Legal Entities and Public Persons”, and (iv) the Law of Ukraine “On the Principles of State Anti-Corruption Policy in Ukraine (Anti-Corruption Strategy) for 2014-2017”.

In order to perform the above laws, the National Anti-Corruption Bureau of Ukraine (the “**Anti-Corruption Bureau**”) and the National Agency on Corruption Prevention (the “**Agency on Corruption Prevention**”) were established. The Anti-Corruption Bureau launched its activity on 16 April 2015. On the same day the Director of the Anti-Corruption Bureau was appointed by the President of Ukraine. On 14 August 2016, the Agency on Corruption Prevention has officially announced the commencement of its activity.

On 10 June 2016, the Agency on Corruption Prevention adopted the Resolution on launching the system of electronic declaring of property, income, expenditures and financial liabilities of the state and local government officials starting from 1 September 2016.

On 11 June 2018, the law “On the High Anti-Corruption Court” and, on 28 June 2018, the law “On the Establishment of the High Anti-Corruption Court”, came into effect, which resulted in the establishment of the High Anti-Corruption Court of Ukraine which began operating on 5 September 2019.

On 26 February 2019, the Constitutional Court of Ukraine (the “**CCU**”) declared unconstitutional Article 368-2 of the Criminal Code of Ukraine relating to illicit enrichment. Several draft laws to reinstate illicit enrichment as an offence under the Criminal Code of Ukraine have subsequently been submitted to the Parliament, including draft legislation submitted by former President Poroshenko on 28 February 2019, President Zelenskiy on 3 June 2019 and a number of drafts submitted by various members of the Parliament. Thereafter, the draft law submitted by former President Poroshenko was withdrawn. On 6 July 2019, the Parliament also refused to include the draft law presented by President Zelenskiy into the Parliament’s agenda, deciding instead to review the draft presented by members of the Parliament. On 29 August 2019, President Zelenskiy submitted draft law No. 1031 “On Civil Forfeiture of High-Ranking Officials’ Assets Obtained Through Corruption and Restoring Criminal Liability for Illicit Enrichment”. The law was adopted by the Parliament on 31 October 2019, and eventually entered into force on 28 November 2019.

There can be no assurance that the anti-corruption laws will be effectively applied and implemented by the relevant supervising authorities in Ukraine. However, any future allegations of corruption in Ukraine or evidence of money laundering could have a negative effect on the ability of Ukraine to attract foreign investments and thus have a negative effect on the economy of Ukraine which in turn may adversely affect the Group’s business, financial condition and results of operations.

#### ***Uncertainties relating to Ukraine’s legal system could have an adverse effect on its economy***

Since independence in 1991, the Ukrainian legal system has been developing to support the country’s transition from a planned to a market-based economy. Therefore, Ukraine’s legal system is in transition and is, therefore, subject to greater risks and uncertainties than more mature legal systems. In particular, risks associated with the Ukrainian legal system include: (i) inconsistencies between and among the Constitution of Ukraine and various laws, presidential decrees, governmental, ministerial and local orders, decisions, resolutions and other acts; (ii) provisions in the laws and regulations that are ambiguously worded or lack specificity and thereby raise difficulties when implemented or interpreted; (iii) difficulty in predicting the outcome of judicial application of Ukrainian legislation due to, amongst other factors, a general inconsistency in the judicial interpretation of such legislation in the same or similar cases; and (iv) the fact that not all Ukrainian resolutions, orders and decrees and other similar acts are readily available to the public or available in understandably organised form.

These and other factors that impact Ukraine’s legal system make an investment in the Notes subject to greater risks and uncertainties than an investment in a country with a more mature legal system. For more information, see “—*Risks relating to the Ukrainian banking sector could impair the Group’s business, restrict the Group’s ability to use cash held in Ukrainian banks or lead to a total loss of funds held in Ukraine*”.

***Uncertainties relating to Ukraine's judicial system could have an adverse effect on its economy***

The independence of the judicial system and its immunity from economic and political influences in Ukraine remains questionable. Although the CCU is the only body authorised to exercise constitutional jurisdiction and has mostly proven impartial in its judgments, the system of constitutional jurisdiction itself remains too complicated to ensure smooth and effective removal of discrepancies between the Constitution of Ukraine on the one hand and various laws of Ukraine on the other hand.

Recent judicial reform has deprived the CCU of its power to give official and obligatory interpretation of the laws of Ukraine (except for in respect of the Constitution of Ukraine). At the same time, access to the constitutional jurisdiction was granted to all persons, who consider that the law applied in a final decision in their case contradicts the Constitution of Ukraine.

The court system is also understaffed and underfunded. Because Ukraine is a civil law jurisdiction, judicial decisions under Ukrainian law have no precedential effect. For the same reason, courts themselves are generally not bound by earlier decisions taken under the same or similar circumstances, which can result in the inconsistent application of Ukrainian law to resolve the same or similar disputes. Not all Ukrainian law is readily available to the public or organised in a manner that facilitates understanding. Furthermore, judicial decisions are not always readily available and, therefore, their role as guidelines in interpreting applicable Ukrainian law to the public at large is limited.

Further, enforcement of court orders and judgments can, in practice, be difficult in Ukraine. Enforcement procedures are often very time-consuming and may fail for a variety of reasons, including the defendant lacking sufficient funds, the complexity of auction procedures for the sale of the defendant's property or the defendant undergoing bankruptcy proceedings. In addition, bailiffs in Ukraine have limited authority to enforce court orders and judgments quickly and efficiently. Bailiffs are bound by the method of enforcement envisaged by the relevant court order or judgment and may not independently change such method even if it proves to be inefficient or unrealisable. Furthermore, notwithstanding the successful execution of a court order or a judgment, a higher court may reverse the court order or judgment and require that the relevant funds or property be restored to the defendant.

The uncertainties described above also extend to certain rights, including investor rights. In Ukraine, there is no established history of investor rights protection.

All of these factors make judicial decisions in Ukraine difficult to predict and effective redress uncertain. In addition, court claims are often used in the furtherance of political aims. The Group may be subject to such claims and may not be able to receive a fair hearing. Finally, court orders are not always enforced or followed by law enforcement institutions. The uncertainties relating to the judicial system could have a negative effect on the Ukrainian economy and thus on the Group's business, financial condition and results of operations. For more information, see "*Risks relating to the Ukrainian banking sector could impair the Group's business, restrict the Group's ability to use cash held in Ukrainian banks or lead to a total loss of funds held in Ukraine*".

***The insolvency laws of Ukraine may not be as favourable as U.S. and other bankruptcy laws and may preclude the Noteholders from recovering payments due on the Notes***

There are two primary insolvency regimes under Ukrainian law. The first, pre-trial rehabilitation of the debtor, is intended to facilitate the reorganisation of a debtor's debts and enable the debtor to continue as a going concern. The second, judicial bankruptcy proceedings, provides for court-supervised financial rehabilitation proceedings in respect of the debtor or its liquidation, depending on the decision of the creditors' committee.

A debtor is entitled to initiate the debtor's pre-trial rehabilitation procedure.

A pre-trial rehabilitation may be commenced if the following conditions are satisfied:

- the written consent of the debtor's owner (or the debtor's supervising authority) has been obtained;
- the written consent of creditors whose aggregate claims exceed 50 per cent. of the debtor's debts according to the debtor's financial statements has been obtained; and
- the approval of the financial rehabilitation plan by (i) the general creditors' meeting, (ii) 2/3 of secured creditors and (iii) more than 50 per cent. of the unsecured debtor's debts has been obtained.

The general creditors' meeting is called upon written notice of the debtor to the creditors. The debtor must file with the court at the location of the debtor an application for approval of the debtor's financial rehabilitation plan within five calendar days from the date of its approval by the creditors. Upon the court's approval of the debtor's financial rehabilitation plan, the court will impose a moratorium prohibiting satisfaction of creditors' claims during the procedure of the debtor's pre-trial rehabilitation, other than pursuant to the terms of the financial rehabilitation plan, which shall be automatically cancelled within 60 calendar days in respect of the property which constitutes collateral securing the debtor's obligations before the secured creditors. During the pre-trial rehabilitation of the debtor, the debtor's bankruptcy cannot be commenced in court. The court will be able to impose the moratorium upon accepting the debtor's financial rehabilitation plan for review, but will lift it upon either approving or rejecting the plan.

As at the date of these Listing Particulars, a bankruptcy petition may be presented to a Ukrainian commercial court in place of the location of the debtor by any creditor (secured and unsecured), including tax and certain other state agencies acting as creditors, as well as by the debtor itself. The creditor will be required to demonstrate the amount of its claims to the debtor that will fall due.

Once bankruptcy proceedings have been triggered by the court, any creditor (except a fully secured creditor) may, within 30 days of the formal publication on the official website of the Ukrainian Judiciary of the commencement of the bankruptcy proceedings against the debtor, submit a participation petition substantiating its claims against the debtor. Creditors whose claims matured prior to commencement of the bankruptcy proceedings and were submitted after the expiration of the 30-day period do not have a right to participate or vote in the creditors' committee and their claims will be satisfied in the sixth order of priority.

A creditor whose claims are fully secured by collateral is deemed to be a secured creditor. A secured creditor may waive its rights to collateral in full or in part. If the claims of a creditor are not covered by collateral in full, that creditor's claims are secured to the extent of the price of collateral. In case of a waiver of a secured creditor's right to collateral, claims will be regarded as unsecured. Secured creditors may initiate bankruptcy proceedings and have advisory voting rights at the creditor meetings.

The judicial bankruptcy proceedings in Ukraine may include the following stages:

- administration of assets;
- financial rehabilitation; and
- liquidation proceedings.

In the course of the administration of assets, the Ukrainian commercial court shall appoint an insolvency practitioner (asset administrator), who will supervise and approve the disposal of the debtor's assets. The court shall impose a moratorium on the discharge of the claims of the debtor's creditors that arose prior to the date of the commencement of the bankruptcy proceedings. In the course of administration of assets, the asset administrator shall identify the creditors; prepare the register of the creditors and the amounts claimed from the debtor for further approval by the court; and organise the general meeting of the debtor's creditors, which in turn shall appoint the creditors' committee (the "**Committee**"). Once elected, the Committee is entitled to request the court to appoint an insolvency manager (asset administrator, financial rehabilitation manager and



liquidator), or to apply for their replacement; to request the court to discharge the agreement executed by the debtor; and to decide on other practical issues of the bankruptcy proceedings. The creditors participating in the general meeting of creditors, or in meetings of the committee, are allocated a number of votes determined pro-rata based on their respective claims, and they adopt their decisions by a majority. The asset administrator must submit the financial rehabilitation plan approved by the secured creditors and more than 50 per cent. of unsecured creditors. The financial rehabilitation plan may include the corporate restructuring of the debtor, sale of its assets, recovery of the receivables, debt restructuring, restructuring of assets, write-off of indebtedness and other means of renewing the debtor's solvency. The financial rehabilitation plan may also provide for the "replacement of assets", a procedure where a part of the debtor's assets and obligations can be transferred to a newly established entity created by the debtor. The shares of such entity can be entered into the debtor's books and further sold through auction. Administration of assets proceedings may last up to 170 calendar days.

Financial rehabilitation may be introduced by the court as the next stage of the bankruptcy proceedings. The financial rehabilitation should be conducted in accordance with the financial rehabilitation plan which was approved at the previous stage of asset administration. After ruling on the introduction of financial rehabilitation, the court will appoint a financial rehabilitation manager who will replace the debtor's management. As a result of financial rehabilitation and no later than 15 days before the termination of the financial rehabilitation term (which is specified by the financial rehabilitation plan), the financial rehabilitation manager submits the relevant report to the general meeting of creditors. Upon approval of the report by the general meeting of creditors, the report is then submitted to the court.

Liquidation proceedings may also be instituted by the court upon request of the committee, immediately after the administration of assets stage, omitting the financial rehabilitation, or after the financial rehabilitation if the debtor fails to restore its solvency in accordance with its financial rehabilitation plan. Upon the commencement of liquidation proceedings, the court will appoint a liquidator who will replace the debtor's management. In the course of liquidation proceedings, the liquidator must determine the liquidation value of the debtor's liquidation estate, sell the debtor's assets and pay off the debt to the creditors in the order of priority established by the law. Upon completion of the liquidation proceedings, the liquidator will prepare a report, as well as a liquidation balance sheet of the debtor, and provide them to the court for consideration and approval. Based on the results of the liquidation proceedings, the court may approve the report and the liquidation balance sheet of the debtor, dissolve the debtor and terminate the bankruptcy proceedings. The term of liquidation proceedings cannot exceed 12 months from the day of commencement.

The insolvency laws, and other laws, of Ukraine may not be as favourable to the interests of the Noteholders in their capacity as creditors as the laws of the U.S. or other jurisdictions with which such Noteholders may be familiar.

***Variations of disclosure and reporting requirements and fiduciary duties could affect the receipt of material information or result in inappropriate management decisions***

Some of the Group's operations are conducted through Ukrainian companies. Corporate governance, disclosure and reporting requirements have only recently been enacted in Ukraine. Anti-fraud legislation has only recently been adapted to the requirements of a market economy and remains largely untested. Most Ukrainian companies do not have corporate governance procedures that are in line with generally accepted international standards and corporate governance requirements (including those introduced in the United Kingdom). The concept of fiduciary duties of management or members of the board to their companies or shareholders remains undeveloped in Ukraine. Violations of disclosure and reporting requirements or breaches of fiduciary duties by the Issuer's Ukrainian subsidiaries or their management could significantly affect the receipt of material information or result in inappropriate management decisions, which may have a material adverse effect on the Group's business, financial condition and results of operations.

***Ukraine's tax system is underdeveloped and subject to frequent change, which creates an uncertain environment for investment and business activity***

The Ukrainian tax system is underdeveloped and subject to frequent changes, which creates an uncertain environment for investment and business activity. Historically, Ukraine has had a number of laws related to various taxes imposed by both central and regional governmental authorities. These taxes include value added tax, corporate income tax (profits tax), personal income tax, customs duties and payroll (social) taxes. The tax legislation and regulations in Ukraine are not always clearly written and, thus, are subject to inconsistent interpretation by tax authorities and other government bodies, providing many opportunities for inappropriate and corrupt practices by officials. These factors negatively impact the predictability of Ukraine's taxation system and therefore have an adverse effect on business activity, reducing the attractiveness of the national economy for foreign investors. The tax reform adopted by the Parliament on 28 December 2014 generally improved the business climate in Ukraine but failed to achieve certain key goals: broadening the tax base by bringing a substantial portion of the shadow economy into the reporting economy and reform of the tax authorities. On 24 December 2015, the Parliament adopted a number of changes to the tax system in Ukraine with effect from 1 January 2016, including the introduction of a flat 18 per cent. personal income tax rate applicable to most types of income, a change of the basic reporting period for corporate income tax payers from a year to a quarter, the abolition of monthly advance payments of corporate income tax with certain transition rules and the improvement of procedure for budget refund of VAT. Any significant changes in the Ukrainian tax system in future, as well as change in positions of tax authorities with regard to interpretative issues could have a material adverse effect on the Group's business, financial condition and results of operations.

On 1 January 2017, Ukraine joined the Inclusive Framework for the implementation of the OECD Base Erosion and Profit Shifting Action Plan with an undertaking to implement a "minimum standard" of four recommended actions. Moreover, currently there is a Draft Law No. 1210 on the amendments to the Tax Code of Ukraine, which has been adopted by the Parliament and is now awaiting approval by the President of Ukraine. The Draft Law No. 1210 mainly covers anti base erosion and profits shifting measures and is intended to introduce the controlled foreign companies rules, country-by-country reporting rules, mutual assistance procedure, enhanced definition of a permanent establishment and substantially amend transfer pricing rules as well as change the "reasonable economic purpose of transaction" doctrine, extend the powers of tax authorities and amend regulations on tax audits.

Further, on 23 July 2018, Ukraine signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting, which entered into force for Ukraine on 1 December 2019. It introduces a number of amendments into the double tax treaties designated as the "covered tax agreements" of Ukraine. Importantly, the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting introduces the principal purpose test ("PPT") as an anti-abuse rule that aims to prevent reliance on double tax treaties in situations when obtaining of treaty benefits is one of the principal purposes of respective arrangement.

In addition, on 10 April 2019, the Parliamentary Tax and Customs Policy Committee supported the amendments to the Tax Code of Ukraine concerning the introduction of the dividend distribution based corporate income tax. If adopted, this would potentially result in significant losses of budget revenues and hence lead to significant budget deficits and an overall reduction in the national spending. Consequently, this could adversely affect Ukraine's economy. Moreover, no assurance can be given as to whether the introduction of the dividend distribution based corporate income tax would be deemed compliant with the IMF's 2018 SBA or any successor programme.

Any such significant changes to the Ukrainian tax system in the future, failure to implement required changes or the ineffectiveness of any implemented measures could adversely affect Ukraine's economy. Additionally, these factors negatively impact the predictability of Ukraine's taxation system and therefore may have an

adverse effect on business activity by reducing the attractiveness of the national economy for foreign investors, and in turn adversely impact the Group, its results of operations and its financial condition.

***The potential for labour and social unrest in Ukraine could have a materially adverse effect on the Group's business***

The failure of the Ukrainian government and many private enterprises to pay full salaries on a regular basis and the failure of salaries and benefits generally to keep pace with the rapidly increasing cost of living have led in the past, and could lead in the future, to labour and social unrest. As at 1 December 2019, Ukrainian employers had an outstanding indebtedness for salaries in the amount of UAH 3,221 million, compared to UAH 2,819 million as at 1 December 2018, according to the State Statistics Services. Labour and social unrest may have political, social and economic consequences, such as increased support for a renewal of centralised authority, increased nationalism including calls for restrictions on foreign ownership of Ukrainian businesses, and violence. Any of these events could restrict the Group's operations and lead to the loss of revenue, and have a material adverse effect on the Group's business, financial condition and results of operations.

***Ukrainian legal entities may be liquidated on the basis of a lack of strict compliance with certain legal or procedural requirements***

Certain provisions of Ukrainian law provide for the mandatory liquidation of a Ukrainian legal entity on the basis that it has not complied strictly with certain requirements relating to the formation or operation of such entity. Although the Group believe that it and its subsidiaries have complied, and are in compliance, with all applicable laws and regulations, if a court or a governmental authority takes an unfavourable view of the Group's compliance with Ukrainian legal requirements, the Group may need to restructure its operations, which could have a material adverse effect on its business, financial condition and results of operations.

***Large-scale economic sanctions by Ukraine, the EU and the United States against Russia over its actions in Ukraine and reciprocal sanctions by Russia against Ukraine, the EU and the United States may have a material adverse effect on the Group's business***

In late 2013 and the first half of 2014, deteriorating economic conditions and general social unrest caused Ukraine to be subject to a wide scale crisis provoking armed confrontations in Eastern Ukraine and ultimately involving the Russian Federation. In response to the situation in Ukraine, the U.S. and the EU imposed sanctions on various individuals and entities in Ukraine and Russia, in addition to sectoral measures against certain sectors of the Russian economy. Comprehensive sanctions measures were also imposed on "the Crimea region of Ukraine".

***U.S. Sanctions***

As a result of the ongoing situation with respect to Ukraine, the United States issued Executive Orders 13660, 13661, 13662 and 13685 (the "**Executive Orders**"). These Executive Orders contemplate (i) the imposition of blocking sanctions targeting persons contributing to the situation in Ukraine, including Russian government officials and persons, some of whom are Ukrainian or located in Crimea, (ii) blocking sanctions and travel restrictions on persons determined to be officials of the Russian government or owned or controlled by or acting on behalf of the Russian government (including senior officials), or operating in Russia's arms or related material sector, as well as for those providing direct or indirect material support to a senior Russian government official, (iii) the imposition of sanctions against persons operating within specified sectors of the Russian economy, and (iv) the prohibition of transactions between the United States or U.S. Persons and persons located within the "Crimea region of Ukraine", unless authorised by the U.S. Department of Treasury's Office of Foreign Assets Control ("**OFAC**").

To date, OFAC has imposed these sectoral sanctions against the financial, defence and energy sectors of the Russian economy by designating certain entities operating within those sectors on the Sectoral Sanctions

Identifications List (“**SSI List**”). The SSI List does not require blocking, but instead imposes restrictions on U.S. Persons as outlined in Directives 1 through 4 issued by OFAC upon the SSI listed entities. Additionally, Directive 4 restricts the provision, export or re-export, directly or indirectly, of goods, services (except for financial services), or technology related to exploration or production for deep-water, Arctic offshore, or shale projects that have the potential to produce oil in the Russian Federation, for entities designated on the SSI List under that Directive. The SSI list has been expanded several times by the U.S., and additional sanctions on Russia may be imposed in the future.

The U.S. has also imposed export restrictions with respect to Russia and Crimea and has also suspended the issuance of U.S. export credit and financing for economic development projects to Russia.

### ***EU Sanctions***

With the aim of restricting Russian access to EU capital markets, the EU imposed a ban on the direct or indirect purchase, sale, provision of investment services for and assistance in the issuance of, or other dealings with, transferable securities and money market instruments with a maturity exceeding 90 days which were issued after 1 August 2014 by certain Russian financial institutions and their subsidiaries. The ban also covers non-EU parties whose proprietary rights are substantially owned by these entities or acting on their behalf or at their direction. Such EU sanctions were subsequently extended to cover transferable securities and money market instruments with a maturity exceeding 30 days issued after 12 September 2014.

The EU has also imposed restrictions on the sale, supply, transfer or export to (or for use in) Russia of certain technologies used in the oil and gas industry. Further, under EU sanctions, it is prohibited to provide, directly or indirectly, certain services relating to the exploration and production of deep-water oil and offshore arctic oil or relating to shale oil projects in Russia. Each EU sanction regime also prohibits knowingly and intentionally participating in activities, the object or effect of which is to circumvent any of the specific prohibitions set out in the respective regime.

The EU formally extended the above described sectoral sanctions targeting Russia, so they are currently in effect until 31 January 2020. On 20 December 2014, the EU extended its sanctions against Crimea and Sevastopol and imposed a broad ban on investment in, exports to and tourism in that region. On 17 June 2016, the EU officially prolonged these sanctions until 23 June 2017 and later extended such sanctions until the end of January 2020.

### ***Ukraine Sanctions***

On 14 August 2014, the Parliament adopted the Law of Ukraine “On Sanctions” (the “**Law on Sanctions**”), which provides for special economic and other restrictive measures (that is, sanctions) against foreign states, foreign legal entities and individuals involved in activities threatening the national security, sovereignty and territorial integrity of Ukraine and the rights and freedoms of its citizens. The sanctions include, among others, the blocking of assets, the restricting of trade, prohibition of transfer of technologies and transfer of rights to the intellectual property objects, restrictions on outflow of capital from Ukraine, a prohibition on lease and privatisation of state assets, termination of trade agreements and joint projects and industrial programmes. The President, the Cabinet of Ministers, the NBU and the Security Service are entitled to propose the imposition of sanctions to the National Security and Defence Council of Ukraine (the “**Defence Council**”). Any decisions of the Defence Council on the imposition of sanctions must be approved by both the President and the Parliament in case of sectoral sanctions and by the President in case of personal sanctions.

On 16 September 2015, the President approved the Defence Council Decision dated 2 September 2015 on one year sanctions against 388 individuals, in particular, relating to visa restrictions, blocking of assets, temporary restrictions on using property and preventing capital outflow from Ukraine and on 105 legal entities relating to

restrictions on certain Russian companies in respect of flights and transportations through territory of Ukraine, cancellation of licences to conduct business in Ukraine, blocking of assets, etc.

On 15 May 2017, the President approved the new Defence Council Decision dated 28 April 2017 which imposes new personal sanctions against 468 individuals and 1,228 entities, including prohibition of privatisation and investments activities, issuing of the licences by the NBU allowing transactions in the foreign currency, transit of goods and natural resources and others. On 14 May 2018, the President approved the Defence Council Decision dated 2 May 2018 which aimed to harmonise the U.S. and Ukrainian sanctions in relation Russia. In addition, it extended the sanctions adopted in May 2017 against 531 individuals and 318 entities until March 2019. On 19 March 2019, the President approved the Defence Council Decision dated 19 March 2019 imposing new and extending the existing sanctions against 848 individuals and 294 legal entities. The list was amended per the President's decree on approval of the Defence Council Decision dated 7 December 2019, amending some personal data of the sanctioned individuals. On 27 November 2019, the Cabinet of Ministers of Ukraine adopted Order № 1187-p, № 1236-p, № 1237-p proposing to implement additional sanctions against certain legal entities, a list of which is for official use only and is therefore not publicly available. As at the date of these Listing Particulars, additional sanctions proposed by the Cabinet of Ministers of Ukraine have not yet been adopted.

### ***Russia Reciprocal Sanctions***

Historically, Russia has been the largest bilateral trading partner of Ukraine. Since 1 January 2016, Russia introduced a food embargo on certain agricultural products, raw materials and food originating from Ukraine and cancelled the preferential trade regime envisaged by the agreement on free trade within the CIS on imports of Ukrainian goods. In addition, in 2018, Russia imposed sanctions on a number of Ukrainian political figures and business entities operating in Russia.

The continued deterioration of Ukraine's trade with Russia has had and may continue to have a material adverse effect on Ukraine's export industries and economy. It is unclear how long the above sanctions will remain in place and whether new sanctions may be imposed. The imposition of sanctions may have a negative effect on the Ukrainian economy, and as a result, a material adverse effect on the Group's business, financial condition and results of operations.

### ***Disclosure and reporting requirements and fiduciary duties remain less developed than those of more developed countries***

Disclosure, reporting requirements and anti-fraud legislation in Ukraine have only recently been adapted to the requirements of the market economy and remain untested. Most Ukrainian companies do not have corporate governance procedures that are in line with Western standards. The concept of fiduciary duties of management of board members to their companies or shareholders is not as developed in Ukraine as it is in the U.S. or Western Europe, and currently applies only to members of the governing bodies of joint stock companies and, in particular, banks. While the Company considers that it has adequate corporate governance and internal reporting procedures in place, violations of disclosure and reporting requirements or breaches of fiduciary duties by the subsidiaries of the Company or their management could significantly affect the receipt of material information or result in inappropriate management decisions, which in turn may have a material adverse effect on the Group's business, results of operations and financial condition.

### ***Risks relating to the Loan and the Notes***

#### ***Payments under the Notes are limited to the amount of certain payments received by the Issuer from the Company under the Loan Agreement***

The Issuer has an obligation under the Terms and Conditions of the Notes and the Trust Deed to pay such amounts of principal, interest and additional amounts (if any) as are due in respect of the Notes. However, the

funds available to the Issuer to meet its obligation to pay such amounts are equivalent to the sums of principal, interest and additional amounts (if any) actually received and retained (net of tax) by, or for the account of, the Issuer pursuant to the Loan Agreement. Consequently, if the Company fails to meet its payment obligations under the Loan Agreement, this will result in the Noteholders receiving less than the scheduled amount of principal or interest or any additional amounts, if any, on the relevant due date.

Moreover, except as otherwise expressly provided in the “*Terms and Conditions of the Notes*” and in the Trust Deed, the Noteholders will not have any proprietary or other direct interest in the Issuer’s rights under, or in respect of, the Loan Agreement. Subject to the terms of the Trust Deed, no Noteholder will have any entitlement to enforce any of the provisions of the Loan Agreement, or have direct recourse to the Company, except through action by the Trustee under the Charge (as defined in the “*Terms and Conditions of the Notes*”) or any assignment of rights, including the Assigned Rights (as defined in the “*Terms and Conditions of the Notes*”). Furthermore, Noteholders should be aware that neither the Issuer nor the Trustee accepts any responsibility for the performance by the Company of its obligations under the Loan Agreement (see “*Terms and Conditions of the Notes*”).

***The right of the Issuer to receive payments under the Loan (and therefore its ability to make payments under the Notes as they fall due) is effectively subordinated to any liabilities of the Company’s subsidiaries, and the ability of Noteholders to recover in full could be adversely affected if any of the Company’s subsidiaries declares bankruptcy, liquidates or reorganises***

Some of the Group’s operations are conducted through the Company’s subsidiaries, and, to a certain extent, the Company depends on the earnings and cash flows of these subsidiaries to meet its debt obligations, including its obligations under the Loan Agreement. Some of the Company’s subsidiaries have material liabilities, and many of those liabilities are secured. Since the Company’s subsidiaries do not guarantee the Company’s payment obligations under the Loan Agreement or the Issuer’s payment obligations under the Notes, neither the Issuer nor Noteholders will have any direct claim on the Company’s subsidiaries’ cash flows or assets. In the event of a bankruptcy, liquidation or reorganisation of any of the Company’s subsidiaries, their creditors will generally be entitled to payment of their claims from the cash flows and assets of those subsidiaries before any cash flows or assets are made available for distribution to the Company as a shareholder. This may adversely affect the Company’s ability to service its payment obligations under the Loan Agreement.

***The Company may incur secured indebtedness which ranks in priority to its obligations to the Issuer under the Loan***

Covenants in the Loan Agreement permit, subject to certain limitations, the Company to incur additional indebtedness on a secured basis. Such indebtedness will be senior to the Loan to the extent of any collateral securing such indebtedness.

***The Company has provided security for the obligations of the Purchaser and other obligors and sureties under the Bridge Facility and related finance documents that is senior to the Company’s obligations under the Loan Agreement***

The Company has pledged its rights to funds, together with all interest thereon, standing to the credit of its Ukrainian bank accounts as security for the purposes of securing the Purchaser’s and other obligors’ and sureties’ obligations under the Bridge Facility and the “Finance Documents” described in the relevant facility agreement. Pursuant to the Deed of Undertaking, (i) the Issuer has undertaken that immediately upon its receipt of the proceeds of the issuance of the Notes it will instruct that such proceeds are transferred to the Company as soon as possible under the Loan, (ii) the Company has undertaken that following receipt of the proceeds referenced in (i), it will as soon as possible transfer such amount as an on-loan to the Purchaser, (iii) the Purchaser has undertaken that immediately following receipt of the payment referenced in (ii), it will as soon as possible instruct that the Bridge Facility is repaid and (iv) each of the parties that have granted security in

connection with the Bridge Facility have undertaken that they will sign a deed of release, in order to procure release of such security.

However, until the Purchaser fully discharges its obligations under the Bridge Facility, all of the obligations of the Company in relation to the security granted in connection with the Bridge Facility will (as far as the rights to the Company's funds in its Ukrainian bank accounts are concerned) effectively rank senior to the Company's obligations under the Loan Agreement, which does not benefit from any security over the Company's assets. Consequently, if the Purchaser or any other obligor or surety defaults under the Bridge Facility or any other "Finance Document" described in the relevant facility agreement, the lenders under the Bridge Facility will have priority over the Issuer (and, as such, over the Noteholders) in respect of the Company's funds in its Ukrainian bank accounts to the extent that the Bridge Facility remains undischarged.

***The trading price of the Notes may be volatile***

The trading price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Group's or its competitors' operating results, adverse business developments, changes to the regulatory environment in which the Group operates, changes in financial estimates by securities analysts, and the actual or expected sale of a large number of debt securities similar to the Notes, as well as other factors. Any such disruptions may harm Noteholders. In addition, in recent years, the global financial markets have experienced significant price and volume fluctuations that, if repeated in the future, could adversely affect the trading price of the Notes without regard to the Group's results of operations, prospects or financial condition.

***The lack of a public market for the Notes could reduce the value of an investment in the Notes***

There may not be an existing market for the Notes at the time they are issued. The Notes are expected to be listed and admitted to trading on the Global Exchange Market. However, there can be no assurance that a liquid market will develop for the Notes, that Noteholders will be able to sell their Notes or that such holders will be able to sell their Notes for a price that reflects their value.

***The Notes may or must be redeemed early in a number of circumstances, and the Company may be unable to repay its obligations under the Loan Agreement***

In certain circumstances, as more fully described in "Loan Agreement" and "Terms and Conditions of the Notes", the Company may, or in some cases must, prepay the Loan in whole or in part together with accrued interest at any time, and (to the extent that it has actually received the relevant funds from the Company) the Issuer shall redeem all or some of the outstanding Notes in accordance with the Terms and Conditions of the Notes. On such redemption, or at maturity, the Company may not have the funds to fulfil its obligations under the Loan Agreement and it may not be able to arrange for additional financing. If the early repayment or maturity date of the Loan occurs at a time when other arrangements prohibit the Company from repaying the Loan, the Company may try to obtain waivers of such prohibitions from the lenders under those arrangements, or it could attempt to refinance the borrowings that contain the restrictions. If the Company could not obtain the waivers or refinance these borrowings, it may be unable to repay the Loan.

***Changes to the Company's credit rating or that of Ukraine may adversely affect the Notes' trading price***

It is expected that the Notes will be rated "B" by Fitch and "B" by Standard & Poor's. Any changes in the credit ratings of the Company or the sovereign rating of Ukraine could adversely affect the trading price of the Notes. A change in the credit rating of one or more other Ukrainian corporate borrowers or banks could also adversely affect the trading price of the Notes. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation.

***Noteholders' rights will be limited so long as the Notes are issued in book-entry interests***

Owners of book-entry interests will not be considered owners or holders of Notes unless and until definitive notes are issued in exchange for book-entry interests. Instead, Euroclear, Clearstream, Luxembourg or DTC or their nominees will be the sole holders of the Notes.

Payments of principal, interest and other amounts owing on or in respect of the Notes in global form will be made as described in “*Summary of the Provisions Relating to the Notes in Global Form*” and none of the Issuer, the Trustee or any paying agent will have any responsibility or liability for any aspect of the records relating to, or payments of interest, principal or other amounts by, Euroclear, Clearstream, Luxembourg or DTC, or to owners of book-entry interests.

Owners of book-entry interests will not have the direct right to act upon any solicitation for consents or requests for waivers or other actions from holders of the Notes, including enforcement of security for the Notes. Instead, Noteholders who own a book-entry interest will be reliant on the nominees for the common depositary or custodian (as registered holder of the Notes) to act on their instructions and will be permitted to act directly only to the extent such holders have received appropriate proxies to do so from Euroclear, Clearstream, Luxembourg or DTC or, if applicable, from a participant. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable the Noteholders to vote on any requested actions or to take any other action on a timely basis.

***The treatment of the Notes for U.S. federal income tax purposes is subject to uncertainty***

Although the matter is not free from doubt, to the extent relevant for U.S. tax purposes, the Issuer intends to take the position that a beneficial owner of a Note will be treated as the beneficial owner of a debt instrument that is not a contingent payment debt instrument. No assurance can be given that the U.S. Internal Revenue Service will not assert, or a court would not sustain, a position regarding the characterisation of the Notes that is contrary to this treatment. Alternative characterisations include treatment of the Notes as equity in the Issuer or the Company, as contingent payment debt instruments subject to special rules relating to accrual of original issue discount (“OID”) and contingent interest, or as other types of financial instruments. If the Notes were to be treated as contingent payment debt instruments or as equity, U.S. Holders (as defined in “*Taxation – Certain United States Federal Income Tax Considerations*”) may be required, among other things, to recognise income for US federal income tax purposes at different times and in different amounts, or subject to higher rates of tax, than described below and may suffer additional adverse U.S. federal income tax consequences. See “*Taxation—Certain United States Federal Income Tax Considerations*”.

***The Issuer is an orphan special purpose vehicle, incorporated under the laws of England and Wales as an English public limited company that has no revenue-generating operations or business of its own and will depend solely on cash received from the Company under the Loan Agreement in order to make payments on the Notes***

The Issuer is an orphan special purpose vehicle, incorporated under the laws of England and Wales as an English public limited company. The ability of the Issuer to make interest and principal payments on the Notes is entirely dependent on its rights to receive such payments under the Loan Agreement. The Notes will be issued on a limited recourse basis. Under the Conditions, the funds available to the Issuer to meet its obligation to the Noteholders are equivalent to the sums of principal, premium, interest and additional amounts (if any) actually received and retained (net of tax) by or for the account of the Issuer in its capacity as lender under the Loan Agreement, less any amount in respect of Reserved Rights (as defined in the Loan Agreement). If these payments are not made by the Company, for whatever reason, the Issuer will not have any other sources of funds available to it that would permit it to make payments on the Notes and under the Trust Deed and, to the extent no amounts are received from the Company, has no obligation to make any payment to Noteholders in accordance with the Conditions. In such circumstances, Noteholders would have to rely upon claims for



payment as a result of enforcing the security under the Trust Deed, which is subject to conditions on enforcement and associated risks and limitations.

***If the Company is declared bankrupt, Ukrainian law may limit the claims of Noteholders and the Lender against the Company***

In the event of bankruptcy of the Company, Ukrainian bankruptcy law may limit the ability of the Company to make payments to Noteholders and the Lender. In particular, if financial rehabilitation of the Company is being carried out following commencement of its bankruptcy, a financial rehabilitation manager appointed to conduct that rehabilitation has the power to renounce the Loan Agreement, provided it has not been performed in full or in part, within three months of commencement of the financial rehabilitation proceedings on the following grounds: (i) if the financial rehabilitation manager considers that the Company would incur losses as a result of performance of the Loan Agreement; (ii) the term of the Loan Agreement is longer than one year; and (iii) if the financial rehabilitation manager considers that such performance would hamper the restoration of the Company's solvency. However, if a financial rehabilitation manager exercises such power in respect of the Loan Agreement, the Lender would be in a position within 30 days from the date of such decision to claim damages from the Company arising in connection with any renunciation of the Loan Agreement. The Lender will only be able to claim such damages in the Ukrainian courts according to the exclusive jurisdiction set out by Ukrainian law. Accordingly, the Lender will not be able to claim such damages in an arbitration tribunal. Holders of the Notes would therefore be exposed to the risks associated with court proceedings in Ukrainian courts.

Additionally, a Ukrainian commercial court under the relevant claim of an insolvency practitioner appointed to conduct such bankruptcy proceedings or a creditor of the Company may challenge the Loan Agreement on the following grounds, provided that it has been entered into by the Company no earlier than three years prior to the commencement of the bankruptcy proceedings (claw-back provision), subject to the proof of losses caused to the Company or a creditor:

- the Company has fulfilled obligations earlier than on the maturity date;
- the Company has assumed undertakings under the Loan Agreement before the date of insolvency, by reason of which it became insolvent or unable to discharge its obligations towards other creditors in part or in full; and
- the Company made a payment under the Loan Agreement on a date when the total claims of its creditors exceeded the value of its assets.

If the Loan Agreement is successfully challenged or invalidated in the course of the insolvency proceedings of the Company, the Noteholders and Lender will have to return to the liquidation estate of the Company any assets received from the Company or, if impossible, such Noteholders and Lender would have to reimburse the value of any such assets to the Company. As at the date of these Listing Particulars, the claw-back provisions of the Ukrainian bankruptcy law have not been properly tested and may be subject to varying interpretations.

In addition, a Noteholder's claims in the currency of the Notes (U.S. dollars) may be converted into hryvnia in any Ukrainian bankruptcy proceedings and, therefore, in addition to the general risks of less than full recovery associated with any bankruptcy (or similar) proceedings, Noteholders may be adversely affected by movements in the currency exchange rates between the hryvnia and the U.S. dollar.

***Tax gross-up provisions in the Loan Agreement may be unenforceable under Ukrainian law***

In addition to the provisions of the Loan Agreement related to adjustment of the interest rate to reflect the Ukrainian withholding tax applicable to the payments of interest (as set out in Clause 4.1 of the Loan Agreement), the Loan Agreement also contains a general tax gross-up provision (and other similar provisions

providing for compensation of tax) which may be applicable to other payments under the Loan or if an increased interest rate would not fully cover relevant tax liabilities.

The Tax Code generally prohibits contractual provisions requiring Ukrainian residents to pay tax for non-residents on their income received from sources in Ukraine. In May 2012, the State Tax Service of Ukraine issued a letter expressing the view that clauses in agreements between Ukrainian residents and their foreign counterparties providing for the payment of an amount compensating a foreign counterparty for the withholding of tax in Ukraine contradict certain provisions of Ukrainian legislation that prohibit a Ukrainian resident from assuming the Ukrainian tax payment obligations of a foreign counterparty (including for this purpose tax withheld from payments made to that counterparty). Therefore, there is a risk that such restrictions would apply to provisions in the Loan Agreement requiring the Company to pay additional amounts of, or to reimburse, Ukrainian withholding taxes (apart from an increased interest rate under Clause 4.1 of the Loan Agreement). As a result, the said provisions may be construed as unenforceable under Ukrainian law and may therefore result in the Issuer not being able to make payment in full of amounts payable in respect of the Notes.

***Risks relating to the interpretation and enforcement of the transaction documents in Ukraine***

Whilst the transaction documents are governed by English law (and the parties to the Loan Agreement have agreed to refer and settle any claim thereunder in accordance with the LCIA Arbitration Rules), it may nevertheless be necessary to bring proceedings relating to them in Ukrainian courts and there can be no assurance as to the approach that Ukrainian courts or regulators may adopt to the structures and concepts reflected in the transaction documents, which may adversely affect the ability of the Noteholders to recover any sums due to them under the Notes. In addition, certain English law concepts like “representation”, “warranty” and “indemnity” have no distinct meaning under Ukrainian law and there is therefore a risk of difficulty in interpretation of the transaction documents, should a Ukrainian court have to interpret or implement their provisions. Similarly, an arbitration tribunal or an English court may find it difficult to interpret Ukrainian laws and regulations to the extent applicable to the transaction documents.

The enforcement of rights and obligations under the transaction documents may be affected by a period of limitation, lapse of time or other laws (including, but not limited to, laws relating to bankruptcy, insolvency, property administration, liquidation, moratorium and reorganisation or analogous laws now or hereafter in effect), and similar laws and defences relating to or affecting the rights of creditors or the validity or ranking of their claims; claims may become subject to set-off or counter-claim; and the availability of positive or negative injunctions (or analogous remedies) and rights of acceleration in connection with the enforcement of such rights and obligations may depend upon the discretion of the competent Ukrainian or other court. Enforcement of obligations in Ukraine is subject to different interpretations by Ukrainian courts or Ukrainian state authorities deciding whether enforcement is available.

***Foreign judgments and arbitral awards may not be enforceable against the Company***

Courts in Ukraine will not recognise and/or enforce any judgment obtained in a court established in a country other than Ukraine unless such recognition and/or enforcement is envisaged by an international treaty to which Ukraine is a party, and then only in accordance with the terms of such treaty. There is no such treaty in effect between Ukraine and the United Kingdom or the United States.

In the absence of such treaty, the courts of Ukraine may only recognise or enforce a foreign court judgment on the basis of the principle of reciprocity. Under Article 462 of the Civil Procedure Code, unless proven otherwise reciprocity is deemed to exist in relations between Ukraine and the country where the judgment was rendered. The Civil Procedure Code does not provide for any clear rules on the application of the principle of reciprocity and there is no official interpretation or established court practice of these provisions of the Civil Procedure Code. Accordingly, there can be no assurance that the courts of Ukraine will recognise or enforce a judgment rendered by the courts of England or the United States on the basis of the principle of reciprocity. Furthermore,

the courts of Ukraine may refuse to recognise or enforce a foreign court judgment on the basis of the principle of reciprocity on the grounds provided in the Civil Procedure Code.

The Loan Agreement is governed by English law. Disputes arising under the Loan Agreement are subject to settlement by arbitration in accordance with the LCIA Arbitration Rules. Since Ukraine is a party to the New York Convention, an arbitration award obtained in a state which is also a party to the New York Convention, such as the United Kingdom, would be enforceable in Ukraine, subject to the terms of the New York Convention and procedural requirements of Ukrainian law and the Civil Procedure Code of Ukraine. See “*Enforceability of Judgments*”.

A Ukrainian court may reject recognition or enforcement of a foreign arbitral award if it finds that the recognition or enforcement of the foreign arbitral award would be contrary to the public policy of Ukraine. The term ‘public policy’ is not explicitly defined in Ukrainian law, however, the following interpretation of public policy was provided by the Supreme Court of Ukraine in its Plenum’s Resolution No. 12 dated 24 December 1999: “*legal order of the state, core principles and grounds which constitute basis for its existing state system (relate to its independency, integrity, sovereignty and immunity, main constitutional rights, freedoms, guarantees etc.)*”. As this definition is broad and non-exhaustive, and not directly binding, no assurance can be given as to how the Ukrainian courts will decide whether or not a particular foreign arbitral award contradicts the public policy of Ukraine in a particular case. Also, there is no assurance that the Trustee and Noteholders will not experience difficulties with the enforcement of their rights in Ukraine under the Loan Agreement.

#### ***Currency control regulations may restrict payments under the Loan Agreement***

The NBU is empowered to define policies for, and regulate, currency and foreign exchange operations in Ukraine, as well as to establish restrictions on currency operations, foreign exchange trading, cross-border payments and repatriation of profits denominated in foreign or local currency. Ukrainian regulations and practice on currency control and foreign exchange operations are subject to continual changes with the NBU exercising considerable autonomy in their interpretation and application. Significant changes to the Ukrainian currency control regulations effected as of February 2019 relaxed existing currency control restrictions at that time. Despite liberalisation of the currency control restrictions, some of the remaining restrictions could impact the Company. For example, the Company may be limited in its ability to make payments under the transaction documents to which it is party (including the Loan Agreement) in excess of the €2 million annual limit, unless such payments are expressly exempted from this limit (such as repayment of principal and interest under the Loan Agreement).

Further, according to the currency control regulation that came into effect in February 2019, the bank that services payments under the Loan Agreement may determine that the interest rate and other payments under the Loan are not in line with “market rates”. Following any such determination, the bank may request that the parties to the Loan Agreement provide additional documents and information (which, inter alia, may include information on the ownership structure and ultimate beneficial owners of the parties to the Loan Agreement, a description of the business activities of the parties to the Loan Agreement and/or an explanation of the economic rationale of the transaction). If, upon such assessment and verification, the Company’s servicing bank concludes that the proposed payment under the Loan Agreement qualifies as a “doubtful operation” in the meaning of the applicable currency control regulation, it may refuse to process such payment. However, the NBU in its letter of 17 January 2019 clarified that interest rates under Eurobond-funded loans (such as the Loan) should be regarded as provided on a market rate basis, as they are based on the cost of a public offering determined through market mechanisms. Although such NBU letters are not legally binding, Ukrainian servicing banks usually rely on and are guided by them in their operations. Notwithstanding this, the Company’s servicing bank may still apply its own methodology to such interest rate level verification.

The ability of the Issuer to settle payments of principal and interest under the Notes in U.S. Dollars is subject to the currency control and foreign exchange related regulations of Ukraine and there is no guarantee that the currency control regime or regulation of foreign exchange operations will not change during the term of the Notes. Such changes may cause delays to, or prevent, the conversion of hryvnia into U.S. Dollars as well as the ability to transfer U.S. Dollars out of Ukraine, which may in turn adversely affect the ability of the Company to perform its obligations under the Loan Agreement and the ability of the Issuer to pay Noteholders in U.S. Dollars.

***If the Trustee were to enforce the security under the Trust Deed, payments under the Loan Agreement could become subject to Ukrainian withholding tax at the rate of 15%***

If the Trustee were to enforce the security under the Trust Deed following a Relevant Event, the Trustee will be entitled to payments of principal and interest under the Loan Agreement.

Although, in principle, it is possible to argue that the Reduced WHT Rule (as defined in the Loan Agreement) could be applicable to the payment of interest under the Loan Agreement in favour of the Trustee following the Relevant Event, there is a risk that the Ukrainian tax authorities may adhere to the approach that, in such circumstances, payment of interest may not benefit from the Reduced WHT Rule. Therefore, such interest payments may become subject to Ukrainian withholding tax at a rate of 15 per cent.

If this were to occur, and the Company were required to withhold tax at a rate greater than 5 per cent., the Rate of Interest (as defined in the Loan Agreement) would increase and the Company would become entitled to prepay the Loan at its principal amount, together with accrued interest as set forth in the Loan Agreement. In the event of such a prepayment (subject to receipt of sufficient funds from the Company) the Issuer would redeem all outstanding Notes prior to their stated maturity. It may not be possible to reinvest the proceeds from the redemption of the Notes at an effective interest rate as high as the interest rate on the Notes and this may only be possible at a significantly lower rate.

## **USE OF PROCEEDS**

The Issuer will use the proceeds received from the issue and sale of the Notes for the sole purpose of making the Loan.

The Company will agree in a deed of undertaking dated 7 February 2020 between the Issuer, the Company, the Borrower Entities (as defined therein), Raiffeisen Bank International AG as Bridge Agent, the Trustee and the Joint Lead Managers to use the proceeds of the Loan in the amount of approximately U.S.\$500 million (equivalent to UAH 12,040 million using the NBU exchange rate set as at 30 September 2019) for the purposes of providing upstream intra-group financial aid to “Telco Solutions and Investments” LLC to enable it to prepay existing indebtedness incurred under the Bridge Facility.

Remaining proceeds of the Loan after the prepayment of the Bridge Facility will be used to reimburse the Company for the payment of the commissions, costs and expenses in connection with the issuance and offering of the Notes and the admission to trading thereof, and, to the extent any further proceeds remain, for general corporate purposes.

The Company intends that the aggregate principal amount of the proceeds of the Loan (and the Notes offered hereby) will equal the amount required by the Company to prepay existing indebtedness incurred under the Bridge Facility and to be reimbursed for the payment of the commissions, costs and expenses in connection with the issuance and offering of the Notes and the admission to trading thereof.

## CAPITALISATION

The following table shows the Group's consolidated capitalisation, comprising the sum of short-term and long-term borrowings and total equity (1) as at 30 September 2019 and (2) as adjusted to reflect the Offering as if the Loan Agreement was consummated and funded, with the proceeds applied as described in "Use of Proceeds", as of 30 September 2019. For further information regarding the Group's financial condition, see "Selected Consolidated Financial and Other Information" and the Financial Statements included elsewhere in these Listing Particulars. The amounts presented in the table below exclude commissions, costs and expenses in connection with the issuance and offering of the Notes and the admission to trading thereof.

(UAH in millions)	As of September 30, 2019	
	Actual	As Adjusted for the Offering <sup>(1)(2)</sup>
<b>Cash and cash equivalents</b> .....	<b>2,067</b>	<b>2,067</b>
<b>Indebtedness</b>		
Loan Agreement <sup>(2)</sup> .....	—	12,040
Borrowings, current.....	15	15
Lease obligation, current .....	916	916
Lease obligation, non-current .....	2,502	2,502
<b>Total Debt</b> .....	<b>3,433</b>	<b>15,473</b>
<b>Total equity</b> .....	<b>13,617</b>	<b>13,617</b>
<b>Total capitalisation</b> .....	<b>17,050</b>	<b>29,090</b>

Notes:

- (1) Adjustments and resulting values are represented for convenience. Actual figures would likely differ if the adjustments had actually taken place as of 30 September 2019.
- (2) Adjusted to reflect the expected use of proceeds discussed in "Use of Proceeds" and represented below assuming the Loan Agreement in the amount of USD 500 million calculated using NBU exchange rate of UAH 24.08 set as at 30 September 2019.

## SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables set forth selected financial data of the Group as of and for the nine months ended 30 September 2019 and 2018 derived from the Interim Consolidated Financial Information, and as of and for the years ended 31 December 2018, 2017 and 2016 derived from the Annual Consolidated Financial Statements included elsewhere in these Listing Particulars.

The information in this section should be read in conjunction with sections entitled “*Presentation of Financial and Certain Other Information*” and “*Operating and Financial Review*”.

### Consolidated Statement of Profit or Loss and Other Comprehensive Income Data

(UAH millions)

	For the nine months ended 30 September		For the year ended 31 December		
	2019	2018	2018	2017	2016
Service revenue.....	10,863	9,217	12,531	11,703	11,115
Sales of goods.....	615	122	268	28	23
<b>Revenue.....</b>	<b>11,478</b>	<b>9,339</b>	<b>12,799</b>	<b>11,731</b>	<b>11,138</b>
Cost of services.....	(2,992)	(2,788)	(3,714)	(4,329)	(4,980)
Cost of goods.....	(564)	(127)	(261)	(68)	(74)
Selling, general and administrative expenses.....	(1,939)	(1,411)	(2,022)	(2,292)	(2,301)
Depreciation and amortization.....	(3,493)	(2,978)	(4,088)	(2,758)	(2,384)
Other operating income/(expenses)...	71	36	62	(25)	16
<b>Operating profit.....</b>	<b>2,561</b>	<b>2,071</b>	<b>2,776</b>	<b>2,259</b>	<b>1,415</b>
Finance income.....	140	93	165	132	195
Finance costs.....	(508)	(506)	(745)	(24)	(21)
Currency exchange gain/(loss).....	58	(95)	11	236	(2)
Other expenses	-	-	-	(1)	(1)
<b>Profit before tax .....</b>	<b>2,251</b>	<b>1,563</b>	<b>2,207</b>	<b>2,602</b>	<b>1,586</b>
Income tax expense.....	(480)	(300)	(460)	(470)	(285)
<b>Profit for the period .....</b>	<b>1,771</b>	<b>1,263</b>	<b>1,747</b>	<b>2,132</b>	<b>1,301</b>

## Consolidated Statement of Financial Position Data

(UAH millions)

	As of 30 September 2019	As of 31 December		
		2018	2017	2016
<b>Assets</b>				
<i>Non-current assets</i>				
Property and equipment	9,890	9,456	8,618	7,057
Right-of-use assets	3,148	3,459	—	—
Other intangible assets	6,663	7,258	4,646	4,067
Cost to obtain contracts	226	200	—	—
Deferred tax assets	606	596	846	935
<b>Total non-current assets</b>	<b>20,533</b>	<b>20,969</b>	<b>14,110</b>	<b>12,059</b>
<i>Current assets</i>				
Inventories	255	188	42	31
Trade and other receivables	538	496	1,702	1,421
Accounts receivable, related parties	46	53	529	466
Short-term investments	482	324	—	—
Advances paid and prepaid expenses	102	109	72	67
VAT receivable	219	216	251	113
Current income tax assets	—	44	—	8
Cash and cash equivalents	2,067	2,629	707	1,445
<b>Total current assets</b>	<b>3,709</b>	<b>4,059</b>	<b>3,303</b>	<b>3,551</b>
<b>Total assets</b>	<b>24,242</b>	<b>25,028</b>	<b>17,413</b>	<b>15,610</b>
<b>Equity and liabilities</b>				
<i>Equity</i>				
Common stock	8	8	8	8
Other components of equity	2	2	2	2
Retained earnings	13,607	11,836	10,738	10,006
<b>Total equity</b>	<b>13,617</b>	<b>11,846</b>	<b>10,748</b>	<b>10,016</b>
<i>Non-current liabilities</i>				
Notes payable, related parties	—	2,854	—	—
Borrowings	—	2	38	63
Lease obligation	2,502	2,779	—	—
Provisions	276	232	64	49
Contract liabilities	4	1	3	79
<b>Total non-current liabilities</b>	<b>2,782</b>	<b>5,868</b>	<b>105</b>	<b>191</b>
<i>Current liabilities</i>				
Trade and other payables	1,695	1,567	1,739	1,266
Accounts payable, related parties	3,191	3,264	3,294	2,871
Contract liabilities	1,394	1,245	1,139	947
Interest on notes payable, related parties	—	97	—	—
Borrowings	15	45	47	47
Lease obligation	916	879	—	—
Income tax liabilities	217	—	114	—
Provisions	182	179	166	84
Other non-financial liabilities	233	38	61	188
<b>Total current liabilities</b>	<b>7,843</b>	<b>7,314</b>	<b>6,560</b>	<b>5,403</b>
<b>Total equity and liabilities</b>	<b>24,242</b>	<b>25,028</b>	<b>17,413</b>	<b>15,610</b>



## Last Twelve Months Financial Data<sup>(1)</sup>

(UAH millions)

	For the nine months ended 30 September 2018	For the year ended 31 December 2018	For the nine months ended 30 September 2019	For the twelve months ended 30 September 2019 <sup>(1)</sup>
Revenue .....	9,339	12,799	11,478	14,938
OIBDA (1).....	5,049	6,864	6,054	7,869
OIBDA Margin (2)	54.0%	53.6%	52.7%	52.7%
Net Cash provided by operating activities	5,372	7,130	5,496	7,254
Capital Expenditures (3) .....	5,000	6,641	2,669	4,310
Operating Free Cash Flow (3).....	<b>372</b>	<b>489</b>	<b>2,827</b>	2,944
Profit for the period.....	1,263	1,747	1,771	2,255
Total Debt to LTM OIBDA	-	-	-	0.4x
Net Debt to LTM OIBDA	-	-	-	0.2x
Pro forma Adjusted Total Debt to LTM OIBDA <sup>(2)</sup>	-	-	-	2.0x
Pro forma Adjusted Net Debt to LTM OIBDA <sup>(2)</sup>	-	-	-	1.7x

- (1) Last twelve months financial data is derived by subtracting the comparative figures for the nine months ended 30 September 2018 from the figures for the year ended 31 December 2018 and adding the figures for the nine months ended 30 September 2019.
- (2) Pro forma Adjusted Total Debt and Pro forma Adjusted Net Debt are calculated by adding financial indebtedness of US\$500 million incurred under the Loan in connection with the Offering to the amounts of Total Debt and Net Debt, respectively, as at 30 September 2019, converted to UAH using NBU exchange rate of UAH 24.08 set as at 30 September 2019. See “Capitalisation.”

## Reconciliation of Non-IFRS Measures

### 1. OIBDA

(UAH in millions)

	For the nine months ended 30 September		For the year ended 31 December		
	2019	2018	2018	2017	2016
<b>Profit for the period.....</b>	<b>1,771</b>	<b>1,263</b>	<b>1,747</b>	<b>2,132</b>	<b>1,301</b>
<i>add back:</i>					
Depreciation and amortization .....	3,493	2,978	4,088	2,758	2,384
Finance income .....	(140)	(93)	(165)	(132)	(195)
Finance cost	508	506	745	24	21
Income tax expense.....	480	300	460	470	285
Currency exchange (gain)/loss.....	(58)	95	(11)	(236)	2
Other non-operating (income)/expenses .....		-	-	1	1
<b>OIBDA .....</b>	<b>6,054</b>	<b>5,049</b>	<b>6,864</b>	<b>5,017</b>	<b>3,799</b>

## 2. OIBDA Margin

(UAH in millions)

	For the nine months ended 30 September		For the year ended 31 December		
	2019	2018	2018	2017	2016
Revenue .....	11,478	9,339	12,799	11,731	11,138
OIBDA	6,054	5,049	6,864	5,017	3,799
<b>OIBDA Margin .....</b>	52.7%	54.0%	53.6%	42.8%	34.1%

% of revenue

	For the nine months ended 30 September		For the year ended 31 December		
	2019	2018	2018	2017	2016
<b>Net Profit Margin</b>	<b>15.4%</b>	<b>13.5%</b>	<b>13.6%</b>	<b>18.2%</b>	<b>11.7%</b>
<i>add back:</i>					
Depreciation and amortization	30.4%	31.9%	31.9%	23.5%	21.4%
Finance income	-1.2%	-1.0%	-1.3%	-1.1%	-1.8%
Finance cost	4.4%	5.4%	5.8%	0.2%	0.2%
Income tax expense	4.2%	3.2%	3.6%	4.0%	2.6%
Currency exchange (gain)/loss	-0.5%	1.0%	-0.1%	-2.0%	0.0%
Other non-operating (income) / expenses	0.0%	-	-	0.0%	0.0%
<b>OIBDA Margin</b>	<b>52.7%</b>	<b>54.0%</b>	<b>53.6%</b>	<b>42.8%</b>	<b>34.1%</b>

## 3. Operating Free Cash Flow

(UAH in millions)

	For the nine months ended 30 September		For the year ended 31 December		
	2019	2018	2018	2017	2016
<b>Net cash provided by operating activities .....</b>	<b>5,496</b>	<b>5,372</b>	<b>7,130</b>	<b>5,020</b>	<b>2,533</b>
Purchases of property, plant and equipment	(2,007)	(1,683)	(2,752)	(3,383)	(2,216)
Purchases of other intangible assets (excl. cost to obtain contracts)	(662)	(884)	(1,456)	(1,407)	(975)
Purchase of 4G licenses in Ukraine	-	(2,433)	(2,433)	-	-
<b>Total Capital Expenditures</b>	<b>(2,669)</b>	<b>(5,000)</b>	<b>(6,641)</b>	<b>(4,790)</b>	<b>(3,191)</b>
<b>Operating Free Cash Flow .....</b>	<b>2,827</b>	<b>372</b>	<b>489</b>	<b>230</b>	<b>(658)</b>

### Calculation of certain ratios

(UAH in millions)

	As of 30 September		As of 31 December	
	2019	2018	2017	2016
Borrowings, current	15	45	47	47
Borrowings, non-current	-	2	38	63
Notes payable, related parties	-	2,854		
Lease obligation, current	916	879	-	-
Lease obligation, non-current	2,502	2,779	-	-
<b>Total Debt</b>	<b>3,433</b>	<b>6,559</b>	<b>85</b>	<b>110</b>
Cash and cash equivalents	2,067	2,629	707	1,445
<b>Net debt</b>	<b>1,366</b>	<b>3,930</b>	<b>(622)</b>	<b>(1,335)</b>
 <b>OIBDA</b>	 <b>6,054</b>	 <b>6,864</b>	 <b>5,017</b>	 <b>3,799</b>
<b>Net debt / OIBDA</b>	<b>n/a</b>	<b>0.6 x</b>	<b>(0.1) x</b>	<b>(0.4) x</b>

## OPERATING AND FINANCIAL REVIEW

*The following discussion and analysis of the Group's results of operations and financial condition should be read in conjunction with the Financial Statements. Prospective investors should read the following discussion together with the whole of these Listing Particulars, including "Risk Factors", "Presentation of Financial and Certain Other Information" and "Selected Consolidated Financial and Operating Information" and should not rely solely on the information set out in this section. This section contains forward-looking statements that involve risks and uncertainties. The Group's actual results may differ materially from those discussed in such forward-looking statements as a result of various factors, including those described under "Risk Factors" and "Forward-Looking Statements".*

### Operating Results

#### Overview

As at 30 September 2019, the Group is the second largest MNO in Ukraine based on the number of subscribers and has maintained a strong number two position in Ukraine's three-player market over the last ten years. The Group has maintained a consistent market share, which it estimates at 36 per cent. in 2014 and 37 per cent. in 2018, and a stable subscriber base. Its primary operations comprise the provision of mobile services to a range of residential and corporate customers in Ukraine, as well as retail sales, value-added services and fixed-line services. As at the date of these Listing Particulars, the Group's retail chain consists of 617 stores, including 247 leased outlets and 370 franchised stores. The Group uses the globally recognisable brand of Vodafone group, the second largest telecommunications operator in Europe by revenue in 2018. Vodafone was the winner of the UK's most valuable brand award and the Vodafone Branding Agreement gives the Group the right to use Vodafone's global digital products portfolio designed to stimulate subscribers' data usage and increase user retention. In addition, the Group believes it offers the best solution for roaming and that it has a leading position in Ukraine's youth and mobile internet segments.

The Group obtains revenue from providing mobile telecommunications services (access charges, messaging, interconnect fees, TV and musical content and connection fees), as well as selling equipment and accessories. The most significant part of its revenue relates to prepaid contracts. For the nine months ended 30 September 2019, the Group had a diversified revenue stream, with 55 per cent. of its revenue derived from data sales, 18 per cent. from voice services, 16 per cent. from interconnection, 11 per cent. from other mobile services and the remainder deriving from its retail and fixed line offerings.

As at 31 December 2018, the companies of the Group were indirect subsidiaries of Mobile TeleSystems Public Joint-Stock Company or MTS. On 3 December 2019, the Group was sold to Telco Solutions and Investments LLC, a company indirectly wholly controlled by Mr Nasib Hasanov (Azerbaijan).

The Group's revenue for the nine months ended 30 September 2019 grew by 22.9 per cent. compared to the comparable period in 2018 and totalled to UAH 11,478 million mainly due to continued positive trends in data consumption and digital service adoption by subscribers. The Group's operating profit for the nine months ended 30 September 2019 totalled to UAH 2,561 million, an increase of 23.7 per cent. in comparison with the prior year period, mainly due to growth of data consumption and retail sales of goods. The Group's profit for the nine months ended 30 September 2019 totalled UAH 1,771 million, an increase of 40.2 per cent. in comparison with the nine months ended 30 September 2018, also largely due to growth of data consumption and retail sales of goods.

The Group's revenue for the year ended 31 December 2018 grew by 9.1 per cent. compared to 2017 and totalled to UAH 12,799 million. The Group's revenue increased mainly due to continued positive trends in data consumption, supported by active 3G and 4G network deployments. The Group's operating profit for the year ended 31 December 2018 totalled to UAH 2,776 million in comparison with UAH 2,259 million for the year

ending 31 December 2017 - an increase of 22.9 per cent., which was mainly due to active 3G and 4G network deployments. The Group's profit for the year ended 31 December 2018 declined to UAH 1,747 million from UAH 2,132 for the year ended 31 December 2017 mainly due to an increase in finance costs related to the application of IFRS 16 "Leases" starting from 1 January 2018 and an increase in interest expense. See Notes 9 and 7 to the Group's audited consolidated financial statements for the years 2018 and 2017, respectively, for a description of the Group's finance income and costs.

The Group's revenue for the year ended 31 December 2017 totalled to UAH 11,731 million, an increase of 5.3 per cent. year-over-year from UAH 11,138 million in the year ended 31 December 2016. Overall, the Group's performance in 2017 was largely driven by increase in data services consumptions. The Group's operating profit for the year ended 31 December 2017 increased by 59.6 per cent. to UAH 2,259 million from UAH 1,415 million for the year ended 31 December 2016 due to strong service revenue as well as significant optimisation of roaming cost. The Group's profit for the year ended 31 December 2017 increased by 63.9 per cent. to UAH 2,132 million from UAH 1,301 million in the year ended 31 December 2016, largely due to the same factors as those that affected operating profit.

Significant funds are required to support the maintenance or growth of the Group's subscriber base, primarily for increasing network capacity, maintaining and modernising its mobile networks, developing its retail store footprint and continuing the build-out of its LTE and 3G networks.

The Group's cash outlays for capital expenditures towards property, plant and equipment, and other intangible assets for the years ended 31 December 2018, 2017 and 2016 were UAH 6,641 million (including UAH 2,433 million 4G licences cost), UAH 4,790 million and UAH 3,191 million, respectively.

The Group has financed its cash requirements through operating cash flows. Net cash provided by operating activities for the nine months ended 30 September 2019 was UAH 5,496 million, and for the years ended 31 December 2018, 2017 and 2016 was UAH 7,130 million, UAH 5,020 million and UAH 2,533 million, respectively.

For the nine months ended 30 September 2019, the Group had total debt of UAH 3,433 million, and for the years ended 31 December 2018 and 31 December 2017, the Group's total debt was UAH 6,559 million and UAH 85 million, respectively.

For the nine months ended 30 September 2019, the Group's finance costs were UAH 508 million and for the years ended 31 December 2018, 2017 and 2016 were UAH 745 million, UAH 24 million and UAH 21 million, respectively. See Notes 9 and 7 to the Group's audited consolidated financial statements for the years 2018 and 2017, respectively, for a description of the Group's finance income and costs.

The Group's reporting currency is Ukrainian hryvnia ("UAH").

## **Segments**

The chief operating decision makers (comprising the Group CEO and senior management team) analyse and review results of the Group's operating segments separately based on the nature of products and services. The chief operating decision makers evaluate the segments' performance based on revenue and OIBDA (operating income before depreciation and amortization). The chief operating decision makers do not analyse assets or liabilities by segments.

The mobile business segment represents the result of mobile operations, which encompasses services rendered to customers across Ukraine, including voice and data services. The mobile business segment is major reportable segment, comprising UAH 12,623 million of revenue from external customers of the Group's UAH 12,799 million total revenue for the year ended 31 December 2018, and UAH 10,932 million of revenue

from external customers of the Group's UAH 11,478 million total revenue for the nine months ended 30 September 2019.

The "Other" category does not constitute a reportable segment. It includes the results of LLC VF Retail and LLC IT SmartFlex that do not meet the quantitative thresholds for separate reporting.

See Note 5 to the Group's audited consolidated financial statements for the year ended 31 December 2018 for details of segment information, including intra-Group eliminations.

### **Mobile Subscribers**

The following table shows the Group's mobile subscribers as of the dates indicated:

	At 30 September	At 31 December		
	2019	2018	2017	2016
	(approximate, in millions)			
Subscribers <sup>(*)</sup>	19.8	19.7	20.8	20.9

<sup>(\*)</sup>The Group defines a subscriber as a SIM-card belonging to an organisation or individual whose SIM-card shows traffic-generating activity or accrues a balance for services rendered or is replenished or topped up over the course of any three-month period, inclusive within the reporting period, and was not blocked at the end of that period.

According to the Group's estimates as at 30 September 2019, the Group had approximately a 37.3 per cent. market share of total mobile cellular subscribers in Ukraine. The decrease in subscriber base in the year ended 31 December 2018 to the year ended 31 December 2017 is largely attributed to the loss of the subscriber base in TOT.

### **Revenue**

The Group's principal sources of revenue are:

- mobile service revenue, which include usage and interconnect fees, value-added services fees, monthly subscription fees, roaming fees and connection fees;
- revenue from sales of handsets, accessories and other goods;

As at the date of these Listing Particulars, the Group's mobile tariffs in Ukraine are not currently regulated by any organisation or governmental authority, with the exception of general oversight powers of the AMC. The AMC may still check compliance of tariffs with Ukrainian laws for the purpose of protection from unfair competition and protection of economic competition. The interconnect fees the Group charges to other operators for terminating calls interconnecting to the Group's mobile network are regulated in Ukraine. See also "*Risk Factors—Risks Relating to Our Business—Changes in the governmental regulation of SMP operators in Ukraine could adversely affect the Group's results of operations.*"

### **Service revenue**

*Subscription, voice and data revenue* primarily include monthly fees paid by the Group's users of tariff plans which contain fixed volume of services such as minutes of usage, SMS, data traffic and other services. The over-the-limit consumption of services are charged to the Group's subscribers depending on a tariff plan. Subscription, data, voice and other subscriber's revenue as a percentage of the Group's total revenue were 72.3 per cent. during the nine months ended 30 September 2019, 72.1 per cent. in 2018, 73.4 per cent. in 2017 and 63.7 per cent. in 2016. The Group expects subscription, voice and data revenue as a percentage of the Group's revenue to remain stable in 2020.

*Interconnect fees*, which are fees for connecting users of other operators' fixed line and wireless networks to the Group's network comprised 16 per cent. during the nine months ended 30 September 2019, 19 per cent. in 2018, 18 per cent. and 27 per cent. of the Group's total revenue in 2017 and 2016, respectively. The Group believes that interconnect fees for 2020 will be largely in line with those in 2019 and 2018.

*Roaming fees for the Group's subscribers* include amounts charged to the Group's subscribers while traveling out of the Group's service area. Roaming fees for the Group's subscribers as a percentage of the Group's total revenue represented 3 per cent. during the nine months ended 30 September 2019, 4 per cent. in 2018, 4 per cent. in 2017 and 5 per cent. in 2016. The Group expects that its roaming fees will decrease slightly in 2020 as a percentage of the Group's total revenue, due to individually insignificant changes in the types of revenue.

Other sources of service revenue comprised less than 5 per cent. of the Group's total revenue as of 30 September 2019.

### ***Sales of Goods***

Sales of goods primarily consists of the sale of handsets and accessories, and as a percentage of total revenue comprised 5.4 per cent. for the nine months ended 30 September 2019, 2.1 per cent. in 2018, 0.2 per cent. in 2017 and 0.2 per cent. in 2016. The increase in 2018 as compared to 2017 is attributable to the growth of the Group's retail chain.

### ***Cost of Services***

*Interconnect and line rental.* Interconnect and line rental charges include charges payable to other operators for access to, and use of their networks, which are necessary in the course of providing service to the Group's subscribers. Interconnect charges as a percentage of the Group's total revenue represented 11 per cent. during the nine months ended 30 September 2019, 12 per cent. in 2018, 13 per cent. in 2017 and 17 per cent. in 2016.

The Group expects that interconnect expenses payable by it to other operators for termination of traffic generated by the Group's subscribers will slightly increase. Primarily, this increase will likely be attributable to the growth in the volume of traffic resulting from the Group's efforts to encourage greater usage through the introduction of new services, which may be supported by marketing campaigns.

*Roaming expenses.* Roaming expenses consist of amounts charged by other cellular operators under agreements for roaming services provided to the Group's subscribers while outside the Group's service area. Roaming expenses as a percentage of total revenue represented 2 per cent. during the nine months ended 30 September 2019, 3 per cent. in 2018, 4 per cent. in 2017 and 8 per cent. in 2016. The decrease of roaming expenses as a percentage of total revenue was largely due to the impact of cost optimisation.

### ***Other cost of services***

The Group's other cost of services primarily consist of:

- production staff's salary, bonuses and social contributions;
- network repair and maintenance;
- electricity charges; and

- payments for radio frequencies usage.

The Group's other cost of services as a percentage of total revenue and represented 13 per cent. during the nine months ended 30 September 2019, 15 per cent. in 2018, 19 per cent. in 2017 and 20 per cent. in 2016. Other cost of services as a percentage of revenue are expected to increase over time as a result of inflation.

### ***Cost of goods***

This type of expense includes primarily the cost of handsets and accessories sold to subscribers, the cost of SIM cards provided to customers, the cost of software products sold and inventory obsolescence provision. Cost of handsets, accessories sold and SIM cards provided to customers as a percentage of the Group's total revenue represented 5 per cent. during the nine months ended 30 September 2019, 2 per cent. in 2018, 0.6 per cent. in 2017 and 0.7 per cent. in 2016. The increases in the nine months ended 30 September 2019 and 2018 are attributable to a strategy to win over additional market share in selling handsets and accessories.

### ***Selling, general and administrative expenses***

The Group's selling, general and administrative expenses comprise of the following:

- salaries and social contributions;
- advertising and marketing expenses;
- dealers commission;
- general office expenses;
- billing and data processing;
- taxes other than income tax; and
- other.

In the nine months ended 30 September 2019, and years 2018, 2017 and 2016, selling, general and administrative expenses comprised 17 per cent., 16 per cent., 20 per cent. and 21 per cent. of the Group's revenue, respectively.

The decrease in selling, general and administrative expenses as a percentage of the Group's revenue in 2018 in comparison with the prior year related to capitalisation of dealer commissions and rent expenses and Vodafone trademark expenses as a result of the adoption of IFRS 15 and IFRS 16 respectively.

The Group retains some degree of flexibility to increase or decrease these expenses in any given period based on the Group's requirements, strategy and the general economic environment. However, selling, general and administrative expenses as a percentage of revenue are expected to increase over time as a result of inflation.

### ***Other Operating Income/Expenses***

The Group's other operating income/expenses include:

- other operating expenses such as gain/losses on disposal of property, plant and equipment and intangible assets as well as any gain/losses resulting from stock-taking; and



- assets and inventory obsolescence provisions and bad debt provisions.

Other operating income / expenses as a percentage of the Group's total revenue represented 1 per cent., 0.5 per cent., 0.2 per cent. and 0.1 per cent. for the nine months ended 30 September 2019, and the years ended 31 December 2018, 2017 and 2016, respectively. In the financial year 2018 the Group recorded other operating income in amount of UAH 62 million, which was mainly attributable to gain from sale or other disposal of the Group's property, equipment and rights-of-use assets. In 2017 other operating expense amounted to UAH 25 million against operating income of UAH 16 million in 2016.

#### ***Depreciation of Property, Network Equipment and Amortization of Intangible Assets***

The Group's expense for depreciation of property, network equipment and amortization of intangible assets as a percentage of the Group's total revenue represented 30 per cent. for the nine months ended 30 September 2019, and increased to 32 per cent. for the year ended 31 December 2018 as compared to 24 per cent. of the Group's total revenue for the year ended 31 December 2017. The nine months ended 30 September 2019 and financial year ended 2018 increases as compared to the financial year ended 2017 were attributable mostly to the effect of adoption of IFRS 16 and IFRS 15. Depreciation of right-of-use assets recognised under IFRS 16 comprised 5 per cent. of revenue for the year ended 31 December 2018, amortization of costs to obtain contracts recognised under IFRS 15 comprised 1 per cent. of revenue for the year ended 31 December 2018, and depreciation and amortization of property, equipment and other intangible assets comprised 26 per cent. of revenue for the year ended 31 December 2018. The Group's expense for depreciation of property, network equipment and amortization of intangible assets comprised 21 per cent. of the Group's total revenue for the year ended 31 December 2016.

#### ***Finance costs***

The Group's finance costs for 2018 increased by UAH 721 million compared to 2017 and amounted to UAH 745 million. The increase was primarily attributable to the adoption of IFRS 16 "Leases" beginning from 1 January 2018 (UAH 503 million), issued Eurobonds due 2021 (UAH 195 million) and debt issuance costs (UAH 7 million). The Group's finance costs for 2017 increased by UAH 3 million or 14 per cent. compared to 2016 and amounted to UAH 24 million.

In March 2019, the Group repaid principal and coupon (interest accrued to date) of Notes due in 2021 in the amount of EUR 90 million (UAH 2,745 million as of the repayment date).

The Group expects its finance costs to increase in 2020, largely as a result of the issuance of the Notes.

#### ***Provision for Income Taxes***

The statutory income tax rate in Ukraine is 18 per cent.. The effective tax rate applicable to the Group in the years ended 31 December 2018, 2017 and 2016 was 20.8 per cent., 18.1 per cent. and 18 per cent., respectively. The effective tax rate differs from the statutory rate mainly as a result of expenses not deductible for tax purposes (including for IFRS 16 in 2018) and non-recognition of deferred tax assets on losses of LLC VF Retail for 2018.

### **Certain Factors Affecting the Group's Financial Position and Results of Operations**

#### ***Sales***

### ***Subscriber base development***

As at 31 December 2018, the Group's revenue increased by 9.1 per cent. compared to the year ending 31 December 2017 and reached UAH 12,799 million. The Group's subscriber base decreased to approximately 19.7 million subscribers, from 20.8 million subscribers in the same period mainly due to a decrease in its subscriber base in the Temporary Occupied Territories. During 2016, 2017 and 2018 the Group actively expanded its network in order to meet the growing demand for high-speed mobile internet and digital services. As at 30 September 2019 the Group's subscriber base was 19.8 million.

### ***4G Services***

In January 2018, the Group secured its first 4G licence in the 2600 MHz band, and subsequently obtained a 4G licence in the 1800MHz band in March 2018. By the end of 2018 the Group's 4G network was available in all regions of Ukraine and covered more than 45 per cent. of the country's population, and its 3G network was available for more than 85 per cent. of Ukrainians. As for the nine months ended 30 September 2019, the Group expanded its 4G coverage to reach 66 per cent. of the population of Ukraine. Management believe that the Group will achieve approximately 90 per cent. 4G population coverage in the next few years. Management also believes that success in the digital services market will strengthen the Group's market position.

As at 30 September 2019, the underlying developments in the Ukrainian market trended generally positive and included high mobile penetration, strong demand for mobile services, generally positive usage trends and increased consumption of data services. The Group also began to actively develop its own retail network as a part of the Group's strategy. As a result, the Group's revenue for the nine months ending 30 September 2019 increased by 22.9 per cent. in comparison with the same period in 2018.

### ***Churn***

The Group defines churn as the total number of subscribers who cease to be a subscriber during the period (whether involuntarily due to non-payment or voluntarily), expressed as a percentage of the average number of the Group's subscribers during that period.

A vast majority of the Group's subscribers are prepaid subscribers with no contractual commitment to the Group. As a result, these subscribers have unfettered freedom to migrate between operators at their convenience. This freedom, combined with the relative ease with which subscribers can obtain SIM cards, contributes to churn and increasing penetration levels in the markets where the Group operates.

The churn rate in Ukraine decreased to 18.8 per cent. for the nine months ended 30 September 2019 when compared to 20.7 per cent. for the comparable period in 2018, and slightly increased to 28.8 per cent. for the year ended 31 December 2018, from 26.6 per cent. for the year ended 31 December 2017.

### ***Currency fluctuations***

A majority of the Group's capital expenditure and a part of the Group's liabilities and borrowings are either denominated in or tightly linked to the U.S. dollar or euro. As a result of the fluctuations of the Ukrainian hryvnia against the U.S. dollar or euro, the Group may incur significant currency exchange gains/losses which may adversely affect the Group's profit.

### ***New products and services***

The Group's largest revenue growth driver between the year ending 31 December 2016 and 30 September 2019 was data services, which grew from UAH 2,220 million in the year ending 31 December 2016 to UAH 3,886 million in the year ending 31 December 2017 and then to UAH 5,785 million in the year ending 31 December

2018. Data services revenue increased from UAH 4,143 million in the nine months ended 30 September 2018 to UAH 6,148 million in the nine months ended 30 September 2019.

### ***Retail chain***

The Group began to actively develop its own retail network in 2018 as a part of the Group's strategy.

As a result, the number of outlets increased from 30 as of 30 March 2018 to 63 as of 30 September 2018 to 145 as of 31 December 2018, and reached 247 shops as of 30 September 2019. The Group's total retail revenue (sales of goods) has increased from UAH 268 million in 2018 to UAH 615 million in nine months ended 30 September 2019, representing 2.1 per cent. and 5.4 per cent. of the Group's revenue respectively.

In the future, the Group does not plan to significantly increase the number of stores, with the main goal being the development of existing locations and improving efficiency.

### ***Inflation***

The Group's financial position and results of operations as reflected in the audited consolidated financial statements included elsewhere in this document have been influenced by the Ukrainian economy's high rates of inflation:

<b>Year</b>	<b>Inflation/ (deflation)rate</b>
2011	8.0%
2012	(0.2)%
2013	(0.3)%
2014	12.1%
2015	48.7%
2016	13.9%
2017	14.4%
2018	10.9%

Source: State Statistics Committee of Ukraine.

The Group expects inflation-driven increases in costs to put pressure on its margins. Additionally, management believes that inflation will decrease in next few years to the target level 5 per cent., and that will have a positive influence on the Group's performance. However, economic uncertainties could lead to increased inflation and the Group believes this could, in turn, adversely affect its costs. While the Group could seek to raise its tariffs to compensate for such increase in costs, competitive pressures may not permit increases that are sufficient to preserve operating margins.

### **Accounting Standards Adopted During the Year ended 31 December 2018**

#### ***IFRS 16***

From January 1, 2018, the Group applied IFRS 16 leases. This reporting standard replaced IAS 17. IFRS 16 requires lessees to recognise assets and liabilities for all leases and to present the rights and obligations associated with these leases in the statement of financial position.

In applying IFRS 16 for the first time, the Group used the following practical expedients permitted by the standard:

- Relief from the requirement to reassess whether a contract is, or contains the lease for contracts existing as of 1 January 2018;
- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous;
- Exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- Use of hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

The Group's lease contracts largely relate to leases of cellular sites (i.e. land, space in cell towers or rooftop surface areas), network infrastructure, and retail stores as well as buildings used for administrative or technical purposes. The weighted average borrowing rate we apply to lease liabilities recognised in the statement of financial position at the date of initial application 1 January 2018 was 17.46% (in 2019 incremental borrowing rate – 20.7%). The value of right-of-use assets and lease liabilities is based on management estimates of lease terms as well as an incremental borrowing rate used to discount lease payments. Before application of IFRS 16 on 1 January 2018, we accounted for agreement on usage of Vodafone trademark under IAS 17 and classified these expenses as part of advertising and marketing expenses.

The reconciliation between the operating lease commitments disclosed under IAS 17, *Leases* as of 31 December 2017 discounted at the weighted average rate and lease liability recognized under IFRS 16 at 1 January 2018 is presented below:

	<b>1 January 2018</b>
Operating lease commitments	<b>585</b>
Operating lease commitments discounted at 17.46%	<b>457</b>
Lease liability under IFRS 16	3,143
<b>Difference</b>	<b>2,686</b>
Thereof:	
Lease liability related to exclusive right to use trademark	900
Extension options reasonably certain to be exercised	1,786

### ***Effect on the financial statements***

#### ***Impact on statement of financial position:***

The table below shows the effects of IFRS 16 adoption on the Group's consolidated statement of financial position as of 1 January 2018:

	<b>31 December 2017, as originally presented</b>	<b>IFRS 16 adjustments</b>	<b>1 January 2018 (restated)</b>
<b>Assets</b>			
<i>Non-current assets</i>			
Right-of-use assets	-	3,143	3,143

<b>Total non-current assets</b>	<b>14,110</b>	<b>3,143</b>	<b>17,253</b>
<b>Total assets</b>	<b>17,413</b>	<b>3,143</b>	<b>20,556</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Retained earnings	10,738	-	10,738
<b>Total equity</b>	<b>10,748</b>	<b>-</b>	<b>10,748</b>
Non-current liabilities			
Lease obligation	-	2,439	2,439
<b>Total non-current liabilities</b>	<b>105</b>	<b>2,439</b>	<b>2,544</b>
Current liabilities			
Lease obligation	-	704	704
<b>Total current liabilities</b>	<b>6,560</b>	<b>704</b>	<b>7,264</b>
<b>Total equity and liabilities</b>	<b>17,413</b>	<b>3,143</b>	<b>20,556</b>

The following table presents a summary of net book value of right-of-use assets as of 30 September 2019 and 31 December 2018:

<b>Lease of:</b>	<b>30 September 2019</b>	<b>31 December 2018</b>
Sites for placement of network and base station equipment	2,268	2,408
Retail store	396	375
Exclusive rights for trademarks	375	600
Administrative buildings	96	57
Vehicles	13	16
Channels	-	3
<b>Rights-of-use assets, net</b>	<b>3,148</b>	<b>3,459</b>

The table below summarises the estimated lease terms, over which the right-of-use assets are amortized:

<b>Lease of:</b>	
Sites for placement of network equipment and base stations on rooftops or inside the buildings	10 years
Sites for placement of network equipment and base stations on land	20 years
Channels	Up to 2 years
Retail stores	Up to 6 years
Administrative offices, warehouses, parking garages	Not less than 3 years
Vehicles	5 years
Exclusive rights for trademarks	3 years

The table below represents changes in the Group's lease obligations during the nine months ended 30 September 2019:

	<u>Lease obligations</u>
<b>1 January 2019</b>	<b>3,658</b>
New obligations arising during the year	241
Modifications of existing leases	23
Termination of leases	(82)
Accrued interest	419
Payment of principal	(342)
Payment of interest	(419)
Foreign exchange gain	(80)
<b>30 September 2019</b>	<b><u>3,418</u></b>

*Impact on income statement:*

	<u>2018</u>		
	<u>Actual</u>	<u>Adjustments with respect to IFRS 16</u>	<u>Without adjustment for IFRS 16</u>
<b>Revenue</b>	<b>12,799</b>	-	<b>12,799</b>
<b>Operating profit</b>	<b>2,776</b>	(282)	<b>2,494</b>
<b>Net profit</b>	<b>1,747</b>	181	<b>1,928</b>
<b>Non-IFRS measures:</b>			
<b>OIBDA</b>	<b>6,864</b>	(881)	<b>5,983</b>
<b>OIBDA margin, %</b>	<b>53.6%</b>		<b>46.7%</b>

	<u>Nine months ended 30 September 2019</u>		
	<u>Actual</u>	<u>Adjustments with respect to IFRS 16</u>	<u>Without adjustment for IFRS 16</u>
<b>Revenue</b>	<b>11,478</b>	-	<b>11,478</b>
<b>Operating profit</b>	<b>2,561</b>	(222)	<b>2,339</b>
<b>Net profit</b>	<b>1,771</b>	112	<b>1,883</b>
<b>Non-IFRS measures:</b>			
<b>OIBDA</b>	<b>6,054</b>	(760)	<b>5,294</b>
<b>OIBDA margin, %</b>	<b>52.7%</b>		<b>46.1%</b>

*Operating profit impact*

The implementation of IFRS 16 resulted in a positive increase of UAH 282 million for the year ended 31 December 2018, and a positive increase of UAH 222 million for the nine months ended 30 September 2019.

*OIBDA impact*

The implementation of IFRS 16 resulted in a positive increase of UAH 881 million for the year ended 31 December 2018, and a positive increase of UAH 760 million for the nine months ended 30 September 2019.

*Impact on statement of financial position:*

	As of December 31, 2018		
	Actual	Adjustments with respect to IFRS 16	Without adjustment for IFRS 16
<b>Non-current assets</b>	<b>20,969</b>	<b>(3,459)</b>	<b>17,510</b>
<b>Current assets</b>	<b>4,059</b>	<b>-</b>	<b>4,059</b>
<b>Total assets</b>	<b>25,028</b>	<b>(3,459)</b>	<b>21,569</b>
<b>Equity</b>	<b>11,846</b>	<b>199</b>	<b>12,045</b>
<b>Non-current liabilities</b>	<b>5,868</b>	<b>(2,779)</b>	<b>3,089</b>
<b>Current liabilities</b>	<b>7,314</b>	<b>(879)</b>	<b>6,435</b>
<b>Total equity and liabilities</b>	<b>25,028</b>	<b>(3,459)</b>	<b>21,569</b>

	As of September 30, 2019		
	Actual	Adjustments with respect to IFRS 16	Without adjustment for IFRS 16
<b>Non-current assets</b>	<b>20,533</b>	<b>(3,148)</b>	<b>17,385</b>
<b>Current assets</b>	<b>3,709</b>	<b>-</b>	<b>3,709</b>
<b>Total assets</b>	<b>24,242</b>	<b>(3,148)</b>	<b>21,094</b>
<b>Equity</b>	<b>13,617</b>	<b>270</b>	<b>13,887</b>
<b>Non-current liabilities</b>	<b>2,782</b>	<b>(2,502)</b>	<b>280</b>
<b>Current liabilities</b>	<b>7,843</b>	<b>(916)</b>	<b>6,927</b>
<b>Total equity and liabilities</b>	<b>24,242</b>	<b>(3,148)</b>	<b>21,094</b>

## Results of Operations

The following table sets out the Group's selected income statement data for the nine month periods ended 30 September 2019 and 2018, and for the years ended 31 December 2018, 2017 and 2016.

	Nine months ended 30 September		Year ended 31 December		
	2019	2018	2018	2017	2016
Service revenue	10,863	9,217	12,531	11,703	11,115
Sales of goods	615	122	268	28	23
<b>Revenue</b>	<b>11,478</b>	<b>9,339</b>	<b>12,799</b>	<b>11,731</b>	<b>11,138</b>
Cost of services	(2,992)	(2,788)	(3,714)	(4,329)	(4,980)
Cost of goods	(564)	(127)	(261)	(68)	(74)
Selling, general and administrative expenses	(1,939)	(1,411)	(2,022)	(2,292)	(2,301)
Depreciation and amortization	(3,493)	(2,978)	(4,088)	(2,758)	(2,384)
Other operating income/(expenses)	71	36	62	(25)	16
<b>Operating profit</b>	<b>2,561</b>	<b>2,071</b>	<b>2,776</b>	<b>2,259</b>	<b>1,415</b>
Finance income	140	93	165	132	195
Finance costs	(508)	(506)	(745)	(24)	(21)
Currency exchange gain	58	(95)	11	236	(2)
Other expenses	-	-	-	(1)	(1)
<b>Profit before tax</b>	<b>2,251</b>	<b>1,563</b>	<b>2,207</b>	<b>2,602</b>	<b>1,586</b>
Income tax expense	(480)	(300)	(460)	(470)	(285)
<b>Profit for the year</b>	<b>1,771</b>	<b>1,263</b>	<b>1,747</b>	<b>2,132</b>	<b>1,301</b>

### Nine Months Ended 30 September 2019 compared to Nine Months Ended 30 September 2018

#### *Revenue and cost of services and cost of goods*

*Revenue* increased by 22.9 per cent. to UAH 11,478 million in the nine months ended 30 September 2019, from UAH 9,339 million in the nine months ended 30 September 2018. The principal reason for the growth was a large increase in the usage of data services by subscribers (including usage in roaming) of UAH 2,046 million, which was mainly attributable to the increase in mobile internet penetration, an increase in usage of smartphones by subscribers, active 3G and LTE network expansion and the consequent improvement of the quality and uptake of data services. The increase of the Group's revenue for the period ended 30 September 2019 was also supported by the growth in revenue from sales of handsets and accessories by UAH 493 million. The increase in sales of handsets and accessories ("sales of goods") by UAH 493 million resulted from active marketing initiatives.

Cost of services and cost of goods increased by 22 per cent. to UAH 3,556 million in the nine months ended 30 September 2019, from UAH 2,915 million in the nine months ended 30 September 2018. This increase is



attributable to increased focus of the Group's retail offering. Cost of goods increased by more than three times and was UAH 564 million in the nine months ended 30 September 2019 compared to UAH 127 million in the nine months ended 30 September 2018. Cost of services increased by UAH 204 million in the nine months ended 30 September 2019 to UAH 2,992 million compared to UAH 2,788 million in the nine months ended 30 September 2018.

#### ***Other operating income***

Other operating income for the nine months ended 30 September 2019, increased by UAH 35 million to income of UAH 71 million from an income of UAH 36 million for the nine months ended 30 September 2018. Other operating income as a percentage of revenue comprised 1 per cent. for the nine months ended 30 September 2019 and 0.4 per cent. for the nine months ended 30 September 2018. The increase is mainly attributable to disposal of property, equipment and right-of-use assets.

#### ***Selling, general and administrative expenses***

Selling, general and administrative expenses for the nine months ended 30 September 2019, increased by UAH 528 million and amounted to UAH 1,939 million as compared to UAH 1,411 million for the nine months ended 30 September 2018 mainly due to growth of salaries and social contribution and comprised 17 per cent. and 15 per cent. as a percentage of revenue for the nine months ended 30 September 2019 and 2018, respectively. Dealer commissions as a percentage of revenue were 2 per cent. both for the nine months ended 30 September 2019 and for the nine months ended 30 September 2018.

#### ***Depreciation and amortization expenses***

Depreciation and amortization for the nine months ended 30 September 2019, increased by 17 per cent. to UAH 3,493 million from UAH 2,978 million for the nine months ended 30 September 2018. The increase is mainly attributable to the Group's network construction and 4G rollout.

#### ***Operation profit***

Operating profit for the nine months ended 30 September 2019, increased by 24 per cent. to UAH 2,561 million compared to UAH 2,071 million for the nine months ended 30 September 2018. Operating profit as a percentage of revenue is on the level of 22 per cent. both for the nine months ended 30 September 2019 compared and for the nine months ended 30 September 2018.

#### ***Finance costs***

Finance costs for the nine months ended 30 September 2019, slightly increased by UAH 2 million, to UAH 508 million from UAH 506 million for the nine months ended 30 September 2018. The increase was primarily attributable to growth of interest on the lease liability meanwhile interest on the Notes have decreased through repayment of Notes.

#### ***Currency exchange gains/losses***

Currency exchange gain for the nine months ended 30 September 2019, was UAH 58 million, compared to the losses of UAH 95 million for the nine months ended 30 September 2018. The gain was recognized in the nine months ended 30 September 2019 was mainly attributable to the depreciation of euro against Ukrainian Hryvnia.

#### ***Income tax expense***

Income tax expense for the nine months ended 30 September 2019 increased by 60 per cent. to UAH 480 million from UAH 300 million for the nine months ended 30 September 2018. The effective tax rate

increased to 21.3 per cent. in the nine months ended 30 September 2019, from 19.2 per cent. in the nine months ended 30 September 2018.

#### ***Profit for the period***

Profit for the nine months ended 30 September 2019, increased by UAH 508 million, or 40 per cent. to UAH 1,771 million, compared to UAH 1,263 million for the nine months ended 30 September 2018. Net income as a percentage of revenue was 15 per cent. in the nine months ended 30 September 2019, and 14 per cent. in the nine months ended 30 September 2018.

#### **Year Ended 31 December 2018 compared to Year Ended 31 December 2017**

##### ***Revenue and cost of services and cost of goods***

*Revenue* increased by 9.1 per cent. to UAH 12,799 million in the year ended 31 December 2018, from UAH 11,731 million in the year ended 31 December 2017. The principal reason for the growth was a large increase in the usage of data services by subscribers (including usage in roaming) of UAH 1,817 million, which was mainly attributable to the increase in mobile internet penetration, an increase in usage of smartphones by subscribers, active 3G and LTE network expansion and the consequent improvement of the quality and uptake of value-added services. The growth was also attributable to an increase in interconnect revenue by UAH 316 million due to an increase in the volume of traffic. The increase of the Group's revenue for the year ended 31 December 2018 was also supported by the growth in revenue from sales of handsets and accessories by UAH 240 million. The increase in sales of handsets and accessories (sales of goods) by UAH 240 million resulted from active marketing initiatives and smartphones' penetration.

*Cost of services and cost of goods* decreased by 10 per cent. to UAH 3,975 million in the year ended 31 December 2018 from UAH 4,397 million in the year ended 31 December 2017. The decline in cost of services and cost of goods is attributable to the implementation of IFRS 15 and IFRS 16.

##### **Other operating expenses**

*Other operating income* for the year ended 31 December 2018 increased by UAH 87 million to an income of UAH 62 million from expense of UAH 25 million for the year ended 31 December 2017. This change is mainly attributable to the fact that there was a provision for fines and penalties regarding investigations of the Antimonopoly Committee of Ukraine which was charged to other operating expenses for the year ended 31 December 2017 and then reversed during the year ended 31 December 2018.

##### ***Selling, general and administrative expenses***

*Selling, general and administrative expenses* for the year ended 31 December 2018 decreased by UAH 270 million and amounted to UAH 2,022 million as compared to UAH 2,292 million for the year ended 31 December 2017 and comprised 16 per cent. and 20 per cent. as a percentage of revenue for the year ended 31 December 2018 and 2017, respectively. Dealer commissions as a percentage of revenue decreased to 2 per cent. for the year ended 31 December 2018 compared to 4 per cent. for the year ended 31 December 2017 mainly as a result of the adoption of IFRS 15 "Revenue from contracts with customers". There was a reduction in advertising and marketing expenses due to capitalisation of the Vodafone trademark expense as a result of adoption of IFRS 16.

##### ***Depreciation and amortization expenses***

*Depreciation and amortization* for the year ended 31 December 2018 increased by 48 per cent. to UAH 4,088 million from UAH 2,758 million for the year ended 31 December 2017. The increase is mainly attributable to recognition of depreciation on right of use assets consequent to the adoption of IFRS 16 and additions of property, equipment and intangible assets.

### ***Operating profit***

*Operating profit* for the year ended 31 December 2018 increased by 23 per cent. to UAH 2,776 million compared to UAH 2,259 million for the year ended 31 December 2017. Operating profit increased as a percentage of revenue to 22 per cent. for the year ended 31 December 2018, from 19 per cent. for the year ended 31 December 2017. The increase was mainly attributable to an increase in mobile internet penetration, an increase in usage of smartphones by subscribers, active 3G and LTE network expansion and the consequent improvement of the quality and uptake of value-added services.

### ***Finance costs***

*Finance costs* for the year ended 31 December 2018 increased by UAH 721 million, to UAH 745 million from UAH 24 million for the year ended 31 December 2017. The increase was primarily attributable to the recognition of additional finance costs consequent to the adoption of IFRS 16 "Leases" beginning from 1 January 2018 and the issuance in 2018 of Eurobonds due 2021, which were settled in March 2019.

### ***Currency exchange gains/losses***

*Currency exchange gain* for the year ended 31 December 2018 was UAH 11 million, compared to the gain of UAH 236 million for the year ended 31 December 2017. The gain recognised in the year ended 31 December 2018 was mainly attributable to the appreciation of the Ukrainian Hryvnia against euro during the year ended 31 December 2018. The decrease compared to the year ended 31 December 2017 was consequent to the reduction in the monetary assets denominated in euro.

### ***Other expenses***

*Other expenses* for the year ended 31 December 2018 were zero, as compared to the expense of UAH 1 million for the year ended 31 December 2017.

### ***Income tax expense***

*Income tax expense* for the year ended 31 December 2018 decreased by 2 per cent. to UAH 460 million from UAH 470 million for the year ended 31 December 2017 with a simultaneous increase in the effective tax rate. The effective tax rate increased to 20.8 per cent. in the year ended 31 December 2018, from 18.1 per cent. in the year ended 31 December 2017 mainly as a result of expenses for IFRS 16 not being deductible for tax purposes and the non-recognition of deferred tax assets on losses of LLC VF Retail for 2018.

### ***Profit for the year***

*Profit* for the year ended 31 December 2018 dropped by UAH 385 million, or 18 per cent., to UAH 1,747 million, compared to UAH 2,132 million for the year ended 31 December 2017. Profit as a percentage of revenue was 14 per cent. in the year ended 31 December 2018, and 18 per cent. in the year ended 31 December 2017. The negative effect of new IFRS standards implementation amounted to UAH 200 million due to accrued leases' interest expenses, offset by a positive effect of UAH 164 million from capitalised dealers commissions.

## **Year Ended 31 December 2017 compared to Year Ended 31 December 2016**

### ***Revenue and cost of services and cost of goods***

*Revenue* increased by 5 per cent. to UAH 11,731 million in the year ended 31 December 2017, from UAH 11,138 million in the year ended 31 December 2016, primarily from a large increase in the usage of data services by subscribers, which was mainly attributable to the increase in mobile internet penetration, an increase in usage of smartphones by subscribers, active 3G expansion and the consequent improvement of the quality and uptake of value-added services.

*Cost of services and cost of goods* decreased by 13 per cent. to UAH 4,397 million in the year ended 31 December 2017, from UAH 5,054 million in the year ended 31 December 2016. The decrease was mainly attributable to the decline of interconnect and roaming expenses due to optimisation.

#### **Other operating income/expenses**

*Other operating expenses* for the year ended 31 December 2017 were expenses of UAH 25 million compared to income of UAH 16 million for the year ended 31 December 2016. A provision for an estimated penalty fee of UAH 53 million was created in December 2017 for potential Antimonopoly Committee of Ukraine litigation regarding regional tariffs and advertisement of the Group's 3G services.

#### **Selling, general and administrative expenses**

*Selling, general and administrative expenses* for the year ended 31 December 2017, decreased by UAH 9 million to UAH 2,292 million compared to UAH 2,301 million for the year ended 31 December 2016 and comprised 20 per cent. and 21 per cent. as a percentage of revenue for the year ended 31 December 2017 and 2016, respectively. The principal reason for the decrease was due to a reduction in non-refundable VAT on purchases, which was offset by an increase in salaries and social contribution costs.

#### **Depreciation and amortization expenses**

*Depreciation and amortization* for the year ended 31 December 2017 increased by UAH 374 million to expense of UAH 2,758 million from expense of UAH 2,384 million for the year ended 31 December 2016. The growth in this expense is mostly attributable to network construction.

#### **Operating profit**

*Operating profit* for the year ended 31 December 2017 increased by 60 per cent. to UAH 2,259 million for the year, ended 31 December 2017 compared to UAH 1,415 million for the year ended 31 December 2016, with a portion of such a large increase deriving from the optimisation of one-off roaming expenses of 2016. Operating profit increased as a percentage of revenue to 19 per cent. for the year ended 31 December 2017, from 13 per cent. for the year ended 31 December 2016.

#### **Currency exchange gains/losses**

*Currency exchange gain* for the year ended 31 December 2017 was UAH 236 million, compared to the loss of UAH 2 million for the year ended 31 December 2016. The gain recognised in the year ended 31 December 2017 was mainly attributable the devaluation of the Ukrainian Hryvnia against euro, which resulted in a gain from revaluation of roaming receivables.

#### **Finance costs**

*Finance costs* for 2017 increased by UAH 3 million or 14 per cent. compared to 2016 and amounted to UAH 24 million.

#### **Income tax expense**

*Income tax expense* for the year ended 31 December 2017 increased by 65 per cent. to UAH 470 million from UAH 285 million for the year ended 31 December 2016 mainly due to improved operating performance throughout the year. The effective tax rate increased slightly (from 18.0 per cent. in the year ended 31 December 2016 to 18.1 per cent. in the year ended 31 December 2017 due to a slight increase in non-deductible expenses for tax purposes).

#### **Profit for the year**

*Profit* for the year ended 31 December 2017, increased by UAH 831 million, or 64 per cent., to UAH 2,132 million, compared to UAH 1,301 million for the year ended 31 December 2016, with a portion of such a large increase deriving from the optimisation of one-off roaming expenses of 2016. Profit as a percentage of revenue was 18 per cent. in the year ended 31 December 2017, and 12 per cent. in the year ended 31 December 2016. Profit for the year ended 31 December 2017, as compared to the year ended 31 December 2016 increased by 63.9 per cent. due to optimisation of roaming and interconnect expenses.

### **Liquidity and Capital Resources**

In order to finance the purchase of 4G licences and certain construction costs the Group issued international notes in the amount of EUR 90 million at 9.2 per cent. per annum with semi-annual interest due repayment in February 2021.

The notes were fully repaid before its maturity in March 2019.

### **Capital Requirements**

The Group needs capital to finance the following:

- capital expenditures, consisting of purchases of property, plant and equipment and intangible assets;
- changes in working capital; and
- general corporate activities, including dividends.

The Group anticipates that capital expenditures, debt service (including with respect to the Notes) and dividends will represent the most significant uses of funds for several years to come.

The Group's cash outlays for capital expenditures towards property, plant and equipment, and other intangible assets including 4G licences for the nine months ended 30 September 2019 and the years ended 31 December 2018, 2017 and 2016 were UAH 2,669 million, UAH 6,641 million, UAH 4,790 million and UAH 3,191 million, respectively. Cash outlays for capital expenditures during the nine months ended 30 September 2019 were at a meaningfully lower rate than in 2018 due to the purchases of 4G licences in 2018 amounting to UAH 2,433 million. The Group expects to continue to finance most of its capital expenditure needs through its operating cash flows, and to the extent required, to incur additional indebtedness through borrowings or additional capital raising activities. Historically, a significant portion of the Group's capital expenditures have been related to the installation and build-out of the Group's network and expansion into new licence areas. The Group expects that capital expenditures will remain a large portion of its cash outflows in connection with the continued installation and build-out of the Group's network. The Group expects its total capital expenditures in 2020 will be up to UAH 3.6 billion. These investments are required to support the Group's subscriber base (*i.e.*, to improve network capacity), to maintain and modernize the mobile networks, including to continue with the roll out of the LTE network throughout Ukraine, as well as the development of the own-branded proprietary retail chain. The Group expects that the development of LTE networks will continue to be among its most significant capital expenditures and to require considerable management resources. The Group's actual capital expenditures may vary significantly from these estimates.

The Group primarily used cash provided by operating activities as well as vendor financing to finance its capital expenditures.

### **Capital Resources**

The Group plans to finance its capital requirements through a mix of operating cash flows and financing activities, as described above. The Group's major source of cash has been cash provided by operations, which the Group expects will continue to be its principal source of cash in the future. The Group's needs and plans

may change, which could require obtaining additional vendor financing or other forms of financing. The availability of financing is influenced by many factors, including the Group's profitability, operating cash flows, debt levels, credit ratings, contractual restrictions and market conditions.

### ***Consolidated Cash Flow Summary***

A summary of the Group's cash flows and cash outlays for capital expenditures is shown below.

	9m2019	9m2018	2018	2017	2016
	(amounts in million UAH)				
<b>Cash flows from:</b>					
Net cash provided by operating activities	5,496	5,372	7,130	5,020	2,533
Net cash used in investing activities	(2,831)	(4,971)	(6,932)	(4,763)	(3,168)
Net cash provided by/(used in) financing activities	(3,125)	1,912	1,810	(1,047)	(148)
Net increase/(decrease) in cash and cash equivalents	(460)	2,313	2,008	(790)	(783)
<b>Cash outlays for:</b>					
Capital expenditures <sup>1</sup>	(2,669)	(5,000)	(6,641)	(4,790)	(3,191)

<sup>1</sup> Includes acquisitions of property, plant and equipment, intangible assets and 4G licences.

For the year ended 31 December 2018, net cash provided by operating activities was UAH 7,130 million, which was an increase of 42 per cent. from the year ended 31 December 2017. The increase was mainly attributable to the settlement of high balances of roaming discounts receivables and adoption of IFRS 16, which led to reclassification of cash payments for the principal portion of the lease obligation to the financing activities.

Net cash used in investing activities for the year ended 31 December 2018 increased by 46 per cent. and totalled to UAH 6,932 million. The increase in amount was mainly related to acquisition of 4G licences totalling UAH 2,433 million.

Net cash provided by financing activities increased by UAH 2,857 million or 273 per cent. from net cash used of 1,047 million for the year ended 31 December 2017 to UAH 1,810 million for the year ended 31 December 2018. This was mainly due the issuance of Eurobonds in the amount of UAH 2,917 million and a reduction in dividends paid as compared to the year ended 31 December 2017, offset by an increase in cash payments for the principal portion of the lease obligation included in financing activities as a result of the adoption of IFRS 16. Lease obligation principal paid within cash flows used in financing activities totalled to UAH 334 million during the year ended 31 December 2018.

For the year ended 31 December 2017, net cash provided by operating activities was UAH 5,020 million, an increase of 98 per cent. from the year ended 31 December 2016. In 2016, the Group had significant cash outflow due to an increasing popularity in the user of its "Roaming like Home" service – a service that allows the Group's Subscribers to use home country tariffs abroad in other Vodafone network countries. The increase was mainly driven by the Group's improved operating performance throughout the year and charges in "Roaming like Home" service conditions.

Net cash used in investing activities for the year ended 31 December 2017 totalled to UAH 4,763 million, an increase of 50 per cent. in comparison with the year ended 31 December 2016. The increase in the amount of

UAH 1,595 million was attributable to capital expenditure due to preparation for 4G network rollout including transmission and switching subsystem modernisation and purchase of RAN equipment.

Net cash used in financing activities for the year ended 31 December 2017 increased 7 times in comparison with 2016, and totalled to UAH 1,047 million. The increase was mainly due to paid more dividends as the result of liberalisation of the National Bank of Ukraine restrictions.

### ***Liquidity***

As of 30 September 2019, the Group had total cash and cash equivalents of UAH 2,067 million (UAH 1,877 million in Ukrainian hryvnias, UAH 168 million in euros and UAH 22 million in U.S. dollars). Management believes that the Group's working capital, together with its plans for external financing, will provide the Group with sufficient funds for its anticipated requirements.

### ***Balance Sheet Liabilities***

As of 30 September 2019, the Group had total non-current liabilities in the amount of UAH 2,782 million and total current liabilities in the amount of UAH 7,843 million. The following table sets out the Group's structure of total non-current and total current liabilities for the nine month period ended 30 September 2019 and for the years ended 31 December 2018, 2017 and 2016:

<i>(UAH millions)</i>	As of 30 September 2019	As of 31 December		
		2018	2017	2016
<i>Non-current liabilities</i>				
Notes payable, related parties	—	2,854	—	—
Borrowings	—	2	38	63
Lease obligation	2,502	2,779	—	—
Provisions	276	232	64	49
Contract liabilities	4	1	3	79
<b>Total non-current liabilities</b>	<b>2,782</b>	<b>5,868</b>	<b>105</b>	<b>191</b>
<i>Current liabilities</i>				
Trade and other payables	1,695	1,567	1,739	1,266
Accounts payable, related parties	3,191	3,264	3,294	2,871
Contract liabilities	1,394	1,245	1,139	947
Interest on notes payable, related parties	—	97	—	—
Borrowings	15	45	47	47
Lease obligation	916	879	—	—
Income tax liabilities	217	—	114	—
Provisions	182	179	166	84
Other non-financial liabilities	233	38	61	188
<b>Total current liabilities</b>	<b>7,843</b>	<b>7,314</b>	<b>6,560</b>	<b>5,403</b>

As of 31 December 2018 the Group's borrowings represented interest bearing notes issued (EUR 90 million with interest rate 9.2 per cent., equal to UAH 2,854 as of 31 December 2018) in the capital market by a structured entity Capital Valentine B.V.. The noteholder of Capital Valentine B.V. International Notes due 2021 is Dega Retail Holding Limited, a subsidiary of MTS.

In March 2019, the Group repaid of principal and coupon (interest accrued to date) of the Notes due in 2021 in the amount of EUR 90 million (UAH 2,745 million as of the repayment date).

### ***Capital Expenditure***

The Group significantly increased its capital expenditure ("CAPEX") in the year ended 31 December 2017 with a 50 per cent. increase as compared to the year ending 31 December 2016 due to an intensive 3G network

rollout and preparation for 4G LTE deployment across the region. CAPEX expenditure in 2018 and budgeted CAPEX for 2019 were on a similar level with major spending aimed at further development of the Group's 4G LTE network offering. The Group has focused mainly on the development of its RAN with spending increasing from 54 per cent. of the Group's CAPEX budget in 2016 to 64 per cent. of the Group's CAPEX budget in 2018. This planned spending remained relatively constant at 65 per cent. in the year ending 31 December 2019.

<b>CAPEX</b> (UAH Millions)	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>9m 2018</b>	<b>9m 2019</b>
2G/3G Network construction	1,577	1,413	1,202	749	465
LTE Network construction	-	101	711	395	715
4G Licences	-	-	2,433	2,433	-
Transmission	610	1,043	382	235	190
Current Network Maintenance	393	1,774	1,208	823	860
Other projects	611	459	705	365	439
<b>Total</b>	<b>3,191</b>	<b>4,790</b>	<b>6,641</b>	<b>5,000</b>	<b>2,669</b>

The Group's CAPEX planning process is based on collected inputs from all technology projects. There are currently approximately 100 projects in the CAPEX plan for 2019 and 2020.

#### **Critical accounting estimates and judgements**

A critical accounting estimate is an estimate that is both important to the presentation of the Group's financial position and requires management's most difficult, subjective or complex judgments, often as a result of the need to determine estimates and develop assumptions about the outcome of matters that are inherently uncertain.

Management evaluates such estimates on an on-going basis, based upon historical results, historical experience, trends, consultations with experts, forecasts of the future, and other methods which management considers reasonable under the circumstances. Management considers the accounting estimates discussed below to be its critical accounting estimates, and, accordingly, provides an explanation of each. For more specific discussion of significant accounting judgments, estimates and assumptions for relevant periods, please see Note 4 to the Consolidated Financial Statements for the year ended 31 December 2018 and Note 3 to the Consolidated Financial Statements for the year ended 31 December 2017 included elsewhere in these Listing Particulars.

#### **Roaming discounts**

The Group provides and receives retrospective volume discounts under roaming agreements with international mobile operators. To estimate the variable consideration in relation to these discounts, the Group uses original data traffic adjusted on a monthly basis to reflect newly-available information. The Group accounts for discounts received as a reduction of roaming expenses and rebates granted as reduction of roaming revenue. The Group considers terms of the various roaming discount agreements in order to determine the appropriate presentation of the amounts receivable from and payable to its roaming partners in its consolidated statement



of financial position. The Group offsets such financial assets and financial liabilities as it has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis.

#### **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 management 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. Critical estimates in the evaluations of useful lives for intangible assets include, but are not limited to, churn, the remaining licence period, and the expected developments in technology and markets.

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 important relevant factors. The actual economic lives of intangible assets may be different from useful lives estimated by management, thereby resulting in a different carrying value of intangible assets with finite lives. The Group continues 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.

#### **Right-of-use assets and lease liabilities**

The value of right-of-use assets and lease liabilities is based on management's estimates of lease terms as well as an incremental borrowing rate used to discount lease payments. The lease term corresponds to the non-cancellable period of each contract. However, in the most cases, the Group is reasonably certain of exercising renewal options and therefore lease terms may be extended by 10-20 years. When assessing the lease term, management considers all facts and circumstances that create the economic incentive for the Group to exercise the option to extend the lease, such as the useful life of the asset located on the leased site, statistics on sites replacement, sequence of technology change, marginality of retail stores as well as costs to terminate or enter into lease contracts. The incremental borrowing rate of the Group is determined based on the credit spreads of the Group's loan offers from banks in relation to zero-coupon yield curve for government securities.

#### **Off-balance Sheet Arrangements**

Management believes that the Group's existing off-balance sheet arrangements do not have and are not reasonably likely to have a current or future effect on the Group's financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

#### **Standards, interpretations and amendments adopted on 1 January 2018**

Starting from 1 January 2018, the Group has applied IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases". The application of new guidance on the classification of financial assets under IFRS 9 did not result in any material changes in the measurement and presentation of the Group's financial assets and liabilities.

The most significant impact of the adoption of IFRS 15 on the Group's consolidated financial statements related to dealer commission capitalisation which was incurred in acquiring contracts with customers. The Group capitalises certain incremental costs incurred in acquiring a contract with a customer if the management expects these costs to be recoverable. Costs of acquiring a contract include commissions paid to a third-party distributor

as well as the associated remuneration of the Group's commercial employees for obtaining a contract with a customer. These costs are amortized on a straight-line basis over an average new customer life period (for 2019 – 29 months, for 2018 – 28 months). The Group uses a practical expedient from IFRS 15 which allows to expense contract costs as incurred when the expected contract duration is one year or less.

## IFRS 16, Leases

The standard requires lessees to recognise assets and liabilities for all leases and to present the rights and obligations associated with these leases in the statement of financial position.

In applying IFRS 16 for the first time, the Group used the following practical expedients permitted by the standard:

- Relief from the requirement to reassess whether a contract is, or contains the lease for contracts existing as of 1 January 2018;
- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous;
- Exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- Use of hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

The Group's lease contracts largely relate to leases of cellular sites (i.e. land, space in cell towers or rooftop surface areas), network infrastructure, and retail stores as well as buildings used for administrative or technical purposes. The weighted average borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application 1 January 2018 was 17.46% (in 2019 incremental borrowing rate – 20.7%). The value of right-of-use assets and lease liabilities is based on management estimates of lease terms as well as an incremental borrowing rate used to discount lease payments. Before application of IFRS 16 on 1 January 2018, the Group accounted for agreement on usage of Vodafone trademark under IAS 17 and classified these expenses as part of advertising and marketing expenses.

### *Nine Months Ended 30 September 2019 compared to Year Ended 31 December 2018*

The following table presents a summary of net book value of right-of-use assets:

<b>Lease of:</b>	<b>30 September 2019</b>	<b>31 December 2018</b>
Sites for placement of network and base station equipment	2,268	2,408
Retail store	396	375
Exclusive rights for trademarks	375	600
Administrative buildings	96	57
Vehicles	13	16
Channels	-	3
<b>Rights-of-use assets, net</b>	<b>3,148</b>	<b>3,459</b>

The table below summarises the estimated lease terms, over which the right-of-use assets are amortized:

<b>Lease of:</b>	
Sites for placement of network equipment and base stations on rooftops or inside the buildings	10 years
Sites for placement of network equipment and base stations on land	20 years
Channels	Up to 2 years
Retail stores	Up to 6 years
Administrative offices, warehouses, parking garages	Not less than 3 years
Vehicles	5 years
Exclusive rights for trademarks	3 years

The table below represents changes in the Group's lease obligations during the nine months ended 30 September 2019:

	<u>Lease obligations</u>
<b>1 January 2019</b>	<b>3,658</b>
New obligations arising during the year	241
Modifications of existing leases	23
Termination of leases	(82)
Accrued interest	419
Payment of principal	(342)
Payment of interest	(419)
Foreign exchange gain	(80)
<b>30 September 2019</b>	<b><u>3,418</u></b>

#### *Operating profit impact*

The implementation of IFRS 16 resulted in a positive increase in UAH 282 million for the year ended 31 December 2018, and a positive increase of UAH 222 million for the nine months ended 30 September 2019.

#### *OIBDA impact*

The implementation of IFRS 16 resulted in a positive increase in UAH 881 million for the year ended 31 December 2018, and a positive increase of UAH 760 million for the nine months ended 30 September 2019.

### **Critical judgements**

#### **Provisions and contingencies**

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

#### **Contractual Obligations and Contingencies**

The Group has various contractual obligations and commercial commitments to make future payments, including debt agreements, lease obligations and certain committed obligations. The following table summarises the Group's future obligations under these contracts due by the periods indicated as of 31 December 2018:

	<u>Less than 1 year</u>	<u>1 - 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
	<b>Payments due by period</b>			
	<b>(amounts in millions of UAH)</b>			
<b>Contractual Obligations:</b>				
Borrowings	308	3,255	-	3,563
Lease Obligations	1,046	2,965	2,978	6,989
<b>Total</b>	<u>1,354</u>	<u>6,220</u>	<u>2,978</u>	<u>10,552</u>

	Payments due by period			
	Less than 1 year	1 - 5 years	More than 5 years	Total
	(amounts in millions of UAH)			
<b>Contractual Obligations:</b>				
Purchase commitments <sup>(1)</sup>	581	21	-	602
<b>Total</b>	<b>581</b>	<b>21</b>	<b>-</b>	<b>602</b>

(1) Includes future payments under purchase agreements to acquire property, plant and equipment and intangible assets. The Group plans to finance its capital commitments through operating cash flow and additional borrowings.

### Significant Accounting Policies

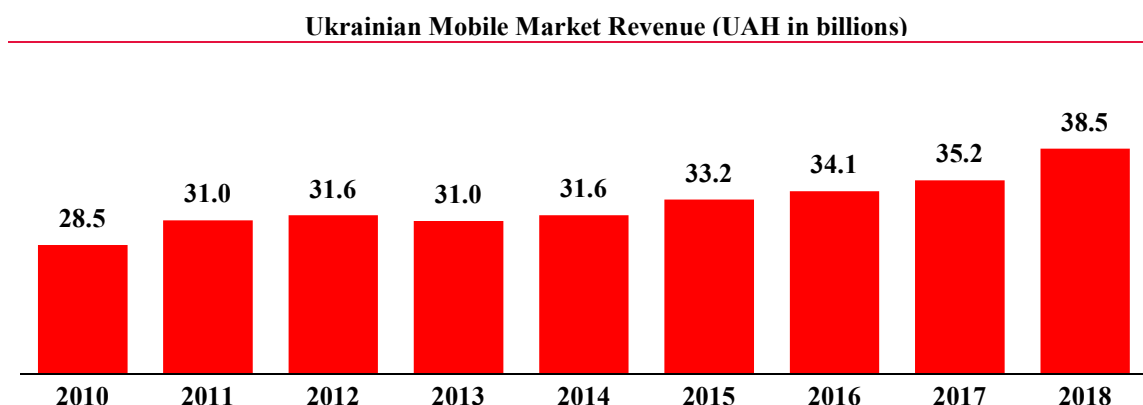
Please refer to the notes in the Group's Financial Statements included elsewhere in this document.

## TELECOMMUNICATIONS INDUSTRY

*Certain information contained in the discussion and analysis set forth below and elsewhere in this Listing Particulars includes forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ from those anticipated (See “Risk Factors” and “Forward-Looking Statements”).*

### Macroeconomic Overview of Telecommunications Sector

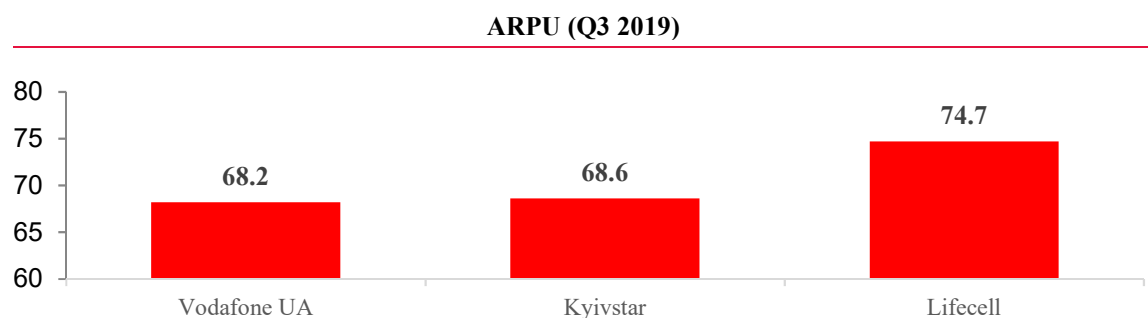
According to the State Statistics Service of Ukraine, the overall mobile telecommunications market in Ukraine was valued at UAH 35.2 billion as at 31 December 2017 and UAH 38.5 billion as at 31 December 2018. The figure below shows revenue in the Ukrainian mobile market since 2010:



(Source: Ukraine State Statistic Service)

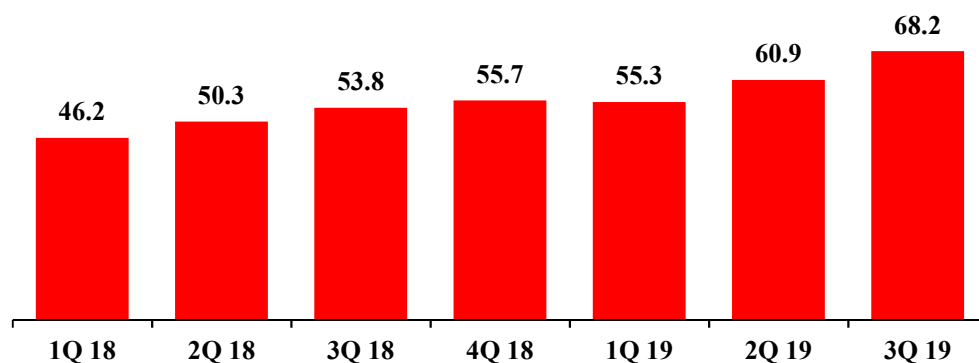
Ukraine has a mature mobile market with the number of mobile connections remaining relatively constant over the past 4 years. Mobile penetration in Ukraine has exceeded 100 per cent. since early 2007. The performance of the mobile sector has suffered from widespread economic decline, the takeover of the territory of Crimea by Russia (with all Ukrainian operators ceasing operations in the peninsula by February 2015) and operational disruption from 2014 onwards due to military actions in the east of the country (Donetsk and Lugansk regions). As at 30 June 2018, after two years of decline (1.6 per cent. and 1.4 per cent., respectively) the Group estimates that Ukraine’s mobile subscriber base had approximately 129 per cent. population penetration and, as at 30 September 2019, approximately 127 per cent. population penetration. Whilst the national subscriber base has gradually declined, which the Group believes is largely attributable to a decrease in the number of multi-SIM users, mobile ARPU levels have been significantly increased by the MNOs’ 3G and 4G mobile broadband network rollouts (which began in 2015 and 2018, respectively).

ARPU for Ukraine’s three largest mobile network operators is shown below:



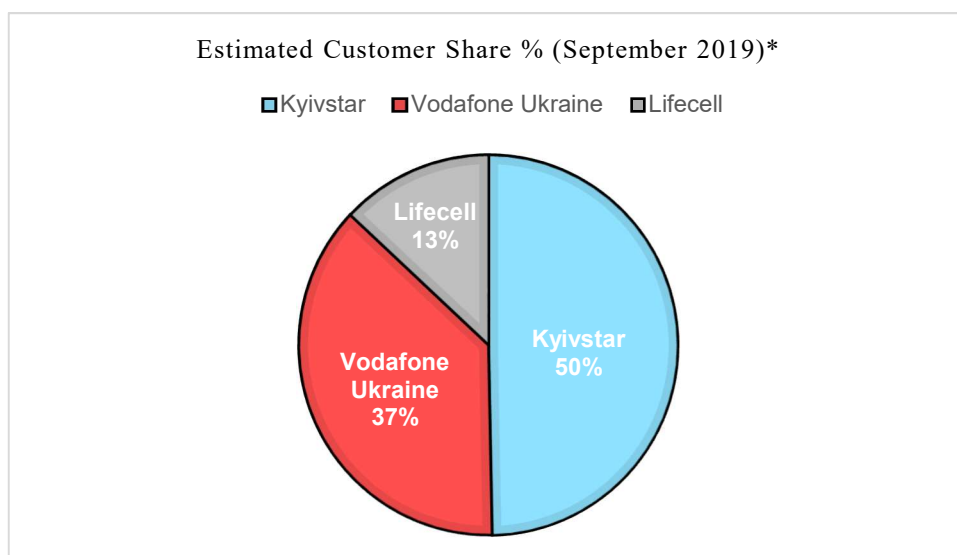
The Group's average ARPU has consistently increased since 2016 from an average of UAH 43.6 as for the end of the year 2016 to UAH 53.8 in the third quarter of 2018, and UAH 68.2 in the third quarter of 2019. This is due to constant growth in the Ukrainian mobile market underpinned by rapid expansion in data revenue by all mobile network operators ("MNO") in Ukraine.

**ARPU Evolution (UAH)**



The overall Ukrainian mobile market declined from 56.6 million subscribers in the first quarter of 2018 to 54.4 million subscribers in the first quarter of 2019 (around 4 per cent.). As at 30 September 2019, the Group estimates that, of the known and published of Ukrainian mobile subscriber numbers, Kyivstar, part of the VEON Group (formerly VimpelCom), served 49.7 per cent., the Company 37.3 per cent. and Lifecell (owned by Turkey's Turkcell) 13 per cent. Three smaller mobile network operators – national players Intertelecom and Ukrtelecom (TriMob), and small regional operator Telesystems (PEOPLEnet) – do not publish call statistics, but the Group estimates that they altogether have no more than around 1 per cent. the Ukrainian mobile market.

The figure below shows the estimated distribution of the mobile customer base in Ukraine:



\* - (others estimated at 1.0% not shown)

## Market consensus and macroeconomic forecast

Ukraine has an attractive macroeconomic outlook with a moderate current account deficit and healthy levels of FX reserves contributing to the strong financial position of its economy. A relaxation of foreign currency controls and dividend limits for foreign subsidiaries has improved the financial in determination environment, along with increased foreign direct investment (“FDI”) leading to a reduced reliance on the IMF due to increased demand for local and international government bonds. Ukraine benefits from a stable government which successfully priced its debut EUR denominated trade in 2019, setting the benchmark for follow-up placement out of the corporate segment. Ukraine has a significant number of corporate issuers who have approached the primary markets with bond offerings, raising over USD 3 billion year-to-date as of 14 October 2019.

The graph below shows the current market consensus and macroeconomic forecast for Ukraine

	2019	2020	2021	2022	2023	2024
<b>Real GDP (YoY%)</b>	3.0	3.0	3.1	3.2	3.3	3.3
<b>CPI (YoY%)</b>	7.9	5.9	5.3	5.0	5.0	5.0
<b>USD/UAH</b>	26.0	26.1	27.0	26.0	25.6	25.1
	24.52	26.00	27.00	28.00	29.00	29.00

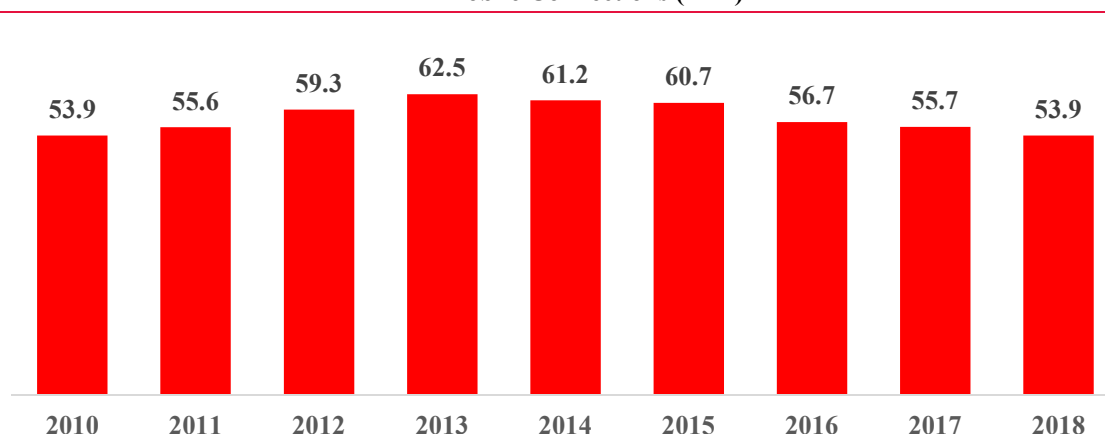
Source: (HIS World Economics)

## User base and demand

### Mobile Service Segment

The mobile market in Ukraine is mature, with a subscriber base of approximately 54.4 million subscribers as at the first quarter of 2019 and is expected to remain stable over the next several years.

**Mobile Connections (MM)**



*\*Mobile subscriptions declined after the annexation of Crimea in March 2014 and in 2017/2018 as inactive mobile SIMs were deactivated*

The exclusion of Crimea and contested eastern areas of the country have been reflected in a decline in the number of mobile subscribers nationally. In spite of this, the Company estimates that mobile market revenue

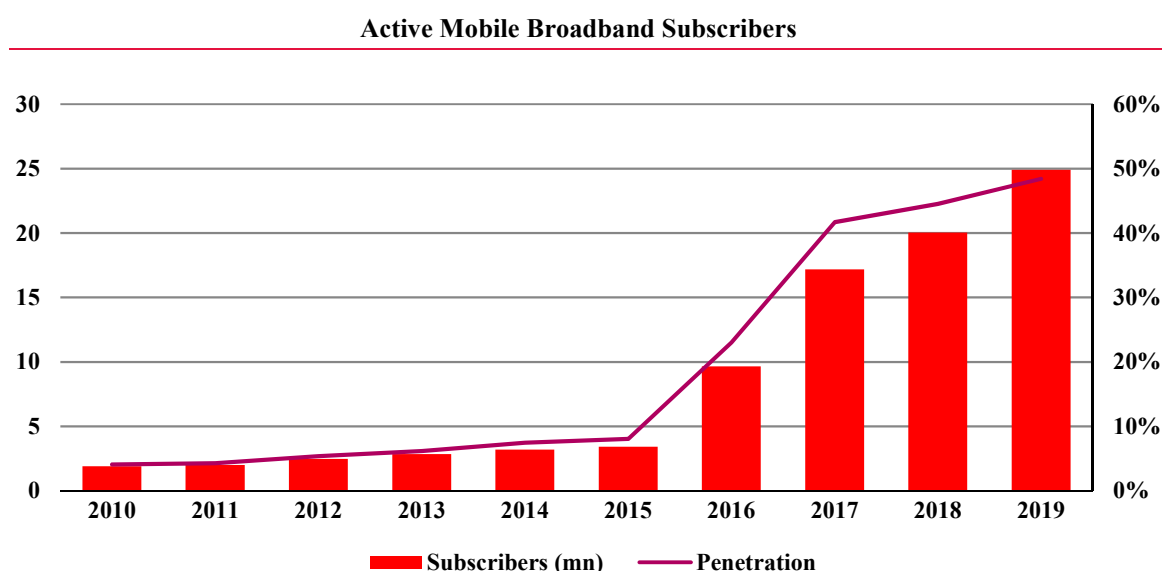
has grown at a steady CAGR of 3.9 per cent. with revenue reaching UAH 28.45 billion in the year ending 31 December 2010, increasing to UAH 38.52 billion in the year ending 31 December 2018.

The Company estimates that the market size as of the year ended 31 December 2018 was USD 1.4 billion and is expected to grow at a CAGR of around 8 per cent. to reach USD 1.9 billion by the end of 2021. The Company expects that underlying growth will likely come from upgrading customers to 4G networks as the country only recently experienced the full launch of 4G networks by its key mobile network operators in 2018. Ukraine is a three-player mobile market with rational pricing and a focus on value.

Mobile broadband services currently present a significant growth opportunity in Ukraine. Over the past several years, investment has been made by MNOs by extending existing 3G infrastructure and shifting their focus to 4G LTE services. The 2,600MHz and 1,800MHz bands were auctioned in 2018 and the Company understands that three MNOs have launched LTE services as a result.

At present, 3.4 – 3.8 GHz uses only 100 MHz for WiMAX technology by the company AeroTelecom and their licence was extended until 2025. The 300 MHz spectrum is not occupied and may be easily auctioned or distributed among market participants in Ukraine.

The number of active mobile broadband subscribers grew at 80.3 per cent. CAGR in the years 2015 to 2018 and is estimated to reach 24.9 million subscribers by 2020. The table below shows the number of active mobile broadband subscribers in Ukraine.



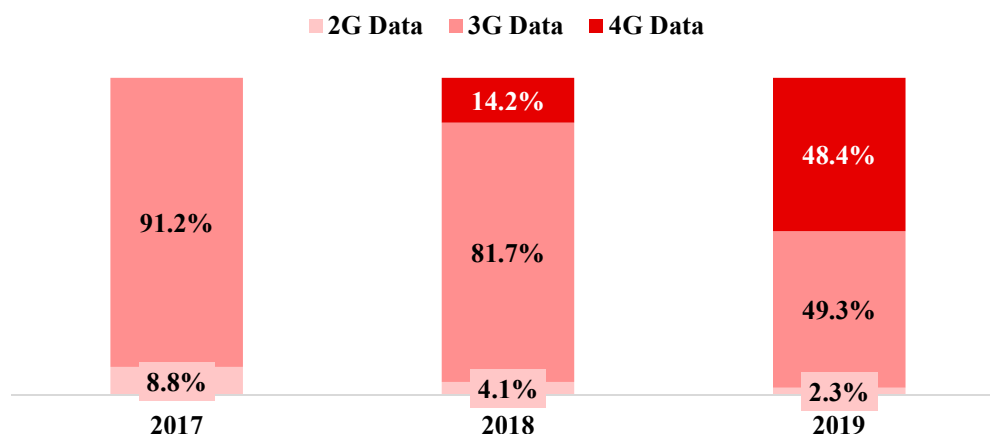
ARPU expansion is expected to continue into the future, as the number of mobile broadband subscribers in Ukraine is expected to increase to over 40 million in 2022. This development is due in part to the increase in Ukraine's 3G and 4G networks which have facilitated broader market penetration.

The Group believes that increasing smartphone penetration and extensions of Ukraine's 4G network coverage drive the increase of mobile internet subscribers in the market.

The table below shows the shift in data consumption technologies to 4G in the Group's subscriber base over the past 3 years as a percentage of total data volume:

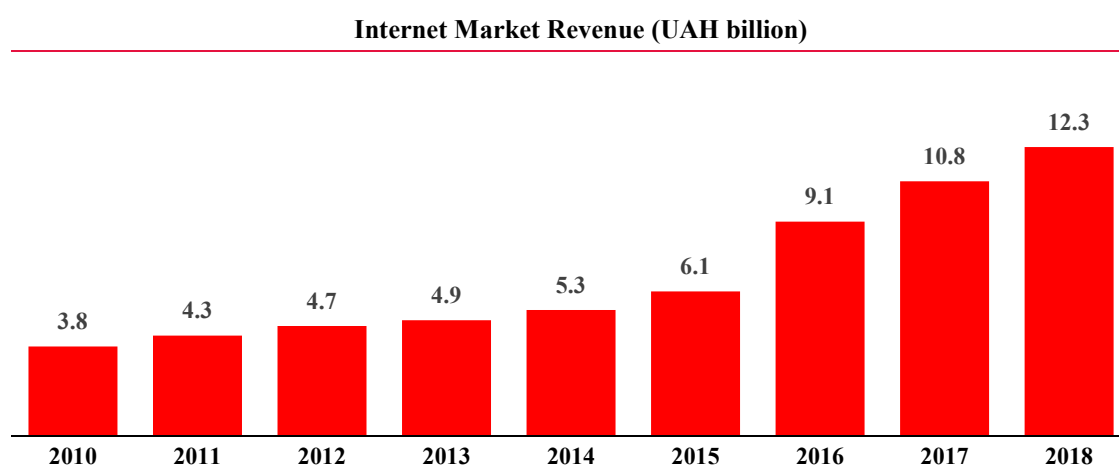
#### Data Usage Split By Technologies





### Fixed Internet Service Segment

The Ukrainian internet market has also seen increases in revenue. The Ukrainian internet market saw a steady CAGR of 15.78 per cent., increasing revenue from UAH 3.80 billion in 2010 to UAH 12.27 billion in 2018. The graph below shows the increase of internet market revenue in Ukraine:



The Company estimates that the internet market in Ukraine has seen increases in revenue over the past 10 years from UAH 3.8 billion in 2010 to UAH 12.3 billion in 2018 at a CAGR of 15.8 per cent. The market has over 9 million subscribers and its growth is outpacing the growth of the mobile market. The market is made up of many small and medium-sized providers, with the largest provider being Ukrtelecom, which has 15 per cent. market share. Fixed broadband penetration is 64 per cent. and varies with city size.

### 5G Technology

In May 2019, the then acting President issued a decree on the introduction of fifth generation mobile communications in 2020 (in particular, the Cabinet, with the participation of other bodies, to develop and approve a plan for 2019-2020). In the view of the Group's management, rollout of 5G technology is not viable until 2026 due to a lacking market for the technology and a currently incomplete 4G rollout. 5G technology is currently used in specific areas where hyper-fast internet is required (such as the development of "smart cities"). In the view of the Group's management, there is presently little rationale for utilising 5G in the Business to Consumer ("B2C") segment as there are few devices supporting 5G and the current 4G rollout in Ukraine is not yet complete.

## BUSINESS

### Overview

As at 30 September 2019, the Group is the second largest MNO in Ukraine based on the number of subscribers and has maintained a strong number two position in Ukraine's three-player market over the last ten years. The Group has maintained a consistent market share, which it estimates at 36 per cent. in 2014 and 37 per cent. in 2018, and a stable subscriber base. Its primary operations comprise the provision of mobile services to a range of residential and corporate customers in Ukraine, as well as retail sales, value-added services and fixed-line services. As at the date of these Listing Particulars, the Group's retail chain consists of 617 stores, including 247 leased outlets and 370 franchised stores. The Group uses the globally recognisable brand of Vodafone group, the second largest telecommunications operator in Europe by revenue in 2018. Vodafone was the winner of the UK's most valuable brand award and the Vodafone Branding Agreement gives the Group the right to use Vodafone's global digital products portfolio designed to stimulate subscribers' data usage and increase user retention. In addition, the Group believes it offers the best solution for roaming and that it has a leading position in Ukraine's youth and mobile internet segments.

The Group obtains revenue from providing mobile telecommunications services (access charges, messaging, interconnect fees, TV and musical content and connection fees), as well as selling equipment and accessories. The most significant part of its revenue relates to prepaid contracts. For the nine months ended 30 September 2019, the Group had a diversified revenue stream, with 55 per cent. of its revenue derived from data sales, 18 per cent. from voice services, 16 per cent. from interconnection, 11 per cent. from other mobile services and the remainder deriving from its retail and fixed line offerings.

In the nine-month period ended 30 September 2019, the Group's revenue was UAH 11,478 million. In the year ended 31 December 2018, the Group's revenue was UAH 12,799 million. In the year ended 31 December 2017, the Group's revenue was UAH 11,731 million compared to UAH 11,138 million in the year ended 31 December 2016.

The Group operates a mobile network with 2G (GSM), 3G (UMTS) and 4G (LTE) technologies from, as at the date of these Listing Particulars, 13,043 physical locations, including approximately 15,829 2G base stations (including 1,603 base stations in the TOT), approximately 8,289 3G base stations and approximately 6,610 LTE base stations. The Group's 4G network coverage spans 66 per cent. of Ukraine's population, its 3G coverage spans 86 per cent. of Ukraine's population and its 2G coverage spans 99 per cent. of Ukraine's population.

The Group operates solely in Ukraine. The Group offers the following services:

**Mobile services:** The Group provides voice and mobile broadband services, utilising 2G, 3G and 4G/LTE technologies. As at 30 September 2019, the Group had approximately 19.8 million subscribers, of which 90.5 per cent. were pre-paid subscribers and 9.5 per cent. were post-paid subscribers. As at 30 September 2019, the Group's 4G coverage reached 66 per cent. of Ukraine's population. The Group's mobile services revenue is primarily derived from provision of mobile voice and data services to its subscribers.

While the Ukrainian mobile market has previously suffered from widespread economic decline, the national ARPU levels have been significantly increased by 3G and 4G mobile broadband network rollouts that began in 2015 and 2018 respectively. The Group estimates that its portion of the market share of the three Ukrainian mobile customer market's major operators was 37.3 per cent. by number of subscribers as of 30 September 2019, with the other two major operators serving 49.7 per cent. and 13.0 per cent., respectively.

As at 30 September 2019, mobile services constituted 95 per cent. of the Group's total revenue. The remainder of the Group's revenue for the period ended 30 September 2019 was generated primarily from retail.

**Retail sales:** The Group started developing its own retail chain in 2018. As at 30 September 2019, the Group had a total number of 617 stores, including 247 leased outlets and 370 franchised stores. The Group's retail stores sell goods, provide customer services for the Group's subscribers, and hold more than 85 per cent. of the Group's inventories.

## **History**

The Company was established under the name "Ukrainian-German-Dutch-Danish Joint Venture Ukrainian Mobile Communications" in Ukraine on 11 November 1992 launching Ukraine's first mobile network based on analogue NMT in 1993. The Company later launched its GSM service in September 1997. During March to July 2003, Russia-based OJSC Mobile TeleSystems, which was later renamed as Public Joint-Stock Company Mobile TeleSystems, acquired 100 per cent. of UMC's share capital. In April 2010, UMC registered the change of its name to PrJSC "MTS Ukraine" to ensure the unity of the brand and to comply with the Law of Ukraine "On Joint Stock Companies".

In February 2015, the Company acquired a 15-year licence on the 3G network.

On 15 October 2015, MTS Ukraine signed a strategic agreement with Vodafone Sales and Services Limited on the cooperation and use of the Vodafone brand in Ukraine. The Vodafone group is one of the world's largest telecommunications companies providing a wide range of services, including mobile voice, data transmission, messaging, fixed internet and cable television.

On 28 April 2017, MTS Ukraine changed its name to Private Joint Stock Company "VF Ukraine" (the new name being registered on May 2017) and on 12 July 2017, VF Ukraine founded a retail company, LLC VF Retail, to provide goods, services and customer support.

In the first quarter of 2018, the Group acquired licences on the 4G network in 2600 MHz and 1800 MHz bands and, by October 2018, the Group's LTE coverage reached all 25 regions spanning 43 per cent. of the population. As of October 2018, the Group's 2G network (GSM/GPRS/EDGE) covered 99 per cent. of the population and 98 per cent. of the territory in Ukraine, and the Group's 3G (WCDMA/DC-HSPA+) network covered a population footprint of over 82 per cent. a coverage of more than 10,000 settlements in Ukraine. As at 30 September 2019, the Group's recent expansion of the 4G network reached 66 per cent. of the population, or 28 million Ukrainians, with signal access provided across all 25 regions of Ukraine.

## **The acquisition of Preludium B.V. by Telco Solutions and Investments LLC**

On 22 November 2019, Allegretto Holding S.à. r.l. as Seller and Telco Solutions and Investments LLC as Purchaser, amongst others, signed the Acquisition Agreement for the Purchaser to acquire the entire share capital of Preludium B.V., the Target, for a headline price of U.S.\$669,193,000 plus cash, excess working capital and earn out consideration less debt and net intragroup balances. The Acquisition completed on 3 December 2019 and on such date a deed of transfer of shares was notarised to give effect to the Acquisition. At the Acquisition Closing Date, the Target owned 99 per cent. of the entire share capital of the Company, and 100 per cent. of the entire share capital of PTT which owned the remaining 1 per cent. of the share capital of the Company; this remains representative of the Group structure at the date of these Listing Particulars (see "*Ownership Structure of the Group*").

On 22 November 2019, in connection with the Acquisition and with effect from the Acquisition Closing Date, MTS assigned to the Seller the Assigned Receivables, and the Seller further assigned them to the Purchaser. The Assigned Receivables, after netting of withholding tax, amounted to UAH 2,182 million as at 3 December 2019.

## ***Financing for the purpose of the Acquisition***

On 29 November 2019, the Purchaser entered into the Bridge Facility. The Bridge Facility is due to mature on the date falling six months following the date of the Bridge Facility, unless otherwise extended at the option of the Purchaser to the period ending 9 months or 12 months following the date of the Bridge Facility. On the Acquisition Closing Date, the Target acceded to the Bridge Facility as a guarantor, and PTT and the Company subsequently became sureties in respect of the Bridge Facility. The proceeds received from the issue of the sale of the Notes will ultimately be applied towards prepayment of the Bridge Facility (See “*Use of Proceeds*”).

The obligations of the Purchaser under the Bridge Facility are secured by the Company under a rights to funds pledge agreement dated 9 December 2019 in relation to bank accounts of the Company maintained at 11 Ukrainian banks. In addition, the Company entered into a suretyship dated 3 December 2019, pursuant to which it guaranteed the payment obligations of the Purchaser under the Bridge Facility.

## **Strategy**

The Group’s key strategy is based on the three key pillars of brand leadership, digital services and its aim to become viewed as Ukraine’s “best MNO”.

### ***Brand leadership***

The Group uses the globally recognisable brand of Vodafone group, the second largest telecommunications operator in Europe by revenue in 2018. The Group aims to leverage the strength of this global brand to enhance its image in Ukraine, particularly with customers in the youth segment (where the Group believes it is currently the top mobile operator), including through regional offers tailored to what the Group perceives to be the purchase power and behaviour of local populations and promotional campaigns to increase brand awareness. The Group believes that these brand development initiatives are underpinned by the Group’s investment in network quality and base quality, and its retail chain development.

### ***Network quality and development.***

The Group continues the development and deployment of its 4G coverage throughout Ukraine. By the end of 2020, the Group aims to achieve coverage of 78 per cent. of the Ukrainian population with 4G coverage. The Group is also finalising the deployment of 2G phase 3 coverage in regions, to match the level of coverage provided by Kyivstar.

In the medium term, the Group believes that its expansion of 4G coverage will be aided by the reorganisation of the 900 MHz spectrum under the memorandum signed in October 2019 by Prime Minister Oleksiy Honcharuk with four leading mobile network operators in Ukraine, including the Group. This may allow the Group to reallocate some of its 2G coverage to 4G, which may allow the Group to expand its 4G coverage in a cost effective manner. However, there is no guarantee that such reallocation would be sufficient to allow the Group to meet its 4G coverage targets by 2022.

The Group is also undergoing an IT transformation programme, switching many of its current systems to new solutions, developed to modernise the Company’s network and IT infrastructure. The Group expects this IT transformation will allow it to maintain a technological advantage over its competitors by improving customer experience and switching network maintenance in its Network Operation Centre from mainly manual processes to automated processes. The new solutions are expected to improve customer experience by upgrading legacy network elements and migrating these to newer systems. This will allow for increased implementation of advanced telecommunications services, such as Voice over LTE and Wi-Fi calling.

### ***Base quality***

The Group targets continued growth in 4G smartphone use in its user base as a key priority in monetising the Group’s investments in expanded 4G coverage offered by the Group through its network. By the end of 2020, the Group aims to grow its digital user base (comprising those users who are able to access the Group’s 3G or

4G networks and use more than 200 Mb of data services per month on a regular base) to 47 per cent. of its total subscribers. To reach its' objectives, the Group has a clearly defined program of free-of-charge SIM to Usim (4G) cards replacement for existing subscribers, as well as digital tariffs tailored to the needs of particular segments and device types. To enhance ARPU growth, the Group also intends to continue expanding its selection of new, more expensive tariffs that offer more data and introductory free services to its subscribers.

#### *Retail chain development*

As at the date of these Listing Particulars, the Group had a chain of over 617 branded stores, of which 247 outlets were leased by the Group and the remainder franchised. The Group has substantially completed its previously planned retail expansion and does not plan to significantly increase the number of stores. The primary goal for the Group's retail chain is the further development of existing locations and improving efficiency. Further growth in average revenue per store is expected as the Group improves efficiency, actively monitors sales trends and adjusts each SKU to match local demand. Management also expects retail sales to grow due to the increase in purchasing power of Ukraine's population.

#### *Digital ecosystem*

The Group has increased its focus on its digital ecosystem for the mass market. The My Vodafone application has over 2.5 million users, with the TV and Music applications having a total of approximately 219,000 users. The Group plans innovations and new businesses including eLearning, eHealth, eSports and AdTech as well as the development of its Cloud platform and use of Software as a Service. For its Internet of Things portfolio, the Group uses one of the leading solutions (IoT platform by Vodafone UK) and management expects the Group to occupy a key role within the Ukrainian IoT market.

#### *Best mobile operator*

The Group aims to become what it views as Ukraine's best MNO and leverage this market position for continued revenue growth. The Group seeks to enhance its perceived reputation as Ukraine's most innovative carrier and the best carrier for mobile internet through continued deployment of new digital products and services for its subscribers. The Group also believes that it offers 'worry-free' tariffs to customers and seeks to become the best operator in Ukraine for international roaming. The Group intends to continue pursuing brand-awareness initiatives and targeted marketing campaigns to further increase its net promoter score among subscribers, as well as deploying active retention initiatives for customers intending to switch.

#### **Competitive Strengths**

The Group believes that its business is characterised by the following key competitive strengths.

##### *Telecommunications operator with a leading market position and brand*

The Group has a well-established position as the second largest mobile operator in Ukraine with an estimated market share as at 30 September 2019 of approximately 37 per cent based on number of subscribers. The Group positions itself as the best price and quality combination operator in Ukraine. The Group has used its market position to launch new tariffs to meet increased demand for data usage. This has led to an increased share of subscribers migrating to more expensive tariff plans resulting in an increase of the ARPU of the Group.

The Group's mobile service has a strong brand in Ukraine as a result of the Vodafone Branding Agreement. The Vodafone Branding Agreement has provided a number of customer service innovations including access to Vodafone's global digital products portfolio with services such as "My Vodafone", "Vodafone Music", "Vodafone Market", and "Vodafone Book & Press".

### ***Upscaled offering for under-penetrated and growing market segments***

The growing economy and increase in purchasing power in Ukraine has driven further demand for telecommunications services. The Group expects to continue to roll out its 4G network, increasing penetration across the country. The Group expects this will increase the number of data users, as increased demand for data and smartphone penetration will be supported by the developing 4G network, as well as a number of IoT connections. The Group has seen large increases in 4G mobile customer penetration with the user base of 1.7 million in September 2018 increasing to over 4.3 million in September 2019. In addition, the total number of data users in the Group's network across its 2G, 3G and 4G networks was approximately 8.7 million in September 2018 increasing to almost 10 million in September 2019.

The Group has a program of free-of-charge SIM to USIM (4G) card replacements for existing subscribers. Management believes that this will further develop the Group's adoption of 4G LTE technology and enable the Group to further monetise this segment of its subscribers. In addition, the Group has launched new, more profitable tariffs to meet demand for more data including introductory free services. The Group has strengthened its tariff offering by tailoring plans to customer segments and device types.

Despite growth in total number of data users from 10 million (or approximately 18 per cent. penetration) in December 2016 to 24.9 million in December 2018 (approximately 47 per cent. penetration), the mobile data market remains underpenetrated in comparison with neighbouring countries. The Group believes that continuous roll-out of its 4G network, coupled with smartphone penetration, will drive take up of mobile data, and leave the Group well-positioned in this growing market segment and in a strong position to benefit from current market trends.

### ***Broad and high-quality network***

The Group provides mobile telecommunications services in GSM (2G), UMTS (3G) and LTE (4G) standards. The Group's 4G network coverage spans 66 per cent. of Ukraine's population, its 3G coverage spans 86 per cent. of Ukraine's population and its 2G coverage spans 99 per cent. of Ukraine's population, using 30,728 base stations across 13,043 physical locations, as at 30 September 2019. The Company's Radio Access Network equipment providers are split among Huawei, Nokia, ZTE and Siemens, which have supplied 50 per cent., 32 per cent., 13 per cent. and 5 per cent. of such equipment, respectively.

The Group believes that the application of technological solutions in accordance with the unified systems and quality standards of Vodafone UK allows the Group to ensure what it believes is a high level of quality for the services it provides.

The Group measures the quality of its services using the Network and Services Quality Index (NSQI), which includes the Network Quality Index (NQI) and High Priority BTS Quality Index (HPQI). All of the Group's main technical metrics are in accordance with the ETSI TS 102 250-2 standard.

In 2019, the Group obtained an ISO 9001 2015 certificate which demonstrates its ability to consistently provide products and services that meet customer and applicable statutory and regulatory requirements.

### ***Robust operating performance, profitability and strong cash flows***

The Group has historically maintained stable growth across its operations in Ukraine. For the nine month period ended 30 September 2019, the Group had OIBDA of UAH 6,054 million. For the year ended 31 December 2018, the Group had OIBDA of UAH 6,864 million compared to UAH 5,017 million and UAH 3,799 million in the years ended 2017 and 2016, respectively. The Group's balanced and disciplined expansion policy has enabled it to maintain and develop its strong infrastructure network while delivering profitability. The Group believes that its strong operating performance and financial condition and prudent risk management will enable

it to continue monitoring the competitive landscape in order to take advantage of new opportunities in Ukraine as they arise.

The Group has historically maintained what it views as a conservative financial profile. The Group's historically low indebtedness levels have enabled it to generate cash flow that it has utilised to maintain its investment and growth strategy. The Group generated net cash from operating activities of UAH 7,130 million in the year ended 31 December 2018, compared to UAH 5,020 million and UAH 2,533 million for the years ended 31 December 2017 and 2016, respectively. The cash flow generation allowed the Group to maintain a cash position at the end of each of these periods, with UAH 2,629 million and UAH 707 million in cash and cash equivalents in the years ended 31 December 2018 and 2017, respectively. The Group anticipates that cash generation will continue to improve due to enhanced OIBDA margins. Accordingly, the Company expects its liquidity profile will continue to be strong.

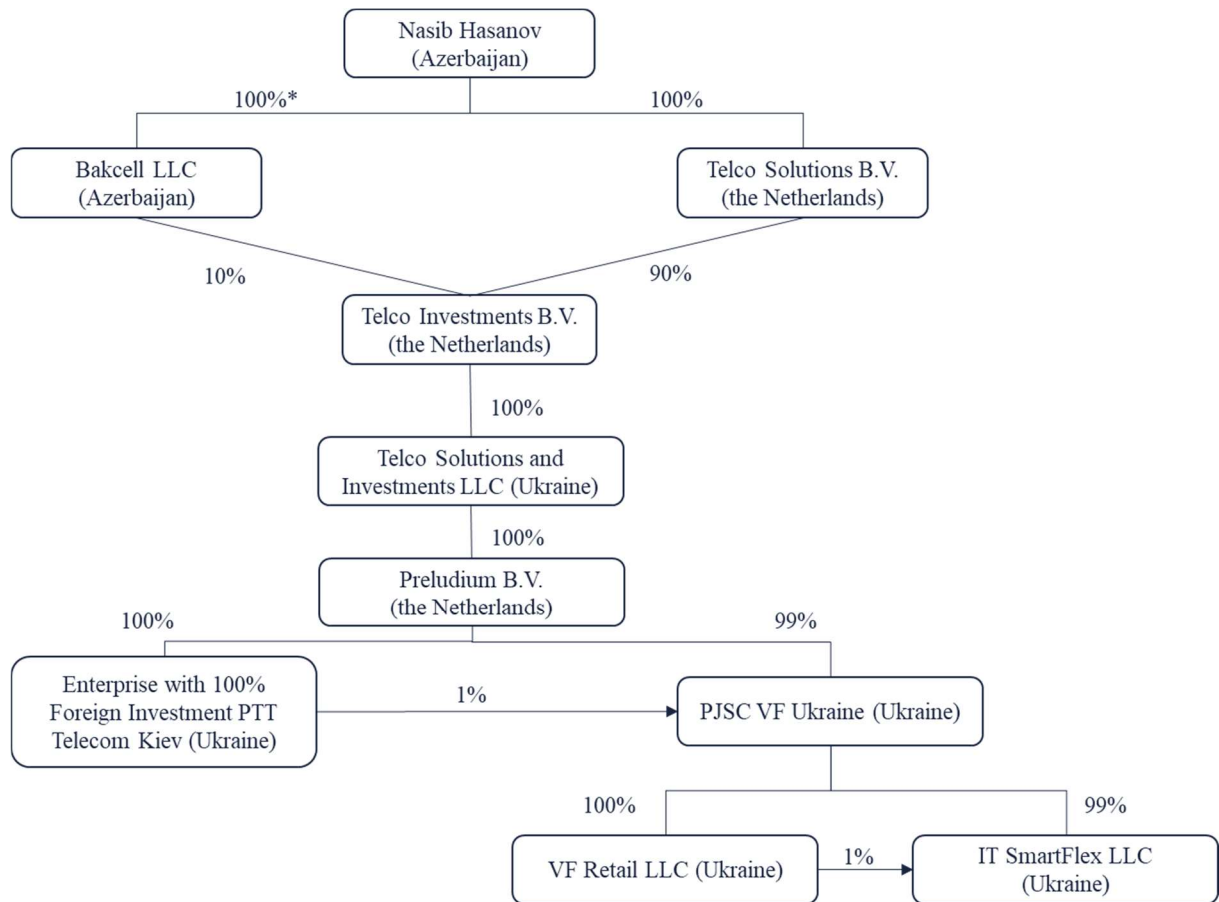
### ***Experienced Management***

The Group believes that it has a stable executive team with a strong track record in the telecommunications business. The Group's executive team have extensive knowledge of the telecommunications sector and bring with them significant experience in leading telecommunications institutions with an international presence.

The Group believes that the composition of its management team puts it in a very good position to successfully implement its growth strategy, as well as to focus on improving its operating performance as the Group encounters opportunities to generate benefits from its significant investments in infrastructure to date. Senior executives of the Group have extensive experience in the telecommunications industry. The Group's management continuously looks to strengthen its management bench, and attract managers with diversified expertise, particularly in the area of technology and innovation.

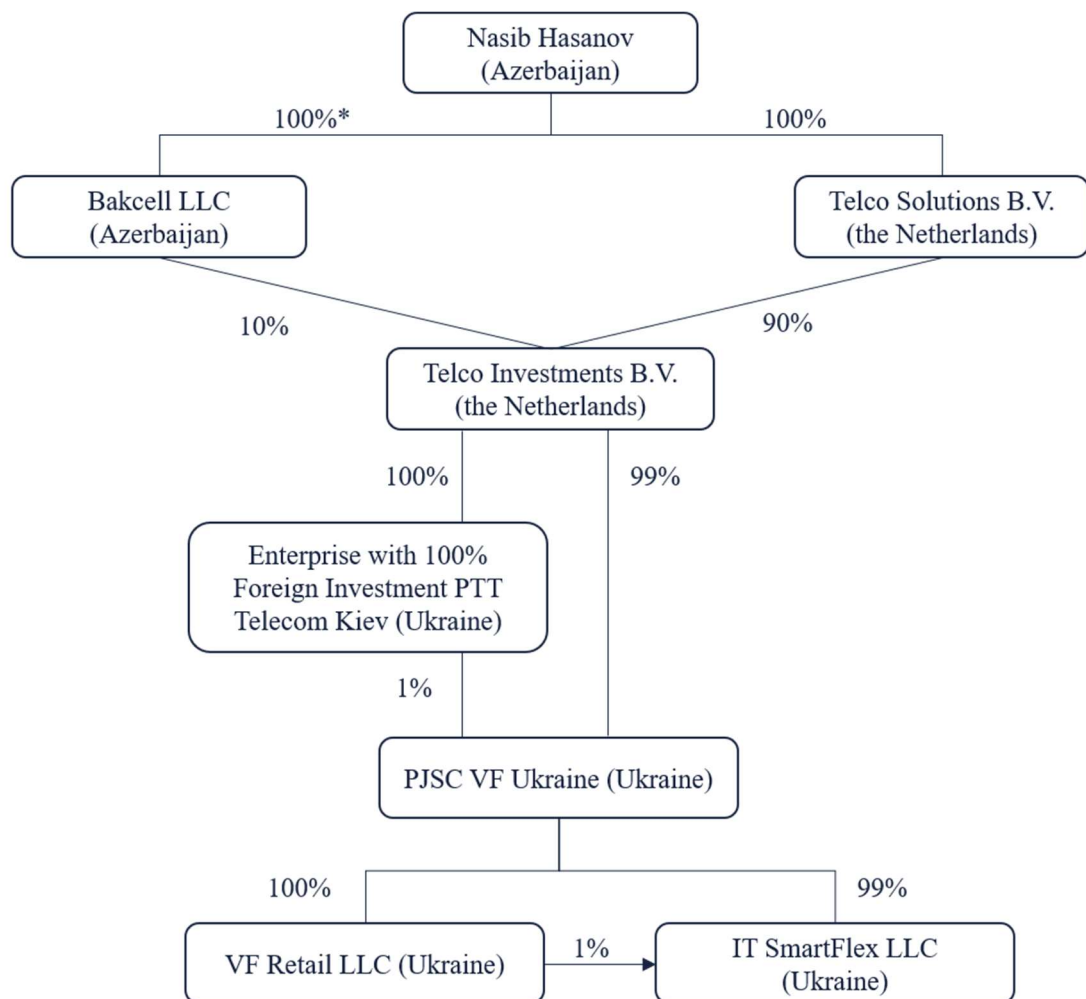
## Ownership Structure of the Group

The following diagram sets out the ownership structure of the group as at the date of these Listing Particulars:





The following diagram is the target ownership structure of the group after all planned corporate reorganisations are performed (liquidation of Preludium and merger by accession of Telco Solutions and Investments LLC with the Company):



\* indirectly, through intermediary companies

## Capital Structure

As at the date of these Listing Particulars, the issued and subscribed share capital of the Company consisted of 781,662,116 shares at a par value of UAH 0.01 each.

The Company is owned by Preludium B.V. (the Netherlands), which has a 99 per cent. shareholding, and PTT, which has a 1 per cent. shareholding. The ultimate beneficial owner of the Group is Nasib Hasanov (Azerbaijan) (100 per cent.).

## Subsidiaries

The following table sets out details of each subsidiary of the Company as at the date of these Listing Particulars:

Location	Equity Interest
<b>Subsidiaries</b>	
LLC VF Retail .....	Ukraine 100.0 per cent.

LLC IT SmartFlex .....Ukraine 99.0 per cent.

#### *LLC VF Retail*

LLC VF Retail was established in July 2017 and is engaged in the development and operation of the Group's retail outlets. It is a wholly owned subsidiary of the Company. As at 30 September 2019, LLC VF Retail had a total of 617 stores with 247 leased outlets and manages an additional 370 outlets under franchise. It provides customer support to the Group's subscribers in Ukraine and, in addition, LLC VF Retail sells inventory including mobile phones and SIM cards under the Vodafone Ukraine brand. Due to its retail characteristics, LLC VF Retail holds over 85 per cent. of the inventory of the Group.

#### *LLC IT SmartFlex*

LLC IT SmartFlex started its operations in January 2019, and serves as a provider of in-house IT solutions for the Company and LLC VF Retail. It is owned by the Company (99 per cent.) and LLC VF Retail (1 per cent.). IT SmartFlex is responsible for developing strategic digital and telecommunications products/solutions for the Company including the B2B solutions such as omni-channel bulk communications system, digital integration layer, and CRM system. All systems are ready for high load and fully comply with TM forum open API standards.

LLC IT SmartFlex also provides consulting services including Vodafone Ukraine ERP system modification, complex monitoring solutions, contact centres and sales systems support, and BI development. The Group significantly increased the number of IT staff employed by LLC IT SmartFlex as part of its growth strategy, by 77 employees at the end of 2019, compared to the 20 employed at 31 March 2019.

#### ***Competition***

The Group's key competitors include Kyivstar, which is the largest provider of mobile services in Ukraine in terms of revenue and number of subscriptions. Kyivstar reported revenue of UAH 17.5 billion in the year ending 31 December 2018, which was 136 per cent. of the Group's revenue. Kyivstar focuses on a higher-margin base of mobile voice and internet users and is owned by Veon. Lifecell is the third-largest MNO in Ukraine and focuses on subscriber growth and the prepaid segment of Ukraine's mobile market with an emphasis on low prices. Lifecell reported revenue of UAH 5.3 billion in the year ending 31 December 2018, which was 41 per cent. of the Group's revenue.

#### ***Mobile Services***

Demand for mobile services in Ukraine has increased since 2017 with Ukrainian mobile market revenue increasing from UAH 35.2 million to UAH 38.5 million in 2018. As at 30 June 2018, after two years of constant decline (1.6 per cent. and 1.4 per cent., respectively) the Group estimates that Ukraine's mobile subscriber base had approximately 129 per cent. population penetration and, as at 30 September 2019, approximately 127 per cent. population penetration. The volume of mobile services subscribers has gradually declined but mobile ARPU levels have been significantly increased due to the introduction of 3G and 4G mobile broadband network rollouts.

The following table sets forth key data on Ukraine's mobile services market as at the dates indicated:

#### **For the year ended 31 December**

2010	2011	2012	2013	2014	2015	2016	2017	2018
------	------	------	------	------	------	------	------	------

(amounts in millions)

Subscribers..... 53.9 55.6 59.3 62.5 61.2 60.7 56.7 55.7 53.9

Source: World Bank,  
BuddeComm

The Group's primary mobile services competitors in Ukraine are Kyivstar and Lifecell which had 49.7 per cent. and 13.0 per cent. of the Ukrainian market share, respectively, as at 30 September 2019. Since 2017, revenue of the mobile segment have steadily increased due to increased roll-out of 3G and 4G networks along with a higher consumer demand for data services.

The following table illustrates the number of mobile services for each network operator in Ukraine as at the dates indicated:

	For the year ended 31 December								
	2010	2011	2012	2013	2014	2015	2016	2017	2018
	(millions of subscribers)								
<b>Lifecell</b>	6.1	7	8	9.2	10.3	10.6	9.2	8	7.3
<b>Kyivstar</b>	24.4	24.8	26	25.8	26.2	25.4	26.1	26.5	26.4
<b>Vodafone UA</b>	18.2	19.5	20.7	22.7	20.2	20.4	20.9	20.8	19.7
<b>Total</b>	48.7	51.3	54.7	57.7	56.7	56.4	56.2	55.3	53.4

## Products and Services

The Group identifies three main types of customers:

- Prepaid customers;
- Postpaid B2B customers; and
- Postpaid Private customers.

The table below provides a breakdown of the Group's customers, GSM+CDMA Active Customers Base (3M):

	As at 31 December		
	2016	2017	2018
<b>The Group's customers</b>	(amounts in thousands)		
Prepaid.....	18,998	18,887	17,778
Postpaid B2B.....	1,011	1,108	1,115
Postpaid Private.....	846	810	762
<b>Total.....</b>	<b>20,856</b>	<b>20,805</b>	<b>19,655</b>

## Mobile Services

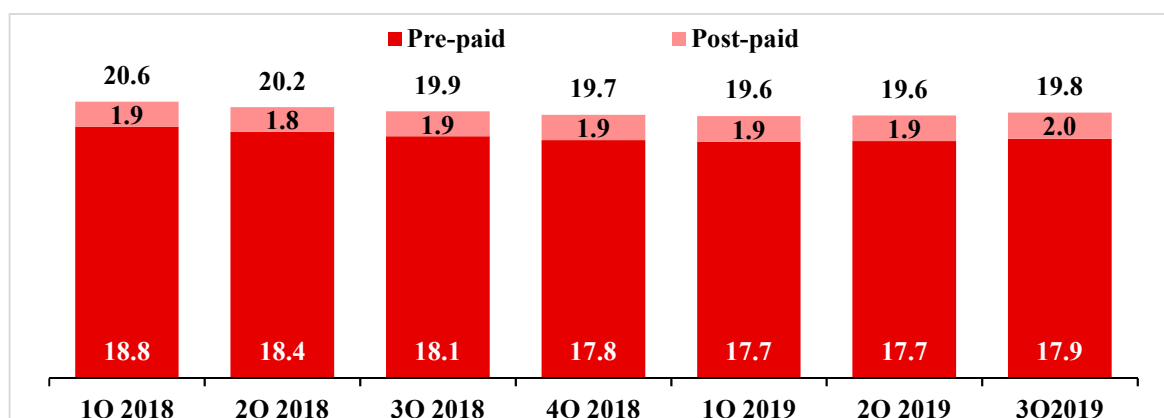
### Overview

The Group primarily offers mobile services to business and residential customers. In addition to direct sales customers, the Group also sells devices and SIM cards through its retail subsidiary, LLC VF Retail.

As at 30 September 2019, the Group's mobile services subscriber base was 19.8 million and it estimates that it had a market share of approximately 37 per cent. based on number of subscribers. As at 30 September 2019, the majority of the Group's subscribers are pre-paid subscribers (90.5 per cent.) compared to post-paid subscribers (9.5 per cent.). The Group's mobile services have experienced seasonal volatility in the sale of devices and SIM cards compared to sale of voice and data services which has remained relatively constant.

Mobile subscribers increased to 19.8 million from 19.7 million in the nine month period ended 30 September 2019. The Group increased ARPU by 56 per cent. from UAH 43.6 per user in the year ended 31 December 2016 to UAH 68.2 per user as at 30 September 2019, in line with the Group's LTE network development and trend towards increased data usage as well as the implementation of new tariff lines.

**Subscriber Base Development (mn)**



Demand for mobile data and broadband services in Ukraine has grown significantly in recent years, resulting in increases in the Group's revenue from mobile services. The market has also experienced growth due to the increase in purchasing power of Ukraine's population along with the Group's efforts in optimising sales by adjusting products available in each retail outlet based on local demand.

The Group's largest revenue growth driver between the years ended 31 December 2016 and 30 September 2019 was data services, which grew from UAH 2,220 million in the year ended 31 December 2016 to UAH 3,886 million in the year ended 31 December 2017 and then to UAH 5,785 million in the year ended 31 December 2018. Data services revenue increased from UAH 4,143 million in the nine months ended 30 September 2018 to UAH 6,148 million in the nine months ended 30 September 2019.

#### *Services and add-ons*

The Group has a set of prepaid tariff plans designed for the mass-market. Tariff plans operate throughout Ukraine and vary in value of included services and monthly fees. For example, "Vodafone Family Plus" is both a voice and data oriented tariff plan; "Vodafone SuperNet Start", "Vodafone SuperNet Pro", "Vodafone SuperNet Unlim" are specifically data-oriented tariff plans; and "Vodafone Family" is a specifically voice-oriented tariff plan.

In addition, the Group has a youth-market targeted tariff plan, "Joice". This tariff plan includes unlimited SMS and social media usage, making it attractive to young people. The Group also offers tariff plans which are targeted directly to the users of tablets, GPS/GSM-car alarms, smart-watches and other smart devices: "Vodafone Device S", "Vodafone Device M", "Vodafone Device L".

All the services within the current range of prepaid tariff plans are also available abroad in almost all European countries. There is a set of roaming services available for prepaid customers, including the 'Roaming like home' service.

Other paid services include:

- content services;
- premium numbers;
- number concealment;
- international calls; and
- roaming calls.

### ***Corporate products and services***

The Group has a B2B subscriber base of 1.2 million, which is expected to rapidly increase due to a greater focus on the IoT. The IoT segment is expected to demonstrate significant growth over the next five years, reaching 18 per cent. CAGR in this period.

### ***Wholesale Services***

The focus of the Group's wholesale services is to develop its strategy of commercial relations with national and international operators and providers for the provision of:

- national voice and SMS services;
- international voice and SMS services;
- international roaming; and
- data services.

Currently, the Group has a several agreements in connection with:

- telecommunications services (for international voice services as well as for national voice and SMS services);
- international roaming (for roaming support worldwide);
- SMS interworking (for international SMS exchange); and
- SMS HUBs (for international SMS exchange),

as well as agreements with 160 operators for data services (dedicated internet, leased lines, collocation, cross connection).

### **Network Infrastructure**

The Group operates modern carrier-grade infrastructure with implementation stations that are comparable to large sized operators in Europe. The Group has a high level of organisation, relevant processes for network planning and operation, technical competence and supporting OSS/BSS systems. In the last two years, the 3G network infrastructure was intensively deployed by the Group. Introduction of 4G LTE technology in Ukraine started during 2018, later than in other European countries, but since then the Group has been deploying LTE coverage at pace. The assessed network segments (except network in TOT) are highly reliable, redundant and robust.

The Group has substantial transport network infrastructure in Ukraine with around 31,000km of its own FO infrastructure, mostly used for the access layer. A widely spread transport network provides opportunity for the Group to improve existing connectivity and allows for rapid deployment of the required bandwidth for 3G and 4G services. There is limited HW capacity on the PS Core GGSN nodes, however, the Group works intensively with vendors on solutions to resolve the current bottleneck. Management believes capacity on these nodes will be increased in line with its strategy in the near future. A fourth vEPC node (GGSN/PGW + SGSN/MME) purchase is currently in progress and capacity is expected to expand according to traffic forecast on schedule.

The Group has its own backhaul network which connects RAN sites and data centres consisting of IP/MPLS MBH and Microwave (MW). The capacity of the backhaul connections is based on the rules implemented by a dedicated site planning department. Rules are enforced by the planning department and are based on the Group's best practices and experiences. The Group has 63 per cent. of RAN sites connected by the MW backhauling and the remaining 37 per cent. of base stations are connected over its own fibre optic (FO) network.

#### *Sanctions*

The Group has encountered the effects of sanctions with respect to particular products of Russian vendors. As a consequence, a swap-out of the SMS Centre was recently initiated and completed in December 2019. There is potential risk that sanctions lists could be expanded on other Russian products and the highest impact for the Group, in the Group's estimates, would be on the existing billing and charging systems. In case of enforced sanctions on those platforms, the Group would expect to need a significant investment in implementation of a long-term swap of the billing and online charging platforms. The monitoring of the Group's network and IT (OSS/BSS) infrastructure currently has a relatively low level of automation with a portion of work on the network operation centre being done manually. The Group has initiated projects for the modernisation of monitoring processes which are expected to significantly increase automation and improve efficiency.

#### *Investment and capital expenditure*

The Group's CAPEX plan for 2020 continues to focus on LTE rollout, with planned CAPEX at similar levels as in 2018/2019. The Group's LTE rollout is planned to near completion in 2021, and in 2022 the Group expects its CAPEX spending will be meaningfully lower in comparison to previous years. The Group's LTE base stations are mostly deployed on existing 2G or 3G sites where the cost of implementation is lower due to already available towers, space and suitable power supply. LTE base stations in the Group's network are sometimes deployed on 2G only sites (53 current such sites) and on stand-alone 4G sites (7 current such sites). During 2020, it is expected that the number of LTE base stations needed will exceed currently available sites for installation, so construction of new sites in 2021/2022 would be necessary, which would increase the average cost per base station.

#### *5G network development*

The Group does not currently have plans to roll out 5G networks in the foreseeable future. All MNOs in Ukraine are currently in an intensive LTE network deployment phase which started during 2018; around four years later than in most developed European markets. VoLTE services are not yet implemented and existing 4G services are still being developed. Ukraine is an emerging market with dynamic and new technologies being implemented when they become more mature and with greater demand and usage scenarios available. The Group will near completion of its LTE network rollout during 2022 with time required after such completion to realise the investment in its 4G network.

Ukraine's former Minister of Infrastructure confirmed in his statement from 3 May 2019 that Ukraine's first frequencies specifically allocated for 5G are intended to be auctioned during 2020. As the NCCIR did not give a direct comment on 5G plans, the Group does not currently expect an intensive 5G rollout in Ukraine before 2023-2024.

## ***Wireless Mobile Network***

### *Network and IT organisational units*

The Group maintains a separate network and IT organisational unit. The Group's Technical Directorate is responsible for the planning, development, implementation, and operation of the Group's mobile and fixed networks. As at 30 September 2019, the workforce of the Company's Technical Directorate amounted to 843 employees, with five departments consisting of a Network Planning and Development Department, Network Operations Department, Central Technical Department, East Technical Department, and West Technical Department. As at January 2020, the workforce of the Company's Technical Directorate amounted to 867 (including vacancies).

### *Core Network*

The principal components of the Group's Core Network consist of Circuit Switched and Packet Switched networks deployed to provide voice and data services to the Group's subscribers across the entire territory of Ukraine. The Group holds licences for mobile and fixed networks, enabling it to provide voice services to its mobile and fixed subscribers across Ukraine. The Mobile CS Core Network mostly follows 3GPP Release 4 architecture and contains a number of MSC-Servers (MSC-S) and Media Gateways (MGW). In the eastern part of Ukraine, (the Lugansk and Donetsk regions) the Group remains reliant on legacy (Siemens D900) network hardware. Huawei, Nokia, ZTE, Siemens, HPE and Oracle are the CS Core equipment vendors present in the Group's network. The Group has also deployed a Signaling Network implemented using Oracle STP and vDRA/DEA nodes which handle complete signaling of the mobile and fixed networks. Voice interconnections with international carriers are used for exchange of the Group's international traffic and for transiting international traffic to other Ukrainian operators. The Group's PS Core Network equipment vendor is mostly Huawei but there are several Nokia PS nodes dedicated for the eastern regions of Ukraine (the Lugansk and Donetsk regions).

In addition, the Group also uses a complex solution from HPE (MAP Filtering Platform) to provide defense from external interference in its C7 signaling on national and international levels. Also, the Group uses a vRQM/STB system (Roaming Quality Management/Signalling Traffic Billing) from Oracle for a detailed analysis all of international traffic flow (roaming own and foreign subscribers). The result of this system is a reduction in issues before they have an impact.

The Group's Core Network consists of nodes that serve the mobile network, fixed network and international network.

### **Mobile Network**

The Group operates a mobile network with 2G (GSM), 3G (UMTS) and 4G (LTE) technologies from approximately 13,043 physical locations, including approximately 15,829 2G base stations (including 1,603 base stations in the TOT), approximately 8,289 3G base stations and approximately 6,610 LTE base stations. The Group's 4G network coverage spans 66 per cent. of Ukraine's population, its 3G coverage spans 86 per cent. of Ukraine's population and its 2G coverage spans 99 per cent. of Ukraine's population. Further, the Group estimates that its total allocated spectrum comprises of approximately -55.2MHz (Duplex) over 900, 1,800 and 2,100 MHz.

The Group provides mobile telecommunications services in GSM/UMTS/LTE standards. The Group received two spectrum bands (1,800 and 2,600 MHz) and in the end of April of 2018 it launched 4G/LTE services in Ukraine.

The Group currently owns the following frequencies (all duplex):

900 MHz	-	5.2 MHz (on average per region)
1800 MHz	-	25 MHz
2100 MHz	-	15 MHz
2600 MHz	-	10 MHz

In addition to its Core Network, the Group's network contains Roaming Supporting Network Elements. The purpose of these elements is to provide supporting services to Inbound/Outbound Roaming subscribers of the Group's network, such as Steering to Preferred Network and Roaming Service Quality Management. Furthermore, the complex solution from HPE (MF Platform) provides defense against interfering in CCS7 signaling on both national and international levels.

The Group also has a PS Core Network. This network is deployed mostly by Huawei 4G Evolved Packet Core ("EPC") equipment but there are still several legacy Nokia PC Network Elements. Huawei EPC equipment is virtualised and deployed in four main sites in the Group's network: three in Kyiv and one in Kharkiv. Nokia PS Core network equipment is deployed in Kyiv.

The majority of the Group's PS Core traffic in its network is handled by the Huawei EPC, but there are still some legacy Nokia Network Elements (1 SGSN) which are handling 2G BSC Frame Relay traffic in the network. After migration of FR traffic to GPRS network it will be enabled swap-out of these legacy nodes. The Group has deployed dedicated Huawei C-SGN (Cellular IoT Serving Gateway Node) network elements for introduction of NB-IoT service in the network.

### **Information Technology**

The Group has a wide-ranging portfolio of software applications, platforms and support systems that enable functions such as product and sales management, customer relationship management, charging and billing, service assurance and enterprise support systems. The Group's activities related to its BSS and OSS are performed by its IT Directorate.

VFU does not have a unified fault management system and uses several different operation support systems for network monitoring. Different network domain is monitored by different OSS.

The Group relies on various different systems and modules in order to carry out its business. The Network Switching Subsystem ("NSS") consists of companies such as Huawei, Nokia, Siemens, Oracle, HPE and ZTE. The Group uses the Network Management System U2000 (Version V200R018C00SPC210) for access to the Huawei Mobile Softswitch solution MSoftX3000 and Mobile Gateway (MGW) providing a 2G and 3G convergence networking scheme. It also uses a Fixed Network Management System N2000 (V200R012C05SPC030) for access to the Fixed Media Gateway Controller (FMGC) in broadband, mobile and converged networks (V200R012C05SPC030). The Group is able to deliver its service management on the media gateway.

The Group also uses systems from ZTE China, Nokia/Siemens and Oracle. The Group's systems from ZTE china include NetNumen U31 Version: 12.13.10.P1.B8 for access to the Home Subscriber Server (HSS)/Home Location Register (HLR). The Group delivers service management (tracing, troubleshooting, configuration, access administration, and configuration of subscriber profiles) on this access to HSS/HLR. The Group's systems from Nokia/Siemens include NetManager 6.2. for access to "PSTN" 'Elektronisches Wählsystem Digital' (EWSD) and Remote Switching Unit (RSU) along with Switch Commander SC13.1. for access to the Mobile Switching Service Centre (MSC) and NetAct 16.8 for access to Mobile Soft Switch (MSS) and Mobile Gateway (MGW) providing a 2G and 3G convergence networking scheme.



The Group's Oracle based systems include EAGLE Element Management System E5-MS 46.5.0/2017 for access to the Signalling Transfer Point (STP) to be used in mobile switch infrastructures, in order to produce a high degree of fault tolerance in the Group's network along with the Network Operation Administration and Maintenance (NOAM) system for vDRA/DEA solution.

In addition, the Group uses a complex solution from HPE (MAP Filtering Platform) to provide defense from external interference in its C7 signalling on national and international levels. Also, the Group uses vRQM/STB system (Roaming Quality Management/Signalling Traffic Billing) from Oracle for a detailed analysis all of international traffic flow (roaming own and foreign subscribers). The result of this system is a reduction in issues before they have an impact.

The Group also uses the BMC Proactive Net Performance Management system, which is an integrated platform that combines event management and data analytics in a seamless solution. This system handles complex IT environments and diverse data streams, which delivers the Group actionable IT intelligence. The result of this system is a reduction in issues before they have an impact on the Group's business.

### *Strategy*

The Group's key technology strategic priorities are:

- network quality (via quality and monitoring system development, migration to single system Fault Management, building Self Optimizing Network);
- coverage growth (via improving communication quality in hot-spots, 4G/LTE further development, build out Nb-IoT, VoLTE); and
- digitalisation (via Network elements virtualization (NFV&Cloud) and Increasing TS bandwidth).

Specifically, the Group's IT development strategy is focused on the creation of a 'digital ecosystem', which includes (among other things):

- modernisation of the IT landscape to a converged multi-service landscape with the ability to integrate the digital businesses;
- infrastructure transformation into the utility virtual infrastructure with a high level of availability for the needs of internal and external customers; and
- growth of IT competencies for transformation of Telecom business as an IT company with a concentration of R&D expertise into IT SmartFlex.

### *Management systems*

The Group also has an extensive range of management systems to support product and sales management, maintenance of products, and sale activity review data. In addition, the company has its own campaign management with SAS Marketing Automation in place along with sales management software which allows the Group to automate its campaign management. The Group also has sales management systems in place along with a product performance system (Siebel DRM) which allows the Group to manage, develop and deliver dynamic product catalogues across all channels.

The Group's Customer Relationship management covers all applications that help indirectly or directly manage customer relations

## **Digital Products and Applications**

The Company's key digital products include:

- My Vodafone: a self-service application that allows customers to, among other things, check balances of packet services (data usage, available minutes, SMS), refill with a payment card without a fee, find out the terms of the tariff plan, and change tariffs. With My Vodafone, customers can easily control costs, manage services and bonuses. The application can be used by all Vodafone Ukraine subscribers.
- Vodafone TV: TV service where subscribers can watch popular TV channels and add-ons, such as live sporting events, movies from the directory as well as listen to radio stations. The list of available videos, TV channels and radio stations is updated regularly.
- SharPay: a mobile application for making payments for goods and services, which combines the following sources of payment - money in the account of a mobile operator (only for Vodafone prepaid subscribers) and on payment cards issued by any bank of Ukraine.

## **Property and Leases**

According to the excerpt from the State Register of Property Rights to Immovable Property dated 10 January 2020, the Company owns 181 real estate assets and 10 land plots. In addition, the Company leases at least 10,300 real estate objects (including plots for network roll-out purposes) and 3,100 land plots. The landlords are various entities including state and municipal authorities, private business entities and individuals. The land plots leased by the Company for its business activities are located both within major cities of Ukraine (including Kyiv) and within territories of all regions of Ukraine. Importantly, the effective Ukrainian law does not provide for mandatory registration of leases of real estate assets where the term of such lease is for a period of less than three years. Therefore, the amount of real estate assets leased by the Company may be different than the amount indicated in the State Register of Property Rights to Immovable Property. In addition, the State Register of Property Rights to Immovable Property may not contain information about real estate assets owned by the Company which were acquired prior to the introduction of state registration of ownership title in 2002. The designated use of the Company's leased land plots is mainly for the placement and operation of telecommunication objects and constructions. Leased land plots are mostly used by the Company for network equipment placement.

## **Insurance**

The insurance policies of the Company and LLC VF Retail define the basic principles for managing compulsory and voluntary types of insurance. The responsibility of the company divisions in organising the processes by type of insurance is distributed.

In terms of voluntary property insurance, the following groups of the main Group property are insured:

- technological equipment put into operation, belonging to the classes: switches and their parts, server equipment and its parts;
- own real estate (buildings and premises); and
- property interest related to the exploitation of leased premises.

The Company's key named discharged risks are:

- fire risks, namely: fire and smoke as a result of a fire; lightning strike; gas explosion used for domestic purposes; crash of manned flying objects;

- natural phenomena, namely: flood, storm, hurricane, whirlwind, hail, heavy rain (rain); earthquakes, landslide, mudflows, mountain landslides, avalanches; soil subsidence; groundwater flooding; snow pressure;
- accidents of water, sewer or heating systems, as well as fire extinguishing systems; extreme frosts and heavy snowfalls for this area;
- burglary/robbery, and illegal actions of third parties, including arson;
- hitting land transport;
- accidents such as explosions, sound beat, the falling of objects and their parts and glass break.

The Group has not historically experienced difficulty renewing its insurance policies and management believes that the Group's insurance coverage is reasonable and consistent with telecommunications industry standards in general.

### **Organisational Structure Employees**

#### *The Company*

As at 31 December 2018, the Company employed 758 administrative staff, 1018 commercial staff, 132 marketing staff and 824 technical staff. As at 30 September 2019, the Company employed 800 administrative staff, 1042 commercial staff, 163 marketing staff and 843 technical staff.

#### *LLC VF Retail*

The Company's retail subsidiary (LLC VF Retail) currently employs over 1,600 employees in its retail stores. As at 31 December 2018, the Company's retail subsidiary employed 151 administrative staff and 905 commercial staff. As at 30 September 2019, the Company's retail subsidiary employed 153 administrative staff and 1494 commercial staff.

#### *LLC IT SmartFlex*

The Company's in-house IT solutions subsidiary responsible for the development of strategic digital products for the Group employed 79 people in the period ending 31 December 2019.

The Company is organised into different divisions. The following table sets forth the number of employees and key structural units within divisions:

<b>Division</b>	<b>Number of full-time equivalents ("FTE")</b>	<b>Key Structural Units</b>
CEO (General Director)	<b>1</b>	
CEO staff	<b>79</b>	Compliance HQ administrative staff Internal Control and Audit Group PR Subdepartment Quality & Customer Experience Man. Subdepartment Security Department

<b>Division</b>	<b>Number of full-time equivalents (“FTE”)</b>	<b>Key Structural Units</b>
Corporate Management & Control Direction	<b>53</b>	Chancellery Corp. Management & Control Direct. Staff Corporate Management Subdepartment Legal Department Licence and Radio Frequency Supply Subdepartment
Deputy General Director, Center	<b>1</b>	
Deputy General Director, East	<b>1</b>	
Deputy General Director, West	<b>1</b>	
Financial Direction	<b>212</b>	Accounting and Reporting Department Finance direction staff Functional Controlling Department Income Management Department Internal Control Systems Department Planning, Reporting and Analysis Manag.De Treasury Department
HR Direction	<b>78</b>	C&B privileges, person, and performance subdivisions Education Subdepartment HR Direction staff Labor Relations Group Linguistic Support Organizational Development Group Pers. Devel. and Corporate Commun.Subd. Regional Personnel Management Search and recruitment Subdepartment
IT Direction	<b>281</b>	Information Security Subdepartment Information System Development Depart. IS Operation Department IT Direction staff Planning and Control Group Projects Implementation Subdepartment SAP Competence Subdepartment
Marketing Direction	<b>179</b>	Brand and Communications Department Commercial Working with Network Comp. Department Customer value management Department

Division	Number of full-time equivalents (“FTE”)	Key Structural Units
		Digital Solutions and Platforms Department Marketing Direction Staff Marketing Tariffs and Services Department Product and Network Development Department
Procurement and Administrative Direction	<b>174</b>	Administration Department Contracts&Cost Management Subdepartment Logistics Subdepartment Procurement and Admin. Direction Staff Department of procurement of production materials and services Department of procurement of IT equipment and services Department of procurement of technological equipment and services
Sales and Customers Service Direction	<b>1125</b>	Business Market Department Customer Support and Distance Sales Depa Mass Market Department Planning and Sales Analysis Group Sales & Custom. Service Direction Staff Sales resources management Subdepartment Trade Marketing Subdepartment
Strategy Direction	<b>4</b>	
Technical Direction	<b>867</b>	Chief Power Engineer Subdepartment Network Operation Department Network Planning & Development Department Operational Support Subdepartment Quality Networks & IS Control Subdepartment Technical Department, Center Technical Department, East Technical Department, West Technical Direction staff The only network management centre
Transformation Direction	<b>4</b>	

As at 30 September 2019, the Company employed 2,848 FTEs.

### **Intellectual Property**

The Group owns 95 trademarks with 2 valid utility models which are registered in Ukraine. The Group has a number of pending trademark applications filed in Ukraine. If these applications are successful and the Group pays the requisite fees for each application, the Group will have additional trademarks registered for an initial period of 10 years with the opportunity for subsequent 10 year renewals at its disposal (subject to additional renewal fees).

The Group's contract of employment requires the employee to acknowledge the Group's rights to the use of the results of an employee's creative activity (including software, literary and audio-visual works, photos, works of visual art, graphics and designs) created by an employee within his or her assignments under their employment agreement. However, the employment agreement is silent about particular ways of using the results of an employee's activity (for example, the right to reproduce, modify or distribute intellectual property objects), all other tangible intellectual property rights to the employee's creative activity (in particular, the right to allow the use or prohibit the unlawful use of an intellectual property object), their ownership by the Group, and the amount and condition of payment of the author's remuneration which are mandatory under Ukrainian intellectual property law.

In light of this, the risk of potential claims by some of the Group's employees (the authors of software, literary and audio-visual works, photos, works of visual art, graphics and designs) regarding potential violation of their intellectual property rights cannot be eliminated entirely.

### **Litigation**

A description of material litigation proceedings of the Group pending as of the date of these Listing Particulars is provided below:

1) The Main Department of State Emergency Service of Ukraine in the city of Kyiv (the "**State Emergency Service**") identified the Company's failure to comply with safety requirements in one facility and issued a related order. The Company subsequently failed to eliminate all violations of fire safety requirements identified by the State Emergency Service. In response, the State Emergency Service initiated an action against the Company regarding to require a complete cessation of operations at the facility. Currently, the Company is working on eliminating all violations that were indicated in the State Emergency Service's action. According to the Company, 23 out of 31 violations have already been eliminated. Taking all the facts into account, the Company expects a favorable outcome in this case. However, should the Company fail to eliminate the remaining violations of fire safety, there is a risk that the mentioned facility could not be used and the Company would bear the cost of relocation of relevant equipment and personnel to another facility at an estimated cost of up to approximately UAH 100 million.

2) LLC Lifecell, a competitor of the Group, initiated an AMC investigation against the Group by claiming abuse of dominant position by the Group. The investigation resulted in the AMC closing the case without a decision on merits. LLC Lifecell challenged the decision and the court of first instance rejected the claim. On 24 December 2019, LLC Lifecell filed an appeal. In cases where the AMC determines that an enterprise has abused a dominant position, the AMC may impose a fine in the amount of up to 10 per cent. of that enterprise's consolidated revenue in the year immediately preceding the year of imposition of the fine.

### **Environmental Matters**

At some of the Company's facilities, certain equipment (such as diesel generators and hot water boilers) emit pollutants into the air. The emission of pollutants into atmospheric air is regulated by various Ukrainian environmental laws and regulations which set standards for health and environmental quality, provide for

penalties and other liabilities for the violation of such standards, and establish, in certain circumstances, obligations to compensate for environmental damage and to restore environmental conditions. The authorised state bodies of Ukraine set the maximum permitted quantities for the emission of pollutants by enterprises. Such state bodies approve individual emission limits within these parameters for each relevant polluting equipment (stationary sources of emission of pollutants) installed at the facilities of the Company on the basis of an application filed by the Company, which vary depending on the type and scale of environmental impact. For example, the Company has obtained permit No. 8038900000-10303 on emissions of pollutants into atmospheric air by stationary sources, which was issued by the Executive Body of Kyiv City Council (Kyiv City State Administration) on 19 April 2019 for an unlimited period of time. All such permits specify the statutory pollution limits which the Company must not exceed. All primary air pollutants from stationary sources are measured by proprietary certified laboratories according to schedules prescribed by the relevant environmental permits and cross-checked by local environmental authorities. The Ukrainian authorities carry out periodic site inspections to ensure that these limits are observed.

### **Licences and permits**

As at the date of these Listing Particulars, the Company is registered with the State Registry of the Telecommunications Operators and Providers managed and supported by the NCCIR (the “**Telecommunications Register**”) and is subject to the requirements set out in the Telecommunications Law. As at the date of these Listing Particulars, the Company as an operator is authorised to provide mobile telephone communication services with the right to a technical maintenance and exploitation of telecommunication networks and leasing of electronic communication channels, to provide local, inter-city and international fixed-line telephone communication services, with the right to a technical maintenance and exploitation of telecommunication networks and leasing of electronic communication channels, to build and provide technical maintenance of telecommunication networks with moveable objects and to provide services with their use, and to provide services for Internet access with or without the use of the radio frequency resource.

The Law of Ukraine “On Radio Frequency Resource of Ukraine” № 1770-III dated 1 June 2000 as amended (the “**Radio Frequencies Law**”) requires that users of radio frequency resources should obtain a radio frequency resource license (the “**Frequency Licences**”) for the purposes of the provision of telecommunications services. The NCCIR is the state authority responsible for issuing Frequency Licences under the Radio Frequencies Law and permits for the use of numbering resource (“**Numbering Resource Permits**”) under Telecommunications Law to telecommunications operators and providers located in Ukraine. As at the date of these Listing Particulars, the Company holds 54 valid Frequency Licences issued by the NCCIR authorising the Company for the use of radio frequency resources in Ukraine.

Users of radio frequency resources in Ukraine must also obtain a permit to operate radio equipment (the “**Equipment Permit**”) (with certain exceptions for equipment which can be used on a permission-free basis). In order to obtain an Equipment Permit, a company may apply to the Ukrainian Centre of Radio Frequencies. The Radio Frequencies Law also requires that the radio-electronic and radio-emitting equipment intended for use in Ukraine should be registered in a special register managed and supported by the NCCIR. As at the date of these Listing Particulars, the Company holds more than 50,000 Equipment Permits.

The following table outlines the spectrum portfolio of the Company:

**Spectrum Portfolio**

<b>Spectrum</b>	900 MHz	1800 MHz	2100 MHz	2600 MHz
<b>Technology</b>	GSM	GSM, LTE	UMTS	LTE
<b>Bands</b>	2 x 5.2 MHz	2 x 25 MHz	2 x 15 MHz	2 x 10 MHz

### **Property**

The principal property and equipment of the Group consist of its cables and switching stations located throughout the jurisdictions in which it operates, including its international exchanges, mobile switching centres, base stations, transmission equipment, cables and other technical, administrative and commercial property and equipment.

The Group's net book value of its property, plant and equipment in the year ending 31 December 2018 was UAH 9,456 million compared with UAH 8,618 million and UAH 7,057 million in the years ending 31 December 2017 and 31 December 2016, respectively.



## **MATERIAL AGREEMENTS**

### ***Vodafone Branding Agreement***

The Company entered into the Vodafone Branding Agreement on 15 October 2015, providing for a right to use the Vodafone trademarks in the territory of Ukraine. The Vodafone Branding Agreement is effective until 31 December 2020. The Vodafone Branding Agreement allows for the use of Vodafone brand materials as well as Vodafone trademarks in materials used for marketing, promoting and advertising the Company's telecommunications business, on interior display signage and exterior signage for all retail stores in Ukraine, in all mobile and online environments where its telecommunications business is conducted and on all business stationery and materials used for internal and external communication. The Vodafone Branding Agreement regulates the allowed uses of Vodafone trademarks and applicable restrictions. Among other things, Vodafone provides the Company with access to its global brand portal and also provides the Company with a Brand Manager, Senior Communications Manager and Operational Security Assurance Officer in order to provide assistance towards the use of Vodafone branding by the Company. The Vodafone Branding Agreement also envisages the conducting of brand tracking, which consists of measurement of brand awareness and brand image among private and corporate clients and competitors in Ukraine.

The licence fees for the use of Vodafone trademarks in the territory of Ukraine is defined as a fixed annual payment and being paid on a monthly basis.

The Vodafone Branding Agreement contains a change of control clause, whereby Vodafone UK may terminate the Vodafone Branding Agreement in case of any change to the direct shareholding of the Company. Prior to the Acquisition, Vodafone UK issued a waiver of its right to terminate the Vodafone Branding Agreement on the ground of change of shareholding of the Company as result of Acquisition.

The Group has entered into a Memorandum of Understanding with Vodafone UK to negotiate, in good faith, the terms of a definitive agreement for a potential 5-year co-operation partnership between Vodafone and the Company in order to support the commercial and strategic objectives of the Company.

### ***Agreements with customers***

The Group has a number of agreements with its customers, none of which are individually material. The agreements mainly relate to the provision of telecommunications services by the Group to its customers including the interconnection of telecommunications networks of both parties. The counterparties to these agreements include both Ukrainian residents and non-residents.

### ***Agreements with suppliers***

The Group has a number of agreements with its suppliers. The agreements relate to the execution of works on the software maintenance of a billing platform, supply of software equipment, base station constructions, supply of software and the provision of software support to the Company.

Agreements with companies that are part of the Huawei Group in aggregate exceeded USD 25 million. According to these agreements, the companies of the Huawei Group supply the Company with hardware, telecommunications equipment and software for building the Company's 3G and 4G networks, maintain such equipment/hardware/software and provide other support services.

### ***Non-standard agreements***

The Group has a number of non-standard agreements including international traffic routing agreements, agreements on the system of interconnect billing, agreements on the development of network products, agreements on preferential conditions for roaming, marketing agreements, agreements on the lease of channels, agreements on sales channels, and agreements with corporate clients.

### ***Contracts for provision of IT systems and support***

The Group also has a number of agreements that relate to the provision of software support and technical services to the Group. Some of these agreements are concluded with residents of the Russian Federation and companies of the MTS Group.

The TSA was entered into between the Company, the Purchaser and the Seller on 3 December 2019 and is aimed to extend Services Agreements relating to the provision of certain IT services and software licences by 2 years from 3 December 2019. For the duration of the TSA, the Company is entitled to continue to receive the services from respective service providers. Once the TSA expires, or earlier if the Company elects to terminate the services, the Company will have to implement a transition plan to restructure the way in which it obtains such services. The parties will agree on a migration plan, and the Seller will provide reasonable assistance to the Company to comply with the plan and migrate the services. See “*Risk Factors—Risks relating to the Group—The Group is dependent on the Seller for certain essential services*” for more information about the TSA.

## OTHER FINANCING ARRANGEMENTS

### **Financial Aid Agreement**

The Company entered into the Financial Aid Agreement with the Purchaser on 3 December 2019. The terms of the Financial Aid Agreement provide for the Company to provide to the Purchaser a refundable interest-free financial aid in the total amount of UAH 479,147,080, which was equivalent to USD 20,000,000 (the “**Financial Aid**”) as at the date of the Financial Aid Agreement (using the NBU exchange rate of UAH 23.95735 per USD 1 set as at 3 December 2019). The amount of the Financial Aid may be increased from time to time subject to the parties’ agreement. The Financial Aid was to be applied by the Purchaser in accordance with the Bridge Facility Agreement, to pay into certain accounts of the Telco Solutions and Investments LLC. However, the relevant amount was instead transferred by way of dividend. As such, no amount under the Financial Aid Agreement has been utilised.

Upon advance of the Loan to the Company, the Company and the Purchaser intend to amend the Financial Aid Agreement with a view to increase the amount of Financial Aid, which will be required in order to repay the Bridge Facility. Pursuant to the amended Financial Aid Agreement, the Company will provide increased Financial Aid in UAH, which will be converted by the Purchaser to USD to prepay outstanding amounts under the Bridge Facility.

As a result of the Merger, the obligations of the Purchaser on the repayment of the Finance Aid to the Company will be extinguished by operation of law.

### **Loan Agreement No.2 – LLC VF Retail**

The Company and LLC VF Retail entered into a loan agreement dated 25 April 2018 (the “**Loan Agreement No.2**”) (and subsequently entered into an Additional Agreement No.1 and Additional Agreement No.2 to the Loan Agreement No. 2). Pursuant to the terms of the Loan Agreement No.2, a loan in the total amount of UAH 1,260 million was provided by the Company to its subsidiary, LLC VF Retail. The repayment of the loan is due on 30 June 2020 and interest does not accrue on the loan. The Group’s management is considering the possibility to convert this loan into additional equity capital of LLC VF Retail. The Group believes that this will have no effect on the consolidated financial statements of the Group.

## MANAGEMENT

### *Overview*

The Company has the following management and governing bodies:

- General Meeting of Shareholders;
- Supervisory Board;
- General Director;
- Revision Commission; and
- Auditing Commission.

### *General Meeting of Shareholders*

The General Meeting of Shareholders ("**GSM**") is authorised to:

- determine the Company's main types of activity;
- change the Company's organisational and legal form;
- approve the charter of the Company ("**Charter**"), make amendments and supplements to the Charter and authorise a person to sign the new edition of the Charter or amendments thereto;
- cancel any of the Company's redeemed shares;
- redeem any of the Company's issued shares;
- approve the Company's issuance of shares and the results of such issuance;
- split-up or consolidate any of the Company's shares;
- approve the form of shares;
- increase the share capital of the Company;
- decrease the share capital of the Company;
- determine the number of the Supervisory Board members;
- elect the Supervisory Board members, terminate the powers of the Supervisory Board members (except for cases envisaged by law), approve the conditions of civil-law contracts and labour agreements (contracts) to be concluded with them, determine their remuneration and authorise a person to sign agreements (contracts) with the Supervisory Board members;
- approve the annual report of the Company;
- distribute profits and losses of the Company;
- approve the amount of annual dividends and determine the date, time and procedure for their payment taking into account the requirements of the Law of Ukraine "On Joint Stock Companies";
- elect members of the Revision Commission (or, alternatively, elect an auditor to be established instead of the Revision Commission) and terminate their powers before the scheduled termination date;
- elect members of the counting commission if and when necessary for the purposes of counting the votes of shareholders and terminating their powers;

- approve conclusions of the Revision Commission (or, alternatively, approve conclusions of an auditor established instead of the Revision Commission);
- consider and approve the report of the Supervisory Board, the report of the General Director and the report of the Revision Commission (or, alternatively, of an auditor established instead of the Revision Commission);
- resolve any issues related to the procedure of conducting the GSM;
- approve the corporate governance principles and codes of the Company;
- in case of any spin-off, termination (merger, accession, splitting and transformation) or liquidation of the Company:
  - approve the relevant transaction;
  - elect the termination commission or the liquidation commission as applicable;
  - approve the procedure and terms of the relevant transaction; and
  - approve the act of transfer or distribution as applicable to the relevant transaction;
- approve the alienation of the Company's property for an amount of 50 or more per cent. of the Company's property;
- provide consent for entering into a material transaction involving property, work or services whose market value exceeds 25 per cent. of the asset value of the Company according to the latest annual financial statements of the Company;
- approve the entry into a related party transaction in which the majority of the Supervisory Board members are interested;
- approve the regulations on the GSM, the Supervisory Board, the General Director and the Revision Commission (or, alternatively, an auditor established instead of the Revision Commission), as well as introduction of amendments thereto;
- approve the conditions of a contract to delegate the powers of the counting commission, if such counting commission exists, to a registrar, custodian or depositary of the Company; and
- resolve any other issues within the exclusive competence of the GSM under Ukrainian law.

The GSM makes decisions on matters within its scope of authority by a majority of more than 50 per cent. of voting shares present at the meeting, unless another percentage of votes is required for making decisions on certain matters under the Charter or Ukrainian law. One ordinary share equals one vote.

Under Ukrainian law and the Charter, the decision to hold a GSM is adopted by the Supervisory Board, which also approves the draft agenda of the upcoming GSM. The Supervisory Board may adopt the resolution on holding the GSM either on its own initiative, or upon request of the General Director, or the Revision Commission (Auditor), or shareholders holding 10 or more per cent. of voting shares, as well as in other cases envisaged by Ukrainian law. However, if the Supervisory Board fails to adopt the resolution to hold a GSM within ten days from the receipt of the request from the shareholders holding 10 or more per cent. of voting shares, such resolution to hold the GSM can be made by shareholders holding 10 or more per cent. of voting shares. The notice for an upcoming GSM and the draft agenda for such GSM shall be sent to each shareholder not later than 30 days prior to the GSM. The shareholders may make proposals to the agenda for the GSM not later than 20 days prior to the GSM and proposals to the candidacies to the management bodies of the

Company may be made not later than seven days prior to the GSM. The final agenda for the GSM shall be approved by the Supervisory Board not later than 15 days prior to the GSM and the candidacies to the management bodies of the Company shall be approved not later than four days prior to the GSM.

In case the interests of the Company require it to hold a GSM within a shorter period of time, the Supervisory Board may decide to convene the extraordinary GSM by giving notice to the shareholders in writing, together with the agenda, not later than 15 days prior to the GSM. In such case, the shareholders do not have the right to make proposals to the agenda for the GSM. However, the Supervisory Board may not adopt such decision if the agenda for such extraordinary GSM includes the election of the Supervisory Board members.

### ***Supervisory Board***

The authorities of the Supervisory Board of the Company include:

- approval of internal documents of the Company, except for internal documents to be approved by the GSM of the Company, regulating principles of the Company's activity in the following areas:
  - strategy, investment and new types of activity;
  - HR management, incentive and remuneration systems strategy;
  - participation in subsidiaries, groups or associations and establishment and operation of branches and representative offices;
  - corporate governance;
  - control over the implementation of main types of activity; and
  - other areas;
- approval of principles of performance evaluation and remuneration system, as well as supervision of the activities of the General Director and top management of the Company directly and immediately subordinate to the General Director of the Company;
- review and approval of candidates to be nominated to the managing and controlling bodies of the Company's subsidiaries;
- approval of trademark specimens as well as emblems and other means of visual identification of the Company;
- approval of General Director's holding of positions in managing bodies of third party enterprises, institutions and organisations;
- establishment of the procedure for interaction with third party companies and organisations wherein the Company owns shares and interest;
- approval of the Company's issuance of securities other than shares;
- approval of the Company's acquisition of issued securities other than shares;
- approval of any sale of shares previously redeemed by the Company;
- approval of the market value of the Company's assets (including shares of the Company) when the events established by the applicable legislation occurs;

- approval of the decision to hold annual or extraordinary GSM. This can be done at its own initiative, upon request of the shareholders and at the proposal of the General Director or the Revision Commission (or, alternatively, an auditor established instead of the Revision Commission);
- preliminary preparation and approval of the agenda of GSM, approval of the date of the GSM and the decision to include any proposals in the agenda, except for in the case of convocation of the extraordinary GSM by the shareholders, and communication of such information to the General Director;
- election of the registration commission when it is established, except in the events established by the applicable legislation;
- determination of the date of preparation of the register of shareholders entitled to receive a notice of the GSM and to participate in the GSM;
- determination of the date of preparation of the register of shareholders entitled to receive dividends and the procedure and terms of dividend payment within the time limit of 6 (six) months from the date when the GSM makes a resolution to pay dividends;
- election of the General Director and termination of powers of the General Director;
- approval of the conditions of the contract to be concluded with the General Director, determining the remuneration amount and procedure for its payment, approval of amendments and supplements to the contract;
- approval of the decision to dismiss the General Director;
- election of a new General Director in the event of dismissal of the General Director;
- establishment of branches and representative offices of the Company and other subdivisions, as well as taking decision on their liquidation;
- approval of model regulations on branches, representative offices and other subdivisions;
- appointment of the Corporate Secretary of the Company and termination of his powers, as well as approval of principles to assess his work and the remuneration system;
- determination of the main principles for creation of the Company's organisational structure and approval of changes to the Company's organisational structure from the level of the Head of Directorate (or equally ranking subdivisions) and upwards;
- election of the auditor of the Company and determination of the conditions of contract to be entered into with the auditor establishing remuneration for its services;
- election and replacement of the registrar of the Company's registered securities or the securities depository and approval of the conditions of contract to be entered into with them establishing their remuneration as well as making resolutions to terminate such contracts;
- election of the appraiser of the Company's property (including shares of the Company) and approval of the conditions of contract to be entered into with it establishing remuneration for its services;
- resolution of issues relating to participation, change in participatory interest and termination of the Company's participation in industrial and financial groups, business associations and other legal entities;
- approval of recommendations to the GSM on issues assigned to the competence of the Supervisory Board by the Laws of Ukraine in the event of merger, accession, splitting, spin-off or transformation of the Company;

- determination of probability that the Company would be recognised insolvent as a result of undertaking or performing any obligations, including as a result of dividend payments or share reacquisitions;
- approval of the decision to send proposals to the shareholders in relation to the acquisition of their ordinary shares by a person or persons acting jointly who acquired the controlling stake in the Company in accordance with the procedure set by legislation of Ukraine;
- approval of the annual budgets of the Company (including, without limitation, CAPEX for the next year) and the annual business plans;
- review of the financial and business performance of the Company and its subsidiaries;
- preliminary review of annual reports of the Company;
- approval of transactions to be entered into by the Company, the value of which exceed 2 (two) million U.S. dollars or the equivalent of such amount in other currency, except for the following:
  - if financing of, or entry into, such transaction or a series of related transactions is envisaged by the Company's budget which has been approved by the Supervisory Board;
  - deposit contracts;
  - network interconnection contracts;
  - contracts with roaming partners for the provision of roaming services and related contracts;
- approval of the decision to provide consent to a material transaction involving property, work or services whose market value is more than 10 per cent. but less than or equal to 25 per cent. of the asset value of the Company according to the latest annual financial statements of the Company;
- approval of the decision to recommend the GSM to provide a consent to enter into a material transaction involving a property, work or services whose market value exceeds 25 per cent. of the asset value of the Company according to the latest annual financial statements of the Company;
- preliminary approval of transactions or a series of related transactions in relation to the pledge of the Company's property for an amount equalling or exceeding 500,000 U.S. dollars or the equivalent of such amount in another currency;
- preliminary approval of transactions or a series of related transactions in relation to the Company's entry into credit agreements and loan agreements, provision of loans, guarantees and undertaking obligations under bills (issue of ordinary bills or bills of exchange);
- approval of the decision to provide consent to enter into a related-party transaction;
- annual approval of the amount of funds allocated for charity. If the amount donated to a particular beneficiary exceeds 10,000 U.S. dollars, approval of the amount of charitable donation and approval of the beneficiary are required; and
- resolution of any other issues within the exclusive competence of the Supervisory Board, including resolutions to convert documentary shares into a non-documentary form.

The Supervisory Board of the Company consists of seven members as at 27 December 2019. The members of the Supervisory Board are elected for a three-year period by a majority of votes of the shareholders present and voting at the GSM. The Supervisory Board is quorate if more than half of its members are present or represented. The Supervisory Board makes decisions by a simple majority of votes present or represented. Each member of the Supervisory Board has one vote.



As at 27 December 2019, the members of the Supervisory Board are:

*Yusif Jabbarov – member*

Mr Jabbarov is the current Chief Executive Officer of NEQSOL Holding. He has 20 years' experience in the telecommunications, financial services, and oil and gas industries. Mr Jabbarov has led the Group's transformation, including its strategy with respect to mergers and acquisitions. Mr Jabbarov is the deputy chairman of the board of Bakcell and current member of the board at Nobel Oil Services and Nobel Upstream.

*Cenk Serdar – member*

Mr Serdar is the current deputy Chief Executive Office of NEQSOL Holding. He is a C-Suite global business leader with over 20 years' experience in the internet and mobile industry. Mr Serdar is a current board member of the Company and Bakcell, and his former board roles include large multinational companies such as STC, Contact Centre Company, Turk Telekom and AVEA. Mr Serdar has also held various senior leadership roles in Vodafone UK, Turkcell, and Garanti Bank.

*Rainer Rathgeber – member*

Mr Rathgeber is the current Chief Executive Officer of Bakcell. He has over 25 years' experience as a telecommunications professional, with both operational and consulting experience, spanning across four continents. Mr Rathgeber is a current board member of the Company and is the former CEO of Ufone in Pakistan and CCO at Etisalat Abu Dhabi. He has held several senior positions at DT, including SVP Sales and Service Strategy Europe, SVP Marketing Europe and CEO Croatia.

*Imran Ahmadzada – member*

Mr Ahmadzada is the current Chief Financial Officer of NEQSOL Holding. He is an experienced finance professional with 15 years' experience in financial management for NEQSOL and also in the banking industry. Mr Ahmadzada is the former Director in Credit Underwriting at Demir Bank and is currently a member of multiple boards, including Nobel Oil Services (UK) Ltd. and NORM LLC.

*Rishad Aliyev – member*

Mr Aliyev is the current deputy Chief Financial Officer of the Bakcell Group. He is an experienced finance professional with 13 years' experience in treasury, accounting, mergers and acquisitions, and business management. Mr Aliyev is the former Chief Accountant at Nar (Azerfon) and Group Head of Corporate Treasury and Credit Control in NEQSOL Holding.

*Emin Karimov – member*

Mr Karimov is the current Chief Legal Officer at NEQSOL Holding. He is an experienced legal professional with significant experience in financial and telecommunications mergers and acquisitions. Mr Karimov is the former Senior Legal Manager at Price Waterhouse Coopers, Head of Legal Department at Kapital Bank and Head of Representative Office/Legal Manager at PASHA Holding.

*Meric Tunc – member*

Mr Tunc is the current Head of the HR Department of LLC "Neqsol Holding Azerbaijan". From 2014 to 2018 he worked as HR Director at Samsung Electronics.

The business address of each member of the Supervisory Board of the Company is c/o Private Joint Stock Company "VF Ukraine", 15 Leiptsyzka Street, Kyiv, 01601, Ukraine.

***Conflict of Interests***

Save as disclosed below, there is no conflict of interest or potential conflict of interest between the duties owed by the members of the Company's Supervisory Board or the Company's executive management to the Company and their respective private interest or other duties.

### ***General Director***

The General Director (CEO) is vested with the day-to-day management and representation of the Company and is elected by the Supervisory Board by a majority of votes. The authorities of the General Director are set out under a contract duly executed by the General Director, the Company's charter and the laws of Ukraine. These authorities include, among other things:

- managing the day-to-day activity of the Company within the approved budget and business plan;
- ensuring the execution of the resolution of the GSM and the Supervisory Board;
- developing the strategy of the Company;
- approving and changing the Company's organisational structure up to the level of directorates and their equivalent subdivisions downwards;
- approving internal documents of the Company (excluding those falling within the exclusive competence of the GSM and the Supervisory Board), approving and signing charters of the Company's subsidiaries, and regulating representative offices, branches, regional offices, and other separate or integrated structural subdivisions of the Company (service centres, technical centres, departments, directions, units etc.);
- employing (appointing), transferring and dismissing employees (officers) of the Company, including heads of representative offices, branches, regional offices and other separate structural subdivisions (except for members of the Supervisory Board and the Revision Commission), determining the amount of their remuneration and other conditions of employment, applying rewards and penalties to be applied to employees (officers) of the Company, and approving job descriptions;
- negotiating and concluding agreements (contracts) and/or transactions (contracts) on behalf of the Company;
- making resolutions on the management and operation of subsidiaries, branches, regional offices and representative offices of the Company (except for resolutions falling within the exclusive competence of the GSM and the Supervisory Board);
- providing shareholders with management reports, financial statements, and financial forecasts of the Company; and
- performing other functions not falling within the exclusive competence of the GSM and the Supervisory Board by the Company's charter and/or applicable legislation, or which, taking into account the requirements of the applicable legislation the GSM may directly determine as falling within the competence of the General Director.

### ***Revision Commission***

The Revision Commission supervises financial and operational activities of the Company. Members of the Revision Commission are nominated and elected by shareholders at the GSM for a term of three years. The General Director, members of the Supervisory Board, the Corporate Secretary, members of other bodies of the Company and members of the counting commission (if in existence) may not simultaneously be a member of the Revision Commission.

As at the date of these Listing Particulars, the members of the Revision Commission are:

*Rashad Abbasov, citizen of the Republic of Azerbaijan*

Between 2013 to 2018, Mr Abbasov worked as a Tax Manager at PwC Azerbaijan. From 2018 to present, Mr Abbasov has held the position of a Tax Manager at LLC Neqsol Holding Azerbaijan.

*Elvin Mirzaev, citizen of the Republic of Azerbaijan*

Between 2013 to 2016, Mr Mirzaev was a senior advisor at GRC Assurance and Advisory. During the period 2016 to 2018, Mr Mirzaev worked as a Senior Investment Specialist at LLC Neqsol Holding Azerbaijan. From 2018 to present, Mr Mirzaev has served as the Head of Investment Department of LLC Neqsol Holding Azerbaijan.

*Turkay Jamalzade, citizen of the Republic of Azerbaijan*

From 2014 to 2017, Ms Jamalzade worked as an Audit Specialist at E&Y CIS, Baku. Between 2017 to 2019, Ms Jamalzade was the Deputy Head of Economic Analysis Department of CJSC Azerbaijan Railways. From May 2019 to present, Ms Jamalzade holds the position of an Investment Analyst at LLC Neqsol Holding Azerbaijan.

### ***Auditing Commission***

The Auditing Commission is an advisory body of the Company which:

- informs the management and controlling bodies of the Company about the results of the mandatory audit of financial statements;
- monitors the preparation of financial statements and provides the Company with recommendations and proposals to ensure the veracity of such information;
- assesses the effectiveness of the Company's internal control systems (including ensuring that the internal auditing is performed in accordance with the international standards for the professional practice of internal auditing) and risk management;
- monitors the implementation of tasks on the mandatory audit of the financial statements;
- assesses and ensures the independence of auditors that provide mandatory auditing services; and
- holds transparent tenders for selecting auditors and preparing recommendations based on the tender results.

The General Director, members of the Supervisory Board, the Corporate Secretary, members of the Revision Commission and other bodies of the Company and members of the counting commission (if in existence) may not simultaneously be the members of the Auditing Commission. As of the date of these Listing Particulars, the members of the Auditing Commission are:

*Mammad Babayev*

Mr M. Babayev was the Head of Commercial Control Department (foreign projects) at SOCAR between 2011 and 2017. Subsequently, until 2018, he worked as Financial Director of Shahdag Mountain Resort. Since 2018, Mr M. Babayev has held the position of Budget and Reporting Manager at LLC "Neqsol Holding Azerbaijan".

Mr M. Babayev graduated from Azerbaijan State University of Economics in 2008 with a Bachelor of International Economic Relation. He then graduated from the Central European University in 2010 with a Masters of Economics, and also the University College London in 2011 with a Masters in Financial Computing.

#### *Farid Babayev*

Mr F. Babayev was an Investment Analyst at Nobel Oil (UK) Services between 2014 and 2016. From 2016 and 2018, he worked as an Investment Manager for a Private Investment Company. Since 2018, Mr F. Babayev has held the position of Senior Investment Analyst at LLC “Neqsol Holding Azerbaijan”.

Mr F. Babayev graduated from the University of Sheffield with a degree in International Finance and Economics in 2010.

#### *Nataliya Nikolaevna Shevchenko*

Ms Shevchenko worked as Director of Corporate Reporting Department at MTS PJSC between 2006 to 2016. From 2016 to 2017, she worked as Financial Director at PrJSC “MTS Ukraine”. Since May 2017, Ms Shevchenko has held the position of Financial Director at PrJSC “VF Ukraine”.

Ms Shevchenko graduated from the International Institute of Management, Business and Law in 1996 with bachelor’s degree, mastering in Assistant-Interpreter. In 2000, Ms Shevchenko graduated from the Kiev National Economic University with a Masters in Finance.

#### ***Management of the Company, Short Biographies of the General Director and other Senior Managers***

##### *Olga Ustynova – General Director*

Ms Ustynova was appointed as the General Director of the Company on 1 January 2016. Prior to her appointment, she held various high ranking positions in various Ukrainian telecommunications companies including Ukrtelecom, Astelit, N-Pay, GSM Ukraine, MTS. Within a four-year period, Ms Ustynova headed the Kiev Territorial Administration of the Company.

In 1995, Ms Ustynova graduated with honors from the O.S. Popov Odessa National Academy of Telecommunications with a degree in Engineering Economics.

##### *Olga Deynega – Corporate Governance and Control Director*

Olga Deynega has a law degree and experience in the state and private sectors of economic activities. Ms Deynega began her career in the Sea and River Transport Department of the Ministry of Infrastructure of Ukraine and, thereafter, she worked for such companies as Lukoil and Astelit (Life).

In 2006, Ms Deynega joined MTS Ukraine, where she worked as the Legal Adviser, the Head of Project and Analytical Work Department and, later on, the Head of Legal Department. In April 2016, Ms Deynega was appointed as the Deputy General Director of Vodafone Ukraine in the region Center. In May 2018, Ms Deynega was appointed as the Corporate Governance and Control Director.

##### *Nadezhda Sirenko – HR Director*

Ms Sirenko joined the Company in 2004 and, since 2007, has headed the Remuneration and Execution Control Department. Since 2011, Ms Sirenko worked in the Company’s Corporate Center where she was responsible for the development and implementation of the staff remuneration strategy, the elaboration and change of the organisational structure, and the implementation of projects for integration of companies.

Ms Sirenko has diplomas and certificates in various HR areas, in particular, the Human Resources Management Diploma from the School of HRM at KMBS and the Diploma from the EY Academy of Business.

*Yevgen Bulakh – Sales and Customer Service Director*

Mr Bulakh joined Vodafone in December 2016. From 2013 to 2015, Mr Bulakh served as the Vice President and the Director of Business Development Department of Alfa Bank OJSC. He also oversaw the project for the alternative energy development in Ukraine. Yevgen's portfolio also includes the successful creation and launch of startups.

Mr Bulakh graduated with honors from the European University of Finance, Information Systems, Management and Business with a degree in Enterprise Economics and Legal Support for Entrepreneurship.

*Andrey Otroshchenko – Marketing Director*

From 2009 to 2017, Mr Otroshchenko held senior positions in marketing departments at AB INBEV Ukraine and Carlsberg Ukraine. Among the cases in his portfolio is the effective implementation of innovations, thanks to which about 25 per cent. of the company's revenue was obtained, the development of innovative marketing campaigns and the implementation of large-scale all-Ukrainian and regional integrated marketing projects.

Mr Otroshchenko graduated from the Donetsk State University of Management with a Master's degree in Marketing Management.

*Yevgeniy Frunza – Technical Director*

From 1984 to 2003, Mr Frunza held the positions from mechanic to the Head of the Production and Technical Department at Ukrtelecom. In 2003, Mr Frunza began working at UMC as a Base Station Engineer. In 2005, he headed the Network Operation Center in Chernivtsi and in 2011, he became the Deputy Technical Director of the Company's Western Territorial Administration. From 2012 to 2016, Mr Frunza held senior positions in technical departments and was engaged in the development of 3G and 4G networks. From May 2016, Mr Frunza has headed the Technical Direction of Vodafone Ukraine.

Yevgeniy graduated from the Yuriy Fedkovych Chernivtsi National University with a degree in Physics.

*Nataliya Shevchenko – Financial Director*

Ms Shevchenko has 12 years of professional experience in senior positions in the telecom business. Over the past 8 years, Ms Shevchenko has headed the Corporate Reporting Department of the Company. Before joining the Company in 2008, Ms Shevchenko held a series of positions in the field of finance and auditing, and also served as Senior Auditor at Ernst & Young for four years.

Ms Shevchenko graduated from the Kiev National Economic University with a Master's degree in Finance.

*Oksana Hlavachek – Procurement and Administrative Director*

Ms Hlavachek began her career in the Company in 2008 as an expert in the Marketing Analysis of Business Economic Analysis Department. In 2012, Ms Hlavachek was appointed the Head of Regional Marketing and Project Management Department and since 2017, she has headed the Procurement and Administrative Direction.

Ms Hlavachek obtained higher education at the Taras Shevchenko National University of Kyiv, graduating with honors from the Faculty of Economics, majoring in Economic Theory.

*Kostyantyn Zhylin – Information Technology Director*

Mr Zhylin graduated from the Donetsk State Technical University with a degree in Computer Systems and Networks.

His professional experience in IT field spans over 20 years. During his 12-year career in Lifecell, Mr Zhylin oversaw various areas and projects, including: implementation of BSS, VAS, BI, IT infrastructure, ITSM solutions; control and coordination of projects and programs for the implementation of billing systems, interconnection, roaming, fraud prevention systems and revenue control; development of a portfolio of own CRM IT products and mutual settlements with partners.

*Dmytro Ponomarenko – Strategy Director*

Mr Ponomarenko began his career in the telecommunications industry in 1999 and during the 17 years he held positions including the Head of B2B Division and the Director of Territorial Administration in the Western, Central and Kiev regions of the Company where he implemented the commercial and technical strategy of these regions. In 2016, Mr Ponomarenko was appointed as the CEO of Vimpelcom Laos (Lao PDR), one of operation companies of VEON Group where he effectively developed and implemented the company's new strategy. In August 2018, Mr Ponomarenko returned to Ukraine to the position of Vodafone Ukraine's Strategy Director. Dmitry has a solid management experience and a deep understanding of the commercial, financial, technical and administrative functions of the business.

He has an MBA degree from University of Sheffield and a Master's degree in Finance from the Kyiv National Economic University.

Neither the General Director nor any of the senior managers of the Company listed above, for at least the previous five years, have:

- had any convictions in relation to fraudulent offences;
- held an executive function as a senior manager or a member of the supervisory board of any company at the time of its insolvency, bankruptcy or liquidation; or
- been subject to any sanction by any state or regulatory authority (including courts) in relation to the management or conduct of the affairs of a company.

The business address of each member of the Group's management team is c/o Private Joint Stock Company "VF Ukraine", 15 Leiptsyzka Street, Kyiv, 01601, Ukraine.

***Conflict of Interests***

There are no actual or potential conflicts of interest between the duties of any of the members of the Supervisory Board or the executive management and their respective private interest or other duties.

## SHAREHOLDERS

As of the date of these Listing Particulars, the Company's authorised and issued share capital was UAH 7,816,621.16.

The table below sets forth the shareholding structure of the Company as of the date of these Listing Particulars:

Shareholders	% of share capital
Preludium B.V. <sup>(1)(2)</sup> .....	99.00
PTT <sup>(1)(2)</sup> .....	1.00
<b>Total</b> .....	<b>100</b>

(1) The share of the Company held by Preludium B.V. and PTT is legally and beneficially owned by Mr. Nasib Hasanov.

(2) As at the date of these Listing Particulars, 100 per cent. of the Company's share was pledged under loan agreements with J.P. Morgan Securities plc and Raiffeisen Bank International AG (99 per cent. by Preludium B.V. and 1 per cent. by PTT).

Save as disclosed above, there are no other persons who could exercise control over the Company and no person has any right or option to acquire shares or any other securities of the Company.

### Rights of the Company's Shareholders

Under the Charter and Ukrainian legislation, the Company's shareholders have the right to:

- participate and vote in the general shareholders' meeting on all matters which fall under the competence of the meeting;
- approve and receive dividends;
- receive a liquidation quota upon any liquidation of the Company;
- have access to information and documents relating to the Company's activities in particular in respect of its financial condition;
- pre-emptive purchase of shares in the event of a share sale by a shareholder of the Company to a third party;
- additional benefits that are approved by the General Meeting of Shareholders and stated in its resolution;
- withdraw from the Company;
- demand a financial audit in respect of the Company;
- elect and be elected into the Company's management bodies;
- exercise other rights provided by the Ukrainian legislation and the Charter.

None of the shareholders have voting rights different from other shareholders.

## RELATED PARTY TRANSACTIONS

In the normal course of its business, the Group enters into transactions with related parties. For the purposes of the Financial Statements, parties are considered to be related if they are under common ownership with the Group, affiliated companies and associated companies. In considering each potential related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Other than the transactions with related parties described below or incorporated by reference in this section, the Group did not engage in any transactions with members of its executive team or members of the Issuer's Board of Directors during the periods under review.

The Group seeks to conduct all transactions with related parties on market terms and in accordance with applicable legislation. The terms and conditions of sales to related parties are determined based on arrangements specific to each contract or transaction taking into account existing pricing arrangements for similar types of transactions with unrelated parties. However, there can be no assurance that any or all of these transactions have been or will be conducted on market terms.

The Group had no significant related party transactions during the period from the Acquisition Closing Date to the date of these Listing Particulars other than the Loan Agreement No. 2, which initially was provided before the Acquisition Closing Date. The amount of the loan under Loan Agreement No.2 was increased after the Acquisition Closing Date by transferring an additional amount of UAH 80 million on 11 December 2019. Pursuant to the terms of the Loan Agreement No.2, a loan was provided by the Company to its subsidiary, LLC VF Retail, in the form of tranches with the total amount of tranches not exceeding UAH 1,260 million. The repayment of the loan is due on 30 June 2020 and interest does not accrue on the loan. The Group's management is considering the possibility to convert this loan into additional equity capital of LLC VF Retail. The Group believes that this will have no effect on the consolidated financial statements of the Group. See "*Other Financing Arrangements*".

Prior to the Acquisition, the Group transacted with its then-parent company (MTS) and its subsidiaries. For a discussion of the Group's related party transactions prior to the Acquisition, see note 17 to the Interim Consolidated Financial Information for the period ended 30 September 2019 and notes 23 and 19 to the Annual Consolidated Financial Statements for the years ended 31 December 2018 and 31 December 2017 respectively.



## REGULATION

*Set out below is a summary of material information concerning the regulation of the Group's business. This description does not purport to be a complete description of all applicable laws and regulations and should not be read as such.*

### ***Regulatory bodies***

Pursuant to the Telecommunications Law, the main governmental authorities in the telecommunications industry in Ukraine are the Cabinet of Ministers, Administration of State Service of Special Communications and Information Protection of Ukraine (the “**Administration**”) and the NCCIR.

The Cabinet of Ministers is responsible for carrying out general state policy, ensuring equal conditions for the development of all forms of ownership, managing state-owned assets and directing and coordinating ministries and other central governmental bodies in telecommunications.

The Administration develops state policy proposals in telecommunications and is responsible for their implementation within its competence. The Administration also has the authority to prepare drafts of laws and other regulatory acts and define the quality requirements for telecommunications services and technical standards for telecommunications equipment.

The NCCIR is the main regulatory and controlling body in telecommunications and the use of radio frequencies. The NCCIR issues licences for the use of radio frequencies, maintains the register of telecommunications operators and providers, allocates numbering capacity to telecommunications operators and controls the quality of telecommunications services.

### ***Regulatory framework***

The Telecommunications Law and the Radio Frequencies Law are the main laws regulating the Ukrainian telecommunications industry. There are various subordinate regulations elaborated by the Ukrainian Government and other governmental authorities to supplement the legal framework of the telecommunications industry.

The Telecommunications Law sets forth general principles for the regulation of the telecommunications industry in Ukraine, including the description of the institutional framework for the government's involvement in the regulation, administration and operation of the telecommunications industry in Ukraine. The Radio Frequencies Law mainly regulates the allocation and use of the frequency bands in Ukraine.

The most important aspects of regulatory bodies' authority under the applicable telecommunications legislation with respect to Company's business include the following: allocation of radio frequencies; certification of telecommunications equipment; allocation of numbering capacity; ensuring fair competition and freedom of pricing, development and implementation of government policy on telecommunications and frequency allocations; and oversight of operators' compliance with the terms of their licences and permits and applicable telecommunications regulations.

On 19 September 2019, the amendments to the Telecommunications Law were introduced (the “**Amendments**”) with effect from 25 December 2019. The main changes under the Amendments relate to the abolishment of licencing of telecommunications services (the said changes do not affect a requirement to obtain licences for use of the radio frequency resource). Additionally, in January 2020 several subordinate regulations of the NCCIR implementing the said changes on the abolishment of licencing of telecommunications services as well as the new Rules of Conducting Activities in the Area of Telecommunications came into force. In addition, a new procedure for maintenance of the Register of Operators and Providers of Telecommunications,

which also broadens the indicative list of telecommunications services, was adopted by the NCCIR on 17 December 2019 and entered into force on 17 January 2020.

### ***Licences***

Telecommunications services may be provided by the business entities which are registered in the Register of Operators and Providers of Telecommunications (“**Register**”).

Additionally, the use of radio frequency resource for the provision of telecommunications services shall be authorised based on licences issued by the NCCIR.

If the demand for radio frequency exceeds availability, the Frequency Licences are issued based on the results of a tender or auction held by the NCCIR. The term of the Frequency Licences is determined by the NCCIR, provided that such term cannot be less than five years. The NCCIR must extend the licences unless a violation of the licencing conditions has occurred and unless re-farming of radio frequencies takes place (i.e. change of an allowed radio technology in the licenced radio frequency band).

Additionally, after obtaining the Frequency Licences, telecommunications operators are required to obtain the Equipment Permit to operate radio electronic devices and radiating units (for example, radio transmitters and base stations). In accordance with the Radio Frequencies Law, such permits are issued for a period not exceeding the period of validity of the respective operator’s Frequency Licences. The Equipment Permit may be extended at the request of the operator to the NCCIR.

### ***Significant Market Power***

The NCCIR regulates telecommunications services, studies the competitive environment in the telecommunications market, determines SMP operators and regulates interconnection tariffs charged to access SMP operators’, and dominant operators’, networks and the technical, organisational and economic terms of interconnection agreements involving such operators. An operator qualifies as having SMP if it has more than 25 per cent. of the total revenue of all telecommunications operators and providers operating in the respective telecommunications services market or if the service may be rendered to other operators or providers only within the network of one particular operator or provider (due to the technological process of rendering service). In 2019, the NCCIR published the markets analysis and determined the lists of SMP operators in the markets for terminating calls on fixed-line and mobile networks. The Company is deemed to have SMP on both of the said markets.

The NCCIR approved mandatory interconnection tariffs for the SMP operators in the markets for terminating calls on fixed-line and mobile networks. Due to the fact that the Company’s is deemed to have SMP on these markets, the Company is subject to these regulations.

The NCCIR is planning to introduce changes to the Telecommunications Law defining SMP for different markets. In line with provisions of EU Code on electronic communications, the NCCIR plans to introduce tougher regulation of SMP operators on wholesale and retail markets. As of the date of these Listing Particulars, the respective changes to the Telecommunications Law and the Radio Frequencies Law are under consideration.

### ***Mobile Termination Rates (“MTR”)***

The Telecommunications Law allows telecommunications operators, including wireless service operators, to establish tariffs for the telecommunications services provided to customers, with the exception of tariffs on generally accessible services, provision of telecommunications channels for use and data traffic channelling by SMP telecommunications operators, and provision of cable ducts of telecommunications operators for use.

Currently for SMP telecommunications operators in Ukraine, national MTR is UAH 0.12 per minute and international MTR is EUR 0.10 per minute, both excluding VAT.

### ***Mobile Number Portability (“MNP”)***

The MNP was implemented in Ukraine on 1 May 2019. According to the NCCIR’s statistics as of 4 November 2019, published on its official website, the results of the first six months of rendering MNP in Ukraine indicate that the consumer demand for the specified service is low. Additionally, out of 49,223 MNP applications, only 30,228 MNP applications were satisfied (i.e. the percentage of successful applications was about 60 per cent.). In view of the above, the NCCIR will initiate measures to develop regulatory changes aimed at simplifying the procedure for the MNP service.

The NCCIR is planning to propose porting time reduction to two working days and implementation of porting in “one-stop shop” on the operator - recipient side. The NCCIR is planning to implement this simplification within the next year.

### ***Data Protection***

According to the Law of Ukraine “On Protection of Personal Data” № 2297-VI dated 1 June 2010, personal data is defined as the information or aggregate information about an individual who is identified or may be identified (e.g. name, ID number, and passport data).

Personal data can be processed upon obtainment of consent of personal data subject or based on other grounds provided by the law. Transfer of personal data of Ukrainian residents outside of Ukraine is possible either on the basis of explicit consent of respective personal data subject or in specific cases stipulated by law.

Ukraine is not a member state of the EU or EEA, therefore, General Data Protection Regulation, established by Regulation (EU) 2016/679 (the “**GDPR**”) does not apply to Ukrainian entities (except for specific cases, stipulated by the GDPR). According to Resolution of the Cabinet of Ministers of Ukraine No. 1106 dated 25 October 2017 “On the Implementation of the Association Agreement between Ukraine, on the one part, and the European Union, the European Atomic Energy Community and their Member States, on the other part”, the Ukrainian government should have harmonised Ukrainian legislation with the GDPR by 25 May 2018. The respective draft law is currently being elaborated. However, as of the date of these Listing Particulars, no official information is available on the timeline of adoption of any acts aimed to amend and harmonise currently effective Ukrainian legislation with the GDPR.

In addition to the above requirements of personal data protection legislation, the Telecommunications Law requires operators and providers to protect data about their customers obtained upon conclusion of the agreement about telecommunications services provided to their customers (the scope and volume of services, routes of data transmission, etc.). Such data can only be transferred in cases required by the law or otherwise only with the customer's prior written consent. In Ukraine, most customers are not identified since identification is voluntary. The possibility of introduction of obligatory SIM cards and customers identification/verification has been widely discussed recently in Ukraine. However, no draft law aimed to implement obligatory identification/verification of customers has been submitted to the Parliament of Ukraine as of the date of these Listing Particulars.

## DESCRIPTION OF THE ISSUER

VFU Funding PLC (the “**Issuer**”) was incorporated in England and Wales on 31 December 2019 (company number 12381873), as a public limited company under the Companies Act 2006. The registered office of the Issuer is 11th floor, 200 Aldersgate Street, London, EC1A 4HD, United Kingdom. The Issuer has no subsidiaries. The Issuer has been established as a special purpose vehicle or entity for the purpose of issuing asset backed securities (including the Notes). The Issuer’s telephone number is +44 20 7466 1600.

### *Principal Activities*

The Issuer is a special-purpose vehicle established for the purpose of issuing asset backed securities. The Issuer was established to raise funds by the issuance of debt securities and to use the proceeds of each such issuance to make loans to the Company.

The Issuer is legally owned and held on trust by Maples Fiduciary Services (UK) Limited, a private limited company incorporated in England and Wales with registered number 09422850. The rights of Maples Fiduciary Services (UK) Limited as a shareholder in the Issuer are contained in the articles of association of the Issuer and the Issuer will be managed in accordance with those articles of association and with the provisions of laws of England and Wales.

### *Directors and Secretary*

The directors of the Issuer and their respective business addresses are:

<b>Name:</b>	<b>Business Address:</b>	<b>Position</b>
Jennifer Jones	11th Floor, 200 Aldersgate Street, London EC1A 4HD, United Kingdom	Director
MaplesFS UK Corporate Director No.1 Limited	11th Floor, 200 Aldersgate Street, London EC1A 4HD, United Kingdom	Director
MaplesFS UK Corporate Director No.2 Limited	11th Floor, 200 Aldersgate Street, London EC1A 4HD, United Kingdom	Director

None of the directors have any conflicts or any potential conflicts between their duties to the Issuer and their private interests or other duties.

The company secretary of the Issuer is Maples Fiduciary Services (UK) Limited, a company incorporated in England and Wales, whose business address is 11th Floor, 200 Aldersgate Street, 11th Floor, London EC1A 4HD, United Kingdom.

### *Share Capital*

The authorised share capital of the Issuer is GBP 50,000 comprising 50,000 ordinary shares of GBP 1, all of which have been issued and 49,999 shares paid up as to one-quarter of their nominal value and 1 fully paid share of £1 (the “**Shares**”). The Issuer has issued the Shares, which are held on trust by Maples Fiduciary Services (UK) Limited (the “**Share Trustee**”) under the terms of a declaration of trust (the “**Declaration of Trust**”) dated 15 January 2020, under which the Share Trustee holds the Shares on trust for any trust, foundation, institution or other organisation whatsoever established only for purposes regarded as charitable

under the laws of England and Wales. The Share Trustee has no beneficial interest in and derives no benefit (other than any fees for acting as Share Trustee) from its holding of the Shares. The Share Trustee will apply any income derived from the Issuer solely for the above purposes.

### ***Financial Statements***

Since its date of incorporation, save as disclosed herein, the Issuer has not commenced operations and no financial statements of the Issuer have been prepared as of the date of these Listing Particulars. The Issuer intends to publish its first financial statements in respect of the period ending on 31 December 2020. The Issuer will not prepare interim financial statements. The financial year of the Issuer ends on 31 December in each year.

### ***Loan Capital***

Other than the Notes to be issued on the Issue Date, the Issuer has no outstanding loan capital, borrowings, indebtedness or contingent liabilities and the Issuer has not created any mortgages or charges, nor has it given any guarantees as at the date hereof.

### ***Trust Deed***

The Issuer will agree in the Trust Deed that, so long as any of the Notes remains outstanding, it will (amongst other things):

- **Agents:** if and to the extent it receives funds therefor from the Company, at all times maintain such Agents as are contemplated by the Paying Agency Agreement and the Conditions;
- **Conduct:** at all times carry on and conduct its affairs in such a manner as to ensure, so far as is practicable, that a Relevant Event (as defined in the Trust Deed) does not occur and, in particular, for so long as any Note is outstanding, it will not (other than in respect of Reserved Rights (as defined in the Trust Deed)) without the prior written consent of the Trustee or an Extraordinary Resolution (as defined in the Trust Deed):
  - incur any indebtedness for borrowed moneys other than (a) issuing the Notes and any further notes or (b) issuing notes on a limited recourse basis secured on assets of the Issuer (other than the assets over which the Security Interests (as defined in the Trust Deed) have been created, the assets on which any other obligations of the Issuer are secured and the Issuer's share capital);
  - engage in any business (other than acquiring and holding the property over which the Security Interests (as defined in the Trust Deed) have been created, entering into and performing any agreement related to the Notes or any issue of any further notes or other notes on a limited recourse basis as aforesaid or acts incidental to or necessary in connection with the Notes or such related agreements (including in respect of any security or a transaction fee in connection therewith), making the Loan to the Company pursuant to the Loan Agreement or any future loans to the Company in connection with the issue of further notes as aforesaid and performing any act incidental to or necessary in connection therewith);
  - have any subsidiaries or employees;
  - purchase, own, lease or otherwise acquire any real property (including office premises or like facilities);
  - except as permitted in the Trust Deed, dispose of any property over which the Security Interests (as defined in the Trust Deed) have been created or any interest therein;
  - consolidate or merge with any other person;

- convey or transfer its properties or assets substantially as an entirety to any person (otherwise than as contemplated in the Trust Deed and the Conditions);
- issue any shares (other than any shares as are in issue as at the date hereof);
- declare any dividends, make any distribution to its shareholders, give any guarantees or assume any other liability, or, subject to the laws of the United Kingdom, petition for any winding-up or bankruptcy; or
- open or have any interest in any account with a bank or financial institution (other than accounts specified in the Trust Deed and any account relating to any further notes issued pursuant to the Trust Deed or other notes issued on a limited recourse basis for the purposes of making loans to the Company or any charged property relating thereto), save where any such account or the Issuer's interest in it is simultaneously charged in favour of the Trustee so as to form part of the Charged Property (as defined in the Trust Deed) or such account is opened in connection with the administration and management of the Issuer and only moneys necessary for that purpose are credited to it, including for the avoidance of doubt, its share capital; and
- **Books of Accounts:** at all times keep proper books of accounts and, at any time after a Relevant Event, Event of Default or Default (each as defined in the Trust Deed), so far as permitted by applicable law, allow the Trustee (as defined in the Trust Deed) and any person appointed by it free access to the same at all reasonable times during business hours and to discuss the same with responsible officers of the Issuer.

## OVERVIEW OF THE TRANSACTION STRUCTURE AND THE SECURITY

*The following summary description should be read in conjunction with, and is qualified in its entirety by, “Terms and Conditions of the Notes” and the form of the Loan Agreement in “Loan Agreement”.*

The transaction will be structured around the Loan from the Issuer to the Company. The Issuer will issue the Notes, which will be limited recourse secured loan participation notes, for the sole purpose of funding the Loan to the Company.

The Notes will be constituted by, be subject to, and have the benefit of, the Trust Deed. The Notes are limited recourse obligations of the Issuer. The funds available to the Issuer to meet its obligation to the Noteholders in respect of the Notes shall be equivalent to the sums of principal, interest and/or additional amounts (if any) due under the Loan and actually received and retained (net of tax) by or for the account of the Issuer from the Company pursuant to the Loan Agreement less any amount in respect of the Reserved Rights (as defined in the Trust Deed).

As provided in the Trust Deed, the Issuer, with full title guarantee and as continuing security for the payment of all sums under the Trust Deed and the Notes, will charge by way of first fixed charge in favour of the Trustee and for the benefit of itself and the Noteholders (the “**Charge**”):

- all its rights to principal, premium, interest and other amounts now or hereafter payable to the Issuer by the Company under the Loan Agreement;
- the right to receive all sums which may be or become payable by the Company under any claim, award or judgment relating to the Loan Agreement; and
- all the rights, title, benefit and interest in and to all sums of money now or in the future deposited in an account with the Principal Paying Agent in the name of the Issuer (the “**Account**”) and the debts represented thereby (including interest from time to time earned on the Account, if any),

provided that the Issuer shall, subject to the Charge and Assignment (as defined below), remain the legal and beneficial owner of the property subject to the Charge following the granting of the Charge and that Reserved Rights and any amounts relating to Reserved Rights are excluded from the Charge.

In addition, the Issuer with full title guarantee will assign absolutely by way of security to the Trustee for the benefit of the Trustee and the Noteholders (the “**Assignment**”) all the rights, interest and benefits, both present and future, which have accrued or may accrue to the Issuer as lender under or pursuant to the Loan Agreement (including, without limitation, all moneys payable to the Issuer and any claims, awards and judgments in favour of the Issuer in connection with the Loan Agreement and the right to declare the Loan immediately due and payable and to take steps, actions or proceedings to enforce the obligations of the Company thereunder) other than any rights, title, interests and benefits which are subject to the Charge and other than the Reserved Rights and any amounts relating to the Reserved Rights. As a consequence of such assignment, the Trustee will assume the rights of the Issuer under the Loan Agreement as set out in the relevant provisions of the Trust Deed. Formal notice of the Charge and Assignment will be given to the Company, who will be required to acknowledge the same.

The Issuer will covenant not to agree to any novation, assignment or amendment to, or any modification, rescission, cancellation, termination or waiver of, or authorise any breach by any counterparty or proposed breach by any counterparty of, the terms of the Loan Agreement unless the Trustee has given its prior written consent or unless authorised to do so by an Extraordinary Resolution of the Noteholders (except in relation to Reserved Rights). The Issuer will further agree to act at all times in accordance with any instructions of the Trustee from time to time with respect to the Loan Agreement, save as otherwise provided in the Trust Deed or the Loan Agreement. Any such novation, assignment, amendment, modification, waiver, rescission,

cancellation, termination or authorisation made with the Trustee's consent shall be notified to the Noteholders in accordance with Condition 13 of the Terms and Conditions relating to the Notes.



## LOAN AGREEMENT

**This Loan Agreement** is made on 6 February 2020 **between:**

- (1) **PRIVATE JOINT STOCK COMPANY “VF UKRAINE”**, with identification code of a legal entity 14333937 and registered address at 15 Leiptsyzka Street, Kyiv, 01601, Ukraine (the **“Borrower”** or the **“Parent”**); and
- (2) **VFU FUNDING PLC**, a public limited company whose registered office is at 11th Floor, 200 Aldersgate Street, London EC1A 4HD, United Kingdom (the **“Lender”** or the **“Issuer”**).

### **Whereas:**

The Lender has at the request of the Borrower agreed to make available to the Borrower a loan facility in the amount of U.S.\$500,000,000 on the terms and subject to the conditions of this Agreement.

**It is agreed** as follows:

## **1 Definitions and Interpretation**

### **1.1 Definitions**

**“Account”** means the account in the name of the Lender with the Principal Paying Agent, account number 7656788400 (or such other account as may from time to time be agreed between the Lender and the Trustee pursuant to the Trust Deed and notified to the Parent in writing at least five Business Days in advance of such change).

**“Account Bank Agreement”** means the unsecured account bank agreement dated 6 February 2020 between the Issuer and The Bank of New York Mellon, London Branch as Account Bank.

**“Acquired Debt”** means, with respect to any specified Person, Indebtedness of any other Person existing at the time such other Person is merged, consolidated, amalgamated or otherwise combined with or into or became a Restricted Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging, consolidating, amalgamating or otherwise combining with or into, or becoming a Restricted Subsidiary of, such specified Person.

**“Additional Assets”** means:

- (a) any property, plant or equipment or assets (other than Share Capital) used or to be used by the Parent or another Restricted Subsidiary or otherwise useful in a Permitted Business (it being understood that capital expenditures on property, plant, equipment or assets already used in a Permitted Business or to replace any property or assets that are the subject of an asset disposition shall be deemed an investment in Additional Assets);
- (b) the Share Capital of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Share Capital by the Parent or another Restricted Subsidiary; or
- (c) Share Capital constituting a minority interest in any Person that at such time is a Restricted Subsidiary and a majority of whose Share Capital is owned by the Parent or a Restricted Subsidiary.

**“Advance”** means the advance to be made under Clause 3 of the sum equal to the amount of the Facility.

**“Affiliate”** of any specified Person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, “control”, as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise, provided that for purposes of Clause 7.5 only, “Affiliate” of a Person shall also be

deemed to include any beneficial owner of 10 per cent. or more of the Voting Stock of that Person. For purposes of this definition: (i) the terms “controlling”, “controlled by” and “under common control with” have correlative meanings; and (ii) “Affiliate” shall include funds advised by the specified Person.

“**Affiliate Transaction**” has the meaning assigned to that term in Clause 7.5.

“**Agency**” means any agency, authority, central bank, department, committee, government, legislature, minister, ministry, official or public or statutory person (whether autonomous or not) of, or of the government of, any state or supra-national body.

“**Approved Jurisdiction**” means any member state of the European Union as of 1 January 2004 (including Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom), Norway, Switzerland, Cyprus, Ukraine and the United States of America, any state thereof and the District of Columbia.

“**Asset Sale**” means:

- (a) the sale, lease, transfer, issuance, conveyance or other disposition of any tangible or intangible assets or rights of the Parent or a Restricted Subsidiary; provided that the sale, conveyance or other disposition of all or substantially all of the assets of the Parent and its Restricted Subsidiaries taken as a whole will be governed by the provisions of Clause 7.8 and not by the provisions of Clause 7.4; and
- (b) the issuance of Equity Interests in any Restricted Subsidiary or the sale of Equity Interests in any of its Subsidiaries (other than directors’ qualifying shares or shares referred by applicable law to be held by a Person other than the Parent or a Restricted Subsidiary).

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

- (a) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than U.S.\$10 million;
- (b) a transfer of assets between or among the Parent and its Restricted Subsidiaries;
- (c) an issuance of Equity Interests by a Restricted Subsidiary to the Parent or to a Restricted Subsidiary;
- (d) the sale, lease, conveyance or disposition of assets or rights (including without limitation, for the avoidance of doubt, products, services or accounts receivable or licensing of rights or communications capacity) in the ordinary course of business and any sale or other disposition of surplus, damaged, worn-out or obsolete assets in the ordinary course of business (including the abandonment or other disposition of intellectual property that is, in the reasonable judgment of the Parent, no longer economically practicable to maintain or useful in the conduct of the business of the Parent and its Restricted Subsidiaries taken as whole);
- (e) the licensing or sub-licensing of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;
- (f) foreclosure, condemnation or any similar action with respect to any property or other assets;
- (g) the sale or other disposition of cash or Cash Equivalents;
- (h) the creation of a Lien;
- (i) a Restricted Payment that does not violate the provisions of Clause 7.1 or a Permitted Investment or any transaction specifically excluded from the definition of Restricted Payment;

- (j) any sale, assignment, amendment, novation, termination, close-out (in whole or in part) or any other disposition of any hedging contract (or rights thereunder);
- (k) the waiver, compromise, settlement, release or surrender of any right or claim in the ordinary course of business;
- (l) the sale or other disposition or assets received by the Parent or any of its Restricted Subsidiaries in compromise or settlement of claims of the Parent or any of its Restricted Subsidiaries; provided, however, that the net cash proceeds of such sale or disposition are applied in accordance with Clause 7.4; and
- (m) a Permitted Transaction.

“**Asset Sale Offer**” has the meaning assigned to that term in Clause 7.4(c).

“**Attributable Debt**” in respect of a sale and leaseback transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction (including any period for which such lease has been extended or may, at the option of the lessor, be extended) or the earliest date on which the lessee may terminate such lease without penalty or upon payment of a penalty (in which case the rental payments shall include such penalty). Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with IFRS; provided, however, that if such sale and leaseback transaction results in a Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of “Lease Obligation”.

“**Board of Directors**” means:

- (a) with respect to a joint stock company or a limited liability company, the board of directors or the supervisory board of the joint stock company, or the executive body of the limited liability company or any duly authorised committee thereof;
- (b) with respect to a partnership, the board of directors (or any duly authorised committee thereof) of the general partner of the partnership; and
- (c) with respect to any other Person, the board or committee of such Person serving a similar function.

Unless otherwise stated, all references to the “Board of Directors” in this Agreement shall be to the Board of Directors of the Parent.

“**Borrower Entities**” means Telco Investments B.V.; TSI; “Bakcell” Limited Liability Company; TelCo Solutions B.V.; Preludium B.V.; the Parent; and Enterprise with 100% Foreign Investment “PTT Telecom Kiev”.

“**Bridge Facility**” has the meaning given to it in the Listing Particulars.

“**Business Day**” means a day other than a Saturday, Sunday or other day on which banking institutions in London, New York, Kyiv or a place of payment under this Agreement are authorised or required by law to close.

“**Capital Markets Debt**” means any Indebtedness permitted to be incurred hereunder consisting of bonds, debentures, notes or other similar debt securities (or any guarantees or intercompany loans in respect thereof) or preferred stock issued in (a) a public offering registered under the U.S. Securities Act, (b) listed on a recognised stock exchange or (c) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the U.S. Securities Act, whether or not it includes registration rights entitling the holders of such debt securities or preferred stock to registration thereof under the U.S. Securities Act for public resale.

**“Cash and Cash Equivalent Amounts”** means with respect to any specified Person and as at any date of determination, the total amount of cash and cash equivalents that would have been included in a balance sheet of such person prepared in accordance with IFRS if prepared as at such date.

**“Cash Equivalents”** means:

- (a) securities:
  - (i) issued by, or directly and fully guaranteed or insured by, the U.S. government or any agency or instrumentality of the U.S. government (provided that the full faith and credit of the United States is pledged in support of those securities); or
  - (ii) which are denominated in U.S. dollars, sterling, euro, hryvnia, the currency of a member state of the European Economic Area or the currency of a member state of the European Union and are issued by, or directly and fully guaranteed or insured by, a member (or any state, commonwealth or territory thereof) of the European Union, a member (or any state, commonwealth or territory thereof) of the European Economic Area or Ukraine in each case as at the Issue Date, or any agency, political subdivision, authority or instrumentality thereof, in each case having maturities of not more than 12 months from the date of the relevant calculation;
- (b) certificates of deposit, time deposits and other bank deposits in U.S. dollars, sterling, hryvnia or euro with maturities of 12 months or less from the date of the relevant calculation, bankers’ acceptances with maturities not exceeding 12 months from the date of the relevant calculation and overnight bank deposits, in each case, with any commercial bank:
  - (i) having capital and surplus in excess of U.S.\$500.0 million (or its equivalent in any other currency) and a rating of A-2/P-2 (or such similar equivalent rating) or better from at least one internationally recognised statistical rating organisation;
  - (ii) licensed or organised in Ukraine and having a rating from at least one internationally recognised statistical rating organisation that is no less than one rating notch below the lower of the ratings for sovereign bonds issued by Ukraine (in the case of a bank licensed or organised in Ukraine) from the internationally recognised statistical rating organisations;
  - (iii) licensed or organised in Ukraine and controlled by another bank organised in the United States or any European Union jurisdiction that meets the requirements of clause (i) of this paragraph; or
  - (iv) which is JSC “Alfa-Bank”, JSC “Ukreximbank” or PJSC JSB “Ukgasbank”;
- (c) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in paragraph (b) above entered into with any financial institution meeting the qualifications specified in paragraph (b) above;
- (d) commercial paper having one of the two highest ratings obtainable from Moody’s, S&P or Fitch and in each case maturing within one year after the date of the relevant calculation; and
- (e) interests in any investment company or money market funds at least 95 per cent. of the assets of which constitute Cash Equivalents of the kinds described in paragraphs (a) to (d) above.

**“Change of Control”** means any of the following events or circumstances:

- (a) any “person” or “group” (within the meaning of Sections 13(d) or 14(d) of the U.S. Exchange Act but excluding any Restricted Subsidiary) other than any of the Permitted Holders or a Person that

is controlled by any of the Permitted Holders has become, directly or indirectly, the beneficial owner, by way of merger, consolidation or otherwise, of more than 50.0 per cent. of the voting power of the Voting Stock of the Parent on a fully-diluted basis, after giving effect to the conversion and exercise of all outstanding warrants, options and other securities of the Parent convertible into or exercisable for Voting Stock of the Parent (whether or not such securities are then currently convertible or exercisable); or

- (b) during any consecutive two-year period following the date the Permitted Holders cease to beneficially own, directly or indirectly, more than 50.0 per cent. of the voting power of the Voting Stock of the Parent, Continuing Directors cease to constitute a majority of the members of the Board of Directors; or
- (c) the adoption of a plan relating to the liquidation or dissolution of the Parent other than by virtue of a Permitted Transaction; or
- (d) the Parent consolidates with, or merges into another Person, or another Person merges or consolidates with or into the Parent, or the Parent sells all or substantially all of the assets of the Parent (determined on a consolidated basis) to another Person (other than, in all such cases, a Person that is controlled by the Permitted Holders), other than (A) in a transaction following which in the case of a merger or consolidation transaction, securities representing 100 per cent. of the Voting Stock of the Parent immediately prior to such transaction (or other securities into which such securities are converted as part of such merger or consolidation transaction) constitute at least a majority of the voting power of the Voting Stock of the surviving Person in such merger or consolidation transaction or (B) in the case of a sale of all or substantially all assets, the transferee Person of such assets becomes (i) the obligor in respect of the Loan and (ii) a subsidiary of the transferor of such assets or (C) any other such merger, consolidation or sale of assets in accordance with Clause 7.8.

**“Change of Control Put Event”** means the occurrence of a Change of Control.

**“Change of Control Put Option”** has the meaning given to it in the Conditions.

**“Change of Control Put Period”** has the meaning given to it in the Conditions.

**“Change of Control Put Settlement Date”** has the meaning given to it in the Conditions.

**“Comparable Treasury Issue”** means the United States Treasury security selected by the Determination Agent as having a maturity comparable to the remaining term of the Loan from the Make Whole Optional Prepayment Date to the Repayment Date, that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity most nearly equal to the Repayment Date.

**“Comparable Treasury Price”** means, with respect to the Make Whole Optional Prepayment Date, the average of three, or such lesser number as is obtained by the Determination Agent, Reference Treasury Dealer Quotations for the Make Whole Optional Prepayment Date.

**“Conditions”** means the terms and conditions of the Notes.

**“Consolidated EBITDA”** means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period plus, without duplication:

- (a) all expense or provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such expense or provision for taxes was deducted in computing such Consolidated Net Income; plus

- (b) the Consolidated Interest Expense of such Person and its Restricted Subsidiaries for such period, to the extent that such Consolidated Interest Expense was deducted in computing such Consolidated Net Income; plus
- (c) depreciation, amortisation for such period to the extent deducted in determining Consolidated Net Income for such period of the Parent and the Restricted Subsidiaries (including amortisation of capitalised debt issuance costs for such period); plus
- (d) to the extent they decrease Consolidated Net Income, foreign exchange losses; minus
- (e) to the extent they increase Consolidated Net Income, foreign exchange gains; plus
- (f) minority interests to the extent that such minority interests were deducted in computing Consolidated Net Income; minus
- (g) to the extent they increase Consolidated Net Income, net after-tax exceptional or non-recurring gains; plus
- (h) to the extent they decrease Consolidated Net Income, net after-tax exceptional or non-recurring losses; minus
- (i) to the extent they increase Consolidated Net Income, non-cash items (including any non-cash compensation expense and the partial or entire reversal of reserves taken in prior periods, but excluding reversals of accruals or reserves for cash charges taken in prior periods and excluding the accrual of revenue in the ordinary course of business) for such period,

in each case, on a consolidated basis and determined in accordance with IFRS for such period.

Notwithstanding the preceding, the provision for taxes based on the income or profits of, and the depreciation and amortisation and other non-cash expenses of, a Restricted Subsidiary will be added to Consolidated Net Income to compute Consolidated EBITDA of the Parent only in the same proportion as the relevant Person's Net Income was included in Consolidated Net Income.

**“Consolidated Interest Expense”** means, in respect of any period, all underlying finance costs of the Parent and its Subsidiaries for such period (including, for the avoidance of doubt, capitalised and accrued interest) determined on a consolidated basis in accordance with IFRS provided that the following items shall be excluded in computing Consolidated Interest Expense:

- (a) loss on sale of investments (to the extent included in underlying finance costs);
- (b) finance costs relating to interest on pension scheme liabilities;
- (c) net fair value remeasurement losses on financial instruments; and
- (d) debt issuance costs, commissions, fees and expenses;

provided that the following item shall be included in computing Consolidated Interest Expense:

- (e) the payment of dividends on Disqualified Shares whether in the form of cash or otherwise; and

provided further that, underlying finance costs shall include remeasurement gains and losses of financial instruments on an accruals basis.

**“Consolidated Leverage Ratio”** means with respect to any specified Person and as at any date of determination, the ratio of (x) the total Net Indebtedness of such Person at such date less any outstanding Subordinated Shareholder Funding to (y) the Consolidated EBITDA of such Person for the most recent two consecutive fiscal semi-annual periods for which financial statements are publicly available (or are made

available), calculated in accordance with IFRS. In the event that the specified Person or any of its Subsidiaries incurs, assumes, guarantees, repays, repurchases or redeems any Indebtedness or issues, repurchases or redeems preferred shares subsequent to the commencement of the period for which Consolidated EBITDA is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Leverage Ratio is made (the “**Consolidated Leverage Ratio Calculation Date**”), then the Consolidated Leverage Ratio will be calculated giving *pro forma* effect to such incurrence, assumption, guarantee, repayment, repurchase or redemption of Indebtedness, or such issuance, repurchase or redemption of preference shares, and the use of the proceeds therefrom and the anticipated expense and cost reductions or costs savings synergies, group initiatives, or operating improvements (as determined by the Board of Directors) as if the same had occurred at the beginning of the two applicable semi-annual reference periods.

In addition, for purposes of calculating the Consolidated Leverage Ratio:

- (a) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers, consolidations, amalgamations or other business combinations and including any related financing transactions, during the two semi-annual reference periods or subsequent to such reference period and on or prior to the Consolidated Leverage Ratio Calculation Date will be given *pro forma* effect as if they had occurred on the first day of the semi-annual reference periods and Consolidated EBITDA and total Net Indebtedness for such reference period will be calculated on a *pro forma* basis in accordance with IFRS;
- (b) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses disposed of prior to the Consolidated Leverage Ratio Calculation Date, will be excluded;
- (c) the Indebtedness attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses disposed of prior to the Consolidated Leverage Ratio Calculation Date, will be excluded, but only to the extent that such Indebtedness will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Consolidated Leverage Ratio Calculation Date.

For purposes of this definition, except as otherwise specified above in respect of anticipated expense and cost reductions or costs savings synergies, group initiatives, or operating improvements, *pro forma* calculations shall be determined in good faith by a responsible financial or accounting officer of the Parent.

“**Consolidated Net Income**” means, with respect to any Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with IFRS; provided that, without duplication:

- (a) the Net Income (but not loss) of any other Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary of the specified Person;
- (b) the Net Income of any Restricted Subsidiary will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its shareholders, provided that such Net Income shall be included up to the amount of cash actually distributed to the Person or a Restricted Subsidiary of the Person during such period as a dividend or distribution;

- (c) the cumulative effect of a change in accounting principles after the Issue Date will be excluded; and
- (d) any expenses, charges or other costs related to the Transactions and other debt issuances (including amortisation of any such expenses, charges or other costs that have been capitalised) will be excluded.

**“Consolidated Total Assets”** means, at any time to be determined, the consolidated total assets of the Parent and its consolidated Subsidiaries calculated by reference to the then most recent consolidated accounts prepared in accordance with IFRS and published by the Parent.

**“Continuing Directors”** means, for any period, any member of the Board of Directors who:

- (a) was a member of such Board of Directors at the beginning of such period; or
- (b) was nominated for election or was elected to such Board of Directors with the approval of a majority of the members of the Board of Directors who were members of the Board of Directors at the beginning of such period or whose nomination for election or election was previously so approved.

**“Corporate Services Agreement”** means the corporate services agreement entered into between the Corporate Services Provider and the Issuer dated 6 February 2020.

**“Corporate Services Provider”** means Maples Fiduciary Services (UK) Limited.

**“Credit Facilities”** means, one or more debt facilities, indentures, bonds, instruments, arrangements or commercial paper facilities, in each case, with banks or other institutional lenders or investors, together with all related documents and security in relation thereto, providing for revolving credit loans, term loans, factoring and receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, restructured, repaid, refunded, replaced or refinanced in whole or in part from time to time.

**“Deed of Undertaking”** means the deed of undertaking dated on or about the date hereof, between the Issuer, the Parent, the Borrower Entities, Raiffeisen Bank International AG, the Trustee and the joint lead managers party to the Subscription Agreement.

**“Default”** means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

**“Determination Agent”** means a financial adviser or bank being a reputable financial institution operating in the United States Treasury Securities market in New York which is independent of the Parent appointed by the Parent and at the Parent’s expense for the purpose of determining the Make Whole Prepayment Amount.

**“Disinterested Director”** means, with respect to any Affiliate Transaction, a member of the Board of Directors having no material direct or indirect financial interest in or with respect to such Affiliate Transaction and who is not an officer or director of the Affiliate that is the counterparty to the Affiliate Transaction. For the avoidance of doubt, the members of the Board of Directors will not be deemed to have such a financial interest solely by virtue of having been appointed to such position by a Permitted Holder or by reason of such member’s holding Share Capital of the Parent or a Restricted Subsidiary of the Parent or any options, warrants or other rights in respect of such Share Capital.

**“Disqualified Shares”** means any Equity Interests that, by their terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder of the Equity Interests), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder of the Equity Interests, in whole or in



part, in each case on or prior to the date that is 91 days after the date on which the Notes mature. Notwithstanding the preceding sentence, any Equity Interests that would constitute Disqualified Shares solely because the holders of the Share Capital have the right to require the Parent to repurchase such Equity Interests upon the occurrence of a change of control or an asset sale will not constitute Disqualified Shares if the terms of such Equity Interests provide that the Parent may not repurchase or redeem any such Equity Interests pursuant to such provisions unless such repurchase or redemption complies with Clause 7.1.

**“Equity Interests”** of any Person means Share Capital and all warrants, options or other rights to acquire Share Capital (but excluding any Indebtedness that is convertible into, or exchangeable for, Share Capital) of any Person.

**“Equity Offering”** means an underwritten primary public offering or marketed private sale to institutional investors or from a private placement of ordinary Share Capital of the Parent or a direct or indirect parent company of the Parent to the extent the proceeds of such offering or sale are received by and contributed to the equity capital of the Parent.

**“Event of Default”** has the meaning given to it in Clause 9.1.

**“Event of Illegality”** has the meaning given to it in Clause 5.3.

**“Excess Proceeds”** has the meaning given to it in Clause 7.4(c).

**“Existing Indebtedness”** means Indebtedness of the Parent and its Subsidiaries in existence on the Issue Date (other than Indebtedness under the Loan), until such amounts are repaid.

**“Facility”** means the U.S.\$500,000,000 term loan facility granted by the Lender to the Parent, as borrower, as specified in Clause 2.

**“Facility Fee”** has the meaning given to it in Clause 2.3.

**“Fair Market Value”** means the value that would be paid by a willing buyer to a willing seller that is not an Affiliate of the buyer in a transaction not involving distress or necessity of either party, determined in good faith by the Board of Directors (unless otherwise provided in this Agreement), whose determination will be conclusive.

**“Financial Aid Facility Agreement”** means the refundable financial aid agreement dated 3 December 2019 and made between TSI and the Parent, as amended on or around the date of this Agreement.

**“Fitch”** means Fitch Ratings Limited, its affiliates and any successor to its ratings business.

**“Global Certificates”** has the meaning given to it in the Trust Deed.

**“Group”** means the Parent and its Subsidiaries taken as a whole.

**“guarantee”** means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of surety or a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

**“Guarantee”** means any guarantee of the Parent’s obligations under the Loan by any Restricted Subsidiary or any other Person.

**“Guarantor”** means any Restricted Subsidiary that executes and delivers to the Lender a Guarantee pursuant to which such Restricted Subsidiary unconditionally and irrevocably guarantees the Parent’s obligations hereunder.

**“Hedging Obligations”** means, with respect to any specified Person, the obligations of such Person under:

- (a) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;
- (b) other agreements or arrangements designed to manage interest rates or interest rate risk; and
- (c) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices.

**“Holder”** means any Person in whose name a Note is registered in the Register.

**“IFRS”** means International Financial Reporting Standards as in effect from time to time.

**“incur”** has the meaning given to it in Clause 7.2(a).

**“Indebtedness”** means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), without duplication, whether or not contingent:

- (a) in respect of borrowed money;
- (b) evidenced by bonds, notes, debentures or similar instruments or banker’s acceptances or letters of credit (or reimbursement agreements in respect thereof) that have been drawn down, except to the extent the payment or reimbursement obligation under a letter of credit relates to trade payables and the obligation is satisfied within 30 days of incurrence;
- (c) representing Lease Obligations or Attributable Debt in respect of sale and leaseback transactions;
- (d) representing the balance deferred and unpaid of the purchase price of any property or services, where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto; or
- (e) representing any Hedging Obligations (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time);

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with IFRS. In addition, the term “Indebtedness” includes (i) all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person), the amount of such obligation being deemed to be the lesser of the Fair Market Value of such assets and the amount of the obligation secured, and (ii) to the extent not otherwise included, the guarantee by the specified Person of any Indebtedness of any other Person.

Notwithstanding the foregoing, in connection with the purchase by the Parent or any of its Restricted Subsidiaries of any business, the term “Indebtedness” will exclude post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing.

The term “Indebtedness” shall not include (i) non-interest bearing instalment obligations and accrued liabilities incurred in the ordinary course of business that are not more than 90 days past due or that are being contested

in good faith by appropriate proceedings instituted within a reasonable period of time and diligently pursued, provided that any reserve or other appropriate provision as is required in conformity with IFRS has been made therefor or (ii) any pension obligation of the Parent or any of its Restricted Subsidiaries.

**“Interest Payment Date”** means 11 August and 11 February of each year, commencing on 11 August 2020.

**“Interest Period”** means each period beginning on (and including) any Interest Payment Date (or the Issue Date if none) and ending on (but excluding) the next Interest Payment Date.

**“Investment”** means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including guarantees), advances or capital contributions (excluding accounts receivable, trade credit, advances to customers, commission, travel and similar advances to future, present or former directors, officers, managers, members, partners, independent contractors, consultants or employees, in each case made in the ordinary course of business or consistent with past practice), purchases or other acquisition for consideration of Indebtedness, Equity Interests or other securities, cash payments for the purposes of any sponsorship payments or charitable contributions, donations or financial aid, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS. If the Parent or any Subsidiary of the Parent sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of the Parent such that, after giving effect to any such sale or disposition, such Subsidiary is no longer a Restricted Subsidiary, the Parent will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Parent’s Investments in such Subsidiary that were not sold or disposed of in an amount determined as provided in Clause 7.1(d). The acquisition by the Parent or any Subsidiary of the Parent of a Person that holds an Investment in a third person will be deemed to be an Investment by the Parent or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in Clause 7.1(d). Except as otherwise provided in this Agreement, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value.

**“Investment Grade Rating”** means a long term credit rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories by S&P or any of its successors or assigns or a long term credit rating of “Aaa,” “A,” or “Baa,” as modified by a “1,” “2,” or “3” indication, or an equivalent rating representing one of the four highest rating categories by Moody’s or any of its successors or assigns or a long term credit rating of “AAA,” or “AA,” “A” or “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories by Fitch or any of its successors or assigns or the equivalent long term credit ratings of any internationally recognised rating agency or agencies, as the case may be, which shall have been designated by the Parent as having been substituted for S&P, Moody’s or Fitch or all of them, as the case may be.

**“Issue Date”** means the date as defined as “Closing Date” in the Subscription Agreement, which is expected to be 11 February 2020.

**“JPM Upfront Fee Side Letter”** means a letter dated on or around 6 February 2020 between the Issuer, the Parent, J.P. Morgan Securities plc and The Bank of New York Mellon, London Branch as Account Bank.

**“Lease Obligation”** means, at the time any determination is to be made, the amount of the liability in respect of a lease that would at that time be required to be treated as a balance sheet liability in accordance with IFRS, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

**“Lien”** means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or

other agreement to sell, give a security interest in and any filing of or agreement to give any financing statement under the applicable law of any jurisdiction.

**“Listing Particulars”** means the final listing particulars dated the date hereof prepared in connection with the issue of the Notes.

**“Loan”**, at any time, means an amount equal to the aggregate principal amount of the Facility advanced by the Lender pursuant to this Agreement and outstanding at such time.

**“Make Whole Optional Prepayment Date”** has the meaning given to it in Clause 5.6.1.

**“Make Whole Prepayment Amount”** means the higher of (a) the amount of 101 per cent. of the principal amount of the Loan that is to be prepaid pursuant to Clause 5.6.1 and (b) the amount equal to the sum of (i) the present value of the redemption price of the amount of the Loan that is to be prepaid pursuant to Clause 5.6.1 on 11 February 2022 (as set out in Clause 5.6.2 below) and (ii) the present values of the scheduled interest payments on such amount of the Loan from the Make Whole Optional Prepayment Date to 11 February 2022, in each case discounted to the Make Whole Optional Prepayment Date on a semi-annual compounded basis at the adjusted U.S. Treasury Rate plus 50 basis points, all as determined by the Determination Agent.

**“Material Subsidiary”** means any Subsidiary of the Parent:

- (a) whose total consolidated assets represent not less than 10 per cent. of the consolidated total assets of the Parent and its Subsidiaries taken as whole or whose consolidated revenues represent not less than 10 per cent. of the consolidated revenues of the Parent and its Subsidiaries taken as whole all as calculated by reference to the then latest audited IFRS financial statements of the Parent and its Subsidiaries taken as whole; or
- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Parent which immediately before the transfer was a Material Subsidiary.

An Officer’s Certificate that a Subsidiary of the Parent is or is not at any particular time a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

**“Moody’s”** means Moody’s Investors Service, Inc., a subsidiary of Moody’s Corporation, and its successors or assigns.

**“NBU”** means the National Bank of Ukraine or such other authority which may replace it from time to time.

**“NBU Database”** means the automated informational database of the NBU on cross-border loan agreements.

**“NBU Notification”** means a recording of the information in respect of this Agreement or any amendments thereto (as applicable) with the NBU Database.

**“Net Income”** means, with respect to any specified person, the profit (loss) for the period of such Person, determined in accordance with IFRS and before any reduction in respect of preference shares dividends.

**“Net Indebtedness”** means, with respect to any specified Person and as at any date of determination, the total Indebtedness of such Person less any Cash and Cash Equivalent Amounts, in each case, as at the date of such determination.

**“Net Proceeds”** means the aggregate cash proceeds received by the Parent or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale, but only as and when received), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, sales commissions and any relocation expenses incurred as a result of the Asset Sale and taxes paid or payable as a

result of the Asset Sale, in each case, after taking into account any available tax credits or deductions, any tax sharing arrangements, and any amounts required to be applied to the repayment of Indebtedness secured by a Lien on the asset or assets that were the subject of such Asset Sale and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with IFRS.

**“Notes”** means the Issuer’s U.S.\$500,000,000 6.20 per cent. loan participation notes due 2025.

**“Obligations”** means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

**“Officer’s Certificate”** means a certificate signed by an officer of the Parent, a Guarantor or, for purposes of Clause 7.8, a surviving corporation.

**“Opinion of Counsel”** means a written opinion from legal counsel.

**“Optional Prepayment Date”** has the meaning given to it in Clause 5.6.2.

**“Paying Agency Agreement”** means the agency agreement relating to the Notes dated the Issue Date between the Lender, the Parent, the Trustee, the Principal Paying Agent and the other agents named therein, as the same may be from time to time modified.

**“Paying Agent”** has the meaning given to it in the Paying Agency Agreement.

**“Principal Paying Agent”** means The Bank of New York Mellon, London Branch.

**“Permitted Business”** means mobile telephone and data network operation, fixed line services and retail business, cloud services, together with any other business, services or activities in the broader telecommunications industry and any business, services or activities engaged in by the Parent or any of its Restricted Subsidiaries on the Issue Date, and in each case all business, services or activities reasonably necessary to, or undertaken in connection with, or similar to, the foregoing, or any business, services or activities (including financial services) that is a reasonable extension, development or expansion thereof or ancillary thereto, or any business reasonably related thereto.

**“Permitted Debt”** has the meaning set forth in Clause 7.2(b).

**“Permitted Holders”** means any and all of Mr. Nasib Hasanov and the Related Parties.

**“Permitted Investments”** means:

- (a) any Investment by the Parent or any Restricted Subsidiary in a person, if as a result of such Investment:
  - (i) such person becomes a Restricted Subsidiary; or
  - (ii) such person is merged, consolidated, amalgamated or otherwise combined with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Parent or a Restricted Subsidiary;
- (b) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with Clause 7.4;
- (c) any Investment to the extent made using Equity Interests (other than Disqualified Shares) of the Parent;
- (d) payroll, travel, relocation and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

- (e) any acquisition of the Share Capital of any Person from the Parent or any Restricted Subsidiary;
- (f) guarantees of performance or other obligations (other than Indebtedness) arising in the ordinary course of business of the Parent and its Restricted Subsidiaries including obligations under licences, concessions or operating leases related to the ordinary course of the business of the Parent and its Restricted Subsidiaries;
- (g) pledges, deposits, advances, prepayments or negotiable instruments held for collection made to, or for the benefit of, suppliers (including without limitation, utilities suppliers), lessors or construction or other contractors or for the purposes of workers compensation in each case made in the ordinary course of business or Liens otherwise described in the definition of “**Permitted Liens**”;
- (h) guarantees permitted to be incurred by Clause 7.14;
- (i) Investments existing on, or made pursuant to legally binding commitments in existence on, the Issue Date and any amendment, modification, restatement, supplement, extension, renewal, refunding, replacement or refinancing, in whole or in part, thereof;
- (j) loans or advances to employees made in the ordinary course of business of the Parent or a Restricted Subsidiary in an aggregate principal amount not to exceed U.S.\$3 million at any one time outstanding;
- (k) Investments in receivables owing to the Parent or any Restricted Subsidiary created or acquired in the ordinary course of business;
- (l) Investments represented by bank deposits, trade credit, advances to customers, and accounts and notes receivable created or acquired in the ordinary course of business;
- (m) any Restricted Payment made in connection with any Permitted Transaction or any Permitted Networking Sharing Arrangement;
- (n) any Investment required by the laws, regulations and/or recommendations of Ukraine or a telecommunications regulator; and
- (o) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this paragraph (q) that do not exceed 5 per cent. of Consolidated Total Assets at any one time outstanding.

“**Permitted Liens**” means:

- (a) Liens to secure Indebtedness incurred under Credit Facilities permitted under Clause 7.2(b)(i);
- (b) Liens securing Hedging Obligations permitted by Clause 7.2(b)(vii) and any Lien the principle purpose of which is to allow the setting off or netting of obligations under or in connection with any Hedging Obligation, in either case, so long as such Lien is over only (a) the assets that secure the Indebtedness that is the subject of the relevant Hedging Obligations or (b) cash or Cash Equivalents securing such Hedging Obligations;
- (c) Liens on property (including Share Capital) of a Person existing at the time such Person becomes a Restricted Subsidiary of the Parent or is merged with or into or consolidated with the Parent or any Restricted Subsidiary of the Parent; provided that such Liens were in existence prior to the contemplation of such Person becoming a Restricted Subsidiary of the Parent or such merger or consolidation and do not extend to any assets other than those of the Person that becomes a

Restricted Subsidiary of the Parent or is merged with or into or consolidated with the Parent or any Restricted Subsidiary of the Parent;

- (d) Liens on property (including Share Capital) existing at the time of acquisition of the property or of the Restricted Subsidiary which owns the property by the Parent or any Subsidiary of the Parent, provided that such Liens were in existence prior to, such acquisition, and not incurred in contemplation of, such acquisition;
- (e) Liens granted upon or with regard to any property (including Share Capital) hereafter acquired by the Parent or any Restricted Subsidiary to secure the purchase price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such property and transactional expenses related to such acquisition, provided that the maximum amount of Indebtedness thereafter secured by such Liens does not exceed the purchase price of such property, transactional expenses and/or the Indebtedness incurred solely for the purpose of financing the acquisition of such property;
- (f) any netting or set-off arrangement entered into by the Parent or any Restricted Subsidiary in the ordinary course of its business for the purpose of netting debit and credit balances;
- (g) Liens to secure the performance, or liabilities in respect of, public or statutory obligations, utilities, leases, licences, surety, letters of credit, bankers' acceptances, guarantees, insurance, performance bonds, surety bonds, bid bonds, judgment or appeal bonds, workers compensation obligations, unemployment insurance, other types of social security and other types of related statutory obligations (including pledges or deposits security liability to insurance carriers under insurance or self-insurance arrangements) or other obligations of a like nature incurred in the ordinary course of business;
- (h) Liens to secure Indebtedness (including Lease Obligations) permitted by Clause 7.2(b)(iv) covering only the assets acquired with or financed by such Indebtedness;
- (i) Liens existing on the Issue Date (other than any Liens released or discharged in accordance with the Deed of Undertaking upon repayment of Indebtedness with the proceeds of the Loan);
- (j) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; provided that any reserve or other appropriate provision as is required in conformity with IFRS has been made therefor;
- (k) Liens imposed by law, such as carriers', warehousemen's, landlord's, materialmen's, repairmen's and mechanics' Liens and non-consensual liens, and Liens of a similar nature, in each case, incurred in the ordinary course of business;
- (l) survey exceptions, easements or reservations of, or rights of others for, licences, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;
- (m) Liens created for the benefit of (or to secure) the Loan (or any Guarantees);
- (n) Liens to secure any Permitted Refinancing Indebtedness as a whole, or in part, in respect of any Indebtedness secured by any Lien prior to the incurrence of such Permitted Refinancing Indebtedness; provided, however, that:

- (i) such new Lien shall be limited to (A) all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof) or (B) property and/or assets the market value of which does not in aggregate exceed the market value of the property and/or assets that secured the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and
  - (ii) the Indebtedness secured by such Lien at such time is not increased to any amount greater than the sum of (1) the outstanding principal amount or, if greater, committed amount of the Indebtedness at the time the original Lien became a Permitted Lien and (2) an amount necessary to pay any fees and expenses, including premiums, related to such refinancing, refunding, extension, renewal or replacement;
- (o) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;
- (p) Liens arising from filing of financing statements as a precautionary measure in connection with operating leases;
- (q) Liens arising by virtue of any statutory or common law provisions relating to bankers' Liens, rights of setoff, or similar rights and remedies as to deposit accounts or other funds maintained with a depository or financial institution;
- (r) Liens arising out of judgments or awards not constituting an Event of Default and notices of lis pendens and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;
- (s) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Indebtedness;
- (t) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;
- (u) Liens in favour of customs or revenue authorities to secure payment of customs duties in connection with the importation of goods in the ordinary course of business;
- (v) grants of software and other technology licences in the ordinary course of business;
- (w) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;
- (x) Liens arising out of or in connection with pre-judgment legal process or a judgement or a judicial awarded relating to security for costs;
- (y) Liens resulting from escrow arrangements unrelated to Indebtedness for borrowed money entered into in connection with a disposition of assets;
- (z) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (a) through (aa); provided that any such extension, renewal or replacement shall be no more restrictive in any material respect than the Lien so extended, renewed or replaced and shall not



extend to any additional property or assets and that to the extent such Lien secures Indebtedness, the principal amount of the Indebtedness so secured is not increased;

- (aa) Liens on property or assets under construction (and related rights) in favour of a contractor or developer or arising from progress or partial payment by a third party relating to such property or assets; and
- (bb) other Liens provided that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this Clause (cc) does not exceed 5 per cent. of Consolidated Total Assets at any one time outstanding.

**“Permitted Proceeds Loans”** means the loans made by the Issuer, as lender, to the Parent, as borrower, in the amount of the gross proceeds received by the Issuer from the issuance of Capital Markets Debt (other than the Notes), provided that the incurrence of Indebtedness by the Parent pursuant to such Permitted Proceeds Loan is not prohibited by Clause 7.2.

**“Permitted Refinancing Indebtedness”** means any Indebtedness of the Parent or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to refund, refinance, replace, defease or discharge other Indebtedness of the Parent or any of its Restricted Subsidiaries (other than intercompany Indebtedness), including Indebtedness that refinances Permitted Refinancing Indebtedness; provided that:

- (a) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness extended, refinanced, renewed, replaced, defeased or refunded (plus all accrued interest on the Indebtedness and the amount of all expenses and premiums incurred in connection therewith);
- (b) such Permitted Refinancing Indebtedness has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded;
- (c) if the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded is subordinated in right of payment to the Loan or the Guarantees, such Permitted Refinancing Indebtedness has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, and is subordinated in right of payment to, the Loan and the Guarantees on terms at least as favourable to the Lender as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and
- (d) to the extent such Indebtedness is incurred by a Restricted Subsidiary that is not a Guarantor, such Restricted Subsidiary was the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded.

**“Permitted Subordinated Indebtedness”** means indebtedness that is (1) expressly subordinated in right of payment to the Loan, (2) does not provide for any repayment of principal prior to the Stated Maturity of the Notes or such date as the Notes are repaid in full, whichever is earlier, and (3) is not secured by any Lien on the assets of the Parent or any of its Restricted Subsidiaries.

**“Permitted Transaction”** means:

- (a) any transaction made pursuant to the terms of the Financial Aid Facility Agreement;
- (b) the re-execution of the Financial Aid Facility Agreement, to the extent required as a result of the transformation of TSI from a limited liability company to a joint stock company (together with any other transactions required to be made between TSI and any member of the Group to put TSI in the same position it was prior to such transformation);

- (c) the merger of the Parent with TSI so long as the Parent is the surviving entity, together with any resulting transactions such as the termination of any loan between such entities occurring by virtue of law; and
- (d) any payment, step, circumstance or transaction contemplated by or relating to (including any preparatory action and any intermediate steps or actions necessary to implement such payment, step, circumstance or transaction) the Transactions in paragraph (a) to (d) of this definition.

**“Person”** means any individual, corporation, company, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, limited liability company or government or other entity.

**“PTT”** means Enterprise with 100% Foreign Investment “PTT Telecom Kiev”, with identification code of a legal entity 20069181 and its registered address at 15 Leiptsyzka Street, Kyiv, 01015, Ukraine.

**“Qualified Expert”** means an accounting, appraisal, investment bank or other firm, in each case, of international standing, or another firm with specialist knowledge in valuing the property, assets or rights that are the subject of the relevant transaction.

**“RBI Upfront Fee Side Letter”** means a letter dated on or around 6 February 2020 between the Issuer, the Parent, Raiffeisen Bank International AG and The Bank of New York Mellon, London Branch as Account Bank.

**“Reduced WHT Rule”** means Para 141.4.11 of Article 141 of the Tax Code of Ukraine and regulations made thereunder.

**“Reference Treasury Dealer”** means each of the three nationally recognised firms selected by the Determination Agent that are primary U.S. Government securities dealers.

**“Reference Treasury Dealer Quotations”** means with respect to each Reference Treasury Dealer and the Make Whole Optional Prepayment Date, the average, as determined by the Determination Agent, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Determination Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time on the third business day (in New York City) immediately preceding the Make Whole Optional Prepayment Date.

**“Register”** has the meaning given to it in the Trust Deed.

**“Registrar”** has the meaning given to it in the Trust Deed.

**“Regulation S”** means Regulation S under the U.S. Securities Act.

**“Reimbursement Basis”** has the meaning given to it in Clause 6.9.

**“Related Party”** means the spouse of or immediate family member of Mr. Nasib Hasanov or any trust, corporation, partnership or other entity, the only beneficiaries, stockholders, partners or owners of which consist of Mr. Nasib Hasanov, his spouse, and/or immediate family members of Mr. Nasib Hasanov.

**“Relevant Event”** has the meaning given to it in the Trust Deed.

**“Repayment Date”** means 11 February 2025.

**“Restricted Payments”** has the meaning given to it in Clause 7.1(a).

**“Restricted Subsidiary”** means any Subsidiary of the Parent.

**“Retained Profit Amount”** means U.S.\$1,200 per annum, such amount being the Issuer’s “retained profit” as defined in Regulation 10 of the UK Securitisation Regulations.

**“Rule 144A”** means Rule 144A under the U.S. Securities Act.

“**S&P**” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors or assigns.

“**Same-Day Funds**” means same day, freely transferable, clearly identifiable cleared U.S. Dollar-funds or such other funds for payment in U.S. Dollars as the Lender may at any time reasonably determine to be customary for the settlement of international transactions in London of the type contemplated hereby.

“**Share Capital**” means:

- (a) in the case of a corporation, corporate stock;
- (b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;
- (c) in the case of a partnership or limited liability company, partnership interests (whether general or limited), participatory interests or membership interests; and
- (d) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Share Capital, whether or not such debt securities include any right of participation with Share Capital.

“**Significant Subsidiary**” means any Subsidiary that would be a “significant subsidiary” as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the U.S. Securities Act, as such Regulation is in effect on the date hereof.

“**Stated Maturity**” means, with respect to any instalment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Issue Date, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

“**Subordinated Shareholder Funding**” means, collectively, any funds provided to the Parent or any Restricted Subsidiary by any direct or indirect parent of the Parent or any Permitted Holder or any Affiliate of any Permitted Holder (whether outstanding on the Issue Date or thereafter incurred) in exchange for or pursuant to any security, instrument or agreement other than Share Capital, in each case, issued to and held by any of the foregoing Persons, provided that such Subordinated Shareholder Funding:

- (a) does not mature or require any amortisation, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the final maturity of the Notes (other than through conversion or exchange of such funding into Share Capital (other than disqualified stock) of the Parent or any funding meeting the requirements of this definition);
- (b) does not require, prior to the first anniversary of the final maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts;
- (c) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Stated Maturity of the Notes;
- (d) does not provide for or require any security interest or encumbrance over any property or asset of the Parent or any of its Restricted Subsidiaries; and
- (e) is made to the Parent or any Restricted Subsidiary and pursuant to its terms is fully subordinated and junior in right of payment to the Notes pursuant to a written agreement to that effect.

**“Subscription Agreement”** means the subscription agreement between the Parent, the Lender and the Joint Lead Managers (as defined therein) dated the date hereof providing for the issuance of the Notes.

**“Subsidiary”** means, with respect to any specified Person:

- (a) in the case of a corporation, of which more than 50 per cent. of the total voting power of Share Capital is held by such first-named Person and/or any of its Subsidiaries and such first-named Person or any of its Subsidiaries has the power to direct the management, policies and affairs thereof;
- (b) in the case of a partnership, joint venture, association, or other business or entity, with respect to which such first-named Person or any of its Subsidiaries has the power, by contract or otherwise, to direct or cause the direction of the management, policies and affairs of such entity if (in each case) in accordance with IFRS, as consistently applied, such entity would be consolidated with the first-named Person for financial statement purposes; or
- (c) any limited partnership of which such Person or any Affiliate of such Person is a general partner.

**“Successor Company”** has the meaning given to it in Clause 7.8(a).

**“Suspension Period”** has the meaning given to it in Clause 7.17.

**“Tax”** or **“Taxes”** means any present or future taxes, levies, imposts or duties (including interest or penalties thereon) imposed, assessed, charged, collected, demanded, withheld or claimed by Ukraine, the United Kingdom or any tax authority thereof or therein provided, however, that for the purposes of this definition the references to the United Kingdom shall, upon the occurrence of a Relevant Event (as this term is defined in the Trust Deed), be deemed to be references to the jurisdiction in which the Trustee is domiciled for tax purposes; and the term **“Taxation”** shall be construed accordingly.

**“Tax Credit”** means a credit against, relief or remission for, or repayment of any Tax.

**“Taxing Jurisdiction”** has the meaning given to it in Clause 5.2.

**“Transaction Documents”** means (i) this Agreement, (ii) the Conditions, (iii) the Listing Particulars, (iv) the Trust Deed, (v) the Paying Agency Agreement, (vi) the Account Bank Agreement, (vii) the Corporate Services Agreement, (viii) the Trustee and Agents Fees Side Letter, (ix) the Subscription Agreement, (x) the Upfront Fee Side Letter, (xi) the JPM Upfront Fee Side Letter and (xii) the RBI Upfront Fee Side Letter.

**“Transactions”** means (i) the offering of the Notes; (ii) the making of the Loan hereunder; and (iii) the payment of costs, fees and expenses, in each case, related thereto.

**“Trust Deed”** means the trust deed between the Trustee and the Issuer dated as of the Issue Date, setting forth the terms of the Notes.

**“Trustee”** means the party named as such in the Trust Deed until a successor replaces it in accordance with the provisions of the Trust Deed and, thereafter, means the successor serving thereunder.

**“Trustee and Agents Fees Side Letter”** means the letter dated 6 February 2020 from the Trustee and the agents named therein to the Parent and the Issuer.

**“TSI”** means “TELCO SOLUTIONS AND INVESTMENTS” LLC, a limited liability company with identification code of a legal entity 43354822 and its registered address at 13A Universytetska Street, Kyiv, 03110, Ukraine, including its successors in title.

**“UK Securitisation Regulations”** means the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296) (as amended), and/or any successor legislation.

**“Ukrainian Withholding Tax”** means a deduction or withholding for or on account of Tax from an interest payment made under this Agreement, which is required by applicable Ukrainian law, being the lowest amount of the following (to the extent permitted by law):

- (a) the reduced rate of such withholding tax pursuant to the Reduced WHT Rule which applies with respect to payments of interest made by the Borrower to the Lender on the last day of the relevant Interest Period or, if different, the date on which the Borrower pays interest pursuant to this Agreement;
- (b) if the double tax treaty entered into between the United Kingdom and Ukraine (“**DTT**”) applies to a payment of interest made by the Borrower to the Lender under this Agreement, the lowest percentage rate which is applicable under the DTT to such payments of interest made by the Borrower to the Lender on the last day of the relevant Interest Period or, if different, the date on which the Borrower pays interest pursuant to this Agreement; and
- (c) the applicable rate of such withholding tax, otherwise than under the Reduced WHT Rule, which applies to a payment of interest made from the Borrower to the Lender under this Agreement on the last day of the relevant Interest Period or, if different, the date on which the Borrower pays interest pursuant to this Agreement.

**“Upfront Fee Side Letter”** means a letter dated on or around 6 February 2020 between the Issuer, the Parent, J.P. Morgan Securities plc, Raiffeisen Bank International AG, the agents as referred to therein, the Trustee and The Bank of New York Mellon, London Branch as Account Bank.

**“U.S.\$” and “U.S. Dollars”** denote the lawful currency for the time being of the United States of America.

**“U.S. Exchange Act”** means the United States Securities Exchange Act of 1934.

**“U.S. Securities Act”** means the United States Securities Act of 1933.

**“U.S. Treasury Rate”** means either (i) the rate per annum equal to the yield, under the heading that represents the average for the week immediately preceding the third business day (in New York City) prior to the Make Whole Optional Prepayment Date, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities” for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the Repayment Date, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the U.S. Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor publication) is not published during the week preceding the third business day (in New York City) prior to the relevant date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the Make Whole Optional Prepayment Date, in each case calculated on the third business day (in New York City) immediately preceding the Make Whole Optional Prepayment Date.

**“VAT”** means:

- (a) any tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112); and
- (b) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in paragraph (a) above, or imposed elsewhere.

**“Voting Stock”** of any Person as of any date means the Share Capital of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

**“Weighted Average Life to Maturity”** means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

- (a) the sum of the products obtained by multiplying (i) the amount of each then remaining instalment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (ii) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by
- (b) the then outstanding principal amount of such Indebtedness.

**“Wholly-Owned Restricted Subsidiary”** of any specified Person means a Restricted Subsidiary of such Person, all of the outstanding Share Capital or other ownership interests of which (other than directors’ qualifying shares) or shares required by applicable law to be held by a Person other than the Parent or a Restricted Subsidiary will at the time be owned by such Person or by one or more Wholly-Owned Restricted Subsidiaries of such Person.

## **1.2 Other Definitions**

Unless the context otherwise requires, terms used in this Agreement which are not defined in this Agreement but which are defined in the Trust Deed, the Notes, the Paying Agency Agreement or the Subscription Agreement shall have the meanings assigned to such terms therein.

## **1.3 Interpretation**

Unless the context or the express provisions of this Agreement otherwise require, the following shall govern the interpretation of this Agreement:

- 1.3.1 all references to “Clause” or “sub-clause” are references to a Clause or sub-clause of this Agreement;
- 1.3.2 the terms “hereof”, “herein” and “hereunder” and other words of similar import shall mean this Agreement as a whole and not any particular part hereof;
- 1.3.3 words importing the singular number include the plural and vice versa;
- 1.3.4 the table of contents and the headings are for convenience only and shall not affect the construction hereof;
- 1.3.5 a reference to “this Agreement” or to any other agreement or document referred to in this Agreement is a reference to this Agreement or such other document or agreement as varied, amended, novated, supplemented, extended or restated (in each case, other than in breach of the provisions of this Agreement) from time to time;
- 1.3.6 a reference to a statute or statutory provision shall include all subordinate legislation under that statute or statutory provision, or replacement or substitution of such legislation, made from time to time;
- 1.3.7 a Default or Event of Default is “continuing” if has not been remedied or waived; and
- 1.3.8 any reference to an amount in U.S. dollars (other than the amount of the Facility itself) shall include its equivalent in other currencies.

## **2 Facility**

### **2.1 Facility**

On the terms and subject to the conditions set forth herein, the Lender hereby agrees to lend to the Borrower, and the Borrower hereby agrees to borrow from the Lender, U.S.\$500,000,000.

### **2.2 Purpose**

The proceeds of the Advance will be used for the purposes set out in the Listing Particulars, but the Lender shall not be concerned with the application thereof.

### **2.3 Facility Fee**

The Borrower shall pay a fee to the Lender in consideration of the arrangement of the Facility in the amounts set out in the Upfront Fee Side Letter, the JPM Upfront Fee Side Letter and the RBI Upfront Fee Side Letter (the “**Facility Fee**”). The parties acknowledge that for the purposes of Ukrainian VAT they intend to treat the Facility Fee as a payment for a supply of services made outside of Ukraine. If requested by the Borrower for the purposes of enabling the Borrower to comply with the requirements of Ukrainian accounting rules or tax legislation when making payments under this clause, the Lender will sign and deliver any documents reasonably required for the purpose of making any such payment.

## **3 Drawdown**

### **3.1 Drawdown**

On the terms and subject to the conditions set forth herein, on the Issue Date the Lender shall make the Advance to the Borrower and the Borrower shall make a single drawing in the full amount of the Facility.

### **3.2 Payment of the Facility Fee**

The Borrower agrees to pay the Facility Fee to the Lender in Same-Day Funds not later than 10 a.m. (New York City time) (or such earlier time as the Lender and the Borrower may otherwise agree) one Business Day prior to the Issue Date to such account as the Lender and the Borrower may agree in writing on the condition that the Lender shall return such Facility Fee less any amount payable to legal advisers within two Business Days of the Issue Date if the Notes are not issued on the Issue Date.

### **3.3 Disbursement**

Subject to the conditions set forth herein, on the Issue Date the Lender shall transfer in Same-Day Funds (unless the Lender and the Borrower agree otherwise) the amount of the Advance to the Borrower’s account notified to the Lender.

### **3.4 Ongoing Fees and Expenses**

In consideration of the Lender (i) making the Loan available to the Borrower; and (ii) supporting such a continuing facility, the Borrower shall pay to the Lender (x) on an annual basis commencing on the first anniversary of this Agreement, the Retained Profit Amount, and (y) on a Reimbursement Basis, in one or more instalments within 15 Business Days of demand to the Lender each year an additional amount equating to all documented ongoing costs and expenses of the Lender properly incurred in connection with this Agreement or the Notes (including, without limitation, any taxes in respect thereof and any properly incurred corporate service provider fees, legal fees, listing fees, audit fees and any expenses properly incurred in order to maintain the Lender as a validly incorporated company and any expenses

required to cover the Lender's anticipated winding-up expenses). If requested by the Borrower for the purposes of enabling the Borrower to comply with the requirements of Ukrainian accounting rules or tax legislation when making payments under this clause, the Lender will sign and deliver any documents reasonably required for the purpose of making any such payment.

## 4 Interest

### 4.1 Rate of Interest

- 4.1.1 The Borrower will pay interest in U.S. Dollars to the Lender on the outstanding principal amount of the Loan from time to time hereunder at the rate of 6.20 per cent. per annum divided, where the relevant payment of interest is subject to Ukrainian Withholding Tax, by X (the "**Rate of Interest**"), where X is equal to:

$$\frac{100 - Y}{100}$$

- 4.1.2 and Y is the Ukrainian Withholding Tax, expressed as a percentage (a rate of 5 per cent. for example, therefore being "5" for these purposes), applicable in respect of a payment of interest under this Agreement to the Lender

### 4.2 Payment

Interest at the Rate of Interest shall accrue from day to day, starting from (and including) the Issue Date and shall be paid in respect of each Interest Period one Business Day prior to each Interest Payment Date to the Account. Interest on the Loan will cease to accrue from (and excluding) the due date for repayment thereof unless payment of principal is improperly withheld or refused, in which event interest will continue to accrue (both before and after any judgment) at the Rate of Interest to (but excluding) the date on which payment in full of the principal thereof is made. Interest in respect of the Loan shall be calculated per U.S.\$1,000 in principal amount of the Loan (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any Interest Period shall be calculated by applying the Rate of Interest to the Calculation Amount and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). If interest is required to be calculated for any other period, it will be calculated on the basis of a 360 day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of actual days elapsed.

## 5 Repayment and Prepayment

### 5.1 Final Repayment

Except as otherwise provided herein, the Parent shall repay the Loan not later than 10 a.m. (New York City time) one Business Day prior to the Repayment Date.

### 5.2 Prepayment in the Event of Tax or Increased Costs

If:

- 5.2.1 as a result of any change in, or amendment to, the laws or regulations of Ukraine or the United Kingdom or of any political sub-division thereof or any authority thereof or therein having power to tax (the "**Taxing Jurisdiction**"), or any change in the application or official interpretation of such laws and regulations, which change or amendment becomes effective on or after the date of this Agreement, the Parent would thereby be required to increase any payment due hereunder pursuant



to Clauses 6.2 or 6.3, or if there is an increase in the amount of interest payable by virtue of the operation of X in Clause 4.1 from its amount on the date of this Agreement (X being 0.95 at the date of this Agreement) (but for the avoidance of doubt, other than where the increase in payment is in respect of any amounts due or paid pursuant to Clauses 3.2 and 3.4); or

- 5.2.2 (for whatever reason) the Parent would have to or has been required to pay additional amounts pursuant to Clause 6.6; or
- 5.2.3 after a Relevant Event, there is a requirement to increase any payment pursuant to Clauses 6.2 or 6.3, or if there is an increase in the amount of interest payable by virtue of the operation of X in Clause 4.1 from its amount on the date of this Agreement (but for the avoidance of doubt, other than where the increase in payment is in respect of any amounts due or paid pursuant to Clauses 3.2 and 3.4), in each case as a result of payments hereunder being made to any person other than the Lender,

and in any such case such obligation cannot be avoided by the Parent taking reasonable measures available to it, then the Parent may (without premium or penalty), upon not less than 30 calendar days' nor more than 60 calendar days' prior written notice to the Lender (which notice shall be irrevocable), prepay the Loan in whole (but not in part) at any time.

Prior to giving any such notice in the event of an increase in the amount of interest payable by virtue of the operation of X in Clause 4.1, the Parent shall deliver to the Lender (with a copy to the Trustee) an Officer's Certificate confirming that the Parent would be required to pay an increased amount of interest by virtue of the operation of X in Clause 4.1 (X being 0.95 at the date of this Agreement) supported by an opinion of an independent tax adviser of international repute addressed to the Lender.

### **5.3 Prepayment in the Event of Illegality**

If, at any time, by reason of the introduction of any change after the date of this Agreement in any applicable law, regulation, regulatory requirement or directive of any applicable Agency, it is or would be unlawful or contrary to any applicable law, regulation, regulatory requirement or directive of any Agency for the Lender to allow all or part of the Loan or the Notes to remain outstanding or for the Lender to maintain or give effect to any of its obligations in connection with this Agreement and/or to charge or receive or to be paid interest at the rate then applicable to the Loan (an "**Event of Illegality**"), then the Lender shall deliver to the Parent and the Agent a notice (setting out in reasonable detail the nature and extent of the relevant circumstances and such determination being accompanied by an Opinion of Counsel with the cost of such Opinion of Counsel being borne solely by the Parent) and upon receipt of such notice delivered by the Lender to the Parent in writing, the Parent and the Lender shall consult in good faith as to a basis which eliminates the application of such Event of Illegality; provided, however, that the Lender shall be under no obligation to continue such consultation if a basis has not been determined within 30 days of the date on which it so notified the Parent. If such a basis has not been determined within the 30 days, then upon written notice by the Lender to the Parent and the Trustee, the Parent shall prepay the Loan in whole (but not in part) on the next Interest Payment Date or on such earlier date as the Lender shall (acting reasonably) certify to be necessary to comply with such requirements, at the principal amount thereof, together with accrued and unpaid interest on the Loan so prepaid to but excluding the date of prepayment.

### **5.4 Prepayment upon Change of Control Put Event**

- 5.4.1 Promptly, and in any event within 30 calendar days after becoming aware of the occurrence of any Change of Control Put Event, the Parent shall deliver to the Lender and the Trustee a written notice in the form of an Officer's Certificate, which notice shall be irrevocable, stating that a Change of

Control Put Event has occurred and stating the circumstances and relevant facts giving rise to such Change of Control Put Event.

- 5.4.2 If, following a Change of Control Put Event, any Holder has exercised its Change of Control Put Option, the Parent shall on the Change of Control Put Settlement Date, prepay a principal amount of the Loan in an amount which corresponds to the aggregate principal amount of the Notes (as notified to the Parent by the Paying Agents) in relation to which the Change of Control Put Option has been duly exercised together with interest accrued (if any) to the Change of Control Put Settlement Date in accordance with the Conditions. The amount to be paid by the Parent for such prepayment of principal shall equal 101 per cent. of the principal amount of the Loan being prepaid (together with such accrued interest).

## 5.5 Equity Call Option

At any time prior to 11 February 2022, upon not less than 30 nor more than 60 days' notice to the Lender (which notice shall be irrevocable and shall specify the date fixed for prepayment (the "**Equity Call Prepayment Date**")), the Parent may, at its option, on any one or more occasions prepay up to 35 per cent. of the aggregate principal amount of the Loan in the amount equal to 106.20 per cent. of the Loan that is being prepaid, plus accrued and unpaid interest on the Loan so prepaid to but excluding the Equity Call Prepayment Date, with the net cash proceeds of one or more Equity Offerings; provided that:

- (i) at least 65 per cent. of the aggregate principal amount of the Loan (excluding any amount owed by the Lender to itself, the Borrower, any member of the Group or any of their respective Affiliates) remains outstanding immediately after the occurrence of such repayment; and
- (ii) the repayment occurs within 90 days of the date of the closing of such Equity Offering.

## 5.6 Optional Prepayment

- 5.6.1 The Parent may, at any time prior to 11 February 2022, on giving not less than 30 nor more than 60 days' notice to the Lender (which notice shall be irrevocable and shall specify the date fixed for prepayment (the "**Make Whole Optional Prepayment Date**")), prepay the Loan in whole (but not in part) at the Make Whole Prepayment Amount plus accrued and unpaid interest on the Loan so prepaid to but excluding the Make Whole Optional Prepayment Date.

- 5.6.2 On and after 11 February 2022, the Parent may prepay all or, from time to time, part of the Loan upon not less than 30 nor more than 60 days' notice to the Lender (which notice shall be irrevocable and shall specify the date fixed for prepayment (the "**Optional Prepayment Date**")), at the prepayment prices (expressed as a percentage of the principal amount of the Loan) set forth below, plus accrued and unpaid interest, if any, to (but excluding) the Optional Prepayment Date:

Period	Percentage
twelve-months beginning on 11 February 2022	103.10%
twelve-months beginning on 11 February 2023	101.55%
on or after 11 February 2024	100%

## 5.7 Reduction of Loan upon Cancellation of Notes

- 5.7.1 The Lender, the Parent or any member of the Group may from time to time, in accordance with the Conditions, purchase Notes in the open market or by tender or by a private agreement at any price. The Lender, the Parent or any such member of the Group may, at its option, hold, reissue, resell or, in the case of the Parent or such member of the Group, from time to time deliver to the Lender Notes together with a request (a “**Request**”) for the Lender to present such Notes to the Registrar for cancellation or from time to time procure the delivery to the Registrar of instructions (“**Instructions**”) to redeem and thereafter cancel a specified aggregate principal amount of Notes represented by the Global Certificate in each case upon not less than 30 days’ notice. Any Instructions or Request shall be accompanied by evidence reasonably satisfactory to the Lender and Registrar that the Lender, the Parent or any such member of the Group is entitled to give such Instructions or Request (or, in the case of Notes represented by the Global Certificate, request that the account entries in the records of the relevant clearing system reflecting the Lender’s, the Parent’s or any such member of the Group’s beneficial interest in such part of the Global Certificate be updated to reflect such cancellation) on the date specified in the Instructions or Request (as the case may be) whereupon the Register shall be updated accordingly to reflect such cancellation.
- 5.7.2 In the case where a Request or, as the case may be, Instructions are delivered by the Parent, the Parent and the Lender may, subject to providing proper documentation substantiating the same, set off their mutual obligations being respectively to prepay a cash amount under the Loan and a cash amount under the Notes (taking into account for the purpose of such set off (if applicable) (i) any withholding tax, and/or (ii) any gross-up or adjusted rates of interest set out in the Conditions and/or this Agreement).
- 5.7.3 In the case where a Request or, as the case may be, Instructions are delivered by any other member of the Group, on and with effect from the date specified in any Request, or, as the case may be, Instructions, the Loan shall be deemed to be prepaid for all purposes in an amount as corresponds to the aggregate principal amount of Notes so cancelled and no further interest shall be payable with respect thereto.

## **5.8 Payment of Other Amounts**

If the Loan is to be prepaid by the Parent pursuant to any of the provisions of Clauses 5.2, 5.3, 5.4, 5.5 or 5.6 the Parent shall (i) no later than one Business Day prior to the due date for such payment, deposit in the Account an amount in cash equal to the amount required to be paid on such due date, and (ii) simultaneously with such prepayment, pay to the Lender accrued interest thereon to the date of actual payment and all other sums payable by the Parent pursuant to this Agreement in relation to the prepaid amount. For the avoidance of doubt, if the principal amount of the Loan is reduced pursuant to the provisions of Clause 5.7, then no interest shall accrue or be payable during the Interest Period in which such reduction takes place in respect of the amount by which the Loan is so reduced and the Lender shall not be entitled to any interest in respect of the cancelled Notes.

## **5.9 Provisions Exclusive**

The Parent shall not prepay or repay all or any part of the amount of the Loan except at the times and in the manner expressly provided for in this Agreement. The Parent shall not be permitted to re-borrow any amounts prepaid or repaid.

# **6 Payments and Tax**

## **6.1 Making of Payments**

- 6.1.1** All payments of principal, interest and additional amounts to be made by the Parent under this Agreement shall be made unconditionally by credit transfer to the Lender not later than 10 a.m. (New York City time) one Business Day prior to each Interest Payment Date or the Repayment Date or the date of any payment (as the case may be) in Same-Day Funds to the Account, or as the Trustee may otherwise direct following the occurrence of a Relevant Event.
- 6.1.2** The Parent shall, not later than 10 a.m. (New York City time) on the second Business Day prior to each Interest Payment Date or the Repayment Date or such other date (as the case may be), procure that the bank effecting such payments on its behalf confirms the payment instructions relating to such payment to the Principal Paying Agent or to the Parent (who shall immediately provide the same to the Principal Paying Agent) by authenticated SWIFT.
- 6.1.3** The Lender agrees with the Parent that it will not deposit any other moneys into the Account and that no withdrawals shall be made from the Account other than as provided for and in accordance with the Trust Deed and the Paying Agency Agreement.
- 6.1.4** The parties to the Trust Deed and the Paying Agency Agreement are intended by the parties to this Agreement to have the right under the Contracts (Rights of Third Parties) Act 1999 to enforce the terms of this Clause 6.1.

**6.2 No Set-Off, Counterclaim or Withholding; Gross-Up**

- 6.2.1** All payments to be made by the Parent under this Agreement shall be made in full without set-off or counterclaim and (except to the extent required by law) free and clear of and without deduction or withholding for or on account of any Tax.
- 6.2.2** If the Parent shall be required by applicable law to make any deduction or withholding from any payment under this Agreement for or on account of any such Tax (save in relation to any Ukrainian Withholding Tax in respect of payments pursuant to Clause 4.1 where such Ukrainian Withholding Tax has already been reflected in the Rate of Interest through the adjustment for “Y” in Clause 4.1), it shall, on the due date for such payment, increase the payment of principal or interest or any other payment due hereunder to such amount as may be necessary to ensure that the Lender receives a net amount in U.S. Dollars equal to the full amount which it would have received had payment not been made subject to such Tax, and shall (also in the case of any Ukrainian Withholding Tax in respect of payments pursuant to Clause 4.1 where such Ukrainian Withholding Tax has already been reflected in the Rate of Interest through the adjustment for “Y” in Clause 4.1) promptly account to the relevant authorities for the relevant amount of such Tax so withheld or deducted within the time allowed for such payment under applicable law, and shall deliver to the Lender without undue delay evidence of such deduction or withholding and of the accounting therefor to the relevant taxing authority (also in the case of any Ukrainian Withholding Tax in respect of payments pursuant to Clause 4.1 where such Ukrainian Withholding Tax has already been reflected in the Rate of Interest through the adjustment for “Y” in Clause 4.1). If the Lender pays any amount in respect of such Tax (including penalties or interest and any Ukrainian Withholding Tax on payments pursuant to Clause 4.1) the Parent shall reimburse the Lender in U.S. Dollars for such properly documented payment on demand.

**6.3 Withholding on the Notes**

Without prejudice to the provisions of Clause 6.2, if the Lender notifies the Parent (setting out in reasonable detail the nature and extent of the obligation) that it has or will become obliged to make any withholding or deduction for or on account of any Tax under or in respect of the Notes, the Parent agrees to pay into the Account in Same-Day Funds, no later than one Business Day prior to the date on which

payment is due to the Holders, such additional amounts as are equal to the additional amounts which the Lender would be required to pay in order that the net amounts received by the Holders, after such withholding or deduction, will equal the respective amounts which would have been received by the Holders in the absence of such withholding or deduction; provided, however, that the Lender shall immediately upon receipt from any Paying Agent of any reimbursement of the sums paid pursuant to this provision, to the extent that any Holders are not entitled to such additional amounts pursuant to the Conditions, pay such additional amounts to the Parent.

Any notification by the Lender to the Parent in connection with this Clause 6.3 shall be given as soon as reasonably practicable after the Lender becomes aware of any obligation on it to make any such withholding or deduction.

#### **6.4 Reimbursement**

The Lender shall use commercially reasonable efforts to obtain or use any Tax Credit relating to a deduction or withholding with respect to which the Parent has made a payment pursuant to this Clause 6 or any Ukrainian Withholding Tax on payments pursuant to Clause 4.1. To the extent that the Lender subsequently obtains or uses any such Tax Credit, the Lender shall promptly pay to the Parent so much of the benefit it received as will leave the Lender in substantially the same position as it would have been had no additional amount been required to be paid by the Parent pursuant to this Clause 6 or any Ukrainian Withholding Tax been paid on payments pursuant to Clause 4.1.

#### **6.5 Tax Relief**

- 6.5.1** The Borrower shall claim relief from deducting withholding tax or a reduction in the withholding tax rate to the maximum extent possible in accordance with the Reduced WHT Rule, the relevant provisions of an applicable double tax treaty (including the DTT) or any other provision which allows exemption or decrease of any Tax in respect of payments to be made by the Borrower under this Agreement.
- 6.5.2** Each of the Lender and the Borrower shall make commercially reasonable and timely efforts to cooperate and assist each other in seeking the application of the reduced rate of the withholding tax set out in Clause 6.5.1 above, which shall, for the avoidance of doubt, include (but not be limited to) the Lender, at the cost of the Borrower, making reasonable and timely efforts, upon the written request of the Borrower, to:
- (i) furnish the Borrower with such information or forms as the Borrower notifies the Lender in writing are reasonably required under the law of Ukraine, or the law of any other jurisdiction imposing such withholding tax (which may include a power of attorney in form and substance acceptable to the Borrower authorising it to file documents provided by the Lender to the Borrower with the relevant taxing authority on behalf of the Lender) to enable the Borrower to apply a reduced rate of withholding tax and which are in the possession of the Lender or reasonably obtainable by it, and
  - (ii) procure that each document provided by the Lender to the Borrower is apostilled or otherwise legalised where necessary.
- 6.5.3** Nothing contained in this Clause 6.5 shall interfere with the right of the Lender to arrange its affairs generally in whatever manner it thinks fit nor oblige the Lender to disclose confidential information or any information relating to its affairs generally. For the avoidance of doubt, the parties agree that the Lender shall not be under any obligation to seek a refund, credit or other Tax benefit for or in respect of any amount deducted or withheld from any payment made by the Borrower under this

Agreement. The Borrower and the Lender will inform each other, in a reasonable and timely manner, on the status of the procedures and the steps necessary to be taken in pursuance of this Clause 6.5. The Lender makes no representation as to the application or interpretation of the Reduced WHT Rule or any of its qualifying criteria.

## **6.6 Change of law**

In the event that after the date of this Agreement there is any change in or introduction of any tax, law, regulation, regulatory requirement or official directive (whether or not having the force of law but, if not having the force of law, the observance of which is in accordance with the generally accepted financial practice of financial institutions in the country concerned) or in the official interpretation or application thereof by any Agency and/or any compliance by the Lender in respect of the Loan or the Facility with any request, policy or guideline (whether or not having the force of law but, if not having the force of law, the observance of which is in accordance with the generally accepted financial practice of financial institutions in the country concerned) made or issued after the date of this Agreement from or of any Agency, which:

- 6.6.1** subjects or will subject the Lender to any Tax with respect to payments of principal of or interest on the Loan or any other amount payable under this Agreement (other than any Tax payable by the Lender on its overall net income or any Tax referred to in Clauses 6.2 or 6.3); or
- 6.6.2** increases or will increase the taxation of or changes or will change the basis of taxation of payments to the Lender of principal of or interest on the Loan or any other amount payable under this Agreement (other than any such increase or change which arises by reason of any increase in the rate of tax payable by the Lender on its overall net income or as a result of any Tax referred to in Clauses 6.2 or 6.3); or
- 6.6.3** imposes or will impose on the Lender any other condition affecting this Agreement, the Facility or the Loan,

and if as a result of any of the foregoing:

- (i) the cost to the Lender of making, funding or maintaining the Loan or the Facility is increased; or
- (ii) the amount of principal, interest or other amount payable to or received by the Lender hereunder is reduced; or
- (iii) the Lender makes any payment or foregoes any interest or other return on or calculated by reference to the gross amount of any sum receivable by it from the Borrower hereunder or makes any payment or foregoes any interest or other return on or calculated by reference to the gross amount of the Loan,

then subject to the following, and in each such case:

- (a) the Lender shall, as soon as practicable after becoming aware of such increased cost, reduced amount or payment made or foregone, give written notice to the Borrower, together with a certificate signed by one authorised officer of the Lender describing in reasonable detail the introduction or change or request which has occurred and the country or jurisdiction concerned and the nature and date thereof and demonstrating the connection between such introduction, change or request and such increased cost, reduced amount or payment made or foregone, and setting out 'in reasonable detail the basis on which such amount has been calculated, and enclosing all relevant supporting documents evidencing the matters set out in such certificate; and

- (b) the Borrower, in the case of paragraphs (i) and (iii) above, shall promptly on demand by the Lender, pay to the Lender such additional amount as shall be necessary to compensate the Lender for such increased cost, and, in the case of paragraph (ii) above, at the time the amount so reduced would otherwise have been payable, pay to the Lender such additional amount as shall be necessary to compensate the Lender for such reduction, payment or foregone interest or other return,

provided that:

- (i) the Lender, if requested by the Borrower for the purposes of enabling the Borrower to comply with the requirements of Ukrainian accounting rules or tax legislation when making payments under this Clause 6.6, will sign and deliver any documents reasonably required for such purpose; and
- (ii) this Clause 6.6 will not apply to or in respect of any matter for which the Lender has already been compensated under Clauses 3.4, 6.2, 6.3, 12.1 or an increase in the amount of interest payable by virtue of the operation of **X** in Clause 4.1 (*Rate of interest*), or anywhere else in this Agreement.

## **6.7 FATCA and Tax Reporting**

Each party to this Agreement shall, reasonably promptly following a reasonable request by another party, provide such other party with such information or assistance reasonably requested by the other party so as to enable such other party to comply with its obligation (i) under Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Section 1471 through 1474 of the Code and any regulations or agreements thereunder, any intergovernmental agreement between the United States and any other jurisdiction which facilitates the implementation of any such law, regulation or interpretation, official interpretations thereof or law implementing an intergovernmental approach thereto and (ii) any other tax reporting or information exchange regime to which any party is subject. The Borrower hereby covenants with the Lender that it will pay or reimburse the Lender for any reasonable costs incurred by the Lender in order for it to comply with (i) its obligations under Section 1471(b) of the Code or otherwise imposed pursuant to Section 1471 through 1474 of the Code and any regulations or agreements thereunder, any intergovernmental agreement between the United States and any other jurisdiction which facilitates the implementation of any such law, regulation or interpretation, official interpretation thereof, or law implementing an intergovernmental approach thereto and (ii) any other tax reporting or information exchange regime to which any party is subject.

## **6.8 Mitigation**

If at any time either party hereto becomes aware of circumstances which would or might, then or thereafter, give rise to an obligation on the part of the Parent to make any deduction, withholding or payment as described in Clauses 3.4, 6, 12.1 or an increase in the amount of interest payable by virtue of the operation of **X** in Clause 4.1, then, without in any way limiting, reducing or otherwise qualifying the Lender’s rights, or the Parent’s obligations, under such Clause, such party shall as soon as reasonably practicable upon becoming aware of such circumstances notify the other party, and, thereupon the Lender shall, to the extent applicable, use commercially reasonable efforts, and the parties shall co-operate to take any reasonable action (or actions as reasonably required), to eliminate or mitigate such obligation. The Parent agrees to reimburse the Lender upon receipt of an original demand for payment for all properly documented costs and expenses (including but not limited to legal fees) incurred by the Lender in connection with this Clause 6.8.

## **6.9 Reimbursement Amount**

Any payment made by the Borrower to the Lender pursuant to any provision of this Agreement requiring the Borrower to reimburse, indemnify or otherwise bear a documented cost, charge, expense or Loss suffered by the Lender, shall be such an amount that is sufficient to allow the Lender to pay, discharge or satisfy as applicable, all such documented costs, charges, expenses, Loss incurred or suffered by it set out therein (“**Reimbursement Basis**”), and the obligations of the Borrower to make any such payment are deemed to be satisfied once the Borrower pays to the Lender such amount with respect to such cost, charge, expense and Loss.

## 7 Covenants

### 7.1 Limitation on Restricted Payments

- (a) The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:
  - (i) declare or pay any dividend or make any other payment or distribution on account of the Parent’s or any of its Restricted Subsidiaries’ Equity Interests (including, without limitation, any payment in connection with any merger, consolidation, amalgamation or other business combination involving the Parent or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Parent’s or any of its Restricted Subsidiaries’ Equity Interests in their capacity as such (other than (A) dividends or distributions payable in Equity Interests (other than Disqualified Shares) or in options, warrants or other right to acquire Equity Interests (other than Disqualified Shares), (B) dividends or distributions payable solely to the Parent or a Wholly-Owned Restricted Subsidiary and (C) *pro rata* dividends or other distributions made by a Subsidiary that is not a Wholly-Owned Restricted Subsidiary to minority shareholders (or owners of an equivalent interest in the case of a Subsidiary that is an entity other than a corporation) or such dividends or distributions on a basis that results in the Parent or a Restricted Subsidiary receiving dividends or other distributions of greater value than would result on a *pro rata* basis);
  - (ii) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger, consolidation, amalgamation or other business combination involving the Parent) any Equity Interests of the Parent or any direct or indirect parent of the Parent, in each case held by Persons other than the Parent; or
  - (iii) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of the Parent or any Restricted Subsidiary that is contractually subordinated to the Notes, a Guarantee or the Loan (excluding any intercompany Indebtedness between or among the Parent and any of its Restricted Subsidiaries or between Restricted Subsidiaries), except a payment of interest or a payment of principal no more than 90 days prior to the original Stated Maturity thereof and except the purchase, redemption, defeasance, acquisition or retirement of subordinated obligations purchased in anticipation of satisfying a sinking fund obligation, principal instalment or final maturity of such subordinated obligations, in each case due within 360 days of the date of such purchase, redemption, defeasance, acquisition or retirement;(all such payments and other actions set forth in these sub-paragraphs (i) through (iii) above being collectively referred to as “**Restricted Payments**”).
- (b) Notwithstanding paragraph (a) above, the Parent or any other Restricted Subsidiary may make a Restricted Payment if, at the time of and after giving effect to, such Restricted Payment:



- (i) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment; and
  - (ii) the Parent would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable two semi-annual reference periods, have been permitted to incur at least U.S.\$1.00 of additional Indebtedness pursuant to Clause 7.2(a); and
  - (iii) such Restricted Payment, together with the aggregate amount of all other Restricted Payments (excluding Restricted Payments permitted by sub-paragraphs (ii), (iii), (iv), (v), (vi), (vii) and (viii) of Clause 7.1(c)) made by the Parent and its Restricted Subsidiaries since the Issue Date does not exceed the sum, without duplication, of:
    - (A) 50 per cent. of the Consolidated Net Income of the Parent for the period (taken as one accounting period) from the beginning of the first fiscal semi-annual period commencing on 1 January 2020 to the end of the Parent's most recently ended fiscal semi-annual period for which publicly available financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100 per cent. of such deficit); plus
    - (B) 100 per cent. of the aggregate gross proceeds received by the Parent since the Issue Date (1) as a contribution to its ordinary Share Capital, (2) from the issue or sale or exercise of Equity Interests of the Parent (other than Disqualified Shares), (3) from the issue or sale of convertible or exchangeable Disqualified Shares or convertible or exchangeable debt securities of the Parent that have been converted into or exchanged for such Equity Interests (other than Equity Interests (or Disqualified Shares or debt securities) sold to a Subsidiary of the Parent) or (4) from the issue of Indebtedness of the Parent or a Restricted Subsidiary for cash since the Issue Date in the form of Subordinated Shareholder Funding or that has been converted into or exchanged for such Equity Interests (other than Disqualified Shares).
- (c) Paragraphs (a) and (b) above shall not prohibit:
- (i) the payment of any dividend within 180 days after the date of declaration of the dividend, if, at the date of declaration, the dividend payment would have complied with the provisions of this Agreement;
  - (ii) the making of any Restricted Payment in substantially concurrent exchange (within 30 days) for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Parent) (within a calendar month) of, Equity Interests of the Parent (other than Disqualified Shares) or from or which is used to effect the substantially concurrent contribution (within a calendar month) of ordinary equity capital to the Parent or Subordinated Shareholder Funding; provided that the amount of any such net cash proceeds that are utilised for any such Restricted Payment will be excluded from sub-paragraph (iii)(B) of paragraph (b) above;
  - (iii) the defeasance, redemption, repurchase or other acquisition of Indebtedness of the Parent or any Restricted Subsidiary that is contractually subordinated to any Guarantee or the Loan with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness;

- (iv) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary to the holders of such Restricted Subsidiary's ordinary Equity Interests on a *pro rata* basis;
  - (v) the repurchase of Equity Interests deemed to occur upon the exercise of stock options or warrants to the extent such Equity Interests represent a portion of the exercise price of such stock options or warrants in an amount of up to U.S.\$5 million;
  - (vi) the repurchase, redemption, or other acquisition for value of Share Capital of the Parent or any Restricted Subsidiary representing fractional shares of such Share Capital in connection with a share dividend, distribution, share split, reverse share split, merger, consolidation, amalgamation or other business combination of the Parent or such Restricted Subsidiary, in each case, permitted under this Agreement;
  - (vii) so long as no Event of Default or Default has occurred and is continuing and no Default or Event of Default would be caused thereby, the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Shares of the Parent issued on or after the Issue Date in accordance with Clause 7.2(a);
  - (viii) payments or distributions to dissenting shareholders or holders of participatory interests pursuant to applicable law in connection with or contemplation of a merger, consolidation or transfer of assets;
  - (ix) so long as no Event of Default or Default has occurred and is continuing and no Default or Event of Default would be caused thereby, the payment of dividends to shareholders or holders of participatory interests of the Parent not exceeding U.S.\$10 million in any financial year; and
  - (x) so long as no Event of Default or Default has occurred and is continuing and no Default or Event of Default would be caused thereby, other Restricted Payments in an aggregate amount not to exceed U.S.\$20 million since the Issue Date; and
  - (xi) any payments made in connection with a Permitted Transaction.
- (d) The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Parent or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The Fair Market Value of any assets or securities that are required to be valued by this Clause 7.1 will be determined in good faith by the Board of Directors, whose resolution with respect thereto will be delivered to the Lender (with a copy to the Trustee) along with an Officer's Certificate setting forth the Fair Market Value. The Board of Directors' determination must be based upon an opinion or appraisal issued by a Qualified Expert if the estimated Fair Market Value thereof exceeds the greater of U.S.\$40 million and 5 per cent. of Consolidated Total Assets.

## 7.2 Limitation on Incurrence of Indebtedness and Issuance of Preference Shares

- (a) The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "**incur**") any Indebtedness (including Acquired Debt), and the Parent will not issue any Disqualified Shares and will not permit any of its Restricted Subsidiaries to issue any preference shares; provided, however, that the Parent may incur Indebtedness or issue Disqualified Shares and any Restricted Subsidiary may incur Indebtedness (including Acquired Debt), if the Consolidated Leverage Ratio on the date of such incurrence or

issue and after giving *pro forma* effect to such incurrence or issue (including *pro forma* application of the net proceeds therefrom) as if it had been incurred at the beginning of the most recent two consecutive fiscal semi-annual periods for which financial statements are publicly available (or are made available) would have been no more than:

- (i) 2.75 to 1 for any period ending prior to (and including) 11 February 2022; and
  - (ii) 2.5 to 1 for any period thereafter.
- (b) Paragraph (a) above shall not, however, prohibit the incurrence of any of the following items of Indebtedness (collectively, “**Permitted Debt**”):
- (i) the incurrence by the Parent and its Restricted Subsidiaries of Indebtedness for working capital purposes under or in the form of one or more Credit Facilities in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this paragraph (i), at any one time outstanding under this paragraph (i) (with Credit Facilities being deemed to have a principal amount equal to the maximum potential liability of the Parent and its Restricted Subsidiaries thereunder) not to exceed U.S.\$50 million;
  - (ii) the incurrence by the Parent and its Restricted Subsidiaries of Existing Indebtedness (other than Indebtedness described in sub-paragraphs (i) and (iii) of this paragraph);
  - (iii) the incurrence by the Parent and any Guarantors of Indebtedness represented by the Loan and any Guarantees);
  - (iv) the incurrence by the Parent or any of its Restricted Subsidiaries of Indebtedness represented by Lease Obligations (other than operating leases), mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of design, construction, development, installation, relocation, renewal, maintenance, upgrade, repair or improvement of property, plant or equipment used in the business of the Parent or any of its Restricted Subsidiaries, whether through the direct purchase of assets or the ordinary shares of any Person owning such assets (including any Indebtedness deemed to be incurred in connection with such purchase), in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this sub-paragraph (iv), not to exceed 5 per cent. of Consolidated Total Assets at any time outstanding;
  - (v) the incurrence by the Parent or any of its Restricted Subsidiaries of Indebtedness in connection with operating leases entered into in the ordinary course of business, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this sub-paragraph (v);
  - (vi) the incurrence by the Parent or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used within 30 days of incurrence to refund, refinance, replace, defease or discharge Indebtedness (other than intercompany Indebtedness (provided that the Loan may only be refunded or refinanced to the extent required in connection with any permitted refinancing of the Notes)) that was permitted to be incurred under paragraph (a) above or sub-paragraphs (i), (ii), (iii), (iv), (v), (vi) or (xi) of this paragraph;

- (vii) the incurrence by the Parent or any of its Restricted Subsidiaries of Indebtedness between or among the Parent and any of its Restricted Subsidiaries; provided, however, that: (A) if the Parent or any Guarantor is the obligor on such Indebtedness and the payee is not the Parent or a Guarantor, such Indebtedness must be expressly subordinated in right of payment to the prior payment in full in cash of all Obligations with respect to the Loan, in the case of the Parent, or any Guarantees, in the case of a Guarantor; and (B)(i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Parent or a Restricted Subsidiary and (ii) any sale or other transfer of any such Indebtedness to a Person that is neither the Parent nor a Restricted Subsidiary will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Parent or such Restricted Subsidiary, as the case may be, that was not permitted by this sub-paragraph (vii);
- (viii) the incurrence by the Parent or any of its Restricted Subsidiaries of Hedging Obligations (A) for the purpose of fixing or hedging interest rate risk with respect to or in connection with any Indebtedness that is permitted by the terms of this Agreement to be outstanding or (B) for the purpose of fixing or hedging currency exchange rate risk or changes in the prices of commodities, in each case, in the ordinary course of business of the Parent and its Restricted Subsidiaries and not entered into for speculative purposes and including any such Hedging Obligations incurred in connection with the Loan;
- (ix) the guarantee by the Parent or any of its Restricted Subsidiaries (other than the Parent) of Indebtedness of the Parent or a Restricted Subsidiary that was permitted to be incurred by another provision of this Clause 7.2; provided that if the Indebtedness being guaranteed is subordinated in right of payment to the Loan or any Guarantees, then such guarantee shall be subordinated to the same extent as the Indebtedness guaranteed;
- (x) the incurrence by the Parent or any of its Restricted Subsidiaries of Indebtedness arising from agreements of the Parent or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or Share Capital of a Subsidiary, other than guarantees of Indebtedness of the Subsidiary disposed of, or incurred or assumed by any Person acquiring all or any portion of such business, assets or Share Capital for the purpose of financing such acquisition; provided that the maximum liability of the Parent and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value) actually received by the Parent and its Restricted Subsidiaries in connection with such disposition;
- (xi) the incurrence or acquisition by the Parent or any of its Restricted Subsidiaries of Indebtedness, Disqualified Shares or preference shares of Persons that are acquired by the Parent or any of its Restricted Subsidiaries or merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Parent or any of its Restricted Subsidiaries in accordance with the terms of this Agreement; provided that after giving effect to such acquisition, merger, consolidation, amalgamation or other combination the Parent or such Restricted Subsidiary would be permitted to incur at least U.S.\$1.00 of additional Indebtedness pursuant to paragraph (a) above;
- (xii) the incurrence by the Parent or any of its Restricted Subsidiaries of Indebtedness in respect of (A) workers' compensation claims, self-insurance obligations, performance, indemnity,

surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion or performance or other similar guarantees and warranties provided by the Parent or a Restricted Subsidiary or relating to liabilities, obligations or guarantees incurred in the ordinary course of business (including, without limitation, for asset rentals and/or purchasers of goods or services) or in respect of any government requirement, including in relation to a governmental requirement to provide a guarantee or bond for any spectrum acquisition, or any other contingent or similar obligations or commitments incurred in the ordinary course of business, or (B) letters of credit, bankers' acceptances, guarantees, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes or other similar obligations in the ordinary course of business (including guarantees or indemnities related thereto);

- (xiii) the incurrence by the Parent or any of its Restricted Subsidiaries of Indebtedness arising from the honouring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within ten Business Days of incurrence;
  - (xiv) Indebtedness of the Parent or any of its Restricted Subsidiaries consisting of customer deposits or advances in the ordinary course of its respective business;
  - (xv) Indebtedness, Disqualified Shares or preference shares incurred or arising pursuant to any Permitted Transaction;
  - (xvi) the incurrence of any Subordinated Shareholder Funding (including any conversion or replacement of capital stock of the Parent into Subordinated Shareholder Funding and the entry into the related loan agreement and subordination agreement) or Permitted Subordinated Indebtedness, or, in each case, any amendment thereto or any payment of interest or principal thereunder in compliance with this Agreement, provided that the aggregate principal amount of all Subordinated Shareholder Funding and Permitted Subordinated Indebtedness incurred pursuant to this Clause 7.2(b)(xvi), taken together, may not exceed U.S.\$100 million at any one time outstanding; or
  - (xvii) the incurrence by the Parent and any Guarantor of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this sub-paragraph (xvii), not to exceed 5 per cent. of Consolidated Total Assets at any time outstanding.
- (c) The Parent will not incur, and will not permit any Guarantor to incur, any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other indebtedness of the Parent or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Loan or the applicable Guarantee on substantially identical terms; provided, however, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Parent or such Guarantor solely by virtue of being unsecured or by virtue of being secured on a junior Lien basis or by virtue of not being guaranteed.
- (d) For purposes of determining compliance with this Clause 7.2, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in sub-paragraphs (i) through (xvii) of paragraph (b) above, or is entitled to be incurred pursuant to paragraph (a) above, the Parent, in its sole discretion, will be permitted to classify, and from time to time to reclassify, such item of Indebtedness (or any portion thereof) in any manner that complies

with this Clause 7.2. Notwithstanding the foregoing sentence, Indebtedness under Credit Facilities initially incurred pursuant to sub-paragraph (i) of paragraph (b) above may not be so reclassified. The accrual of interest, the accretion or amortisation of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, and the payment of dividends on Disqualified Shares in the form of additional shares or participatory interests of the same class of Disqualified Shares will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Shares for purposes of this Clause 7.2. Notwithstanding any other provision of this Clause 7.2, the maximum amount of Indebtedness that the Parent or any Restricted Subsidiary may incur pursuant to this Clause 7.2 shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

- (e) The amount of any Indebtedness outstanding as of any date will be:
- (i) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;
  - (ii) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of: (A) the Fair Market Value of such asset at the date of determination, and (B) the amount of the Indebtedness of the other Person;
  - (iii) the greater of the liquidation preference or the maximum fixed redemption or repurchase price of the Disqualified Shares, in the case of Disqualified Shares;
  - (iv) the Attributable Debt related thereto, in the case of any lease that is part of a sale and leaseback transaction; and
  - (v) the principal amount of the Indebtedness, in the case of any other Indebtedness.

For purposes of the foregoing, the “maximum fixed repurchase price” of any Disqualified Shares that do not have a fixed redemption or repurchase price shall be calculated in accordance with the terms of such Disqualified Shares as if such Disqualified Shares were redeemed or repurchased on any date of determination.

### 7.3 Limitation on Liens

- (a) The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien (other than Permitted Liens) of any kind on any asset now owned or hereafter acquired; provided, however, that the Parent or any Restricted Subsidiary may, directly or indirectly, create, incur, assume or suffer to exist any Lien:
- (i) to secure Indebtedness that is *pari passu* with the Loan or a Guarantor’s Guarantee; provided that all Obligations under the Loan or a Guarantee, as the case may be, are secured on an equal and ratable basis with the Indebtedness so secured; and
  - (ii) to secure Indebtedness that is expressly subordinated to the Loan or a Guarantor’s Guarantee, provided that all Obligations under the Loan or a Guarantee, as the case may be, are secured on a senior basis to the Indebtedness so secured.
- (b) Any such Lien in favour of the Lender will be automatically and unconditionally released and discharged concurrently with (i) the unconditional release of the Lien which gave rise to the Lien in favour of the Lender (other than as a consequence of an enforcement action with respect to the assets subject to such Lien) or (ii) upon the full and final payment of all amounts payable by the Parent and any Guarantors under the Loan and a Guarantee.

#### 7.4 Limitation on Asset Sales

- (a) The Parent will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:
  - (i) the Parent (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and
  - (ii) at least 75 per cent. of the consideration received in the Asset Sale by the Parent or such Restricted Subsidiary is in the form of cash, Cash Equivalents or Additional Assets. For purposes of this provision, each of the following will be deemed to be cash: (A) any liabilities, as shown on the most recent consolidated balance sheet, of the Parent or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to any Guarantee or the Loan) that are assumed or released and discharged by the transferee of any such assets pursuant to a customary novation or other agreement that releases the Parent or such Restricted Subsidiary from liability in respect of those liabilities; (B) any securities, notes or other obligations received by the Parent or any such Restricted Subsidiary from such transferee that are converted by the Parent or such Restricted Subsidiary into cash or Cash Equivalents within 180 days, to the extent of the cash or Cash Equivalents received in that conversion and (C) any stock or assets of the kind referred to in paragraphs (i) or (v) of Clause 7.4(b).
- (b) Within 365 days after the receipt of any Net Proceeds from an Asset Sale to be applied as set out in this paragraph, the Parent (or the applicable Restricted Subsidiary, as the case may be) may apply those Net Proceeds, at its option:
  - (i) to acquire or invest in all or substantially all of the assets of, or any Share Capital of, a Permitted Business if, after giving effect to any such acquisition of Share Capital, the Permitted Business is or becomes a Restricted Subsidiary;
  - (ii) to permanently reduce Indebtedness under Credit Facilities which Indebtedness ranks senior in right of payment to the Loan and/or any Guarantees or, to the extent that the assets or Share Capital disposed of pursuant to such Asset Sale were subject to a Lien on or prior to such disposal, to prepay, repay, redeem or repurchase Indebtedness of the Parent or a Restricted Subsidiary that (A) is secured by such assets or Share Capital or (B) was incurred and used to procure the release of such Lien in anticipation of such Asset Sale;
  - (iii) to permanently redeem, prepay or purchase Indebtedness which ranks pari passu with the Loan, including accrued and unpaid interest and any required redemption or prepayment premium thereon, so long as the Parent or such Restricted Subsidiary also prepays the Loan at a price not less than par, in each case, on a pro rata basis (including with respect to any applicable premiums) with such other Indebtedness that is redeemed, prepaid or purchased;
  - (iv) to make an Asset Sale Offer in accordance with the procedures described below (and redeem Indebtedness in accordance with such provisions);
  - (v) to acquire or invest in other assets that are not classified as current assets under IFRS and that are used or useful in a Permitted Business; or
  - (vi) a combination of prepayment and investment permitted by the foregoing sub-paragraphs (i) through to (v),

provided, however, that any such acquisition or investment made pursuant to the foregoing subparagraph (i) or (v) that is made pursuant to a definitive agreement or a commitment approved by the Board of Directors that is executed or approved within such time will satisfy this requirement, so long as such acquisition or investment is consummated within six months of such 365th day.

Pending the final application of any Net Proceeds, the Parent may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by this Agreement.

- (c) Any Net Proceeds from Asset Sales that are not applied or invested as provided in the preceding paragraph will constitute “**Excess Proceeds**”. On the 366th day after an Asset Sale (or such later date as is contemplated by the provision to the second preceding paragraph), if the aggregate amount of Excess Proceeds exceeds U.S.\$25 million, the Parent will make an offer to all Holders of Notes and all holders of other Indebtedness that is *pari passu* with the Loan containing provisions similar to those set forth in this Agreement with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds (“**Asset Sale Offer**”). The offer price in any Asset Sale Offer will be equal to 100 per cent. of principal amount plus accrued and unpaid interest and additional amounts pursuant to the Conditions, if any, to the date of purchase, and will be payable in cash.
- (d) If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Parent and its Restricted Subsidiaries may use those Excess Proceeds for any purpose not otherwise prohibited by this Agreement. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Notes and such other *pari passu* Indebtedness to be purchased will be selected on a *pro rata* basis; provided that Notes of U.S.\$200,000 or less may only be purchased in whole and not in part. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.
- (e) The Parent will comply with the requirements of Clauses 5.7 and 5.8 herein and Clause 2.3 of the Trust Deed (as if such Clause were set out herein and they shall have effect accordingly) and of Rule 14e-1 under the U.S. Exchange Act and any other securities laws and regulations and stock exchange rules, to the extent those laws, regulations and rules are applicable in connection with each repurchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations or securities or investment exchange rules conflict with the provisions of this Clause 7.4, the Parent will comply with the applicable laws, regulations and rules and will not be deemed to have breached its obligations under the Asset Sale provisions of this Agreement by virtue of such conflict.

## 7.5 Limitation on Transactions with Affiliates

- (a) The Parent will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Parent (each, an “**Affiliate Transaction**”), unless:
  - (i) the Affiliate Transaction is on terms that are no less favourable to the Parent or the relevant Restricted Subsidiary than those that could be obtained at the time of such transaction in arm’s-length dealings in a comparable transaction with a Person that is not such an Affiliate;



- (ii) the Parent delivers to the Lender and the Trustee, with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of U.S.\$20 million, a resolution of the Board of Directors set forth in an Officer's Certificate certifying that such Affiliate Transaction complies with this Clause 7.5 and that such Affiliate Transaction has been approved by a majority of the Disinterested Directors (or, in the event there is only one Disinterested Director, approved by such Disinterested Director); and
  - (iii) the Parent delivers to the Lender (with a copy to the Trustee), with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of 5 per cent. of Consolidated Total Assets or, where there are no Disinterested Directors with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of U.S.\$20 million, an opinion as to the fairness to the Parent or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by a Qualified Expert.
- (b) The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions set forth in Clause 7.5(a):
- (i) any employment agreement, consulting or advisory agreement, management agreement, employee benefit plan, officer and director indemnification agreement or any similar arrangement entered into by the Parent or any of its Restricted Subsidiaries, and any payments of related fees, in each case in the ordinary course of business and compensation (including bonuses and equity compensation) paid to and other benefits (including retirement, health and other benefit plans) and indemnification arrangements provided on behalf of directors, officers, managers, members, partners, independent contractors or consultants and (current, present and future) employees of the Parent or any Restricted Subsidiary;
  - (ii) transactions between or among or solely for the benefit of the Parent and/or its Restricted Subsidiaries;
  - (iii) transactions with a Person that is an Affiliate of the Parent solely because the Parent owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;
  - (iv) payment of reasonable directors' fees to Persons who are not otherwise Affiliates of the Parent;
  - (v) any issuance of Equity Interests (other than Disqualified Shares) of the Parent or Restricted Subsidiaries to Affiliates of the Parent or Restricted Subsidiaries or the receipt of capital contributions by the Parent or Restricted Subsidiaries from Affiliates of the Parent or Restricted Subsidiaries (as applicable);
  - (vi) Restricted Payments that do not violate the provisions of Clause 7.1 or Permitted Investments;
  - (vii) the entering into of a tax sharing agreement, or payments pursuant thereto, between the Parent and/or one or more Subsidiaries, on the one hand, and any other Person with which the Parent or such Subsidiaries are required or permitted to file a consolidated tax return or with which the Parent or such Subsidiaries are part of a consolidated group for tax purposes, on the other hand; provided that any payments by the Parent and the Restricted Subsidiaries required under such agreement are not in excess of the tax liabilities that would have been payable by them on a stand-alone basis;

- (viii) agreements and arrangements, and transactions pursuant thereto, existing on the Issue Date and any amendment, extension, renewal, refinancing, modification or supplement thereof; provided that following such amendment, extension, renewal, refinancing, modification or supplement, the terms of any such agreement or arrangement so amended, modified or supplemented are no less favourable to the Parent and the Restricted Subsidiaries, as applicable, than the original agreement or arrangement as in effect on the date of this Agreement; and
- (ix) any Permitted Transaction.

## **7.6 Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries**

- (a) The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:
  - (i) pay dividends or make any other distributions on its Share Capital to the Parent or any of its Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits; or
  - (ii) pay any indebtedness owed to the Parent or any of its Restricted Subsidiaries (including, without limitation, pursuant to the Permitted Proceeds Loans) or
  - (iii) make loans or advances to the Parent or any of its Restricted Subsidiaries; or
  - (iv) transfer any of its properties or assets to the Parent or any of its Restricted Subsidiaries.
- (b) However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:
  - (i) the Trust Deed, the Notes, the Loan, and any Guarantees;
  - (ii) any applicable law, rule, regulation or order;
  - (iii) any encumbrance or restriction pursuant to an agreement in effect on or entered into on the Issue Date and any renewal or replacement thereof, provided, that the encumbrance or restrictions contained in such renewal or replacement are no less favourable to the Holders of the Notes than the encumbrance or restriction in effect or entered into on the Issue Date;
  - (iv) any instrument governing Indebtedness of a Person acquired by the Parent or any of its Restricted Subsidiaries, as in effect at the time of such acquisition (except to the extent such Indebtedness was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; provided that, in the case of Indebtedness, such Indebtedness was permitted by the terms of this Agreement to be incurred;
  - (v) any instrument governing Indebtedness, Disqualified Shares or preference shares permitted to be incurred or issued pursuant to Clause 7.2 if such encumbrance or restriction is not materially more disadvantageous to the holders of the Notes than is customary in comparable financings (as determined in good faith by the Parent) and the Parent determines that such encumbrance or restriction will not materially affect its ability to make principal, premium (to the extent premium, if any, is required to be paid under this Agreement) or interest payments on the Loan as and when they become due;

- (vi) customary provisions in leases, sub-leases, security agreements, contracts, licenses and sub-licences or similar agreements entered into in the ordinary course of business or consistent with industry practices;
- (vii) provisions restricting assignment of any agreement entered into in the ordinary course of business or consistent with past practice;
- (viii) purchase money obligations for property acquired in the ordinary course of business and Lease Obligations that impose restrictions on the property purchased or leased by the Parent or any Restricted Subsidiary in the ordinary course of Permitted Business;
- (ix) any agreement for the sale or other disposition of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending the sale or other disposition;
- (x) Permitted Refinancing Indebtedness permitted to be incurred under Clause 7.2(b)(v); provided that the restrictions and encumbrances contained in the agreements governing such Permitted Refinancing Indebtedness are either (A) no more restrictive or (B) not materially less favourable to the Holders of the Notes and/or the Lender, in each case, taken as a whole and determined in good faith by the Board of Directors, than the dividend and other payment restrictions contained in the Indebtedness being refinanced;
- (xi) Liens permitted to be incurred under the provisions of Clause 7.3 that limit the right of the debtor to dispose of the assets subject to such Liens;
- (xii) customary provisions limiting the disposition or distribution of Share Capital, assets or property in merger agreements, asset sale agreements, sale-leaseback agreements, share sale agreements and other similar agreements entered into with the approval of the Board of Directors, which limitation is applicable only to the Share Capital, assets or property that are the subject of such agreements;
- (xiii) customary provisions limiting the distribution or disposition of assets or property of a Restricted Subsidiary in joint venture agreements and other similar agreements or arrangements relating to such joint venture entered into in the ordinary course of business;
- (xiv) restrictions on cash, Cash Equivalents, or other deposits or net worth imposed by suppliers, customers or landlords under contracts entered into in the ordinary course of business or consistent with past practice or arising in connection with any Permitted Liens;
- (xv) any encumbrance or restriction applicable to a Restricted Subsidiary at the time it becomes a Restricted Subsidiary that is not created in contemplation thereof; provided that such restriction apply only to such Restricted Subsidiary and provided further that the exception provided by this sub-paragraph (xv) shall not apply to any encumbrance or restriction contained in any Indebtedness that refunds, refinances, replaces, defeases or discharges any Indebtedness which was in existence at the time such Restricted Subsidiary became a Restricted Subsidiary; and
- (xvi) restrictions or conditions contained in any trading, netting, operating, construction, service, supply, purchase, sale or other agreement to which the Parent or any of its Restricted Subsidiaries is a party entered into in the ordinary course of business or consistent with past practice; provided that such agreement prohibits the encumbrance of solely the property or assets of the Parent or such Restricted Subsidiary that are the subject to such agreement, the payment rights arising thereunder or the proceeds thereof and does not extend to any other asset or property of the Parent or such Restricted Subsidiary or the

assets or property of another Restricted Subsidiary, provided that the Parent determines that such encumbrance or restriction will not materially affect its ability to make principal, premium (to the extent premium, if any, is required to be paid under this Agreement) or interest payments on the Loan as and when they become due.

## 7.7 Corporate Existence

Except as otherwise permitted by Clause 7.8, the Parent shall do or cause to be done all things necessary to preserve and keep in full force and effect the corporate, partnership, limited liability company or other existence and the rights (charter and statutory), licenses and franchises of the Parent and each Restricted Subsidiary; provided that the Parent shall not be required to preserve or cause the preservation of any such right, license or franchise or the existence of any Restricted Subsidiary other than the Parent if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Parent and the Restricted Subsidiaries as a whole and that the loss thereof is not disadvantageous in any material respect to the Holders.

## 7.8 Merger, Consolidation and Disposition of Assets

- (a) The Parent will not, other than in respect of a Permitted Transaction, directly or indirectly (x) consolidate, amalgamate or merge with or into another Person (whether or not the Parent is the surviving Person) or (y) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Parent and its Restricted Subsidiaries, taken as a whole, in one or more related transactions, to another Person, unless:
  - (i) either: (a) the Parent is the surviving Person; or (b) the Person formed by or surviving any such consolidation, amalgamation or merger (if other than the Parent) or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made (the “**Successor Company**”) is an entity organised or existing under the laws of an Approved Jurisdiction and the Successor Company (if not the Parent) shall expressly assume, by a supplemental trust deed, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of the Parent under the Trust Deed;
  - (ii) immediately after such transaction or transactions, no Default or Event of Default shall have occurred and be continuing;
  - (iii) any Successor Company would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable semi-annual reference periods be permitted to incur at least U.S.\$1.00 of additional Indebtedness pursuant to Clause 7.2(a); and
  - (iv) the Parent shall have delivered to the Lender and the Trustee an Officer’s Certificate and an Opinion of Counsel, each in form and substance satisfactory to the Trustee and stating that such transaction and such supplemental trust deed (if any) comply with the provisions of this paragraph (a) and the Trust Deed and that the conditions set out in sub-paragraphs (i) to (iii) above have been satisfied; provided that in giving an Opinion of Counsel, counsel may rely on an Officer’s Certificate as to any matters of fact.

The Lender and the Trustee shall each be entitled to rely without further enquiry and without liability to any person upon the Officer’s Certificate and Opinions of Counsel specified in (iv) above as sufficient evidence of the satisfaction of the conditions required by this paragraph (a) without further inquiry and shall not be liable for any consequences of such consolidation, merger, amalgamation, sale, assignment, transfer, lease, conveyance or other disposition.

- (b) For purposes of this Clause 7.8, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Parent, which properties and assets, if held by the Parent instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Parent and its Subsidiaries on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the assets of the Parent.
- (c) Nothing in the Trust Deed or this Agreement will prevent, and this covenant will not apply to, any Restricted Subsidiary consolidating with, merging with or into or transferring all or part of its properties and assets to the Parent or any other Restricted Subsidiary.

## **7.9 Maintenance of Properties**

The Parent shall cause all properties owned by it or any Restricted Subsidiary or used or held for use in the conduct of its business or the business of any Restricted Subsidiary to be maintained and kept in good condition, repair and working order in all material respects and shall cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Parent may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided that nothing in this Clause 7.9 shall prevent the Parent from discontinuing the maintenance of any such properties if such discontinuance is, in the judgment of the Parent, desirable in the conduct of the business of the Parent and the Restricted Subsidiaries as a whole and not disadvantageous in any material respect to the Holders.

## **7.10 Insurance**

The Parent shall maintain, and shall cause the Restricted Subsidiaries to maintain, insurance with carriers believed by the Parent to be responsible, against such risks and in such amounts, and with such deductibles, retentions, self-insured amounts and coinsurance provisions, as the Parent believes are customarily carried by businesses similarly situated and owning like properties in Ukraine, including as appropriate general liability and property and casualty loss insurance.

## **7.11 Payment of Tax and Other Claims**

The Parent shall pay or discharge and shall cause each of its Subsidiaries to pay or discharge, or cause to be paid or discharged, prior to the accrual of any fine or penalty for late payment (a) all material taxes, assessments and governmental charges levied or imposed upon (i) the Parent or any such Subsidiary, (ii) the income or profits of any such Subsidiary which is a corporation or (iii) the property of the Parent or any such Subsidiary and (b) all material lawful claims for labour, materials and supplies that, if unpaid, is reasonably likely by law to become a Lien upon the property of the Parent or any such Subsidiary; provided that the Parent shall not be required to pay or discharge, or cause to be paid or discharged, any such tax, assessment, charge or claim the amount, applicability or validity of which is being contested in good faith by appropriate proceedings or for which adequate reserves have been established.

## **7.12 Statement as to Compliance**

- (a) The Parent shall deliver to the Lender and the Trustee, contemporaneously with the furnishing of its audited financial statements pursuant to Clause 7.13(a) and within 14 Business Days after any request by the Trustee, an Officer's Certificate stating that having made all reasonable enquiries, to the best of the knowledge, information and belief of the Parent as at the date (the "**Certification Date**") not more than 5 Business Days before the date of the certificate, no Event of Default or Default has occurred since the Certification Date of the last such certificate or (if none) the date of this Agreement or, if such event has occurred, giving details of it and that the Parent is complying

with its obligations under this Agreement. For purposes of this paragraph (a), such compliance shall be determined without regard to any period of grace or requirement of notice under this Agreement.

- (b) If the Parent shall become aware that (i) any Default or Event of Default has occurred and is continuing or (ii) any Holder seeks to exercise any remedy with respect to a claimed Default under the Trust Deed or the Notes, the Parent, as the case may be, shall forthwith deliver to the Lender and the Trustee an Officer's Certificate specifying such event, notice or other action (including any action the Parent is taking or propose to take in respect thereof).

### 7.13 Reports

The Parent will provide to the Lender and shall make available to potential investors:

- (a) within 120 days after the end of the Parent's fiscal year consolidated audited income statements, balance sheets and cash flow statements and the related notes thereto for the Parent and its Subsidiaries for the most recent three fiscal years prepared in accordance with IFRS, together with a report thereon by the Parent's certified independent accountants, information with respect to any Change of Control that has occurred in the fiscal year and information with respect to any acquisition or disposition representing greater than 20 per cent. of the consolidated revenues, EBITDA or assets of the Parent on a *pro forma* basis, including a *pro forma* income statement and balance sheet for the acquisition or disposition (provided that an acquisition or disposition that has occurred fewer than 60 days prior to the date of the annual report shall be reported upon in the next semi-annual report);
- (b) within 120 days after the end of the Parent's fiscal year, for such fiscal year and two prior fiscal years, information substantially similar in scope to the information about the Parent and its Subsidiaries included in the Listing Particulars under (i) the subheadings "*Certain Factors Affecting the Group's Financial Position and Results of Operations*" and "*Liquidity and Capital Resources*" in "*Operating and Financial Review*", (ii) "*Shareholders*" and (iii) "*Related Party Transactions*", supplemented with the Parent's Consolidated Leverage Ratio as at the end of such fiscal year, in each case, calculated by the responsible financial officer in good faith;
- (c) within 60 days after the end of the first semi-annual period of the fiscal year of the Parent, unaudited consolidated income statements, balance sheets and cash flow statements of the Parent for such interim period prepared in accordance with IFRS, supplemented with the Parent's Consolidated Leverage Ratio as at the end of such fiscal semi-annual period, in each case, calculated by the responsible financial officer in good faith and information with respect to any Change of Control that has occurred in the fiscal semi-annual period; and
- (d) information with respect to any material acquisitions, dispositions or restructurings, change in the independent accountants of the Parent, and any resignation of a member of the Board of Directors as a result of a disagreement with the Parent or any other material event that the Parent or any of its Restricted Subsidiaries announces publicly.

In addition, so long as the Notes remain outstanding and during any period during which the Parent is not subject to Section 13 or 15(d) of the U.S. Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b) of such Act, the Parent shall furnish to the Holders of the Notes (with a copy to the Trustee) and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

The Parent consents that any information provided to the Lender pursuant to this Clause 7.13 may also be provided to the Trustee, if so requested by the Trustee, without violating any duty of confidentiality or secrecy that the Lender may owe to the Parent under the laws of the United Kingdom and/or Ukraine.

Contemporaneously with the provision of each report discussed above, the Parent will also file a press release with the appropriate internationally recognised wire services with respect to such report and post such report and such press release on the Parent's website.

#### 7.14 Guarantees

(a)

- (i) The Parent will not permit any of its Restricted Subsidiaries that is not a Guarantor to guarantee any Indebtedness unless such Restricted Subsidiary simultaneously jointly and severally guarantees the Loan pursuant to a guarantee agreement in form and substance satisfactory to the Lender and the Trustee delivered to the Lender and the Trustee; and
- (ii) if the total assets of any Restricted Subsidiary that is not a Guarantor, then determined on an unconsolidated basis in accordance with IFRS as of the end of any fiscal semi-annual period, accounts for 10 per cent. or more of the Parent's total assets determined on a consolidated basis in accordance with IFRS as of the end of such fiscal semi-annual period, then the relevant Restricted Subsidiary will, within 90 days of the date the financial statements for such fiscal semi-annual period are made publicly available, jointly and severally guarantee the Loan pursuant to a Guarantee delivered to the Lender and the Trustee;

provided, in the case of each of (i) and (ii) above, that (A) a Restricted Subsidiary's Guarantee may be limited to the extent required by law and (B) for so long as it is not permissible under applicable law for a Restricted Subsidiary to become a Guarantor, such Restricted Subsidiary need not become a Guarantor (but, in such a case, each of the Parent and its Restricted Subsidiaries will use their best efforts to overcome the relevant legal prohibition precluding the giving of the Guarantee). For the avoidance of doubt, the requirement in sub-paragraph (i) above will not be applicable to any guarantees of Indebtedness by any Restricted Subsidiary existing on the date of this Agreement. At the time of execution of any Guarantee, the Parent shall deliver an Opinion of Counsel addressed to the Trustee, in form and substance satisfactory to the Trustee, as to the enforceability of the Guarantee and certain other matters set out in the Trust Deed.

(b) If the Indebtedness of the Parent or a Guarantor giving rise to the need to guarantee the Loan:

- (i) ranks *pari passu* in right of payment to the Loan or a Guarantee of the Loan, any guarantee of such Indebtedness will rank *pari passu* in right of payment to the Loan or the relevant Guarantee of the Loan; or
- (ii) is contractually subordinated in right of payment to the Loan or a Guarantee, any guarantee of such Indebtedness shall be contractually subordinated in right of payment to the Loan or the relevant Guarantee substantially to the same extent as such Indebtedness is subordinated in right of payment to the Loan or a Guarantee.

Until all amounts which may be or become payable by the Parent and any Guarantors under the Loan have been irrevocably paid in full and to the extent lawful, each such guarantee will provide that the relevant Guarantor waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against

the Parent or any Restricted Subsidiary as a result of any payment by such Guarantor under its Guarantee.

- (c) Each such Guarantee will be released, automatically and without further action on the part of the Lender or the Trustee:
  - (i) in the event that such Guarantor is disposed of or liquidated in a manner which is not prohibited hereunder (provided that, in any event, the disposal is not made to a Restricted Subsidiary) and the proceeds of such disposal are applied for in accordance with Clause 7.4; or
  - (ii) upon repayment of the Loan in full.

#### **7.15 Business Activities**

The Parent will not, and will not permit any of its Restricted Subsidiaries to, engage in any business other than a Permitted Business, except to such extent as would not be material to the Parent and its Restricted Subsidiaries, taken as a whole.

#### **7.16 Listing**

The Parent will use all reasonable endeavours to procure that the Lender maintains, and the Lender shall maintain, the listing of the Notes on the Global Exchange Market of the Irish Stock Exchange plc, trading as Euronext Dublin for as long as any Note is outstanding. If, however, it is unable to do so, having used such endeavours, or if the maintenance of the listing becomes unduly onerous, it will use all reasonable endeavours promptly to procure that the Lender obtains and thereafter maintains a listing of such Notes on such other stock exchange as the Parent, acting reasonably, may select, provided however that such stock exchange is commonly used for the listing of debt securities in the international bond markets.

#### **7.17 Suspension of Covenants when Notes rated Investment Grade**

If on any date following the Issue Date (i) the Notes have achieved an Investment Grade Rating; and (ii) no Default or Event of Default shall have occurred and be continuing on such date, then, the Parent will notify the Lender and Trustee in writing, including a copy of the letter evidencing such Investment Grade Rating, and beginning on the date of such notice and continuing until such time, if any, at which the Notes cease to have an Investment Grade Rating (such period, the “**Suspension Period**”), the following covenants will no longer be applicable: Clause 7.1 (*Limitation on Restricted Payments*); Clause 7.2 (*Limitation on Incurrence of Indebtedness and Issuance of Preference Shares*); Clause 7.4 (*Limitation on Asset Sales*); Clause 7.5 (*Limitation on Transactions with Affiliates*); and Clause 7.6 (*Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries*), provided that such covenants (and any related default provisions) will again apply in accordance with their terms from the first day on which a Suspension Period ceases to be in effect with regard to actions of the Parent or any Restricted Subsidiary properly taken during the continuance of the Suspension Period, and the covenant under Clause 7.1 (*Limitation on Restricted Payments*) will be interpreted as if it had been in effect since the Issue Date except that no default will be deemed to have occurred solely by reason of a Restricted Payment made while such covenant was suspended.

#### **7.18 Further Instruments and Acts**

Upon request of the Trustee, the Parent and any Guarantors shall execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Agreement.

#### **7.19 Lender Undertakings**



The Lender undertakes that:

- 7.19.1 Activities:** the Lender shall not carry on any business other than as envisaged by the Transaction Documents and in respect of such business shall not engage in any activity or incur any liabilities or do anything whatsoever except:
- (i) own and exercise its rights in respect of the Loan and its interest therein and perform its obligations in respect of the Loan;
  - (ii) preserve and/or exercise and/or enforce any of its rights and perform and observe its obligations under the Transaction Documents;
  - (iii) issue, redeem or purchase the Notes, in accordance with, and in compliance with, the Conditions; and
  - (iv) perform any act incidental to or necessary in connection with the above;
- 7.19.2 Holding of shares:** the Lender shall not hold or be entitled to acquire shares or possess voting power in or in relation to any company and will not hold or be entitled to acquire a right to receive or participate in distributions (of assets or otherwise) of any company or be entitled to secure that income or assets of any company will be applied directly or indirectly for its benefit;
- 7.19.3 UK Securitisation Regulations:** the Lender shall remain a “note issuing company” within the meaning of Regulation 5 of the UK Securitisation Regulations and shall comply with all other requirements of those regulations so as to be taxable only on its “retained profit” as defined in such regulations; and
- 7.19.4 Payments Out:** the Lender shall within three calendar months of receipt, pay out, or procure the payment out of, in accordance with the Transaction Documents all funds received by it except for (i) any “retained profit” (as defined in the UK Securitisation Regulations), and (ii) any amounts which are reasonably required to provide for losses or expenses arising from its business or to maintain or enhance its creditworthiness.

## 8 Conditions Precedent

The obligation of the Lender to make the Advance shall be subject to the conditions precedent that as of the Issue Date the Lender shall have received (a) the proceeds of the issue of the Notes pursuant to the Subscription Agreement, (b) the Facility Fee and (c) documentary evidence that the NBU Notification has been made by the servicing bank of the Borrower.

## 9 Events of Default

### 9.1 Events of Default

If one or more of the following events of default (each, an “**Event of Default**”) shall occur, and for as long as it is continuing, the Lender shall be entitled to the remedies set forth in Clause 9.3.

#### 9.1.1 Non-Payment

- (i) The Parent (or any Guarantor) fails to make any payment of interest or additional amounts payable hereunder when the same becomes due and payable and such failure continues for a period of 10 business days in London; or
- (ii) The Parent (or any Guarantor) fails to make any payment of principal when the same becomes due and payable; or

**9.1.2 Breach of Other Obligations**

- (i) The Parent does not (a) comply with the provisions of Clause 7.8, or (b) perform or comply within 30 days after written notice shall have been given to the Parent by the Lender or Trustee with any one or more of its other obligations hereunder; or
- (ii) Any of the Borrower Entities do not comply with their obligations under the Deed of Undertaking resulting in the Facility Agreement (as defined in the Deed of Undertaking) not being repaid on the date such repayment is due thereunder or any security granted by the Borrower for the purposes of the Facility Agreement not being released in accordance with the Deed of Release (as defined in the Deed of Undertaking); or

**9.1.3 Cross-Default and Cross-Acceleration**

- (i) Any other present or future Indebtedness of the Parent or any Restricted Subsidiary or any of their respective Subsidiaries becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such Indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Parent or any Restricted Subsidiary or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any Indebtedness, provided that the aggregate amount of the relevant Indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Clause 9.1.3 have occurred equals or exceeds U.S.\$25 million; or

**9.1.4 Enforcement Proceedings**

A distress, attachment, execution or other legal process is levied, enforced or sued out on or against any property, assets or revenues of the Parent or any Restricted Subsidiary that is a Material Subsidiary (but not if the value of such property, assets or revenues does not exceed U.S.\$25 million) and is not discharged or stayed within 60 days; or

**9.1.5 Security Enforced**

Any expropriation, attachment, sequestration, execution or distress is levied against, or an encumbrancer takes possession of or sells, the property, undertaking, revenues or assets of the Parent or any Restricted Subsidiary (but not if the value of such property, undertaking, assets or revenues does not exceed U.S.\$25 million); or

**9.1.6 Judgment Default**

Any one or more judgments or orders is made against the Parent or any Restricted Subsidiary or any of their respective Subsidiaries involving an aggregate liability not paid or fully covered by insurance in respect of a matter (or a series of related matters) greater than U.S.\$25 million or its equivalent in any other currency or currencies and remains outstanding for more than 60 days of their being made unless being appealed in good faith; or

**9.1.7 Insolvency**

- (i) (A) the Parent or any Restricted Subsidiary that is a Material Subsidiary seeking, consenting or acquiescing in the introduction of proceedings for its liquidation or bankruptcy or the appointment to it of a liquidator or a similar officer; (B) the presentation or filing of a petition in respect of the Parent or any Restricted Subsidiary that is a Material Subsidiary in any court, arbitration court or before any agency for its bankruptcy, insolvency, dissolution or liquidation which, in the case of a petition presented or filed by

a Person other than the Parent, or such Restricted Subsidiary or Restricted Subsidiaries, as the case may be, is not dismissed within 90 days; (C) the institution of supervision, external management or bankruptcy management to the Parent or any Restricted Subsidiary that is a Material Subsidiary; (D) the convening of a meeting of creditors generally of the Parent or any Restricted Subsidiary that is a Material Subsidiary for the purposes of considering an amicable settlement with its creditors generally; and/or (E) any extra-judicial liquidation or analogous act in respect of the Parent or any Restricted Subsidiary that is a Material Subsidiary by any governmental agency with jurisdiction over it in Ukraine, except, in the case of (A) and (B) above, any liquidation or dissolution for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation of any Restricted Subsidiary that is a Material Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Material Subsidiary, whereby the undertaking and assets of such Restricted Subsidiary or Restricted Subsidiaries are transferred to or otherwise vested in the Parent or any of its Restricted Subsidiaries;

- (ii) the Parent or any Restricted Subsidiary that is a Material Subsidiary: (A) fails or is unable to pay its debts generally as they become due; (B) consents by answer or otherwise to the commencement against it of an involuntary case in bankruptcy or to the appointment of a custodian of it or of a substantial part of its property;
- (iii) a court of competent jurisdiction enters an order for relief or a decree in an involuntary case in bankruptcy or for the appointment of a custodian in respect of the Parent or any Restricted Subsidiary that is a Material Subsidiary or any part of their respective property and such order or decree remains undischarged for a period of 60 days; or
- (iv) the shareholders of the Parent or any Restricted Subsidiary that is a Material Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Material Subsidiary, approve any plan for the liquidation or dissolution of the Parent or such Restricted Subsidiary except, any liquidation or dissolution for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation of any Restricted Subsidiary that is a Material Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Material Subsidiary, whereby the undertaking and assets of such Restricted Subsidiary or Restricted Subsidiaries are transferred to or otherwise vested in the Parent or any of its Restricted Subsidiaries; or

#### **9.1.8 Winding-up**

An order is made or an effective resolution passed for the winding-up or dissolution of the Parent or any Restricted Subsidiary that is a Material Subsidiary or the Parent or any Restricted Subsidiary that is a Material Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Material Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Trustee in writing or by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders, or (ii) in the case of a Restricted Subsidiary that is a Material Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Material Subsidiary, whereby the undertaking and assets of such Restricted Subsidiary or Restricted Subsidiaries are transferred to or otherwise vested in the Parent or any of its Restricted Subsidiaries; or

#### **9.1.9 Nationalisation**

All or a material part of the Parent's and its Subsidiaries' assets taken as a whole are expropriated, seized or nationalised by any person; or

**9.1.10 Authorisation and Consents**

Any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Parent lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations hereunder, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Loan admissible in evidence in the courts of Ukraine is not taken, fulfilled or done by such entity and (if capable of remedy) is not remedied within 15 days; or

**9.1.11 Illegality**

It is or will become unlawful for the Parent to perform or comply with any one or more of its obligations hereunder; or

**9.1.12 Analogous Events**

Any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in 9.1.4, 9.1.5, 9.1.7, 9.1.8 or 9.1.9 above.

**9.2 Notice of Default**

The Parent shall deliver to the Lender and the Trustee (i) on each Interest Payment Date; (ii) within seven Business Days of any written request by the Lender; or (iii) forthwith upon becoming aware of the occurrence thereof, written notice in the form of an Officer's Certificate stating whether any Default or Event of Default has occurred, its status and what action the Parent is taking or proposes to take with respect thereto.

**9.3 Default Remedies**

If any Event of Default shall occur, the Lender may, by notice in writing to the Parent, (a) declare the obligations of the Lender hereunder to be terminated, whereupon such obligations shall terminate; and (b) declare the Loan to be immediately due and payable by the Parent and declare all other amounts accrued and/or payable hereunder by the Parent up to (and including) the date of such termination to be immediately due and payable, whereupon all such amounts shall become immediately due and payable, all without diligence, presentment, demand of payment, protest or notice of any kind, which are expressly waived by the Parent; provided, however, that if any event of any kind referred to in Clause 9.1.7 occurs, the obligations of the Lender hereunder shall immediately terminate, and all amounts payable hereunder by the Parent that would otherwise be due after the occurrence of such event shall become immediately due and payable, all without diligence, presentment, demand of payment, protest or notice of any kind, which are expressly waived by the Parent.

**9.4 Rights Not Exclusive**

The rights provided for herein are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law.

**9.5 Right of Set-off**

If any amount payable by the Parent hereunder is not paid as and when due, the Parent authorises the Lender to proceed, to the fullest extent permitted by applicable law, without prior notice, by right of set-off, banker's lien, counterclaim or otherwise, against any assets of the Parent in any currency that may

at any time be in the possession of the Lender, at any branch or office, to the fullest extent of all amounts payable to the Lender hereunder.

## **10 Representations and Warranties of the Borrower**

The Borrower makes the representations and warranties set out in this Clause 10 and acknowledges that the Lender has entered into this Agreement in reliance on these representations and warranties.

### **10.1 Status**

The Borrower and each of its Material Subsidiaries, where applicable, is registered and validly existing under Ukrainian law, is not in liquidation, temporary administration or bankruptcy or subject to pre-trial rehabilitation or termination proceedings and the Borrower is able lawfully to execute and perform its obligations under this Agreement.

### **10.2 Governmental Approvals**

All actions or things required to be taken, fulfilled or done by the applicable laws and regulations of Ukraine (including, without limitation, the obtaining of any authorisation, order, licence or qualification of or with any court or governmental agency) and all registrations, filings or notarisations required by the laws and regulations of Ukraine in order to ensure the due execution, delivery, validity and performance by the Borrower of this Agreement has been obtained, fulfilled or done and is in full force and effect (other than the NBU Notification which will be done on or before the Issue Date).

### **10.3 *Pari Passu* Obligations**

Under the laws of Ukraine in force at the date of this Agreement, the claims of the Lender against the Borrower under this Agreement will rank at least *pari passu* in right of payment with the claims of all its other unsecured and unsubordinated creditors, save those whose claims are preferred by any bankruptcy, insolvency, liquidation, moratorium or similar laws of general application.

### **10.4 Applicable Reduced WHT Rule**

The Reduced WHT Rule is applicable to the payments of interest under this Agreement and, without prejudice to the provisions of Clauses 4.1 or 6.2, under the laws of Ukraine in force at the date of this Agreement, payments of principal and/or interest by the Borrower to the Lender under this Agreement are not subject to any deduction on account of the generally applicable Ukrainian Withholding Tax (at a rate of 15 per cent.) or any other Tax established by applicable Ukrainian legislation, save for the Ukrainian Withholding Tax (at a rate of 5 per cent.) applicable to payments of interest in accordance with the Reduced WHT Rule.

### **10.5 Governing Law**

Under the laws of Ukraine in force at the date of this Agreement, in any proceedings taken in Ukraine in relation to this Agreement, the choice of English law as the governing law of this Agreement and any arbitral award with respect to this Agreement obtained in the United Kingdom will be recognised and enforced in Ukraine after compliance with the applicable procedural rules in Ukraine, save that the parties' choice of law may not be recognised or upheld for reasons of public policy or by reason of operation of mandatory rules.

### **10.6 Admissibility in Evidence**

All acts, conditions and things required to be done, fulfilled and performed (other than by the Lender) to make this Agreement admissible in evidence in Ukraine (whether in arbitration proceedings or otherwise) have been done, fulfilled and performed.

#### **10.7 Valid and Binding Obligations**

The obligations expressed to be assumed by the Borrower in this Agreement are legal, valid and binding, and subject to the following, enforceable against it in accordance with its terms: (i) applicable bankruptcy, insolvency, fraudulent conveyance, reorganisation moratorium and similar laws relating to or affecting creditors' rights generally; (ii) general principles of equity; and (iii) the limits imposed by the NBU on the purchase and transfer of foreign currencies by Ukrainian legal entities insofar as such limits apply to the Borrower hereunder.

#### **10.8 No Stamp Taxes**

Under the laws of Ukraine in force at the date of this Agreement, the execution and delivery of this Agreement is not subject to any registration tax, stamp duty or similar levy imposed by any taxing authority of or in, or having authority to tax in, Ukraine.

#### **10.9 No Default**

No event has occurred and is continuing or circumstance has arisen and is continuing which would constitute an Event of Default or a Default.

#### **10.10 No Material Proceedings**

There are no legal or administrative or arbitration proceedings current or pending or, to the knowledge and belief of the Borrower having made all reasonable enquiries, threatened before any court, tribunal, arbitration panel or Agency which may reasonably be expected to (a) prohibit the execution and delivery of this Agreement, or the Borrower's compliance with its obligations thereunder or (b) adversely affect the right and power of the Borrower to enter into this Agreement.

#### **10.11 Execution of Agreements**

Its execution and delivery of this Agreement and its exercise of its rights and performance of its obligations hereunder do not and will not:

- 10.11.1** conflict with or result in a breach of any of the terms of, or constitute a default under, any instrument, agreement or order to which the Borrower or any of its Material Subsidiaries is a party or by which it or its properties is bound where such conflict, breach or default would materially and adversely effect the ability of the Borrower to perform its payment obligations under this Agreement taking into account any financial resources available to the Borrower or such Material Subsidiary from any other member of the Group; or
- 10.11.2** conflict with the provisions of the constitutional documents of the Borrower, any resolution of its management bodies or shareholders; or
- 10.11.3** give rise to any moratorium in respect of any of the obligations of the Borrower or any of its Material Subsidiaries or the creation of any lien, encumbrance or other security interest (howsoever described) in respect of any of the assets of the Borrower or any of its Material Subsidiaries.

#### **10.12 No Immunity**

Neither the Borrower nor any property owned legally and beneficially by it has any right of immunity from suit, execution, attachment or other legal process on the grounds of sovereignty or otherwise in respect of any action or proceeding in respect of this Agreement.

#### **10.13 Repetition**

Each of the representations and warranties contained in this Clause 10 shall be deemed to be repeated by the Borrower on the Issue Date.

### **11 Representations and Warranties of the Lender**

The Lender makes the representations and warranties set out in this Clause 11 and acknowledges that the Borrower has entered into this Agreement in reliance on these representations and warranties.

#### **11.1 Status**

The Lender is a public limited company duly incorporated under the laws of England and Wales and is resident for United Kingdom taxation purposes in the United Kingdom and has full corporate power and authority to enter into this Agreement and to undertake and perform the obligations expressed to be assumed by it herein and therein. Pursuant to its constitutional documents, the Lender may lend money to any persons for any purpose whatsoever.

#### **11.2 Authorisation**

This Agreement has been duly authorised, executed and delivered by the Lender and is a legal, valid and binding obligation of the Lender, enforceable against the Lender in accordance with its terms, except that the enforcement thereof may be subject to bankruptcy, insolvency, fraudulent conveyance, reorganisation, moratorium and other similar laws relating to or affecting creditors' rights generally and to general principles of equity.

#### **11.3 Consents and Approvals**

All authorisations, consents and approvals required by the Lender for or in connection with the execution of this Agreement and the performance by the Lender of its obligations hereunder have been obtained and are in full force and effect.

#### **11.4 No Conflicts**

The execution of this Agreement and the undertaking and performance by the Lender of its obligations hereunder will not conflict with, or result in a breach of or default under, the laws of England and Wales.

#### **11.5 Tax Position of the Lender**

The Lender represents that it:

- 11.5.1 is a resident in the United Kingdom for United Kingdom tax purposes as a result of being a United Kingdom incorporated company and is subject to taxation in the United Kingdom;
- 11.5.2 does not have a permanent establishment in Ukraine or in any other jurisdiction other than the United Kingdom;
- 11.5.3 is not a resident in any jurisdiction other than the United Kingdom; and
- 11.5.4 does not have any current intentions to effect during the term of the Loan, any corporate action or reorganisation or change of taxing jurisdiction that would result in the Lender ceasing to be a resident in the United Kingdom or becoming a resident in any other jurisdiction.

## **11.6 Eurobond-Funded Loan**

The Lender represents that:

- 11.6.1 the Loan was financed through the issue of the Notes on a foreign stock exchange being the Global Exchange Market of the Irish Stock Exchange plc trading as Euronext Dublin; and
- 11.6.2 the relevant proceeds under the Notes were raised for the purpose of making the Loan directly to the Borrower.

## **12 Indemnity**

### **12.1 Indemnification**

The Borrower undertakes to the Lender that if the Lender or any director, officer, employee or agent of the Lender (each an “**indemnified party**”) incurs any loss, liability, claim, demand or damage, charge or expense (including without limitation reasonable legal fees, costs and expenses) (a “**Loss**”) as a result of or in connection with the Loan, this Agreement (or enforcement thereof), and/or the issue, constitution, offer, sale, listing and/or enforcement of the Notes and/or the Notes being outstanding (excluding any Loss for which a valid claim can be brought under Clause 6 of this Agreement (it being understood that the Lender may not recover twice in respect of the same Loss)), the Borrower shall pay to the Lender on demand, on a Reimbursement Basis, an amount equal to such Loss and (without duplication) all documented costs, charges and expenses which it or any indemnified party has reasonably incurred or may reasonably incur in connection with investigating, disputing, defending or preparing to defend any such action or claim as such costs, charges and expenses are incurred. The Lender shall not have any duty or obligation, whether as fiduciary or trustee for any indemnified party or otherwise, to recover any such payment or to account to any other person for any amounts paid to it under this Clause. If requested by the Borrower for the purposes of enabling the Borrower to comply with the requirements of Ukrainian legislation when making payments under this Clause 12.1, the Lender will sign and deliver any documents reasonably required for this purpose (or take any such action as reasonably requested).

### **12.2 Independent Obligation**

Clause 12.1 constitutes a separate and independent obligation of the Borrower from its other obligations under or in connection with this Agreement and shall not affect, or be construed to affect, any other provision of this Agreement.

### **12.3 Evidence of Loss**

A certificate of the Lender setting forth the amount of Loss described in Clause 12.1 and specifying in full detail the basis therefor shall, in the absence of manifest error, be *prima facie* evidence of the amount of such losses, expenses and liabilities.

### **12.4 Survival**

The obligations of the Borrower pursuant to Clause 12.1 shall survive the execution and delivery of this Agreement, the drawdown of the Facility and the repayment of the Loan and all payments due thereunder, in each case by the Borrower.



## **13 General**

### **13.1 Evidence of Debt**

The entries made by the Lender in the accounts maintained by the Lender in accordance with its usual practice and evidencing the amounts from time to time lent by and owing to it hereunder shall, in the absence of manifest error, be *prima facie* evidence of the existence and amounts of the Borrower's obligations recorded herein.

### **13.2 Stamp Duties**

The Borrower shall pay all stamp, registration and documentary taxes or duties (if any) imposed on or payable by the Borrower or the Lender in the United Kingdom, Belgium, Luxembourg or Ukraine which may be payable or determined to be payable in connection with the execution, delivery, performance, enforcement or admissibility in evidence of this Agreement. The Borrower shall indemnify the Lender against any and all costs and expenses which may be incurred or suffered by the Lender with respect to, or resulting from, delay or failure by the Borrower to comply with its obligation under this Clause 13.2 to pay such taxes or similar charges.

### **13.3 VAT**

Where a sum is payable under this Agreement to the Lender, the Borrower will, in addition, pay in respect of VAT:

- 13.3.1** where the payment (or any part of it) constitutes the consideration (or any part thereof) for any supply of services made to the Borrower, such amounts as equal any VAT properly chargeable thereon for which the Lender is liable to account to the relevant Tax authority, on receipt of a valid VAT invoice;
- 13.3.2** where the payment is to reimburse or indemnify the Lender for any cost, charge or expense incurred by it (except where the payment falls within Clause 13.3.3 below), such amount as equals any VAT which the Lender represents in good faith is not recoverable by it or by the representative member of any VAT group of which it is a member, charged to or incurred by the Lender in respect of any cost, charge or expense which gives rise to or is reflected in the payment on production of relevant invoices or equivalent evidence of such payment having been made; and
- 13.3.3** where the payment is in respect of costs or expenses incurred by the Lender as agent for the Borrower and except where section 47(3) of the United Kingdom Value Added Tax Act 1994 (or any equivalent legislation in a jurisdiction outside the United Kingdom) applies, such amount as equals the amount included in the costs or expenses in respect of VAT and in such case the Lender shall use reasonable efforts to procure that the actual supplier of goods or services which the Lender received as agent issues a valid VAT invoice directly to the Borrower in respect of the relevant supply.

### **13.4 Payment Gross-Up**

Where any payment is made under this Agreement to the Lender pursuant to an indemnity, compensation or reimbursement provision, the sum payable shall take into account (i) any charge to Taxation in the hands of the Lender in respect of such payment and (ii) any tax relief available to the Lender in respect of the matter giving rise to the payment and which may be offset against the charge to Taxation, such that the Lender shall be left with a sum equal to the sum that it would have retained in the absence of such a charge to Taxation and such tax relief.

### 13.5 Waivers

No failure to exercise and no delay in exercising, on the part of the Lender or the Borrower, any right, power or privilege hereunder and no course of dealing between the Borrower and the Lender shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof, or the exercise of any other right, power or privilege. The rights and remedies herein provided are cumulative and not exclusive of any rights, or remedies provided by applicable law.

### 13.6 Notices

#### 13.6.1 Method

Each communication under this Agreement shall be made by electronic communication, fax or otherwise in writing (by hand, courier or pre-paid express delivery service). Each communication or document to be delivered to any party under this Agreement shall be sent to that party at the electronic address, fax number or postal address, and marked for the attention of the person (if any), from time to time designated by that party to each other party for the purpose of this Agreement. The initial electronic address, fax number, postal address and person so designated by the parties under this Agreement are set out below:

if to the Borrower, to it at:

**Private Joint Stock Company “VF Ukraine”**

15 Leiptsyzka Street  
Kyiv, 0160  
Ukraine

Email: oustynova@vodafone.ua and odeynega@vodafone.ua  
Attention: Olga Ustynova, General Director and Olga Deinega, Chief Legal  
and Regulatory Officer

if to the Lender, to it at:

**VFU Funding PLC**

11th Floor, 200 Aldersgate Street  
London EC1A 4HD  
United Kingdom

Fax: +44 (0)20 7466 1700  
Email: London\_structured@maples.com  
Attention: The Directors – VFU Funding

or to such other address or fax number as any party may hereafter specify in writing to the other.

#### 13.6.2 Deemed Receipt

Any communication from any party to any other under this Agreement shall be effective, (if by fax) when the relevant delivery receipt is received by the sender, (if by electronic communication) when the relevant receipt of such communication being read is given, or where no read receipt is requested by the sender, at the time of sending, provided that no delivery failure notification is received by the sender within 24 hours of sending such communication and, (if in writing) when delivered; provided that any communication which is received (or deemed to take effect in accordance with the foregoing) after 5:00 p.m. on a business day or on a non-business day in the place of receipt shall be deemed to take effect at the opening of business on the next following

business day in such place. Any communication delivered to any party under this Agreement which is to be sent by fax or electronic communication will be written legal evidence.

### **13.7 Assignment**

- 13.7.1** Subject to Clauses 13.7.2 and 13.7.3, this Agreement shall inure to the benefit of and be binding upon the parties, their respective successors and any permitted assignee or transferee of some or all of a party's rights under this Agreement. Any reference in this Agreement to any party shall be construed accordingly and, in particular, references to the exercise of any rights, benefits and discretions or the making of any determination (including forming an opinion) by, and the delivery of notices, certificates and information to, the Lender, shall include references to the exercise of any such rights, benefits or discretions by or the making of such determination (including forming an opinion) by, and the delivery of notices, certificates and information to, the Trustee (as Trustee). Notwithstanding the foregoing, the Trustee shall not be entitled to participate in any determinations by, and the delivery of notices, certificates and information to, the Lender or any discussions between the Lender and the Borrower or any agreements of the Lender or the Borrower, pursuant to Clauses 6.4, 6.6 or 6.8.
- 13.7.2** The Borrower shall not assign or transfer all or any part of its rights or obligations hereunder to any other party or person.
- 13.7.3** Subject to the provisions of Clause 17 of the Trust Deed, the Lender may not assign or transfer, in whole or in part, any of its rights, obligations and benefits under this Agreement other than the Reserved Rights (as defined in the Trust Deed) except that the Lender may charge by way of first fixed charge in favour of the Trustee (as Trustee) certain of the Lender's rights and benefits under this Agreement and assign to the Trustee certain rights, interests and benefits under this Agreement, in each case as set out in Clause 4 of the Trust Deed.

### **13.8 Currency Indemnity**

To the fullest extent permitted by law, the obligation of the Borrower in respect of any amount due in U.S. Dollars under this Agreement shall, notwithstanding any payment in any other currency (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in U.S. Dollars that the Lender may, in accordance with normal banking procedures, purchase with the sum paid in such other currency (after any reasonable premium and costs of exchange) on the Business Day immediately following the day on which the Lender receives such payment. If the amount in Dollars that may be so purchased for any reason falls short of the amount originally due (the "**Due Amount**"), the Borrower hereby agrees to indemnify and hold harmless the Lender against any deficiency in Dollars. Any obligation of the Borrower not discharged by payment in U.S. Dollars shall, to the fullest extent permitted by applicable law, be due as a separate and independent obligation and, until discharged as provided herein, shall continue in full force and effect. If the amount in U.S. Dollars that may be purchased exceeds that Due Amount the Lender shall promptly pay the amount of the excess to the Borrower.

### **13.9 Contracts (Rights of Third Parties) Act 1999**

Other than the parties to the Trust Deed and the Paying Agency Agreement who shall have rights under the Contracts (Rights of Third Parties) Act 1999 under this Agreement, a person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement. This Agreement may be terminated and any term may be amended or waived without the consent of any such person other than the Trustee.

### **13.10 Governing Law**

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by and shall be construed in accordance with English law.

### **13.11 Arbitration**

- 13.11.1** The parties irrevocably agree that any dispute, difference, controversy or claim arising out of, under or in connection with this Agreement (including any dispute, difference or claim regarding the existence, validity, interpretation, performance, breach or termination of this Agreement or any non-contractual obligations arising out of or in connection with this Agreement) (each, a “**Dispute**”) shall be resolved by arbitration under the LCIA Rules in force at the date of this Agreement and as modified by this Clause 13.11, which rules are deemed incorporated by reference into this Clause 13.11 (with the exception of Article 6 which shall not apply) and as amended herein.
- 13.11.2** The arbitral tribunal shall consist of three arbitrators. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly the second arbitrator; and a third arbitrator, who shall serve as presiding arbitrator, shall be nominated by agreement of the two party-nominated arbitrators within 15 days of the confirmation of the nomination of the second arbitrator or, in default of such agreement, shall be selected and appointed by the LCIA as soon as possible, preferably within 15 days of the nomination of the second arbitrator.
- 13.11.3** In the event the claimant(s) or the respondent(s) fail to nominate an arbitrator within the time limits specified in the LCIA Rules, such arbitrator(s) shall be selected and appointed by the LCIA as soon as possible, preferably within 15 days of such failure.
- 13.11.4** If all the parties to an arbitration so agree in writing, there shall be a sole arbitrator selected and appointed by the LCIA as soon as possible, preferably within 15 days of such agreement.
- 13.11.5** The seat of arbitration shall be London, England and the language of arbitration shall be English.
- 13.11.6** In order to facilitate the comprehensive resolution of related disputes, and upon request of any party to an arbitration pursuant to this Clause 13.11, the arbitral tribunal may consolidate the arbitration with any other arbitration or proposed arbitration involving any of the parties and relating to this Agreement, provided that no date for the final hearing of the arbitration or any other such arbitration has been fixed. The arbitral tribunal shall not consolidate such arbitrations unless it determines that (i) there are issues of fact or law common to the arbitrations so that a consolidated proceeding would be more efficient than separate proceedings and (ii) no party would be materially prejudiced as a result of such consolidation whether through undue delay or otherwise.
- 13.11.7** In the event of inconsistent rulings on consolidation of arbitrations by differently constituted arbitration tribunals, the ruling of the arbitral tribunal first formed shall be determinative and final and binding on the parties to the arbitrations sought to be consolidated. The disputes arising in any consolidated proceeding shall be finally resolved by the arbitral tribunal first formed or any other arbitral tribunal formed in accordance with the rules and procedures and at the seat and in the language specified in the arbitration agreement pursuant to which that arbitral tribunal was formed, and the parties shall be deemed to have expressly agreed to the disputes being resolved in this way.
- 13.11.8** The parties hereby exclude the jurisdiction of the courts under Sections 45 and 69 of the Arbitration Act 1996.

### **13.12 Borrower's process agent**

The Borrower irrevocably appoints Law Debenture Corporate Services Limited (the “**Borrower's Agent**”), now of Fifth floor, 100 Wood Street, London EC2V 7EX, as its agent to accept service of process in England in any Dispute, provided that:

- 13.12.1 service upon the Borrower's Agent shall be deemed valid service upon the Borrower whether or not the process is forwarded to or received by the Borrower;
- 13.12.2 the Borrower shall inform all other parties to this Agreement, in writing, of any change in the address of the Borrower's Agent within 28 days of such change;
- 13.12.3 if the Borrower's Agent ceases to be able to act as a process agent or to have an address in England, the Borrower irrevocably agrees to appoint a new process agent in England acceptable to the other parties to the Agreement and to deliver to the other parties to the Agreement within 14 days a copy of a written acceptance of appointment by the new process agent; and
- 13.12.4 nothing in this Agreement shall affect the right to serve process in any other manner permitted by law.

### **13.13 Waiver of Immunity**

To the extent that the Borrower or the Lender may, in relation to any Dispute, claim in any jurisdiction, for itself or its assets or revenues, immunity from the jurisdiction of any court or tribunal, service of process, injunctive or other interim relief, or any process for execution of any award or judgment against its property, each of the Borrower and the Lender irrevocably waives such immunity.

### **13.14 Counterparts**

This Agreement may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same agreement.

### **13.15 Language**

The language which governs the interpretation of this Agreement is the English language.

### **13.16 Amendments**

Except as otherwise provided by its terms, this Agreement may not be varied except by an agreement in writing signed by the parties.

### **13.17 Partial Invalidity**

The illegality, invalidity or unenforceability to any extent of any provision of this Agreement under the law of any jurisdiction shall affect its legality, validity or enforceability in such jurisdiction to such extent only and shall not affect its legality, validity or enforceability under the law of any other jurisdiction, nor the legality, validity or enforceability of any other provision.

### **13.18 Prescription**

In the event that any Notes become void pursuant to Condition 10 of the Notes, the Lender shall forthwith repay to the Borrower the principal amount of such Notes subject to the Lender having previously received from the Borrower, and being in possession of, a corresponding amount in respect of principal pursuant to this Agreement.

### **13.19 No Double Recovery**

The Lender shall not be entitled to receive any amount more than once in respect of the same loss, cost, expense or liability, regardless of whether more than one claim arises in respect of it.

### **13.20 Limited Recourse and Non Petition**

The Borrower hereby agrees that, notwithstanding any other provision hereof, it shall have recourse in respect of any claim against the Lender only to sums in respect of principal, interest or other amounts (if any), as the case may be, received and retained by or for the account of the Lender (after payment of the Retained Profit Amount and after payment of such taxes as may be required to be paid, withheld or deducted by the Lender by law in respect of each such sum or in respect of the Notes and for which the Lender has not received a corresponding payment (also after payment of such taxes or duties as may be required to be paid, withheld or deducted by the Lender) in respect thereof pursuant to this Agreement) (the “**Lender Assets**”), subject always to (i) the Security Interests (as defined in the Trust Deed) and (ii) to the fact that any claims of the Joint Lead Managers (as defined in the Subscription Agreement) shall rank in priority to any claims of the Borrower hereunder and that any such claim by any and all such Joint Lead Managers or the Borrower shall be reduced *pro rata* so that the total of all such claims does not exceed the aggregate value of the Lender Assets after meeting claims secured on them.

Having realised the Lender Assets, neither the Borrower nor any person acting on behalf of it shall be entitled to take any further steps against the Lender to recover any further sums and no debt shall be owed by the Lender to the Borrower in respect of any such further sum. In particular, neither the Borrower nor any other person acting on behalf of it shall be entitled at any time to institute against the Lender, or join in any institution against the Lender, of any bankruptcy, administration, moratorium, reorganisation, controlled management, arrangement, insolvency, examinership, winding-up or liquidation proceedings or similar insolvency proceedings under any applicable bankruptcy or similar law in connection with any obligation of the Lender relating to the Notes or otherwise owed to the Lender’s creditors, save for lodging a claim in the liquidation of the Lender which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Lender.

No party to this Agreement shall have any recourse against any director, shareholder or officer of the Lender in respect of any obligations, covenants or agreement entered into or made by the Lender in respect of this Agreement, except to the extent that any such person acts fraudulently, in bad faith or is negligent or is wilfully in default in the context of its obligations.

The provisions of this Clause 13.20 shall survive the termination of this Agreement.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the Terms and Conditions of the Notes, which contains summaries of certain provisions of the Trust Deed and which will be attached to the Notes in definitive form, if any, and (subject to the provisions thereof) apply to each Global Certificate.*

The U.S.\$500,000,000 6.20 per cent. Loan Participation Notes due 2025 (the “**Notes**” which expression includes any further Notes issued pursuant to Condition 14 and forming a single series herewith) of VFU Funding PLC (the “**Issuer**”, which expression shall include any entity substituted for the Issuer pursuant to Condition 9 and in accordance with the Trust Deed) are constituted by, are subject to, and have the benefit of a trust deed (the “**Trust Deed**”, which expression includes such trust deed as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time so modified) dated 11 February 2020 and made between the Issuer and BNY Mellon Corporate Trustee Services Limited (the “**Trustee**”, which expression shall include any successors) as trustee for the holders of the Notes (the “**Noteholders**”).

The Issuer has authorised the creation, issue and sale of the Notes for the sole purpose of financing a U.S.\$500,000,000 loan (the “**Loan**”) to Private Joint Stock Company “VF Ukraine” (the “**Company**”). The terms of the Loan are set forth in a loan agreement (the “**Loan Agreement**”, which expression includes such loan agreement as from time to time modified in accordance with the provisions contained therein and any agreement or other document expressed to be supplemental thereto, as from time to time so modified) dated 6 February 2020 between the Issuer and the Company.

In each case where amounts of principal, premium, interest and additional amounts (if any) are stated herein or in the Trust Deed to be payable in respect of the Notes, the funds available to the Issuer to meet its obligations to the Noteholders, on each date upon which such amounts of principal, premium, interest and other amounts (if any) are due in respect of the Notes, shall be equivalent to the sums of principal, premium, interest and additional amounts (if any) actually received and retained (net of tax) by or for the account of the Issuer pursuant to the Loan Agreement less any amounts in respect of the Reserved Rights (as defined below). Noteholders must therefore rely solely and exclusively on the covenant to pay under the Loan Agreement and the credit and financial standing of the Company. Noteholders shall have no recourse (direct or indirect) to any other asset of the Issuer.

The Issuer has charged, by way of first fixed charge in favour of the Trustee for the benefit of the Trustee and the Noteholders, certain of its rights and interests as lender under the Loan Agreement and under the Account (as defined in the Loan Agreement) as security for its payment obligations in respect of the Notes and under the Trust Deed (the “**Charge**”) and has assigned certain other rights under the Loan Agreement to the Trustee (the “**Assigned Rights**” and, together with the Charge, the “**Security Interests**”) excluding the Reserved Rights. “**Reserved Rights**” are the rights excluded from the Charge and the Assigned Rights, being all and any rights, interests and benefits of the Issuer in respect of the obligations of the Company under Clauses 2.3, 3.2, 3.4, 5.3 (other than the right to receive any amount payable under such Clause), 6.3 (to the extent that the Issuer has received amounts to which the Noteholders are not entitled), 6.4, 6.8, 12, 13.2, 13.3 and 13.8 (to the extent it applies to payments made with respect to any other Reserved Rights) of the Loan Agreement.

In certain circumstances, the Trustee can (subject to its being indemnified and/or secured and/or prefunded to its satisfaction) be required by Noteholders holding in aggregate at least 25 per cent. of the principal amount of the Notes outstanding (as defined in the Trust Deed) or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders to exercise certain of its powers under the Trust Deed (including those arising under the Security Interests).

Payments in respect of the Notes will be made (subject to the receipt of the relevant funds from the Company under the Loan Agreement) pursuant to a paying agency agreement (the “**Paying Agency Agreement**”) dated 11 February 2020 and made between the Issuer, the Company, the Trustee, The Bank of New York Mellon, London Branch as the principal paying agent (the “**Principal Paying Agent**”, which expression shall include any successors) and The Bank of New York Mellon SA/NV, Luxembourg Branch as the registrar and a transfer agent (a “**Registrar**” and a “**Transfer Agent**”, which expressions shall include any successors). References herein to the “**Paying Agents**” are to the Principal Paying Agent and any additional or successor paying agent for the Notes as may from time to time be appointed. References herein to the “**Agents**” are to the Registrar, the Paying Agents and the Transfer Agents and any reference to an “**Agent**” is to any one of them.

Copies of the Trust Deed, the Loan Agreement and the Paying Agency Agreement are available for inspection by Noteholders during normal business hours at (i) the registered office of the Trustee being, at the date hereof, One Canada Square, London E14 5AL, United Kingdom; (ii) the registered office of the Issuer being, at the date hereof, 11th Floor, 200 Aldersgate Street, London EC1A 4HD, United Kingdom; and (iii) at the specified office of the Principal Paying Agent, the initial specified office of which is set out in the Paying Agency Agreement.

Certain provisions of these terms and conditions (the “**Conditions**”) are summaries or restatements of, and are subject to, the detailed provisions of the Trust Deed, the Loan Agreement (the form of which is scheduled to and incorporated in the Trust Deed) and the Paying Agency Agreement. Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of all the provisions of the Loan Agreement and the Paying Agency Agreement that are applicable to them.

Unless otherwise stated, terms not defined herein shall have the same meanings given to them in the Trust Deed.

## **1 Status and Limited Recourse**

The Notes are limited recourse secured obligations of the Issuer.

The sole purpose of the issue of the Notes is to provide the funds for the Issuer to finance the Loan. The Notes constitute the obligation of the Issuer to apply the proceeds from the issue of the Notes solely for financing the Loan. The funds available to the Issuer to meet its obligations to the Noteholders under the Notes shall be equivalent to the sums of principal, premium, interest and other amounts (if any) actually received (net of tax) by or for the account of the Issuer pursuant to the Loan Agreement, less any amount in respect of the Reserved Rights, and any shortfall shall remain due and shall become payable on such later date as is provided for under these Conditions.

The Trust Deed provides that payments in respect of the Notes equal to the sums actually received (net of tax) by or for the account of the Issuer by way of principal, premium, interest or additional amounts (if any) pursuant to the Loan Agreement, less any amount in respect of the Reserved Rights (and after deduction or withholding of such taxes or duties as may be required to be made by the Issuer by law in respect of each such sum or in respect of the Notes to the extent that the Issuer has not received a corresponding payment in respect thereof) will be made *pro rata* among all Noteholders (subject to Condition 7) on the Business Day (as defined in the Loan Agreement) following the date of, and in the currency of, and subject to the conditions attaching to, the equivalent payment pursuant to the Loan Agreement. The Issuer shall not be liable to make any payment in respect of the Notes other than as expressly provided herein and in the Trust Deed.

Noteholders have notice of, and have accepted, these Conditions and the contents of the Trust Deed, the Paying Agency Agreement and the Loan Agreement. It is hereby expressly provided that, and Noteholders are deemed to have accepted that:



neither the Issuer nor the Trustee makes any representation or warranty in respect of, or shall at any time have any responsibility for, or, (in the case of the Issuer) save as otherwise expressly provided in the Trust Deed, in Condition 1(f) below or in the Loan Agreement, any liability or obligation in respect of the performance and observance by the Company of its obligations under the Loan Agreement or the recoverability of any sum of principal, premium, interest or any additional amounts due or to become due from the Company under the Loan Agreement save that nothing in this Condition shall absolve the Trustee from responsibility and liability for performance of its trusts, duties and obligations pursuant to, and subject to the terms of, the Trust Deed;

neither the Issuer nor the Trustee shall at any time have any responsibility for, or obligation or liability in respect of, the condition (financial or otherwise), creditworthiness, affairs, status, nature or prospects of the Company;

neither the Issuer nor the Trustee shall at any time be liable for any representation or warranty or any act, default, fraud, negligence, bad faith or omission of the Company under or in respect of the Loan Agreement;

neither the Issuer nor the Trustee shall at any time have any responsibility for, or liability or obligation in respect of, the performance and observance by the Agents of their respective obligations under the Paying Agency Agreement;

the payment of principal, premium, interest and other amounts, if any, under, and performance of the terms of the Notes depend solely and exclusively upon performance by the Company of its obligations under the Loan Agreement and the Company's covenants to make payments under the Loan Agreement or to procure that such payments are made and the Company's credit and financial standing;

the Issuer and the Trustee shall be entitled to rely on delivery to them of Officer's Certificates (as defined in the Loan Agreement) and/or any other certificates (whether or not addressed to the Issuer or the Trustee) from the Company as a means of monitoring whether a Default or an Event of Default (each as defined in the Loan Agreement) has occurred and whether the Company is complying with its obligations under the Loan Agreement or as to the identity of the Company's Subsidiaries (as defined in the Loan Agreement) and shall not otherwise be responsible for investigating any aspect of the Company's performance in relation thereto and, subject as further provided in the Trust Deed, neither the Issuer as lender under the Loan Agreement nor the Trustee will be liable for any failure to make the usual or any investigations which might be made by a lender or a security holder (as applicable) in relation to the property which is subject to the Security Interests and held by way of security for the performance of, *inter alia*, the Issuer's obligations under the Notes. The Trustee shall not be bound to enquire into or be liable for any defect or failure in the right or title of the Issuer to the property which is the subject of the Trust Deed and held by way of security whether such defect or failure was known to the Trustee or might have been discovered upon examination or enquiry or whether capable of remedy or not, nor will the Trustee have any liability for the enforceability of the security created by the Security Interests whether as a result of any failure, omission or defect in registering or filing or otherwise protecting or perfecting such security, nor will the Trustee have any responsibility for the value or adequacy of such security;

neither the Trustee nor the Issuer shall at any time be required to expend or risk its own funds or otherwise incur any financial liability in the performance of its obligations or duties or the exercise of any right, power, authority or discretion pursuant to these Conditions until the Issuer or the Trustee, as the case may be, has received an indemnity and/or security to its satisfaction and/or the funds, payable in advance, that are necessary in its opinion to cover the costs and expenses in connection with such performance or exercise, or has been (in its sole discretion) sufficiently assured that it will receive such funds; and

the Issuer will only be liable to make any payments to compensate for any withholding or deduction required to be made by or on behalf of the Issuer in respect of any payment relating to the Notes, or for any payment for or on account of tax required to be made by the Issuer on or in relation to any sum received by it under the Loan Agreement, which will or may affect payments made or to be made by the Company under the Loan Agreement, to the extent that it has received additional amounts under the Loan Agreement in respect of such withholding or deduction or payment, and the Issuer shall, furthermore, not be obliged to take any actions or measures as regards such deduction or withholding or payment, other than those set out in this context in the Loan Agreement. The Trustee shall have no liability in respect of any such deduction or withholding.

Under the Trust Deed, the obligations of the Issuer in respect of the Notes rank *pari passu* and rateably without any preference among themselves.

In the event that the payments under the Loan Agreement are made by the Company to, or to the order of, the Trustee or (subject to the provisions of the Trust Deed) the Principal Paying Agent, they will *pro tanto*, to the extent of such payment, satisfy the obligations of the Issuer in respect of the Notes, except to the extent there is a failure in its subsequent payment to the relevant Noteholders.

Save as otherwise expressly provided herein and in the Trust Deed, no proprietary or other direct interest in the Issuer's rights under or in respect of the Loan Agreement or the Loan exists for the benefit of the Noteholders. Subject to the terms of the Trust Deed, no Noteholder will have any entitlement to enforce the Loan Agreement or direct recourse to the Company, except through action by the Trustee pursuant to the relevant Security Interests granted to the Trustee in the Trust Deed. Neither the Issuer nor, following the enforcement of the Security Interests created in the Trust Deed, the Trustee shall be required to take any steps, actions or proceedings to enforce payment under the Loan Agreement unless it has been indemnified and/or secured and/or prefunded to its satisfaction.

As provided in the Trust Deed, and notwithstanding any other provision hereof, the funds available to the Issuer to meet its obligations to the Noteholders under the Notes shall be equivalent to the sums of principal, interest and other amounts (if any) actually received (net of tax) from the Company by or for the account of the Issuer pursuant to the Loan Agreement (less any amount in respect of the Reserved Rights), the right to receive which is being charged and assigned by way of security to the Trustee as aforesaid.

If and to the extent that the aggregate amounts received by the Issuer pursuant to the Loan Agreement on the date on which the Notes are redeemed pursuant to Condition 5 or Condition 8 or the date on which a Relevant Event (as defined in the Trust Deed) has occurred, less any amount in respect of the Reserved Rights, together with any amounts recovered on realisation of the Security Interests, are insufficient to pay or discharge amounts of principal, interest and other amounts (if any) that are stated in these Conditions or in the Trust Deed to be due and payable in respect of the Notes in full for any reason, the Issuer will have no liability to pay or otherwise make good any such insufficiency.

Accordingly, all payments to be made by the Issuer under the Notes will be made only from and to the extent of such sums received or recovered (net of tax) by or on behalf of the Issuer or the Trustee (following a Relevant Event or (if applicable) an Event of Default). Noteholders shall look solely to such sums for payments to be made by the Issuer under the Notes, and the funds available to the Issuer to meet its obligations to the Noteholders in respect of the Notes shall be equivalent to such sums and Noteholders will have no further recourse to the Issuer or any of the Issuer's other assets (other than those subject to the Security Interests) in respect thereof. Noteholders must therefore rely solely and exclusively upon the covenant to pay under the Loan Agreement and the credit and financial standing of the Company and no other assets of the Issuer (other than those subject to the Security Interests) will be available to the Noteholders.

Notwithstanding any other provisions of these Conditions and the provisions of the Trust Deed, the Trustee and the Noteholders shall have recourse only to the Security Interests in accordance with Clause 4 of the Trust Deed. After realisation of the security which has become enforceable and distribution of the proceeds in accordance with Clause 8 of the Trust Deed, the obligations of the Issuer with respect to the Trustee and the Noteholders in respect of the Notes shall be satisfied and none of the foregoing parties may take any further steps against the Issuer to recover any further sums in respect thereof and the right to receive any such sums shall be extinguished. In particular, none of the Noteholders, the Trustee or any other person acting on behalf of any of them shall be entitled at any time to institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, administration, moratorium, reorganisation, controlled management, arrangement, insolvency, examinership, winding-up or liquidation proceedings or similar insolvency proceedings under any applicable bankruptcy or

similar law in connection with any obligation of the Issuer relating to the Notes or otherwise owed to the Issuer's creditors or the Trustee, save for lodging a claim in the liquidation of the Issuer which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer.

Neither the Noteholders nor the Trustee shall have any recourse against any director, shareholder or officer of the Issuer in respect of any obligations, covenants or agreement entered into or made by the Issuer in respect of the Notes, except in the case of gross negligence, wilful default or fraud of such person.

## **2 Form, Denomination, Register and Transfers**

### **2.1 Form and denomination**

Notes are issued in registered form, in the denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (an **"Authorised Holding"**), without coupons attached.

*The Notes will be initially issued in global, fully registered form, and represented by (i) a Rule 144A Global Certificate (the "Rule 144A Global Certificate"), interests in which are to be sold to qualified institutional buyers (each a "QIB"), within the meaning of, and pursuant to, Rule 144A ("Rule 144A") under the U.S. Securities Act of 1933 (the "Securities Act"), each of whom is also a qualified purchaser ("QP") (as defined in Section 2(a)(51)(A) of the U.S. Investment Company Act of 1940) and (ii) a Regulation S Global Certificate (the "Regulation S Global Certificate" and, together with the Rule 144A Global Certificate, the "Global Certificates"), interests in which are to be offered outside the United States to non-U.S. persons within the meaning of, and pursuant to, Regulation S under the Securities Act ("Regulation S"), which will each be exchangeable for Notes in definitive, fully registered form in the limited circumstances specified in the Global Certificates and the Paying Agency Agreement.*

### **2.2 Register, Title and Transfers**

#### *(a) Register*

The Registrar will maintain a register (the **"Register"**) in respect of the Notes in accordance with the provisions of the Paying Agency Agreement. In these Conditions, the **"holder"** of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and **"Noteholder"** shall be construed accordingly. A certificate (a **"Certificate"**) will be issued to each Noteholder in respect of its registered holding of Notes.

#### *(b) Title*

Title to the Notes will pass by, and upon, registration in the Register. The holder of each Note shall (except as otherwise required by law or required by a court of competent jurisdiction) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such holder.

#### *(c) Transfers*

Subject to paragraph (e) of this Condition 2.2, a Note may be transferred upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the specified office of the Registrar or at the specified office of the relevant Transfer Agent, together with such evidence as the Registrar or the relevant Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided however that a Note may not be transferred unless the principal amount of the Notes transferred and (where not all of the Notes held by

a holder are being transferred) the principal amount of the balance of the Notes not transferred are Authorised Holdings. Where not all the Notes represented by the surrendered Certificates are the subject of the transfer, a new Certificate in respect of the balance of the Notes not transferred will be issued to the transferor.

*(d) Registration and delivery of Certificates*

Subject to the terms of the Paying Agency Agreement and paragraph (e) of this Condition 2.2, within three business days of the surrender of a Certificate in accordance with paragraph (c) above, the Registrar will register the transfer in question and deliver a new Certificate to each relevant holder at its specified office or (at the request and risk of such relevant holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder. In this paragraph, “**business day**” means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Registrar has its specified office. In the case of the transfer of only a part of the Notes, a new Certificate in respect of the balance of the Notes not transferred will be so delivered or (at the risk and, if mailed at the request of the transferor otherwise than by ordinary uninsured mail, at the expense of the transferor) sent by mail to the transferor.

The transfer of Notes will be effected without charge but against such indemnity as the Registrar or the relevant Transfer Agent, as applicable, may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

Noteholders may not require transfers to be registered (i) during the period of 15 calendar days ending on (and including) the due date for redemption of that Note, (ii) during the period of 15 days prior to (and including) any date on which the Notes may be called for redemption by the Issuer at its option pursuant to Condition 5, (iii) after Notes have been called for redemption, (iv) following the exercise of any Noteholder option pursuant to Condition 5 or (v) during the period of seven days ending on (and including) any Record Date (as defined below).

*(e) Regulations concerning Transfers and Registration*

All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Paying Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

### **3 Restrictive Covenant**

As provided in the Trust Deed, so long as any of the Notes remains outstanding (as defined in the Trust Deed), the Issuer will not, without the prior written consent of the Trustee or an Extraordinary Resolution (as defined in the Trust Deed), agree to any novation, assignment or amendment to, or any modification, rescission, cancellation, termination or waiver of, or authorise any breach or proposed breach of, the terms of the Loan Agreement (other than in respect of Reserved Rights) and will act at all times in accordance with any instructions of the Trustee from time to time with respect to the Loan Agreement, except as otherwise expressly provided in the Trust Deed or the Loan Agreement, as the case may be. Any such novation, assignment, amendment, modification, rescission, cancellation, termination, waiver or authorisation made with the consent of the Trustee shall be binding on the Noteholders and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders in accordance with Condition 13.

Save as provided above, so long as any Note remains outstanding, the Issuer, without the prior written consent of the Trustee or an Extraordinary Resolution, shall not, inter alia, (i) incur any indebtedness for borrowed

moneys other than (a) issuing the Notes and any further notes in accordance with Condition 14 or (b) issuing notes on a limited recourse basis secured on assets of the Issuer (other than the assets over which the Security Interests have been created, the assets on which any other obligations of the Issuer are secured and the Issuer's share capital), (ii) engage in any business (other than acquiring and holding the property over which the Security Interests have been created, entering into and performing any agreement related to the Notes or any issue of any further notes or other notes on a limited recourse basis as aforesaid or acts incidental to or necessary in connection with the Notes or such related agreements (including in respect of any security or a transaction fee in connection therewith), making the Loan to the Company pursuant to the Loan Agreement or any future loans to the Company in connection with the issue of further notes as aforesaid and performing any act incidental to or necessary in connection therewith), (iii) have any subsidiaries or employees, (iv) purchase, own, lease or otherwise acquire any real property (including office premises or like facilities), (v) except as permitted in the Trust Deed, dispose of any property over which the Security Interests have been created or any interest therein, (vi) consolidate or merge with any other person, (vii) convey or transfer its properties or assets substantially as an entirety to any person (otherwise than as contemplated in these Conditions and the Trust Deed), (viii) issue any shares (other than any shares as are in issue as at the date of the Trust Deed), (ix) declare any dividends, make any distribution to its shareholders, give any guarantees or assume any other liability, or, subject to the laws of the United Kingdom, petition for any winding-up or bankruptcy, or (x) open or have any interest in any account with a bank or financial institution (other than (a) the Account; (b) the account held by the Issuer with The Bank of New York Mellon, London Branch as Account Bank into which the subscription proceeds of the Notes (if any), the Facility Fee (as defined in the Loan Agreement) and the ongoing expenses of the Issuer are to be paid; and (c) any account relating to any further notes issued pursuant to the Trust Deed or other notes issued on a limited recourse basis for the purposes of making loans to the Company or any charged property relating thereto), save where any such account or the Issuer's interest in it is simultaneously charged in favour of the Trustee so as to form part of such charged property or such account is opened in connection with the administration and management of the Issuer and only moneys necessary for that purpose are credited to it, including for the avoidance of doubt, its share capital.

#### 4 Interest

The Notes bear interest on their outstanding principal amount from and including 11 February 2020 at a rate equal to 6.20 per cent. per annum (the “**Rate of Interest**”).

On each Interest Payment Date (or such later date as amounts equivalent to amounts of interest due on such date are received by the Issuer pursuant to the Loan Agreement), the Issuer shall account to the Noteholders for an amount equal to the amount of interest actually received (net of tax) by or for the account of the Issuer pursuant to the Loan Agreement. Any interest payable under this Condition 4 at the Rate of Interest and not previously paid on or after the relevant Interest Payment Date due to the Issuer having insufficient funds available to pay all or part of the interest otherwise due shall remain due, shall continue to accrue interest at the Rate of Interest and shall become payable on the earliest of the dates on which the Notes are redeemed pursuant to Condition 5 or Condition 8 or the date on which a Relevant Event has occurred, in each case subject to Condition 1.

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after any judgment) at the Rate of Interest to (but excluding) the date on which payment in full of the principal thereof is made.

Interest in respect of the Notes shall be calculated per U.S.\$1,000 in principal amount of the Notes (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any Interest Period shall be calculated by applying the Rate of Interest to the Calculation Amount and rounding the resulting figure to

the nearest cent (half a cent being rounded upwards). If interest is required to be calculated for any other period, it will be calculated on the basis of a 360 day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of actual days elapsed.

In these Conditions:

“**Interest Payment Date**” means 11 February and 11 August of each year commencing on 11 August 2020; and

“**Interest Period**” means each period beginning on (and including) any Interest Payment Date (or 11 February 2020 if none) and ending on (but excluding) the next Interest Payment Date.

## 5 Redemption and Purchase

### (a) *Final Redemption*

Unless previously prepaid or repaid pursuant to the terms of the Loan Agreement, the Company will be required to repay the Loan one Business Day prior to the Repayment Date (as defined in the Loan Agreement) and, subject to such repayment, as set forth in the Loan Agreement, all the Notes then remaining outstanding will on the Repayment Date, or as soon thereafter as such repayment of the Loan is actually received, be redeemed or repaid by the Issuer at 100 per cent. of the principal amount thereof together with accrued interest.

### (b) *Early Redemption*

Under the Loan Agreement:

- (i) the Company may, in the circumstances set out in Clause 5.2 of the Loan Agreement, prepay the Loan in whole but not in part; or
- (ii) the Issuer may require the Company to prepay the Loan in whole but not in part in the circumstances set out in Clause 5.3 of the Loan Agreement.

If the Loan should become repayable pursuant to Clauses 5.2, 5.3 or 9 of the Loan Agreement prior to the Repayment Date, as set forth in the Loan Agreement, all Notes then remaining outstanding will thereupon become due and redeemable or repayable at 100 per cent. of the principal amount together with accrued interest and (subject to the Loan being repaid together with accrued interest) shall be redeemed or repaid by the Issuer on the date specified pursuant to the Loan Agreement and the Issuer will use all reasonable endeavours to give not less than 15 days’ notice thereof to the Trustee and the Noteholders in accordance with Condition 13.

### (c) *Redemption at the Option of the Noteholders in the event of a Change of Control Put Event*

On the occurrence of a Change of Control Put Event (as defined in the Loan Agreement), any holder of a Note will have the option (the “**Change of Control Put Option**”) to require the Issuer to redeem such Note on the Change of Control Put Settlement Date (as defined below) at 101 per cent. of its principal amount together with accrued interest (if any) to the Change of Control Put Settlement Date (as defined below).

Promptly upon the Issuer becoming aware (either by receiving written notice from the Company or otherwise) that a Change of Control Put Event has occurred, the Issuer shall give notice (a “**Change of Control Put Event Notice**”) to the Noteholders in accordance with Condition 13, specifying (i) that a Change of Control Put Event has occurred (ii) the details, circumstances and relevant facts, giving rise to such Change of Control Put Event, (iii) the Change of Control Put Period (as defined below), (iv) the procedure for exercising the Change of Control Put Option and (v) that any Note not properly tendered

or not tendered at all prior to the end of the Change of Control Put Period will remain outstanding and continue to accrue interest and additional amounts (if any).

In order to exercise the Change of Control Put Option, the holder of a Note must deliver, no later than 60 calendar days after the Change of Control Put Event Notice is given (the “**Change of Control Put Period**”), to the specified office of the Principal Paying Agent, evidence satisfactory to the Principal Paying Agent of such holder’s entitlement to such Note and a duly completed change of control put option notice (a “**Change of Control Put Option Notice**”), specifying the principal amount of the Notes in respect of which the Change of Control Put Option is exercised, in the form obtainable from the Principal Paying Agent. The Principal Paying Agent will provide such Noteholder with a non-transferable receipt. On the Business Day following the end of the Change of Control Put Period, the Principal Paying Agent shall notify in writing the Issuer and the Company of the exercise of the Change of Control Put Option, specifying the aggregate principal amount of the Notes to be redeemed in accordance with the Change of Control Put Option. Provided that the Notes that are the subject of any such Change of Control Put Option Notice have been delivered to the Principal Paying Agent prior to the expiry of the Change of Control Put Period, then the Issuer shall (subject to the receipt of sufficient funds to do so from the Company pursuant to the Loan Agreement) redeem all such Notes on the date falling five Business Days after the expiration of the Change of Control Put Period (the “**Change of Control Put Settlement Date**”). No Change of Control Put Option Notice, once delivered to the Principal Paying Agent in accordance with this Condition 5(c), may be withdrawn.

(d) *Redemption by the Issuer following the exercise by the Company of the Make Whole Call Option*

At any time prior to 11 February 2022, the Company may, at its option, on giving not less than 30 nor more than 60 days’ notice to the Issuer (which notice shall be irrevocable and shall specify the Make Whole Optional Prepayment Date (as defined in the Loan Agreement)), prepay the Loan in whole (but not in part) at the Make Whole Prepayment Amount (as defined in the Loan Agreement) plus accrued and unpaid interest on the Loan so prepaid to but excluding the Make Whole Optional Prepayment Date (the “**Make Whole Call Option**”).

Immediately on receipt of such notice, the Issuer shall forward it to the Noteholders (in accordance with Condition 13), the Trustee and the Principal Paying Agent. If, as a result of the exercise of the Make Whole Call Option, the Loan is prepaid by the Company as set forth in the Loan Agreement, the Notes will thereupon become due and repayable and the Issuer shall, subject to receipt of the relevant amounts from the Company under the Loan, redeem the Notes on the Make Whole Optional Prepayment Date.

(e) *Redemption by the Issuer following the exercise by the Company of the Par Call Option*

At any time on or after 11 February 2022, the Company may, on giving not less than 30 nor more than 60 days’ notice to the Issuer (which notice shall be irrevocable and shall specify the date fixed for redemption (the “**Optional Prepayment Date**”)), prepay in whole or in part the Loan at the prepayment prices (expressed as a percentage of the principal amount of the Loan) set forth below, plus accrued and unpaid interest, if any, to (but excluding) the Optional Prepayment Date (the “**Par Call Option**”):

<b>Period</b>	<b>Percentage</b>
Twelve-months beginning on 11 February 2022	103.10%
twelve-months beginning on 11 February 2023	101.55%
on or after 11 February 2024	100%

Immediately on receipt of such notice, the Issuer shall forward it to the Noteholders (in accordance with Condition 13), the Trustee and the Principal Paying Agent. If, as a result of the Par Call Option, the Loan is repaid by the Company as set forth in the Loan Agreement prior to the Repayment Date, the Notes will thereupon become due and repayable and the Issuer shall, subject to receipt of the relevant amounts from the Company under the Loan, redeem such principal amount of the Notes on the Optional Prepayment Date.

In the case of a partial redemption, the Notes shall be selected for redemption either: (a) in accordance with the procedures of the relevant clearing systems; or (b) if the Notes are not held in a clearing system or if the relevant clearing systems prescribe no method of selection, the Notes will be redeemed on a *pro rata* basis according to the holding of each Noteholder; subject, in each case, to compliance with any applicable laws and stock exchange or other relevant regulatory requirements. Neither the Trustee nor any Agent shall have any liability for any selection made pursuant to this Condition 5(e).

*(f) Redemption by the Issuer following the exercise by the Company of the Equity Call Option*

At any time prior to 11 February 2022, upon not less than 30 nor more than 60 days' notice to the Lender (which notice shall be irrevocable and shall specify the Equity Call Prepayment Date (as defined in the Loan Agreement)), the Company may, at its option, on any one or more occasions prepay up to 35 per cent. of the aggregate principal amount of the Loan in the amount equal to 106.20 per cent. of the Loan that is being prepaid, plus accrued and unpaid interest on the Loan so prepaid to but excluding the Equity Call Prepayment Date with the net cash proceeds of one or more Equity Offerings (as defined in the Loan Agreement); provided that:

- (i) at least 65 per cent. of the aggregate principal amount of the Loan (excluding any amount owed by the Issuer, the Company, any member of the Group (as defined in the Loan Agreement) or any of their respective Affiliates (as defined in the Loan Agreement)) remains outstanding immediately after the occurrence of such repayment; and
- (ii) the prepayment occurs within 90 days of the date of the closing of such Equity Offering

(the “**Equity Call Option**”).

The Issuer shall forward such notice immediately upon receipt to the Noteholders (in accordance with Condition 13), the Trustee and the Principal Paying Agent. If, as a result of the exercise of the Equity Call Option, the Loan is prepaid by the Company as set forth in the Loan Agreement prior to the Repayment Date, an equal principal amount of the Notes will thereupon become due and repayable and the Issuer shall, subject to receipt of the relevant amounts from the Company under the Loan, redeem such principal amount of the Notes on the Equity Call Prepayment Date.

In the case of a partial redemption, the Notes shall be selected for redemption either: (a) in accordance with the procedures of the relevant clearing systems; or (b) if the Notes are not held in a clearing system or if the relevant clearing systems prescribe no method of selection, the Notes will be redeemed on a *pro rata* basis according to the holding of each Noteholder; subject, in each case, to compliance with any applicable laws and stock exchange or other relevant regulatory requirements. Neither the Trustee nor any Agent shall have any liability for any selection made pursuant to this Condition 5(f).

*(g) Purchases*

The Loan Agreement provides that the Issuer, the Company or any member of the Group (as defined in the Loan Agreement) may purchase Notes from time to time, in the open market or by tender or by private agreement at any price. In addition, in certain circumstances set out in Clause 7.4 of the Loan



Agreement, the Company shall also offer to purchase Notes pursuant to the Asset Sale Offer (as defined in the Loan Agreement) at 100 per cent. of principal amount thereof together with accrued and unpaid interest and additional amounts (if any), to the date of purchase. Notes so purchased may be held, reissued, resold or, at the option of the Company or any such member of the Group, delivered to the Issuer together with a request for the Issuer to redeem and thereafter cancel or procure the delivery to the Registrar of instructions to redeem and thereafter cancel, such Notes (a “**Request**”), whereupon the Issuer shall, pursuant to the Paying Agency Agreement, instruct the Registrar, subject to the satisfaction of certain conditions set out in the Loan Agreement, to redeem and cancel such Notes. If a Request is delivered by the Company, the Company and the Issuer may, subject to providing proper documentation substantiating the same, set off their mutual obligations being respectively to prepay a cash amount under the Loan and a cash amount under the Notes taking into account for the purpose of such set off (if applicable) (i) any withholding tax, and/or (ii) any gross-up or adjusted rates of interest set out in these Conditions and/or the Loan Agreement. If a request is delivered by any other member of the Group, the Loan shall be treated as prepaid by the Company in an amount corresponding to the aggregate principal amount of the Notes surrendered for cancellation, together with accrued interest (if any) thereon, and no further payment shall be made or required to be made by the Issuer in respect of such Notes.

The Issuer may compel any beneficial owner of Notes initially sold pursuant to Rule 144A to certify that it is a QIB that is also a QP and may compel any such beneficial owner to sell its interest in such Notes, or may sell such interest on behalf of such holder, if such holder is a U.S. person that is not a QIB that is also a QP.

## 6 Payments

### (a) *Principal and premium*

Payments of principal and premium shall be made by transfer to a U.S. Dollar account maintained by the payee with a bank in New York City upon surrender of the relevant Certificates at the specified office of any Paying Agent.

### (b) *Interest*

Payments of interest shall be made by transfer to a U.S. Dollar account maintained by the payee with a bank in New York City and (in the case of interest payable on redemption) upon surrender of the relevant Certificates at the specified office of any Paying Agent.

### (c) *Payments subject to fiscal law*

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

### (d) *Payments on business day*

A Note may only be presented for payment on a day which is a business day in the place of presentation. If the due date for payment of interest or principal is not a business day, the holder of a Note shall not be entitled to payment of the amount due until the next following business day and shall not be entitled to any further interest or other payment in respect of any such delay. In this Condition 6, “**business day**” means a day on which (i) the London interbank market is open for dealings between banks generally and (ii) if on that day a payment is to be made hereunder, commercial banks generally are open for business in Kyiv, London, New York City and in the city where the specified office of the Principal Paying Agent is located.

(e) *Record Date*

Each payment in respect of a Note will be made to the person shown as the holder in the Register at the opening of business (in the place of the Registrar's specified office) on the business day before the due date for each payment (the "**Record Date**").

(f) *Agents*

The Paying Agency Agreement provides that the Issuer may at any time, with the prior written approval of the Trustee and the Company, appoint a successor Registrar or Principal Paying Agent and/or additional or successor paying agents or transfer agents provided that for so long as any of the Notes are outstanding, the Issuer will ensure that it maintains (i) a Principal Paying Agent, (ii) a Registrar and (iii) (as required under rules and regulations of any stock exchange on which the Notes are from time to time listed or quoted) a Paying Agent.

In acting under the Paying Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

(g) *Payments by the Company*

Save as directed by the Trustee at any time after the Security Interests created in the Trust Deed become enforceable, the Issuer will require the Company to make all payments of principal, premium, interest and any additional amounts to be made pursuant to the Loan Agreement to the Account with the Principal Paying Agent. Pursuant to the Charge, the Issuer will charge by way of first fixed charge, all its rights, title and interest in and to all sums of money (including interest from time to time earned on the Account, if any, but with the exception of sums relating to the Reserved Rights) then or in the future so deposited in such account and the debts represented thereby to the Trustee for the benefit of the Trustee and the Noteholders.

(h) *Currency other than U.S. Dollars*

In respect of the Issuer's obligations under Conditions 4, 5 and 7, if the Issuer receives any amount under the Loan Agreement in a currency other than U.S. Dollars, the Issuer's obligation under the relevant Condition shall be fully satisfied by paying such sum (after deducting any costs of exchange) as the Issuer receives upon conversion of such sum into U.S. Dollars in accordance with customary banking practice in the spot market on the business day immediately following the day on which such sum is received by the Issuer, provided that the Issuer shall use its best efforts to procure any payments due from the Company pursuant to Clause 13.8 of the Loan Agreement. If the Issuer receives any payment from the Company pursuant to Clause 13.8 of the Loan Agreement with respect to amounts due under the Notes, the Issuer shall pay such sum to the Noteholders in accordance with this Condition 6.

## 7 **Taxation**

All payments in respect of the Notes by or on behalf of the Issuer shall be made free and clear of and without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied, collected, withheld or assessed by or on behalf of the United Kingdom or Ukraine or any political subdivision or any authority thereof or therein having the power to tax, unless the deduction or withholding of such taxes or duties is required by law.

In such event, the Issuer shall make such additional payments as shall result in the receipt by the Noteholders of such amount as would have been received by them if no such withholding or deduction had been required. However, the Issuer shall only make such additional payments to the extent and at such time as it shall receive

equivalent sums from the Company under the Loan Agreement. To the extent that the Issuer does not receive any such equivalent sum, the Issuer shall account to the relevant Noteholder for an additional amount equivalent to a *pro rata* proportion of such additional amount (if any) as is actually received (net of taxes) by, or for the account of, the Issuer pursuant to the provisions of the Loan Agreement on the date of, in the currency of, and subject to any conditions attaching to the payment of such additional amount to the Issuer. No such additional amounts will be payable:

- (i) to a Noteholder who is liable for such taxes or duties by reason of his having some connection with the United Kingdom other than the mere holding of such Notes or the receipt of payments in respect thereof; or
- (ii) in respect of a Note presented for payment of principal more than 30 days after the Relevant Date except to the extent that such additional payment would have been payable if such Note had been presented for payment on such thirtieth day.

Notwithstanding any other provision of these Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a “**FATCA Withholding**”). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

As used herein, “**Relevant Date**” means the later of (i) the date on which the equivalent payment under the Loan Agreement first becomes due and (ii) if the full amount payable by the Company corresponding to such payment has not been received (net of taxes) by or for the account of the Issuer pursuant to the Loan Agreement on or prior to such date, the date on which such full amount shall have been so received and notice to that effect shall have been duly given to the Noteholders by or on behalf of the Issuer in accordance with Condition 13.

Any reference herein or in the Trust Deed to payments in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable in accordance with the Trust Deed and this Condition 7 or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed. If the Issuer becomes subject to any taxing jurisdiction other than or in addition to the United Kingdom, references in these Conditions to the United Kingdom shall be construed as references to the United Kingdom and/or such other jurisdiction.

## **8 Enforcement**

The Trust Deed provides that only the Trustee may pursue the remedies under the general law, the Trust Deed or the Notes to enforce the rights of the Noteholders and no Noteholder will be entitled to pursue such remedies unless the Trustee (having become bound to do so in accordance with the terms of the Trust Deed) fails to do so within a reasonable period and such failure is continuing.

The Trust Deed also provides that, in the case of an Event of Default or of a Relevant Event, the Trustee may, and shall if requested in writing to do so by Noteholders holding at least 25 per cent. in aggregate principal amount of the Notes outstanding or if directed to do so by an Extraordinary Resolution, (in any such case, subject to its being secured and/or indemnified and/or prefunded to its satisfaction) institute such steps, actions or proceedings as it may think fit (subject to the non-petition covenant in Condition 1) to enforce the rights of the Noteholders and the provisions of the Trust Deed, including to declare all amounts payable under the Loan Agreement by the Company to be immediately due and payable (in the case of an Event of Default), or enforce any rights under the Security Interests created in the Trust Deed in favour of the Trustee (in the case of a Relevant Event). Upon repayment of the Loan following an Event of Default and a declaration as provided

herein, the Notes will be redeemed or repaid at their principal amount together with accrued interest thereon and thereupon shall cease to be outstanding.

## **9 Meetings of Noteholders; Modification of Notes, Trust Deed and Loan Agreement; Waiver; Substitution of the Issuer**

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including any modification of, or any arrangement in respect of, the Notes, the Loan Agreement or the Trust Deed. Noteholders will be entitled to one vote per U.S.\$1,000 in principal amount of Notes held by them. Such a meeting may be convened by the Issuer, the Company or the Trustee and shall be convened by the Issuer or by the Trustee, subject to its being indemnified and/or secured and/or prefunded to its satisfaction, upon the request in writing of Noteholders holding not less than one tenth of the principal amount of the outstanding Notes. The Trust Deed provides that special quorum provisions apply for meetings of Noteholders convened for the purpose of amending certain terms concerning, *inter alia*, the amount payable on, and the currency of payment in respect of, the Notes and the amounts payable and currency of payment under the Loan Agreement. Any resolution duly passed at a meeting of Noteholders will be binding on all the Noteholders, whether present or not.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. of the aggregate principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

The Trustee may agree, without the consent of the Noteholders, to any modification of these Conditions, the Notes, the Trust Deed, the Paying Agency Agreement or, following the creation of any Security Interests, the Loan Agreement which, in each case, in the opinion of the Trustee is of a formal, minor or technical nature, is made to correct a manifest error or (other than as mentioned in the Trust Deed) in the opinion of the Trustee is not materially prejudicial to the interests of the Noteholders.

The Trustee may also waive or authorise or agree to the waiving or authorising of any breach or proposed breach by the Issuer of the Conditions or the Trust Deed or, following the creation of the Security Interests, by the Company of the terms of the Loan Agreement, or determine that any event which would or might otherwise give rise to a right of acceleration under the Loan Agreement or any Relevant Event shall not be treated as such (in each case other than any such breach or proposed breach in respect of Reserved Rights) if, in the opinion of the Trustee, to do so would not be materially prejudicial to the interests of the Noteholders, provided always that the Trustee may not exercise such power of waiver in contravention of a written request given by holders of 25 per cent. in aggregate principal amount of the Notes then outstanding or any express direction by Extraordinary Resolution.

Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Trustee agrees otherwise, shall be promptly notified to the Noteholders in accordance with Condition 13.

The Trust Deed contains provisions to the effect that the Trustee may, with the consent of the Company, and further provided certain conditions have been met (as further set out in the Trust Deed), and subject to the Issuer and/or the Company having complied with the requirements set out in the Trust Deed and such requirements as the Trustee may direct in the interest of Noteholders, agree to the substitution of any entity in place of the Issuer as creditor under the Loan Agreement, as issuer and principal obligor in respect of the Notes and as obligor under the Trust Deed, subject to the substitute's rights under the Loan Agreement being charged and assigned to the Trustee as security for the payment obligations of the substitute obligor under the Trust Deed and the Notes. Not later than 14 days after compliance with the aforementioned requirements, notice thereof shall be

given by the Issuer to the Noteholders in accordance with Condition 13, failing which the Issuer shall use its best endeavours to ensure that the substitute obligor does so.

In connection with the exercise of any of its powers, trusts, authorities or discretions, the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, shall not have regard to the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. No Noteholder is entitled to claim from the Issuer or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

## **10 Prescription**

Notes will become void unless presented for payment within 10 years (in the case of principal) or five years (in the case of interest) from the due date for payment in respect thereof.

## **11 Indemnification of Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances, including provisions relieving it from taking steps, actions or proceedings to enforce payment unless indemnified and/or secured and/or prefunded to its satisfaction, and to be paid its costs and expenses in priority to any claims of Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and/or the Company and any entity relating to the Issuer and/or the Company without accounting for any profit.

The Trustee's responsibilities are solely those of trustee for the Noteholders on the terms of the Trust Deed. Accordingly, the Trustee makes no representations and assumes no responsibility for the validity or enforceability of the Loan Agreement or the security created in respect thereof or for the performance by the Issuer of its obligations under or in respect of the Notes, Loan Agreement and the Trust Deed or by the Company in respect of the Loan Agreement. The Trustee is entitled to assume that the Company is performing all of its obligations pursuant to the Loan Agreement and that the Issuer is performing its obligations under the Notes, the Loan Agreement and the Trust Deed (and shall have no liability for doing so).

The Trustee shall have no liability to any Noteholder or any other person for any shortfall it may suffer if it is liable for tax in respect of any payments received by it or as a result of the Security Interests being enforced by it.

## **12 Replacement of Notes**

If a Certificate shall become mutilated, defaced, lost, stolen or destroyed it may, subject to all applicable laws and regulations and requirements of the Irish Stock Exchange plc, trading as Euronext Dublin (the "**Stock Exchange**") (or any stock exchange on which the Notes are from time to time listed or quoted), be replaced at the specified offices of the Transfer Agents on payment of such costs, expenses, taxes and duties as may be incurred in connection therewith and on such terms as to evidence, security and indemnity and otherwise as may reasonably be required by or on behalf of the Issuer and/or the Transfer Agents. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## **13 Notices**

Notices required to be given to the Noteholders pursuant to the Conditions will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices required to be given to the Noteholders pursuant to the

Conditions shall also be published (if such publication is required) in a manner which complies with the rules and regulations of the Stock Exchange or any other stock exchange on which the Notes are for the time being listed and/or admitted to trading. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made. If publication as provided above is not practicable, notice will be given by publication in a newspaper of general circulation in London (which is expected to be the Financial Times).

#### **14 Further Issues**

The Issuer may from time to time, with the consent of the Company but without the consent of the Noteholders, create and issue either (1) limited recourse notes or bonds or (2) further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) so as to be consolidated and form a single series with the Notes, provided, however, that, unless such further notes or bonds are issued under a separate CUSIP or ISIN, either such further notes or bonds, as the case may be, and the Notes are part of the same “issue” within the meaning of U.S. Treasury Regulation Section 1.1275-1(f) (including, for the avoidance of doubt, being part of a “qualified reopening” within the meaning of U.S. Treasury Regulation Section 1.1275-2(k)) or neither the Notes nor such notes or bonds are issued with original issue discount for U.S. federal income tax purposes. Such further notes shall be issued under a deed supplemental to the Trust Deed containing such provisions as the Trustee may require. In relation to any further issue which is to be consolidated and form a single series with the Notes, the Issuer will enter into a loan agreement with the Company on the same terms as the Loan Agreement (or the same terms except for the first payment of interest) and supplemental to the Loan Agreement, or may amend and restate the same with the Company on substantially the same terms as the Loan Agreement. The Issuer will provide a first fixed charge in favour of the Trustee in respect of certain of its rights and interests under such loan agreement and will assign absolutely to the Trustee certain of its rights under such loan agreement, which will secure both the Notes and such further notes and which will supplement the Security Interests in relation to the existing Notes. Any further notes forming a single series with the outstanding Notes shall be constituted by a deed supplemental to the Trust Deed. Application will be made for such further notes to be listed and admitted to trading on the stock exchange on which the Notes are from time to time listed or quoted.

#### **15 Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

#### **16 Governing Law; Arbitration**

The Notes, these Conditions, the Trust Deed and any non-contractual obligations arising out of or in connection therewith shall be governed by, and construed in accordance with, English law.

The Issuer and the Company have in the Loan Agreement agreed that any dispute or claim arising out of, under or in connection with the Loan Agreement, including a dispute or claim as to its existence, validity or termination, shall be referred to and finally resolved by arbitration under the LCIA Rules, which rules are deemed to be incorporated by reference in the Loan Agreement, subject to the exceptions and modifications set out therein. The Company has appointed an agent for the service of process in England in the Loan Agreement.

## SUMMARY OF THE PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

*The following is a summary of the provisions to be contained in the Trust Deed to constitute the Notes and in the Global Note Certificates which will apply to, and in some cases modify, the Conditions while the Notes are represented by the relevant Global Note Certificate.*

### The Global Note Certificates

The Regulation S Notes will be evidenced on issue by the Regulation S Global Note Certificate registered in the name of a nominee for, and deposited with a common depository on behalf of, Euroclear and Clearstream, Luxembourg. Beneficial interests in the Regulation S Global Note Certificate may be held only through Euroclear or Clearstream, Luxembourg at any time. See *“Clearing and Settlement—Book-Entry Procedures for the Global Note Certificates”*. By acquisition of a beneficial interest in the Regulation S Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it is not a U.S. person, that it is located outside the United States and that, if it determines to transfer such beneficial interest prior to the expiration of the “distribution compliance period” (as such term is defined in Rule 902 of Regulation S), it will transfer such interest only (a) to a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (b) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB that is also a QP purchasing for its own account or the account of a QIB that is also a QP, in each case in accordance with any applicable securities laws of any state of the United States. See *“Transfer Restrictions”*.

The Rule 144A Notes will be evidenced on issue by the Rule 144A Global Note Certificate deposited with a custodian for, and registered in the name of a nominee of, DTC. Beneficial interests in the Rule 144A Global Note Certificate may only be held through DTC at any time. See *“Clearing and Settlement—Book-Entry Procedures for the Global Note Certificates”*. By acquisition of a beneficial interest in the Rule 144A Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Trust Deed. See *“Transfer Restrictions”*.

Beneficial interests in Global Note Certificates will be subject to certain restrictions on transfer set forth therein and in the Trust Deed and the Global Note Certificates will bear the applicable legends regarding the restrictions set forth under *“Transfer Restrictions”*. A beneficial interest in the Regulation S Global Note Certificate may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note Certificate only in denominations greater than or equal to the minimum denominations applicable to interests in the Rule 144A Global Note Certificate and only upon receipt by the Registrar of a written certification (in the form provided in a Paying Agency Agreement relating to the Notes (the **“Paying Agency Agreement”**)) to the effect that the transferor reasonably believes that the transferee is a QIB and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Beneficial interests in the Rule 144A Global Note Certificate may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate only upon receipt by the Registrar of a written certification (in the form provided in the Paying Agency Agreement) from the transferor to the effect that the transfer is being made in an offshore transaction in accordance with Regulation S.

Any beneficial interest in the Regulation S Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note Certificate will, upon transfer, cease to be an interest in the Regulation S Global Note Certificate and become an interest in the Rule 144A Global Note Certificate, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Rule 144A Global Note Certificate for as long as it remains such an interest. Any beneficial interest in the Rule 144A Global Note Certificate that is transferred to a person who takes delivery

in the form of an interest in the Regulation S Global Note Certificate will, upon transfer, cease to be an interest in the Rule 144A Global Note Certificate and become an interest in the Regulation S Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Note Certificate for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Except in the limited circumstances described below, owners of beneficial interests in Global Note Certificates will not be entitled to receive physical delivery of Definitive Certificates. The Notes are not issuable in bearer form.

## **Exchange for Definitive Certificates**

### ***Exchange***

Subject to receipt by the Issuer of the funds necessary to cover the cost realised from the Company, each Global Note Certificate will be exchangeable, free of charge to the holder, on or after its Exchange Date (as defined below), in whole but not in part, for Notes in definitive form if: (i) a Global Note Certificate is held by or on behalf of (A) DTC, and DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Global Note Certificate or ceases to be a “clearing agency” registered under the Exchange Act or if at any time it is no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC or (B) Euroclear or Clearstream, Luxembourg, as the case may be, and Euroclear or Clearstream, Luxembourg, as the case may be, is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, by the holder giving notice to the Registrar or any Transfer Agent and the Issuer or (ii) the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 7 which would not be suffered were the Notes in definitive form and a note to such effect signed by the requisite number of signatories of the Issuer is delivered to the Trustee, by the Issuer giving notice to the Registrar or any Transfer Agent and the Noteholders of its intention to exchange the relevant Global Note Certificate for Definitive Certificates on or after the Exchange Date (as defined below) specified in the notice.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note Certificate for Definitive Certificates for a period of 15 calendar days ending on the date for any payment of principal or interest in respect of the Notes.

If only one of the Global Note Certificates (the “**Exchanged Global Note Certificate**”) becomes exchangeable for Definitive Certificates in accordance with the above paragraphs, transfers of Notes may not take place between, on the one hand, persons holding Definitive Certificates issued in exchange for beneficial interests in the Exchanged Global Note Certificate and, on the other hand, persons wishing to purchase beneficial interests in the other Global Note Certificate.

“**Exchange Date**” means a day falling not later than 90 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar and any Transfer Agent is located.

### ***Delivery***

In such circumstances, the relevant Global Note Certificate shall be exchanged in full for Definitive Certificates and the Issuer will, at the cost of the Issuer (and against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Certificates to be executed and delivered to the



Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a Global Note Certificate must provide the Registrar with (a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Notes and (b) in the case of the Rule 144A Global Note Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a QIB that is also a QP. Definitive Certificates issued in exchange for a beneficial interest in the Rule 144A Global Note Certificate shall bear the legend applicable to transfer pursuant to Rule 144A, as set forth under “*Transfer Restrictions*”.

### **Legends**

The holder of a Definitive Certificate may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Rule 144A Definitive Certificate bearing the legend referred to under “*Transfer Restrictions*”, or upon specific request for removal of the legend on a Rule 144A Definitive Certificate, the Issuer will deliver only Rule 144A Definitive Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act.

In addition, each Global Note Certificate will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Notes evidenced by the Global Note Certificate. The following is a summary of these provisions:

### **Payments**

Payments of principal and interest in respect of Notes evidenced by a Global Note Certificate shall be made to the person who appears at the relevant time on the register of Noteholders as holder of the relevant Global Note Certificate against presentation (in the case of payment of interest) and (if no further payment falls to be made on it) surrender thereof to or to the order of the Principal Paying Agent (or to or to the order of such other Paying Agent as shall have been notified to the Noteholders for this purpose) which shall endorse such payment or cause such payment to be endorsed in Schedule A to the relevant Global Note Certificate (such endorsement being *prima facie* evidence that the payment in question has been made). No person shall however be entitled to receive any payment on the relevant Global Note Certificate falling due after the Exchange Date, unless the exchange of the relevant Global Note Certificate for the relevant Definitive Certificates is improperly withheld or refused by or on behalf of the Issuer.

### **Notices**

Notwithstanding Condition 13, so long as the Global Note Certificate is held by or on behalf of DTC, Euroclear, Clearstream, Luxembourg or any other clearing system (an “**Alternative Clearing System**”), notices to Noteholders represented by the Global Note Certificate may be given by delivery of the relevant notice to DTC, Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System provided that, for so long as the Notes are listed, all notices will also be given in accordance with the rules of the relevant stock exchange.

### **Record Date**

Notwithstanding Condition 6(e) “**Record Date**” shall mean a Clearing System Business Day before the relevant due date for payment, where “**Clearing System Business Day**” means Monday to Friday inclusive, except 25 December and 1 January.

### **Meetings**

The holder of the Global Note Certificate will be treated as being one person for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as having one vote in respect of each U.S\$1,000 in principal amount of Notes represented by the relevant Global Note Certificate for which it may be exchanged.

### **Trustee’s Powers**

In considering the interests of Noteholders whilst the Global Note Certificate is held on behalf of a clearing system, the Trustee, to the extent it considers it appropriate to do so in the circumstances, may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Note Certificate and may consider such interests, and treat such accountholders, as if such accountholders were the holders of the Global Note Certificate.

### **Cancellation**

Cancellation of any Note required by the Terms and Conditions of the Notes to be cancelled will be effected by reduction in the principal amount of the Global Note Certificate by a record made in the Register and notation of the Global Note Certificate.

### **Prescription**

Claims in respect of principal, interest and other amounts payable in respect of the Global Note Certificates will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest or any other amounts) from the due date for payment in respect thereof.

### **Benefit of the Conditions**

Unless a Global Note Certificate has been exchanged or cancelled the holder thereof shall, except as provided in the relevant Global Note Certificate, be entitled to the same rights and benefits and subject to the Conditions as if such holder were the holder of the relevant Definitive Certificates for which the Global Note Certificate may be exchanged.

Each Global Note Certificate shall not be valid or become obligatory for any purpose until authenticated by or on behalf of the Registrar.

The Global Note Certificates and any non-contractual obligations arising out of or in connection with them shall be governed by and construed in accordance with English law.

### **Electronic Consent and Written Resolution**

While any Global Note Certificate is registered in the name of any nominee for a clearing system, then:

- (i) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant Clearing System(s) in accordance with their operating rules and procedures by or on behalf of all the holders of the Notes outstanding (an “**Electronic Consent**” as defined in the Trust Deed) shall, for all purposes, take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders whether or not they participated in such Electronic Consent; and

- (ii) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, (a) by accountholders in the clearing system with entitlements to such a Global Certificate and/or, (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, DTC, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the “**relevant clearing system**”) and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear’s EUCLID or Clearstream, Luxembourg’s CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer or the Trustee shall be liable to any person by reason of having accepted as valid, or not having rejected, any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

## TRANSFER RESTRICTIONS

*Because of the following restrictions, you are advised to consult legal counsel prior to making any offer, resale or other transfer of the Notes offered hereby.*

### Rule 144A Notes

Each purchaser of Rule 144A Notes, by accepting delivery of these Listing Particulars and the Notes, will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a QIB that is also a QP, (b) not a broker-dealer that owns and invests on a discretionary basis less than U.S.\$25 million in securities of unaffiliated issuers, (c) not a participant-directed employee plan, such as a 401(k) plan, (d) acquiring such Notes for its own account, or for the account of one or more QIBs each of which is also a QP, (e) not formed for the purpose of investing in the Notes or the Issuer, and (f) aware, and each beneficial owner of such Notes has been advised, that the seller of such Notes to it may be relying on Rule 144A.
2. It will (a) along with each account for which it is purchasing, hold and transfer beneficial interests in the Rule 144A Notes in a principal amount that is not less than U.S.\$200,000 and (b) provide notice of these transfer restrictions to any subsequent transferees. In addition, it understands that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositories.
3. It understands that the Rule 144A Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB that is also a QP purchasing for its own account or for the account of one or more QIBs that are also QPs each of which is purchasing not less than U.S.\$200,000 principal amount of Notes or (b) in an offshore transactions to a person, that is not a U.S. person in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, and in each case in accordance with any applicable securities laws of any State of the United States.
4. It understands that the Issuer has the power under the Trust Deed to compel any beneficial owner of Rule 144A Notes that is not a QIB and also a QP to sell its interest in the Rule 144A Notes, or may sell such interest on behalf of, or purchase such interest from, such owner at a price equal to the least of (x) the purchase price therefor paid by the beneficial owner, (y) 100 percent of the principal amount thereof or (z) the fair market value thereof. The Issuer has the right to refuse to honour the transfer of an interest in the Rule 144A Notes to a U.S. person who is not a QIB and also a QP.
5. It understands that the Rule 144A Notes, unless otherwise agreed between the Issuer and the Trustee in accordance with applicable law, will bear a legend to the following effect:

THIS NOTE AND THE LOAN IN RESPECT THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “**SECURITIES ACT**”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (“**RULE 144A**”) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (A “**QIB**”) WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT THAT IS ALSO A QUALIFIED PURCHASER (A “**QP**”) WITHIN THE MEANING OF SECTION 2(a)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940 (THE “**INVESTMENT COMPANY**”).

ACT”) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBs EACH OF WHICH IS ALSO A QP WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, AND IN AN AMOUNT FOR EACH ACCOUNT OF NOT LESS THAN U.S.\$200,000 PRINCIPAL AMOUNT OF NOTES OR (2) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT (“**REGULATION S**”), AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE NOTES IN RESPECT HEREOF OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE OR EFFECT, WILL BE VOID *AB INITIO* AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER OF THIS NOTE, THE TRUSTEE OR ANY INTERMEDIARY. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF ANY EXEMPTION UNDER THE SECURITIES ACT FOR REALES OF THIS NOTE.

EACH BENEFICIAL OWNER HEREOF REPRESENTS THAT (1) IT IS A QIB THAT IS ALSO A QP; (2) IT IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.\$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS; (3) IT IS NOT A PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A 401 (k) PLAN; (4) IT IS HOLDING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBs EACH OF WHICH IS ALSO A QP; (5) IT WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER OR THIS NOTE; (6) IT, AND EACH ACCOUNT FOR WHICH IT HOLDS NOTES, WILL HOLD AND TRANSFER AT LEAST U.S.\$200,000 IN PRINCIPAL AMOUNT OF NOTES; (7) IT UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK-ENTRY DEPOSITORIES AND (8) IT WILL PROVIDE NOTICE OF THE FOREGOING TRANSFER RESTRICTIONS TO ITS SUBSEQUENT TRANSFEREES.

THE BENEFICIAL OWNER HEREOF HEREBY ACKNOWLEDGES THAT, IF AT ANY TIME WHILE IT HOLDS AN INTEREST IN THIS NOTE IT IS A PERSON WHO IS NOT A QIB THAT IS ALSO A QP, THE ISSUER MAY (A) COMPEL IT TO SELL ITS INTEREST IN THIS NOTE TO A PERSON (1) WHO IS A QIB THAT IS ALSO A QP AND WHO IS OTHERWISE QUALIFIED TO PURCHASE THIS NOTE IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OR (2) IN AN OFFSHORE TRANSACTION TO A PERSON THAT IS NOT A U.S. PERSON IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S OR (B) COMPEL THE BENEFICIAL OWNER TO SELL ITS INTEREST IN THIS NOTE TO THE ISSUER OR AN AFFILIATE OF THE ISSUER OR TRANSFER ITS INTEREST IN THIS NOTE TO A PERSON DESIGNATED BY OR ACCEPTABLE TO THE ISSUER AT A PRICE EQUAL TO THE LEAST OF (X) THE PURCHASE PRICE THEREFOR PAID BY THE BENEFICIAL OWNER, (Y) 100 PERCENT OF THE PRINCIPAL AMOUNT THEREOF OR (Z) THE FAIR MARKET VALUE THEREOF. THE ISSUER HAS THE RIGHT TO REFUSE TO HONOR A TRANSFER OF AN INTEREST IN THIS NOTE TO A PERSON WHO IS NOT A QIB AND ALSO A QP. THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT.

BY ACCEPTING THIS NOTE (OR ANY INTEREST IN THE NOTES REPRESENTED HEREBY) EACH BENEFICIAL OWNER HEREOF, AND EACH FIDUCIARY ACTING ON BEHALF OF THE BENEFICIAL OWNER (BOTH IN ITS INDIVIDUAL AND CORPORATE CAPACITY), WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT, DURING THE PERIOD IT HOLDS

ANY INTEREST IN THIS NOTE (1) EITHER (A) IT IS NOT, AND IT IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST THEREIN) WILL NOT BE, OR BE ACTING ON BEHALF OF) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“**ERISA**”) SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A PLAN TO WHICH SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (“**CODE**”), APPLIES, OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” UNDER SECTION 3(42) OF ERISA, 29 C.F.R. SECTION 2510.3-101 OR OTHERWISE FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE BY REASON OF SUCH AN EMPLOYEE BENEFIT PLAN’S OR PLAN’S INVESTMENT IN SUCH ENTITY (EACH, A “**BENEFIT PLAN INVESTOR**”) OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN OR OTHER ARRANGEMENT WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE FOREGOING PROVISIONS OF ERISA AND/OR THE CODE (“**SIMILAR LAWS**”) OR (B) IT IS, OR IS ACTING ON BEHALF OF A GOVERNMENTAL, CHURCH OR NON U.S. PLAN OR ARRANGEMENT, AND SUCH ACQUISITION DOES NOT AND WILL NOT RESULT IN A NON EXEMPT VIOLATION OF ANY SIMILAR LAWS AND WILL NOT SUBJECT THE ASSETS OF THE ISSUER TO ANY SIMILAR LAWS AND WILL NOT CAUSE THE ASSETS OF THE ISSUER TO CONSTITUTE “PLAN ASSETS”, AND (2) IT WILL NOT SELL OR OTHERWISE TRANSFER THIS NOTE OR ANY INTEREST HEREIN OTHERWISE THAN TO A PURCHASER OR TRANSFEREE THAT IS DEEMED TO MAKE THESE SAME REPRESENTATIONS, WARRANTIES AND AGREEMENTS WITH RESPECT TO ITS PURCHASE, HOLDING AND DISPOSITION OF THIS NOTE. NO PURCHASE BY OR TRANSFER TO A BENEFIT PLAN INVESTOR OF THIS NOTE, OR ANY INTEREST HEREIN, WILL BE EFFECTIVE, AND NEITHER THE ISSUER NOR THE TRUSTEE WILL BE REQUIRED TO RECOGNISE ANY SUCH ACQUISITION OR TRANSFER. IN THE EVENT THAT THE ISSUER DETERMINES THAT THIS NOTE IS HELD BY A BENEFIT PLAN INVESTOR, THE ISSUER MAY CAUSE A SALE OR TRANSFER IN THE MANNER DESCRIBED IN THESE LISTING PARTICULARS.

THE ISSUER MAY COMPEL EACH BENEFICIAL OWNER HEREOF TO CERTIFY PERIODICALLY THAT SUCH OWNER IS A QIB AND ALSO A QP.

6. It understands and acknowledges that its purchase, holding and disposition of such Notes constitutes a representation and agreement by it that at the time of purchase and throughout the period it holds such Notes or any interest therein (1) either (i) it is not, and is not acting on behalf of (and for so long as it holds such Notes (or any interest therein) will not be, or be acting on behalf of), a Benefit Plan Investor or a governmental, church or non U.S. plan or arrangement which is subject to any Similar Laws, and no part of the assets used by it to purchase or hold such Note or any interest therein constitutes the assets of such Benefit Plan Investor or such plan or arrangement, or (ii) it is, or is acting on behalf of, a governmental, church or non U.S. plan or arrangement subject to any laws substantially similar to the fiduciary or prohibited transaction provisions of ERISA or Section 4975 of the US Tax Code, or the Plan Asset Regulations (“**Similar Laws**”), and such purchase or holding of such Note does not and will not result in a non-exempt violation of any Similar Laws, and will not subject the Issuer to any Similar Laws and will not cause the assets of the Issuer to constitute “plan assets”; and (2) it will not sell or otherwise transfer any note or interest therein to any person without first obtaining these same foregoing representations, warranties and covenants from that person with respect to its acquisition, holding and disposition of such Note.
7. It acknowledges that the Issuer, the Company, the Registrar, the Trustee, the Joint Lead Managers and their respective affiliates, and others will rely upon the truth and accuracy of the above

acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Rule 144A Notes is no longer accurate, it shall promptly notify the Issuer, the Company and the Joint Lead Managers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts who are QIBs that are also QPs, it represents that it has sole investment discretion with respect to each such account, and that it has full power to make the above acknowledgements, representations and agreements on behalf of each such account.

8. It understands that the Rule 144A Notes will be evidenced by the Rule 144A Global Note Certificate. Before any interest in the Rule 144A Global Note Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Paying Agency Agreement) as to compliance with applicable securities laws. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

### **Regulation S Notes**

Each purchaser of Regulation S Notes, by accepting delivery of these Listing Particulars and the Regulation S Notes, will be deemed to have represented, agreed and acknowledged that:

1. It is, or at the time Regulation S Notes are purchased will be, the beneficial owner of such Regulation S Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer, the Company or a person acting on behalf of such an affiliate.
2. It understands that the Regulation S Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the “distribution compliance period” (as such term is defined in Rule 902 of Regulation S), it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believes is a QIB that is also a QP purchasing for its own account or for the account of a QIB that is also a QP or (b) in an offshore transaction to a person that is not a U.S. person in accordance with Rule 903 or Rule 904 of Regulation S, in the case of (a) and (b), in accordance with any applicable securities laws of any state of the United States.
3. It understands that the Regulation S Notes will be evidenced by the Regulation S Global Note Certificate. Before any interest in the Regulation S Global Note Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Paying Agency Agreement) as to compliance with applicable securities laws.
4. It understands and acknowledges that its purchase, holding and disposition of such Notes constitutes a representation and agreement by it that (1) either (i) it is not, and is not acting on behalf of (and for so long as it holds such Notes or any interest therein will not be, or be acting on behalf of), a Benefit Plan Investor or a governmental, church or non U.S. plan or arrangement which is subject to any Similar Laws or (ii) it is, or is acting on behalf of, a governmental, church or non U.S. plan or arrangement which is subject to Similar Laws, and such purchase or holding of such Note does not and will not result in a non-exempt violation of any Similar Laws and will not cause the assets of the Issuer to constitute “plan assets”; and (2) it will not sell or otherwise transfer any Note or interest therein otherwise than to any person without first obtaining these same foregoing representations, warranties and covenants from that person with respect to its acquisition, holding and disposition of such Note.

## CERTAIN ERISA CONSIDERATIONS

Notes are not permitted to be acquired or held by employee benefit plans as defined in Section 3(3) of ERISA and subject to Title I of ERISA, including collective investment funds, separate accounts or accounts whose underlying assets are treated as assets of such plans pursuant to the US Department of Labor (“DOL”) “plan assets” regulation, 29 CFR Section 2510.3-101, as modified by Section 3(42) of ERISA (collectively, “**ERISA Plans**”), plans not subject to ERISA but subject to Section 4975 of the US Tax Code, including IRAs, Keogh Plans which cover only self-employed persons and their spouses and other employee benefit plans for purposes of ERISA or Section 4975 of the US Tax Code which cover only the owners of a business (collectively, “**4975 Plans**”), or by entities whose underlying assets include plan assets by reason of an investment in the entity by ERISA Plans or 4975 Plans or otherwise (collectively, “**Plan Asset Entities**”). ERISA Plans, 4975 Plans and Plan Asset Entities are collectively referred to as “**Benefit Plan Investors**”.

Subject to certain restrictions described below, Notes are permitted to be acquired and held by governmental plans, non-electing church plans and other arrangements that are not subject to ERISA or Section 4975 of the US Tax Code and are not Benefit Plan Investors (collectively, “**Non-ERISA Plans**”).

ERISA imposes fiduciary standards and certain other requirements on ERISA Plans and on those persons who are fiduciaries with respect to ERISA Plans. 4975 Plans are subject to certain restrictions similar to ERISA’s prohibited transaction rules. Non-ERISA Plans are subject to applicable state, local, federal or non-U.S. law, as well as the restrictions of duties of common law, and may also be subject to prohibited transaction provisions that operate similarly to those under ERISA.

Non-ERISA Plans are permitted to acquire and hold the Notes, subject to certain restrictions described herein. Each Non-ERISA Plan acquiring and holding the Notes will be deemed to have represented and warranted that the acquisition, holding and disposition of the Notes do not and will not violate any statute, regulation, administrative decision, policy or other legal authority applicable to the Non-ERISA Plan or any Similar Laws, and the purchase, holding and disposition of the Notes or any interest therein do not and will not result in the assets of the Issuer being subject to Similar Laws and will not cause the assets of the Issuer to constitute “plan assets” of the Issuer. Non-ERISA Plans are generally not subject to ERISA nor do the prohibited transaction provisions of ERISA or Section 4975 of the US Tax Code apply to these types of plans. However, governmental plans (as described in Section 3(32) of ERISA), are subject to prohibitions on related-party transactions under Section 503 of the US Tax Code, which prohibitions operate similarly to the prohibited transaction rules under ERISA or Section 4975 of the US Tax Code, and other Non-ERISA Plans may be subject to similar prohibitions. Accordingly, the fiduciary of a Non-ERISA Plan must consider applicable state or local laws, if any, imposed upon such plan before purchasing and holding a Note or any interest therein.

BY ITS PURCHASE AND HOLDING OF A NOTE OR ANY INTEREST THEREIN, THE PURCHASER AND/OR HOLDER THEREOF AND EACH TRANSFEREE WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED AT THE TIME OF ITS PURCHASE AND THROUGHOUT THE PERIOD THAT IT HOLDS SUCH NOTE OR INTEREST THEREIN, THAT (1) IT IS NOT AND WILL NOT BE (A) AN EMPLOYEE BENEFIT PLAN AS DESCRIBED IN SECTION 3(3) OF ERISA THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (B) A PLAN TO WHICH SECTION 4975 OF THE US TAX CODE OF 1986, AS AMENDED APPLIES OR (C) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS FOR PURPOSES OF ERISA OR SECTION 4975 OF THE US TAX CODE BY REASON OF AN INVESTMENT IN THE ENTITY BY A PERSON DESCRIBED IN (A) OR (B) ABOVE OR OTHERWISE FOR PURPOSES OF ERISA OR SECTION 4975 OF THE US TAX CODE, (2) IT IS A GOVERNMENTAL PLAN, AS DEFINED IN SECTION 3(32) OF ERISA, OR OTHER PLAN OR ARRANGEMENT THAT IS NOT SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE US TAX CODE, AND THE PURCHASE, HOLDING AND DISPOSITION OF THE NOTES OR ANY INTEREST



THEREIN DO NOT AND WILL NOT VIOLATE ANY STATUTE, REGULATION, ADMINISTRATIVE DECISION, POLICY OR ANY OTHER LEGAL AUTHORITY APPLICABLE TO SUCH GOVERNMENTAL PLAN OR OTHER PLAN OR ARRANGEMENT THAT IS SUBSTANTIALLY SIMILAR TO TITLE I OF ERISA OR SECTION 4975 OF THE US TAX CODE (“**SIMILAR LAWS**”), AND THE PURCHASE, HOLDING AND DISPOSITION OF THIS NOTE OR ANY INTEREST HEREIN DO NOT AND WILL NOT RESULT IN THE ASSETS OF THE ISSUER OF THE NOTES BEING SUBJECT TO SIMILAR LAWS AND WILL NOT CAUSE THE ASSETS OF THE ISSUER TO CONSTITUTE “PLAN ASSETS”, AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER ANY NOTE OR INTEREST THEREIN TO ANY PERSON WITHOUT FIRST OBTAINING THE SAME FOREGOING REPRESENTATIONS, WARRANTIES AND COVENANTS FROM THAT PERSON.

The foregoing is not intended to be exhaustive and the law governing investments by Benefit Plan Investors and Non-ERISA Plans is subject to extensive administrative and judicial interpretations. The foregoing discussion should not be construed as legal advice. Any potential purchaser or holder of Notes should consult counsel with respect to issues arising under ERISA, the US Tax Code and other applicable laws and make their own independent decisions.

## CLEARING AND SETTLEMENT

### Book-Entry Procedures for the Global Note Certificates

Custodial and depository links are to be established among Euroclear, Clearstream, Luxembourg and DTC to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading. See “—*Book-Entry Ownership*” and “—*Settlement and Transfer of Notes*”.

### Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in the Regulation S Global Note Certificate directly through Euroclear or Clearstream, Luxembourg if they are accountholders (“**Direct Participants**”) or indirectly (“**Indirect Participants**” and together with Direct Participants, “**Participants**”) through organisations which are accountholders therein.

### DTC

DTC has advised the Issuer as follows: DTC is a limited-purpose trust company organised under the laws of the State of New York, a “banking organisation” under the laws of the State of New York, a member of the U.S. Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants (“**DTC Participants**”) and facilitate the clearance and settlement of securities transactions between DTC Participants through electronic computerised book-entry changes in accounts of its DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly.

Investors may hold their interests in the Rule 144A Global Note Certificate directly through DTC if they are DTC Participants in the DTC system, or indirectly through organisations which are DTC Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more DTC Participants and only in respect of such portion of the aggregate principal amount of the relevant Rule 144A Global Note Certificate as to which such DTC Participant or DTC Participants has or have given such direction.

## **Book-Entry Ownership**

### ***Euroclear and Clearstream, Luxembourg***

The Regulation S Global Note Certificate will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depository on behalf of, Euroclear and Clearstream, Luxembourg.

The address of Euroclear is 1 Boulevard du Roi Albert 11, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-1855, Luxembourg.

### ***DTC***

The Rule 144A Global Note Certificate will have a CUSIP number, an ISIN and a Common Code and will be deposited with a custodian (the “**Custodian**”) for, and registered in the name of a nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC system. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

## **Relationship of Participants with Clearing Systems**

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a Note evidenced by a Global Note Certificate must look solely to Euroclear, Clearstream, Luxembourg or DTC (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note Certificate and in relation to all other rights arising under that Global Note Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note Certificate, the common depository by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants’ or accountholders’ accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note Certificate as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants or DTC Participants (as the case may be) in any clearing system to owners of beneficial interests in such Global Note Certificate held through such Direct Participants or DTC Participants (as the case may be) in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note Certificate and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note Certificate in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

## **Settlement and Transfer of Notes**

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants or DTC Participants (as the case may be), which will receive a credit for such Notes on the clearing system’s records. The ownership interest of each actual purchaser of each such Note (the “**Beneficial Owner**”) will in turn be recorded on the Direct Participants’, Indirect Participants’ or DTC Participants’ records (as the case may be).

Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant, Indirect Participant or DTC Participant (as the case may be) through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be affected by entries made on the books of Direct Participants, Indirect Participants or DTC Participants (as the case may be) acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note Certificate held within a clearing system are exchanged for individual note certificates.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants or DTC Participants (as the case may be) to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct Participants or the DTC Participants (as the case may be) will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants or DTC Participants (as the case may be), by Direct Participants to Indirect Participants, and by Direct Participants, Indirect Participants or DTC Participants (as the case may be) to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in the Global Note Certificates to such persons may be limited. In particular, because DTC can only act on behalf of DTC Participants the ability of a person having an interest in the Rule 144A Global Note Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

#### **Trading between Euroclear and/or Clearstream, Luxembourg Participants**

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

#### **Trading between DTC Participants**

Secondary market sales of book-entry interests in the Notes between DTC Participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to U.S. corporate debt obligations in DTC's Same-Day Funds Settlement system in same-day funds, if payment is effected in US dollars, or free of payment, if payment is not effected in US dollars. Where payment is not effected in US dollars, separate payment arrangements outside DTC are required to be made between DTC Participants.

#### **Trading between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser**

When book-entry interests in Notes are to be transferred from the account of a DTC Participant holding a beneficial interest in the Rule 144A Global Note Certificate to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in the Regulation S Global Note Certificate (subject to the certification procedures provided in the Paying Agency Agreement), the DTC Participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12:00 p.m., New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg Participant. On the settlement date, the custodian of the Rule 144A Global Note Certificate will instruct the Registrar to (1) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Note Certificate of the relevant class and (2) increase the amount of Notes registered in the name of the nominee of the common depository for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note Certificate. Book-entry interests will be delivered free of payment to Euroclear or Clearstream,

Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

### **Trading between Euroclear/Clearstream, Luxembourg Seller and DTC Purchaser**

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC Participant wishing to purchase a beneficial interest in the Rule 144A Global Note Certificate (subject to the certification procedures provided in the Paying Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depository for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC Participant on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depository for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of the Rule 144A Global Note Certificate who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC Participant and (b) instruct the Registrar to (1) decrease the amount of Notes registered in the name of the nominee of the common depository for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note Certificate; and (2) increase the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Note Certificate.

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interest in Global Note Certificates among participants and accountholders of Euroclear, Clearstream, Luxembourg and DTC, they are under no obligation to perform or continue to perform such procedure, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any Agent will have the responsibility for the performance, by Euroclear, Clearstream, Luxembourg or DTC or their respective Direct Participants, Indirect Participants or DTC Participants, as the case may be, of their respective obligations under the rules and procedures governing their operations.

### **Pre-issue Trades Settlement**

It is expected that delivery of Notes will be made against payment therefor on the Issue Date, which could be more than three business days following the date of pricing. Settlement procedures in different countries will vary. Purchasers of Notes may be affected by such local settlement practices, and purchasers of Notes between the relevant date of pricing and the Issue Date should consult their own advisers.

## TAXATION

*The following is a general description of certain tax considerations relating to the Notes and does not purport to be a comprehensive discussion of the tax treatment of the Notes. Prospective investors in the Notes should consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of the Notes in light of their particular circumstances, including but not limited to the consequences of receipt of interest and sale or redemption of the Notes.*

### CERTAIN UKRAINIAN TAX CONSIDERATIONS

#### *General*

The following summary is included for general information only. Potential investors in, and holders of, the Notes should consult their own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Notes under the laws of Ukraine. This summary is based upon the Ukrainian tax laws and regulations as in effect on the date of these Listing Particulars. Such laws and regulations are subject to changes and varying interpretations with potentially retroactive effects. As with other areas of Ukrainian law, tax legislation and practice in Ukraine is not as clearly established as that of more developed jurisdictions. It is possible, therefore, that the current interpretation of the law or understanding of the practice may change or that the law may be amended with retroactive effect.

#### *Tax on Interest Payments under the Loan*

The Tax Code provides that income of legal entities derived by non-residents of Ukraine from Ukrainian sources in the form of interest payments is subject to 15 per cent. withholding tax. However, interest payments under the Loan may be subject to withholding tax at a reduced rate or be exempted from Ukrainian withholding tax as described below.

#### *Interest payments under the Eurobond-Funded Loan*

Under the Reduced WHT Rule, a cross-border loan has the benefit of a reduced 5 per cent. withholding tax (throughout the life of such loan) on payments of interest made by a resident of Ukraine to a non-resident of Ukraine, provided that:

- (i) the loan was financed through the issue of foreign debt securities listed on a foreign stock exchange included in the list of qualifying stock exchanges approved by the CMU (the “**Eurobond-Funded Loan**”);
- (ii) the relevant proceeds were raised for the purpose of making the Eurobond-Funded Loan (directly or indirectly) to a resident of Ukraine; and
- (iii) a non-resident recipient of interest and/or its authorised person (provided interest is paid through such a person) is not resident in a jurisdiction other than a Qualifying Jurisdiction (namely not resident in a jurisdiction that, as at the Issue Date, is included in the list of “low-tax” jurisdictions approved by the Resolution of the CMU No. 1045 dated 27 December 2017).

Taking into account that (i) the Notes are debt securities admitted to the Official List and to trading on the Global Exchange Market of Euronext Dublin, which is included in the list of foreign stock exchanges approved by the CMU; (ii) the proceeds of the issue of the Notes will be used by the Issuer for the sole purpose of financing the Loan; and (iii) as of the date of the issue of the Notes the Issuer is a tax resident of the United Kingdom which is a Qualifying Jurisdiction, payments of interest under the Loan should be subject to a 5 per cent. withholding tax in Ukraine.

### ***Interest payments under the Ukraine-UK double tax treaty***

Ukrainian withholding tax may also be reduced to 5 per cent. under provisions of the Ukraine-UK double tax treaty (the “**Double Tax Treaty**”), amended by the Protocol ratified on 30 October 2019. However, a reduction under the Double Tax Treaty is unlikely to be available in respect of interest payable under the Loan.

In view of the foregoing, the Company does not intend that a claim for relief under the Double Tax Treaty should be made and thus payments of interest under the Loan should be subject to a 5 per cent. withholding taxation in Ukraine pursuant to the Reduced WHT Rule. The Loan Agreement, however, provides for an increased rate of interest under the Loan in respect of any payments of interest subject to withholding tax in Ukraine so that for each Interest Period (as defined in the Loan Agreement) the Issuer receives the same amount of interest, net of Ukrainian withholding tax, as would have been received had there been no withholding tax.

### ***Gross-Up Obligations***

If payments under the Loan Agreement are subject to certain other withholding taxes, save to the extent accounted for by the increased rate of interest payable under the Loan, then the Company would, in the circumstances described in the Loan Agreement, be obliged to pay such additional amounts as may be necessary so that the net payments received by the Issuer will not be less than the amount it would have received in the absence of such withholding. In such circumstances, the Company would have the right to prepay the Loan as fully set out in the Loan Agreement, as it will if the withholding tax payable in respect of interest payments on the Loan exceeds 5 per cent.

Notwithstanding the foregoing, the Tax Code generally prohibits contractual provisions requiring Ukrainian residents to pay tax for non-residents on their income received from sources in Ukraine. In May 2012, the State Tax Service of Ukraine issued a letter expressing the view that clauses in agreements between Ukrainian residents and their foreign counterparties providing for the payment of an amount compensating a foreign counterparty for the withholding of tax in Ukraine contradict certain provisions of Ukrainian legislation that prohibit a Ukrainian resident from assuming the Ukrainian tax payment obligations of a foreign counterparty (including for this purpose tax withheld from payments made to that counterparty). Therefore, there is a risk that such restrictions would apply to provisions in the Loan Agreement requiring the Company to pay additional amounts, as described in the immediately preceding paragraph (apart from an increased rate of interest under Clause 4.1 of the Loan Agreement). As a result, the said provisions may be construed as unenforceable under Ukrainian law. See “Risk Factors – Risks Relating to the Loan and the Notes - Tax gross-up provisions in the Loan Agreement may be unenforceable under Ukrainian law”.

### ***Tax on Issue of and Interest Payments under the Notes***

No Ukrainian withholding tax should be applicable to the issue of the Notes or interest payments under the Notes to the extent the Issuer is not a resident of Ukraine and does not have a permanent establishment in Ukraine.

### ***Tax on Payment of Principal on Redemption of the Notes***

The Tax Code does not provide for withholding tax applicable to repayments of principal under the Loan.

The amount paid by the Issuer to a non-resident on redemption of the Notes will not be subject to Ukrainian taxation to the extent the Issuer is not a resident of Ukraine and does not have a permanent establishment in Ukraine.

### ***Ukrainian Holders***

According to the Tax Code interest and any other income derived from debt claims (including gains) are treated as taxable income of a resident legal entity or permanent establishment of a foreign legal entity. Interest and discount income on the Notes received by resident legal entities which are holders of the Notes, as well as capital gains realised by resident legal entities from disposal of the Notes, will be subject to corporate income tax in Ukraine by self-assessment at the rate of 18 per cent.

Interest income received by resident individuals from the Notes as well as capital gains realised by resident individuals from disposal of the Notes will be subject to personal income tax and a military duty at the rate of 18 per cent. and 1.5 per cent. respectively. Individual investors receiving interest, income (discount) or capital gains on the Notes have an obligation to independently declare the income and pay personal income tax and military duty on it (unless the income is received from a person who would be deemed a tax agent in Ukraine).

### ***Transfer of Notes to Ukrainian Investors***

Under the Tax Code, Ukrainian-source income derived by non-resident legal entities from disposal of securities to Ukrainian investors are generally subject to 15 per cent. withholding tax and such income of non-resident individuals is subject to 18 per cent. personal income tax and 1.5 per cent. military duty. Both taxes may be reduced by an applicable double tax treaty. Whether the military duty can be reduced or eliminated based on the relevant double-tax treaty depends on the provisions of such treaty. There is a risk that the double-tax treaties will not apply to the military duty.

Non-resident Noteholders are, therefore, likely to be subject to Ukrainian withholding tax or personal income tax and military duty on any gain (or the gross amount of the proceeds if the gain cannot be quantified) on the disposal of Notes to Ukrainian investors.

### ***Ukrainian Stamp Duty***

No Ukrainian stamp duty, transfer or similar tax will be payable by a Noteholder in respect of the subscription, issue, delivery or transfer of the Notes.

## **CERTAIN UNITED KINGDOM TAX CONSIDERATIONS**

### ***General***

The following is a general summary of the Issuer's understanding of current United Kingdom law and published HM Revenue & Customs ("HMRC") practice relating only to the United Kingdom withholding tax treatment of payments of interest (as that term is understood for United Kingdom tax purposes) in respect of the Notes and the United Kingdom stamp tax treatment of the Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of the Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

### ***Interest***

The Notes should constitute "quoted Eurobonds" within the meaning of section 987 of the Income Tax Act 2007, provided they are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 or admitted to trading on a "multilateral trading facility" within the meaning of Section 987 of the Income Tax Act 2007. Euronext Dublin is a recognised stock exchange for the purposes of this section. The Notes will constitute "quoted Eurobonds" if they are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to



trading on the Global Exchange Market. Provided the Notes remain so listed payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

In other cases, and subject to the availability of any other exemption, an amount must generally be withheld from payments of interest on the Notes that have a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty). Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The reference to “interest” in this section means “interest” as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of “interest” or “principal” which may prevail under any other law or which may be created by the Terms and Conditions of the Notes or any related documentation.

#### ***Stamp Duty and Stamp Duty Reserve Tax***

No Stamp Duty or stamp duty reserve tax should be payable on issue of the Notes or on a transfer of the Notes.

### **CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS**

The following discussion is a summary of certain US federal income tax considerations relevant to the purchase, ownership and disposition of the Notes. Other than the section discussing FATCA, this discussion addresses only US Holders (as defined below). This discussion addresses tax consequences to US Holders who purchase Notes in the original offering at the issue price (generally, the first price at which a substantial amount of the Notes is sold for money, excluding sales to bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers) and hold the Notes as capital assets (generally, for investment purposes). This discussion does not apply to US Holders who do not use the US dollar as their functional currency. This discussion is not a complete description of all US tax considerations relating to the purchase, ownership and disposition of Notes that may be relevant to particular purchasers. It does not address the tax treatment of prospective purchasers subject to special rules, such as banks, dealers in currencies and securities, traders that elect to mark-to-market, insurance companies, US expatriates, tax-exempt entities or persons holding Notes as part of a hedge, straddle, conversion or other integrated financial transaction. It also does not address the tax treatment of prospective purchasers that will hold the Notes in connection with a permanent establishment outside of the United States. This discussion does not consider US federal estate and gift tax, US state or local tax matters, Medicare contribution tax, alternative minimum tax or non-US tax considerations. Finally, this discussion does not address prospective purchasers of further Notes, which may be issued at a discount or premium.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the “**U.S. Tax Code**”), existing and proposed U.S. Treasury Regulations, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations, which could affect the tax consequences described herein.

For purposes of this discussion, a “**U.S. Holder**” is a beneficial owner of a Note that is, for purposes of U.S. federal income taxation, (i) an individual who is a citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court or that has in effect a valid election under

applicable U.S. Treasury Regulations to be treated as a U.S. person, or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes acquires or holds the Notes, the tax treatment of the partnership and a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. A prospective investor that is a partnership for U.S. federal income tax purposes should consult its own tax advisers about the tax consequences for its partners of the partnership purchasing, holding and disposing of Notes.

### **Characterisation of the Notes**

No authority directly addresses the U.S. federal income tax characterisation of securities like the Notes and the Issuer has not and will not seek a ruling from the U.S. Internal Revenue Service (“IRS”) as to their characterisation for such purposes. Although the matter is not free from doubt, to the extent relevant for U.S. tax purposes, the Issuer intends to take the position (and the discussion below assumes) that a beneficial owner of a Note will be treated as the beneficial owner of a debt instrument that is not a contingent payment debt instrument. No assurance can be given that the IRS will not assert, or a court would not sustain, a position regarding the characterisation of the Notes that is contrary to this treatment. Alternative characterisations include treatment of the Notes as equity in the Issuer or the Company, as contingent payment debt instruments subject to special rules relating to accrual of original issue discount (“OID”) and contingent interest, or as other types of financial instruments. If the Notes were to be treated as contingent payment debt instruments or as equity, U.S. Holders may be required, among other things, to recognise income for U.S. federal income tax purposes at different times and in different amounts, or subject to higher rates of tax, than described below and may suffer additional adverse U.S. federal income tax consequences. Prospective investors should seek advice from their own tax advisers as to the consequences to them of alternative characterisations of the Notes for U.S. federal income tax purposes.

### **Interest**

In general, interest payable on a Note (without reduction for any non U.S. tax withheld with respect to such payment) will be taxable to a U.S. Holder as ordinary interest income when it is received or accrued, in accordance with such U.S. Holder’s regular method of accounting for U.S. federal income tax purposes. The Notes are not expected to be issued with more than de minimis OID. OID will be considered to be de minimis if it is less than 0.25 per cent. of the principal amount multiplied by the number of complete years to maturity of the Notes. However, if the Notes are issued with more than de minimis OID, each U.S. Holder generally will be required to include OID in its income (as interest) as it accrues, regardless of its regular method of accounting for U.S. federal income tax purposes, using a constant yield method, before such U.S. Holder receives any payment attributable to such income. The remainder of this discussion assumes that the Notes are not issued with more than de minimis OID.

Interest income on the Notes generally will be treated as income from sources outside the United States and generally will be categorised for U.S. foreign tax credit purposes as “passive category income” or, in the case of some U.S. Holders, as “general category income.” The rules relating to U.S. foreign tax credits are very complex, and each U.S. Holder should consult its own tax adviser regarding the application of such rules.

### ***Sale, Exchange, Retirement or Other Disposition***

A US Holder will recognise gain or loss on the sale, exchange, retirement or other disposition of a Note in an amount equal to the difference between the amount realised (less any accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income) and the U.S. Holder’s adjusted basis in the Note. Any such gain or loss will generally be considered U.S. source and will be long-term capital

gain or loss if the U.S. Holder has held such Note for more than one year. The long-term capital gains of non-corporate U.S. Holders may be taxed at lower rates. Deductions for capital losses are subject to limitations.

To the extent proceeds from the sale, exchange, retirement or other disposition of the Notes are subject to United Kingdom or Ukrainian tax, it is unclear whether a US Holder could claim a deduction, foreign tax credit or any treaty relief for any such tax imposed on the proceeds from the sale or other disposition of the Notes. Moreover, because a U.S. Holder's gain from the sale, exchange, retirement or other disposition of the Notes would generally constitute U.S. source income, the US Holder may not be eligible to claim a foreign tax credit for any United Kingdom or Ukrainian taxes imposed (even if such United Kingdom or Ukrainian taxes are otherwise creditable for US federal income tax purposes) with respect to such gain unless the U.S. Holder has foreign source income or gain from other sources. Each U.S. Holder should consult its own tax adviser about its eligibility for exemption from, and its ability to credit or deduct any United Kingdom or Ukrainian tax imposed on the proceeds from the sale, exchange, retirement or other disposition of the Notes.

### ***Substitution of the Issuer***

The terms of the Notes and the Trust Deed provide that, in certain circumstances and without the consent of the Noteholders, another entity may be substituted in place of the Issuer as creditor under the Loan Agreement and as issuer and principal obligor in respect of the Notes. In certain circumstances, it is possible that such an assumption might be treated as a deemed disposition of Notes by a U.S. Holder in exchange for new notes issued by the new obligor for U.S. federal income tax purposes. As a result of this deemed disposition, a U.S. Holder could be required to recognise capital gain or loss equal to the difference, if any, between the issue price of the new notes (as determined for U.S. federal income tax purposes, which may equal the fair market value of the Notes at the time of the deemed exchange), and the U.S. Holder's adjusted tax basis in the Notes, and may be treated as acquiring the new notes with OID. U.S. Holders should consult their own tax advisers concerning the U.S. federal income tax consequences to them of a change in obligor with respect to the Notes.

### **Information Reporting and Backup Withholding**

Information reporting requirements may apply to payments of stated interest (including the accrual of OID, if any) on the Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Note paid to a U.S. Holder unless such U.S. Holder is an exempt recipient, and, when required, provides evidence of such exemption. Backup withholding may apply to such payments if the U.S. Holder fails to provide a taxpayer identification number or a certification that it is not subject to backup withholding or to comply with applicable certification requirements.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a U.S. Holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

Certain U.S. Holders are required to report to the IRS information with respect to certain "specified foreign financial assets," including Notes not held through an account with certain financial institutions. Investors who fail to report required information could become subject to substantial penalties. Potential investors should consult their own tax advisers regarding the possible implications of this reporting obligation for their investment in the Notes.

THE ABOVE DISCUSSION IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS STRONGLY URGED TO CONSULT ITS OWN TAX ADVISER ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NOTES.

## FATCA

Pursuant to certain provisions of the U.S. Tax Code, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (foreign passthru payments) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom and Ukraine) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“IGAs”), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, proposed U.S. Treasury regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the date on which final regulations defining “foreign passthru payments” are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally, Notes that are characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal income tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

## SUBSCRIPTION AND SALE

Each of J.P. Morgan Securities plc, Raiffeisen Bank International AG, Dragon Capital (Cyprus) Limited and ICBC Standard Bank Plc (together the “**Joint Lead Managers**” and each a “**Joint Lead Manager**”) has, in a subscription agreement dated 6 February 2020 (the “**Subscription Agreement**”) among the Issuer, the Company and the Joint Lead Managers upon the terms and subject to the conditions contained therein, severally and not jointly, agreed to subscribe and pay for the Notes at their issue price of 100 per cent. of their principal amount.

The Joint Lead Managers shall make any offers and sales into the United States, to the extent necessary, through their U.S. registered broker-dealer affiliates as permitted by FINRA regulations.

The Joint Lead Managers are entitled to commissions and reimbursement of certain expenses pursuant to the Subscription Agreement. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

### *Allocation of the Notes*

In accordance with the terms of the Bridge Facility, the Issuer together with the Company will, in connection with allocation of the Notes in the Offering, permit the original lenders under the Bridge Facility, together with (in respect of any credit-linked notes or exposure under any total return swap in respect of the Bridge Facility) certain designees of the original lenders under the Bridge Facility (each a “**Priority Purchaser**”), to submit orders for the Notes prior to the final allocation thereof in the Offering. Subject to compliance with certain requirements set out in the Bridge Facility, the Company has agreed to provide an allocation of the Notes to each Priority Purchaser in a nominal amount at least equal to the lower of (a) the amount of such Priority Purchaser’s participation in the outstanding loan (or the nominal amount of the credit-linked note or total return swap exposure, as the case may be) at open of business on the date of pricing of the Notes and (b) the amount specified in the order of such Priority Purchaser, subject to the final principal amount of the Notes offered. Allocations of any remaining Notes offered hereby will be made in accordance with customary allocation processes and procedures.

### **Selling Restrictions**

#### *United States*

The Notes and the Loan have not been and will not be registered under the Securities Act or the securities laws of any State or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes are being offered and sold outside of the United States in reliance on Regulation S. The Subscription Agreement provides that the Joint Lead Managers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes in the United States only to persons whom they reasonably believe are QIBs that are also QPs who can represent that (a) they are QPs who are QIBs within the meaning of Rule 144A; (b) they are not broker-dealers that own and invest on a discretionary basis less than U.S.\$25 million in securities of unaffiliated issuers; (c) they are not participant directed employee plans, such as a 401(k) plan; (d) they are acting for their own account, or the account of one or more QIBs each of which is also a QP; (e) they are not formed for the purpose of investing in the Issuer or the Notes; (f) each account for which they are purchasing will hold and transfer at least U.S.\$200,000 in principal amount of Notes at any time; (g) they understand that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositaries; (h) they understand that such Notes may not be offered, sold, pledged or otherwise

transferred except to a QIB that is a QP purchasing for its own account or for the account of a QIB that is a QP; and (i) they will provide notice of the transfer restrictions set forth in these Listing Particulars to any subsequent transferees.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by a dealer that is participating in the Offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

The Issuer and the Joint Lead Managers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. These Listing Particulars do not constitute an offer to any person in the United States or to any U.S. person other than any QIB who is also a QP and to whom an offer has been made directly by one of the Joint Lead Managers or its U.S. broker-affiliate.

### ***Prohibition of Sales to EEA and UK Retail Investors***

Each Joint Lead Manager has severally and not jointly nor jointly and severally represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA or in the United Kingdom. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) a customer within the meaning of Directive (EU) 2016/97, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

### ***United Kingdom***

Each Joint Lead Manager has severally and not jointly nor jointly and severally represented, warranted and agreed that:

- (i) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (“FSMA”)) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### ***Ukraine***

Each Joint Lead Manager has severally and not jointly nor jointly and severally represented, warranted and agreed that the Notes shall not be offered by it for circulation, distribution, placement, sale, purchase or other transfer in the territory of Ukraine. Accordingly, nothing in these Listing Particulars or any other documents, information or communications related to the Notes shall be interpreted as containing any offer or invitation to, or solicitation of, any such circulation, distribution, placement, sale, purchase or other transfer in the territory of Ukraine.

### ***Hong Kong***

Each Joint Lead Manager has severally and not jointly nor jointly and severally represented and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and

Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

### ***Singapore***

Each Joint Lead Manager has acknowledged that these Listing Particulars have not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has severally and not jointly nor jointly and severally represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, these Listing Particulars or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,
- (iii) securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:
  - (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
  - (ii) where no consideration is or will be given for the transfer;
  - (iii) where the transfer is by operation of law;
  - (iv) as specified in Section 276(7) of the SFA; or
  - (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

*Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the*

*SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

### ***Canada***

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if these Listing Particulars (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.4 of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"), the Joint Lead Managers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the issue of Notes.

### ***United States Bank Holding Company Act***

ICBC Standard Bank Plc has represented that it is restricted in its U.S. securities dealings under the United States Bank Holding Company Act and may not underwrite, subscribe, agree to purchase or procure purchasers to purchase notes that are offered or sold in the United States. Accordingly, ICBC Standard Bank Plc shall not be obligated to, and shall not, underwrite, subscribe, agree to purchase or procure purchasers to purchase notes that may be offered or sold by other Joint Lead Managers in the United States. ICBC Standard Bank Plc shall offer and sell the Notes constituting part of its allotment solely outside the United States.

### ***General***

Each Joint Lead Manager has agreed that it has, to the best of its knowledge and belief, complied and will comply with applicable laws and regulations in each jurisdiction in which it offers, sells or delivers Notes or distributes these Listing Particulars or any other offering or publicity material relating to the Notes, the Issuer or the Company.

No action has or will be taken in any jurisdiction by the Issuer, the Company or any of the Joint Lead Managers that would, or is intended to, permit a public offer of the Notes or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Accordingly, each Joint Lead Manager has undertaken to the Issuer and the Company that it will not, directly or indirectly, offer or sell any Notes or distribute or publish these Listing Particulars or any other offering or publicity material relating to the Notes in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

These selling restrictions may be modified by the agreement of the Issuer, the Company and the Joint Lead Managers following a change in a relevant law, regulation or directive.



The Joint Lead Managers and their respective affiliates have engaged in transactions with the Company and other members of the Group (including, in some cases, credit agreements and credit lines) in the ordinary course of their banking business and the Joint Lead Managers performed various investment banking, financial advisory, and other services for the Company, for which they received customary fees, and the Joint Lead Managers and their respective affiliates may provide such services in the future. In particular, the Joint Lead Managers are lenders under the Bridge Facility used by the Purchaser to finance the Acquisition, which Bridge Facility will be repaid with the proceeds of the Offering. See *Overview of the Group— Financing for the purpose of the Acquisition*, *“Use of Proceeds”* and *“Capitalization”*.

## **INDEPENDENT AUDITORS**

The consolidated financial statements of the Group as of and for the years ended 31 December 2018 and 31 December 2017, included elsewhere in these Listing Particulars, have been audited by LLC Deloitte & Touche USC, independent auditors, as stated in their reports appearing therein.

The Group's unaudited condensed consolidated interim financial information as of and for the nine months ended 30 September 2019, included elsewhere in these Listing Particulars, have been reviewed by LLC Deloitte & Touche USC in accordance with the International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Group. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and accordingly LLC Deloitte & Touche USC have not expressed an audit opinion, as stated in their report appearing therein.

## GENERAL INFORMATION

1. The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC. The Common Code and the ISIN numbers for the Regulation S Notes are 211420162 and XS2114201622, respectively. The Common Code, CUSIP and ISIN numbers for the Rule 144A Notes are 211413956, 918212AA9 and US918212AA96, respectively.
2. Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and to trading on the Global Exchange Market, through the Listing Agent, Arthur Cox Listing Services Limited (“ACLSL”). ACLSL is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission to the Official List or trading on the Global Exchange Market for the purposes of the Global Exchange Market Listing and Admission to Trading Rules of Euronext Dublin.

It is expected that admission of the Notes to trading on the Global Exchange Market will be granted on or before 11 February 2020, subject only to the issue of the Notes. Transactions will normally be effected for settlements in US dollars and for delivery on the third business day after the day of the transaction.

3. For as long as the Notes are listed on the Official List of Euronext Dublin and admitted to trading on the Global Exchange Market, hard copies of the following documents may be inspected at the registered office of the Issuer and the specified offices of the Principal Paying Agent during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted):
  - a copy of these Listing Particulars, together with any supplement to these Listing Particulars;
  - the constitution of the Issuer;
  - the charter of the Company (English translation);
  - the Annual Consolidated Financial Statements, including the independent auditor’s reports thereon, and the Interim Consolidated Financial Information, including the review report thereon;
  - the Loan Agreement;
  - the Paying Agency Agreement; and
  - the Trust Deed, which includes the forms of the Global Note Certificates and the Definitive Certificates.
4. The issue of the Notes and the entry into the Loan Agreement was authorised by decisions of the Board of Directors of the Issuer on 24 January 2020 and 4 February 2020. No consents, approvals, authorisations or orders of any regulatory authorities are required by the Issuer under the laws of the United Kingdom for maintaining the Loan or for issuing the Notes.
5. The execution of the Loan Agreement by the Company was authorised by the Shareholders of the Company on 20 January 2020 and the Supervisory Board of the Company on 21 January 2020. The Company has obtained all necessary consents, approvals and authorisations in Ukraine in connection with its entry into, and performance of its obligations under, the Loan Agreement, except that the registration by the Company of the Loan Agreement with the NBU will be applied for and is a condition precedent to the issue of the Notes.
6. Since 31 December 2019, the date of incorporation of the Issuer, there has been no material adverse change in the financial position or prospects of the Issuer and no significant change in the financial or trading position of the Issuer.

7. There has been no material adverse change in the financial position or prospects of the Company since 31 December 2018 and no significant change in the financial or trading position of the Company or the Group since 30 September 2019.
8. Save for the fees payable to the Joint Lead Managers, the Trustee and the Agents, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest that is material to the issue of the Notes.
9. There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Company is aware), during the previous 12 months in relation to the Issuer or the Company which may have, or have had in the recent past, significant effects on the Issuer's, the Company's or the Group's financial position or profitability.
10. The Bank of New York Mellon SA/NV, Luxembourg Branch will act as Registrar in relation to the Regulation S Notes. The Bank of New York Mellon SA/NV, Luxembourg Branch will act as Registrar in relation to the Rule 144A Notes.
11. The indicative yield of the Notes based on the issue price of the Notes as at the Issue Date is 6.20 per cent. per annum. This indicative yield is calculated only as at the Issue Date and is not an indication of the future yield of the Notes.
12. The language of these Listing Particulars is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.
13. The Issuer does not intend to provide any post-issuance transaction information regarding the Notes or the Loan.

## DEFINITIONS AND GLOSSARY

2G	means second-generation cellular.
3G	means third-generation cellular.
4G	means fourth-generation cellular.
5G	means fifth-generation cellular.
Affiliate	of any specified Person means any other Person, directly or indirectly controlling, controlled by, or under direct or indirect common control with, such specified Person. For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling”, “controlled by” and “under common control with”), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by contract or otherwise.
AIS	means automatic information system.
ARPU	means average revenue per user as further described in “ <i>Presentation of Financial and Certain Other Information—Non-IFRS Information and other operating data—ARPU measures</i> ”.
B2B	means business-to-business.
B2C	means business-to-consumer.
BS	means base station.
BSC	means base station controller.
BSS	means business support services.
CAGR	means compound annual growth rate.
CGNAT	means carrier grade network address translation.
CS	means circuit switched.
C-SGN	means cellular IoT serving gateway node.
DEA	means diameter edge agent.
DNE	means data network equipment.
DRA	means diameter routing agent.
DTH	means direct to home, a satellite based television service.
DWDM	means dense wavelength division multiplexing.
EPC	means evolved packet core.
EWSD	means “PSTN” 'Elektronisches Wählsystem Digital'.
FO	means fibre optical.
FR	means frame relay.

FTE	means full-time equivalent.
GGSN	means gateway GPRS support node.
GMSC	means gateway mobile switching centre.
GPRS	means General Packet Radio Services.
GSM	means global system for mobile communications.
HSS	means home subscriber sever.
HW capacity	means hardware capacity.
ICT	means information and communication technology.
IFRS	means international financial reporting standards.
IGW	means international gateway.
IoT	means Internet-of-Things.
IP	means internet protocol.
ISC	means legacy international switching centre.
ISC MGC	means new generation ISC gateway controller.
ISC MGW	means international switching centre media gateway.
ISC SBC	means ISC session border controller.
KPI	means key performance indicator.
LBS	means location based service.
LTE	means long-term evolution.
MBH	means mobile backhaul network.
MGC	means media gateway controller.
MGW	means media gateways.
MME	means mobility management entity.
MMS	means multimedia messaging service.
MNO	means mobile network operator.
MNP	means mobile number portability
MPLS	means multiprotocol label switching.
MSC	means mobile switching service centre.
MSC-S	means mobile switching service centre – server.
MSE	means multi-service edge (switch).
MSS	means mobile switching station.
NB-IoT	means narrowband internet-of-things.

NBU	means National Bank of Ukraine.
NE	means network element.
NCCIR	means National Commission for the State Regulation of Communications and Informatization of Ukraine.
NMT	means Nordic mobile telephone.
NOAM	means network operation administration and maintenance.
NSS	means network subsystem switching.
OMC	means Sitronics operation and maintenance centre.
Opex	mean operational expenditure.
OSS	means operational support systems.
P-GW	means packet data network gateway.
PSTN	means public switched telephone network.
PS	means packed switched.
RAN	means radio access network.
RSU	means residential subscriber unit.
SaaS	means software as a service.
SBC	means session boarder controller.
SGSN	means serving GPRS support node.
SGSN + FR switch	means SGSN plus frame relay switch.
Siemens EWSD	means Seiemens Elektronisches Wählsystem Digital.
SIM	means subscriber identity module.
SKU	means stock keeping unit.
SMS	means short message service.
SMSC	means short message service centre.
STP	means signalling transfer point or spanning tree protocol.
TEMS	means test mobile system.
TV	means television.
UMTS	means universal mobile telecommunications system.
USIM	means UMTS Subscriber Identify Module.
VAS	means value added service.
VAT	means value added tax.
vCG	means virtual charging gateway.

vC-GN	means virtual cellular IoT serving gateway node.
vDRA/DEA	means virtual diameter routing agent/diameter edge agent.
vepc UGW	means virtualised evolved packet core universal gateway.
vEPC USN	means virtualised evolved packet core unified serving node.
VoLTE	means Voice-over-Long-Term-Evolution.
vUDN	means analytics platform.
vUGW	means virtual universal gateway.
vUSN	means virtual unified serving node.
WCDMA	means Wideband Code Division Multiple Access.
WiFi	means Wireless Fidelity.
WiMAX	means the Worldwide Interoperability for Microwave Access.



## INDEX TO THE FINANCIAL STATEMENTS OF THE GROUP

<b>The Group's Interim Condensed Consolidated Financial Statements as of and for the nine months ended 30 September 2019 .....</b>	<b>F-2</b>
Independent auditors' report on review of interim financial information .....	F-4
Interim condensed consolidated statement of profit or loss and other comprehensive income .....	F-5
Interim condensed consolidated statement of financial position .....	F-6
Interim condensed consolidated statement of changes in shareholders' equity .....	F-7
Interim condensed consolidated statement of cash flows .....	F-9
Notes to the interim condensed consolidated financial statements .....	F-10
 <b>The Group's Consolidated Financial Statements for the Year Ended 31 December 2018 .....</b>	<b>F-24</b>
Independent auditors' report .....	F-26
Consolidated statement of profit or loss and other comprehensive income .....	F-30
Consolidated statement of financial position .....	F-31
Consolidated statement of changes in shareholders' equity .....	F-32
Consolidated statement of cash flows .....	F-33
Notes to the consolidated financial statements .....	F-34
 <b>The Group's Consolidated Financial Statements for the Year Ended 31 December 2017 .....</b>	<b>F-69</b>
Independent auditors' report .....	F-71
Consolidated statement of profit or loss and other comprehensive income .....	F-74
Consolidated statement of financial position .....	F-75
Consolidated statement of changes in shareholders' equity .....	F-76
Consolidated statement of cash flows .....	F-77
Notes to the consolidated financial statements .....	F-78

# **PrJSC VF Ukraine and Subsidiaries**

Interim Condensed Consolidated  
Financial Statements as of and for the  
Nine Months Ended 30 September 2019

## **PrJSC VF UKRAINE AND SUBSIDIARIES**

### **TABLE OF CONTENTS**

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	<b>Page</b>
REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION	1
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019:	
Interim condensed consolidated statement of profit or loss and other comprehensive income	2
Interim condensed consolidated statement of financial position	3
Interim condensed consolidated statement of changes in shareholders' equity	4-5
Interim condensed consolidated statement of cash flows	6
Notes to the interim condensed consolidated financial statements	7-20

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

### To Shareholders of Private Joint Stock Company "VF Ukraine":

#### Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Private Joint Stock Company "VF Ukraine" and its subsidiaries (the "Group") as of 30 September 2019 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the nine months then ended, and selected explanatory notes. Management is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated financial information 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 financial information 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 information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

*LLC "Deloitte & Touche USC"*

Olga Shamrytska,  
Engagement Partner

LLC "Deloitte & Touche Ukrainian Services Company"  
48, 50a Zhylianska Str., Kyiv, 01033, Ukraine

13 January 2020

# **PJSC VF UKRAINE AND SUBSIDIARIES**

## **INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**


***Amounts in millions of Ukrainian Hryvnias unless otherwise stated***

	Note	Nine months ended 30 September 2019	Nine months ended 30 September 2018
Service revenue	4	10,863	9,217
Sales of goods		615	122
<b>Revenue</b>		<b>11,478</b>	<b>9,339</b>
Cost of services	5	(2,992)	(2,788)
Cost of goods		(564)	(127)
Selling, general and administrative expenses	6	(1,939)	(1,411)
Depreciation and amortization		(3,493)	(2,978)
Other operating income/(expenses)		71	36
<b>Operating profit</b>		<b>2,561</b>	<b>2,071</b>
Finance income		140	93
Finance costs		(508)	(506)
Currency exchange gain/(loss)		58	(93)
<b>Profit before tax</b>		<b>2,251</b>	<b>1,563</b>
Income tax expense		(480)	(300)
<b>Profit for the period</b>		<b>1,771</b>	<b>1,263</b>
<b>Total comprehensive income for the period</b>		<b>1,771</b>	<b>1,263</b>

**Signed on behalf of the Group's Management:**

  
Olga Ustynova  
Chief Executive Officer

  
Natalia Shevchenko  
Chief Finance Officer

  
Elena Soloviyova  
Head of Department for the Financial Statements and Accounting


# **PrJSC VF UKRAINE AND SUBSIDIARIES**

## **INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2019**

***Amounts in millions of Ukrainian Hryvnias unless otherwise stated***

	Notes	30 September 2019	31 December 2018
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	10	9,890	9,456
Right-of-use assets	12	3,148	3,459
Other intangible assets	10	6,663	7,258
Cost to obtain contracts		226	200
Deferred tax assets		606	596
<b>Total non-current assets</b>		<b>20,533</b>	<b>20,969</b>
<i>Current assets</i>			
Inventories		255	188
Trade and other receivables	9	538	496
Accounts receivable, related parties	17	46	53
Short-term investments	8	482	324
Advances paid and prepaid expenses		102	109
VAT receivable		219	216
Current income tax assets		-	44
Cash and cash equivalents	7	2,067	2,629
<b>Total current assets</b>		<b>3,709</b>	<b>4,059</b>
<b>Total assets</b>		<b>24,242</b>	<b>25,028</b>
<b>Equity and liabilities</b>			
<i>Equity</i>			
Common stock		8	8
Other components of equity		2	2
Retained earnings		13,607	11,836
<b>Total equity</b>		<b>13,617</b>	<b>11,846</b>
<i>Non-current liabilities</i>			
Notes payable, related parties	13	-	2,854
Borrowings	13	-	2
Lease obligation	12	2,502	2,779
Provisions	14	276	232
Contract liabilities		4	1
<b>Total non-current liabilities</b>		<b>2,782</b>	<b>5,868</b>
<i>Current liabilities</i>			
Trade and other payables	11	1,695	1,567
Accounts payable, related parties	17	3,191	3,264
Contract liabilities		1,394	1,245
Interest on notes payable, related parties	17	-	97
Borrowings	13	15	45
Lease obligation	12	916	879
Income tax liabilities		217	-
Provisions	14	182	179
Other non-financial liabilities	15	233	38
<b>Total current liabilities</b>		<b>7,843</b>	<b>7,314</b>
<b>Total equity and liabilities</b>		<b>24,242</b>	<b>25,028</b>

Signed on behalf of the Group's Management:

  
Olga Ustynova  
Chief Executive Officer

  
Natalia Shevchenko  
Chief Finance Officer

  
Elena Sokolova  
Head of Department for the Financial  
Statements and Accounting

**PJSC VF UKRAINE AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

	Common stock		Retained earnings	Other components of equity	Total equity
	Shares	Amount			
Balances at 31 December 2018	781,662,116	8	11,836	2	11,846
Profit for the period	-	-	1,771	-	1,771
Total comprehensive income for the period	-	-	1,771	-	1,771
Balances at 30 September 2019	781,662,116	8	13,607	2	13,617

Signed on behalf of the Group's Management:



Olga Ustynova  
Chief Executive Officer



Natalia Shvachenko  
Chief Finance Officer



Elena Solovyova  
Head of Department for the Financial  
Statements and Accounting

**PJSC VF UKRAINE AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018**

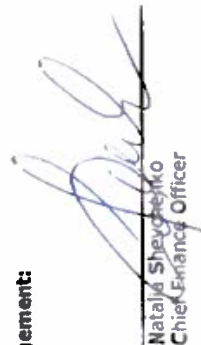
*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

	Common stock		Retained earnings	Other components of equity	Total equity
	Shares	Amount			
<b>Balances at 31 December 2017</b>	<b>781,662,116</b>	<b>8</b>	<b>10,738</b>	<b>2</b>	<b>10,748</b>
Adjustment on initial application of IFRS 15, net of tax	-	-	160	-	160
Adjustment on initial application of IFRS 9, net of tax	-	-	(4)	-	(4)
<b>Adjusted balance at 1 January 2018</b>	<b>-</b>	<b>8</b>	<b>10,894</b>	<b>2</b>	<b>10,904</b>
Profit for the period	-	-	1,263	-	1,263
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>1,263</b>	<b>-</b>	<b>1,263</b>
<b>Balances at 30 September 2018</b>	<b>781,662,116</b>	<b>8</b>	<b>12,157</b>	<b>2</b>	<b>12,167</b>

**Signed on behalf of the Group's Management:**



**Olga Ustynova**  
Chief Executive Officer



**Natalya Shevchenko**  
Chief Finance Officer



**Elena Solomyova**  
Head of Department for the Financial Statements and Accounting



## PrJSC VF UKRAINE AND SUBSIDIARIES

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

	30 September 2019	30 September 2018
<b>Cash flows from operating activities</b>		
Profit for the period	1,771	1,263
<b>Adjustments for:</b>		
Depreciation and amortization	3,493	2,978
Finance income	(140)	(93)
Finance costs	508	506
Income tax expense	480	300
Currency exchange (gain)/loss	(58)	95
Inventory obsolescence expense	4	-
Allowance for doubtful accounts	-	12
Change in provisions for employee bonuses	150	115
Change in provisions for Antimonopoly Committee cases	-	(13)
Other non-cash items (gain from disposal of PPE, IA and right-of-use assets)	(64)	(37)
<b>Movements in operating assets and liabilities:</b>		
(Increase)/Decrease in trade and other receivables and contract assets	(107)	1,268
Increase in inventory	(71)	(86)
Increase in VAT receivable	(8)	-
Decrease/(Increase) in advances paid and prepaid expenses	7	(2)
Increase in subscriber prepayments and deposits	152	38
Increase/(Decrease) in trade and other payables, contract liabilities and other liabilities	126	(221)
Income taxes paid	(229)	(312)
Interest received	147	87
Cost to obtain and fulfill contracts, paid	(90)	(67)
Interest paid	(575)	(459)
<b>Net cash provided by operating activities</b>	<b>5,496</b>	<b>5,372</b>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(2,007)	(1,683)
Purchases of other intangible assets (excl. cost to obtain contracts)	(662)	(884)
Purchase of 4G licenses	-	(2,433)
Proceeds from sale of property and equipment	41	29
Placement of short-term investments	(203)	-
<b>Net cash used in investing activities</b>	<b>(2,831)</b>	<b>(4,971)</b>
<b>Cash flows from financing activities</b>		
Proceeds from Issuance of Notes	-	2,917
Repayment of Notes	(2,745)	-
Notes and debt issuance cost paid	(3)	(7)
Lease obligation principal paid	(342)	(242)
Dividends paid	(8)	(730)
Repayment of loans	(27)	(26)
<b>Net cash (used in)/provided by financing activities</b>	<b>(3,175)</b>	<b>1,912</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(460)</b>	<b>2,313</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>2,629</b>	<b>707</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(102)</b>	<b>(35)</b>
<b>Cash and cash equivalents, end of the period</b>	<b>2,067</b>	<b>2,985</b>
<b>Non-cash additions to property, equipment and intangible assets</b>		
Non-cash addition to property, equipment and intangible assets	74	(31)
Non-cash adjustment to right-of-use assets and lease obligations	26	(1)

Signed on behalf of the Group's Management:

  
Olga Ustynova  
Chief Executive Officer

  
Natalia Shevchenko  
Chief Finance Officer

  
Elena Soloviyova  
Head of Department for the Financial  
Statements and Accounting

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**  
*Amounts in millions of Ukraine Hryvnias unless otherwise stated*

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**1. BASIS OF PREPARATION**

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, and should be read in conjunction with the annual consolidated statements of the Group for the year ended 31 December 2018.

These interim condensed consolidated financial statements are unaudited and do not include all the information and disclosures required in the annual IFRS financial statements. The Group omitted disclosures which would substantially duplicate the information contained in its 2018 audited consolidated financial statements, such as accounting policies and details of accounts which have not changed significantly in amount or composition. Additionally, the Group has provided disclosures where significant events have occurred subsequently to the issuance of its annual consolidated statements of the Group for the year ended 31 December 2018.

Management believes that the disclosures in these interim condensed consolidated financial statements are adequate to make the presented information not misleading if these interim condensed consolidated financial statements are read in conjunction with the annual consolidated statements of the Group for the year ended 31 December 2018 and the notes related thereto. In the opinion of management, the interim condensed financial statements reflect all adjustments necessary to present fairly the Group's financial position, financial performance and cash flows for the interim reporting period in accordance with IAS 34, *Interim Financial Reporting*. Results as of and for the nine months ended 30 September 2019 are not necessarily indicative of the results that may be expected for the year ended 31 December 2019.

These interim condensed consolidated financial statements are prepared on a historical cost basis, unless disclosed otherwise. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Amounts in these interim condensed consolidated financial statements are stated in millions of Ukrainian Hryvnias, unless indicated otherwise.

As of 31 December 2018, the Group also consolidated special purpose entity – Capital Valentine B.V., that was established according to the Netherlands law for the Group's financing purposes (issue of notes to a related party for a total amount of EUR 90 million and granting a loan to PrJSC "VF Ukraine" for a total amount of EUR 90 million for a period of 35 months). As the loan and respective notes (principal and coupon) were fully repaid in March 2019 (see Note 13), the Group ceased consolidating operations of this special purpose entity after the repayment date.

**Significant accounting policies**

The accounting policies and method of computation applied in the preparation of these interim condensed consolidated financial statements are consistent with those disclosed in the annual consolidated statements of the Group for the year ended 31 December 2018 except for income tax expense which is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full year.

The Group has adopted IFRIC 23, *Uncertainty over Income Tax Treatments*, ("IFRIC 23") for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

None of interpretations and amendments to standards adopted by the Group on 1 January 2019 had significant effect on the Group's interim condensed consolidated financial statements.

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 *Amounts in millions of Ukraine Hryvnias unless otherwise stated*

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to Conceptual Framework	<i>Conceptual Framework in IFRS standards<sup>(1)</sup></i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Rate Benchmark Reform<sup>(1)</sup></i>
IFRS 17	<i>Insurance Contracts<sup>(2)</sup></i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>(3)</sup></i>

(1) Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.

(2) Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

(3) The effective date for these amendments was deferred indefinitely. Early adoption continues to be permitted.

## 2. SEASONALITY

Whilst the Group does not view its business as highly seasonal as defined by IAS 34, *Interim Financial Reporting*, its financial results are impacted by seasonality through the calendar year. Higher consumption of roaming services in May-September and increased demand for handsets and accessories at the year-end before winter holidays enhance revenue from services and sales of goods for the second half of the year.

## 3. SEGMENT INFORMATION

The chief operating decision makers (CEO and senior management team) analyze and review results of the Group's operating segments separately based on the nature of products and services. The chief operating decision makers evaluate the segments' performance based on revenue and OIBDA (operating income before depreciation and amortization). The chief operating decision makers do not analyze assets or liabilities by reportable segments.

Mobile business segment represents the result of mobile operations, which encompasses services rendered to customers across Ukraine, including voice and data services.

Retail segment represents the results of retail sales of goods by the Group.

Other category does not constitute reportable segment. It includes the results of LLC IT SmartFlex that does not meet the quantitative thresholds for separate reporting.

The intercompany eliminations presented below primarily consist of sales transactions conducted under the normal course of operations.

Financial information by reportable segment is presented below:

<b>Nine months ended 30 September 2019:</b>	<b>Mobile business</b>	<b>Retail</b>	<b>Other</b>	<b>HQ and elimination</b>	<b>Consolidated</b>
<b>Revenue</b>					
External customers	10,932	541	5	-	11,478
Intersegment	20	157	17	(194)	-
<b>Total revenue</b>	<b>10,952</b>	<b>698</b>	<b>22</b>	<b>(194)</b>	<b>11,478</b>
<b>OIBDA</b>	<b>6,305</b>	<b>(217)</b>	<b>(6)</b>	<b>(28)</b>	<b>6,054</b>
Depreciation and amortization					(3,493)
<b>Operating profit</b>					<b>2,561</b>
Finance income					140
Finance costs					(508)
Currency exchange gain or loss					58
<b>Profit before tax</b>					<b>2,251</b>

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 *Amounts in millions of Ukraine Hryvnias unless otherwise stated*

Nine months ended 30 September 2018:	Mobile business	Retail	HQ and elimination	Consolidated
<b>Revenue</b>				
External customers	9,272	67	-	9,339
Intersegment	8	46	(54)	-
<b>Total revenue</b>	<b>9,280</b>	<b>113</b>	<b>(54)</b>	<b>9,339</b>
<b>OIBDA</b>	<b>5,108</b>	<b>(52)</b>	<b>(7)</b>	<b>5,049</b>
Depreciation and amortization				(2,978)
<b>Operating profit</b>				<b>2,071</b>
Finance income				93
Finance costs				(506)
Currency exchange gain or loss				(95)
<b>Profit before tax</b>				<b>1,563</b>

#### Disaggregation of revenue:

Nine months ended 30 September 2019:	Mobile business	Retail	Other	Total
<b>Revenue</b>				
Mobile services	10,833	-	-	10,833
Other services	-	25	5	30
Sales of goods	99	516	-	615
<b>Total revenue</b>	<b>10,932</b>	<b>541</b>	<b>5</b>	<b>11,478</b>

Nine months ended 30 September 2018:	Mobile business	Retail	Total
<b>Revenue</b>			
Mobile services	9,217		9,217
Sales of goods	57	65	122
<b>Total revenue</b>	<b>9,274</b>	<b>65</b>	<b>9,339</b>

All revenue is generated in Ukraine, including revenue from roaming and interconnect (as services are rendered in Ukraine).

#### 4. SERVICE REVENUE

Service revenue for the nine months of 2019 and 2018 comprised the following:

	Nine months ended 30 September 2019	Nine months ended 30 September 2018
Revenue from mobile subscribers	8,690	7,093
Interconnect revenue	1,856	1,846
Other revenue	317	278
<b>Total</b>	<b>10,863</b>	<b>9,217</b>

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 *Amounts in millions of Ukraine Hryvnias unless otherwise stated*

#### 5. COST OF SERVICES

Cost of services for the nine months ended 30 September 2019 and 30 September 2018 comprised the following:

	<b>Nine months ended 30 September 2019</b>	<b>Nine months ended 30 September 2018</b>
Interconnect expenses	1,229	1,116
Electricity and other production costs	736	626
Radio frequency usage costs	616	594
Roaming expenses	227	287
Salaries and social contributions, production	153	144
Other direct costs	31	21
<b>Total</b>	<b>2,992</b>	<b>2,788</b>

#### 6. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the nine months ended 30 September 2019 and 30 September 2018 comprised the following:

	<b>Nine months ended 30 September 2019</b>	<b>Nine months ended 30 September 2018</b>
Salaries and social contributions	917	592
Advertising and marketing expenses	324	240
Dealers commission	242	204
General office expenses	173	129
Billing and data processing	122	130
Taxes other than income tax	69	53
Other	92	63
<b>Total</b>	<b>1,939</b>	<b>1,411</b>

The growth of salaries and social contributions is driven by extension of Group's retail trading activity (LLC VF Retail).

#### 7. CASH AND CASH EQUIVALENTS

As of 30 September 2019, cash on current bank accounts was held in three reputable banks – JSC "UkrSibbank", JSC "Credit Agricole Bank", JSC "ING Bank Ukraine", located in Ukraine (as of 31 December 2018: in five reputable banks located in Ukraine). Cash equivalents include cash in transit in amount of UAH 37 million (as of 31 December 2018: UAH 65 million) which is cash paid by subscribers but not yet received from financial institutions.

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 *Amounts in millions of Ukraine Hryvnias unless otherwise stated*

Cash and cash equivalents comprised the following:

	<u>Deposit rates</u>	<u>30 September 2019</u>	<u>Deposit rates</u>	<u>31 December 2018</u>
<b>Cash and cash equivalents at banks and on hand in:</b>				
Ukrainian Hryvnia		724		560
Euro		168		467
US Dollars		22		4
<b>Short-term deposits with an original maturity of less than 92 days:</b>				
Ukrainian Hryvnia	14.6%-15.65%	1,153	17.5%-18.5%	1,233
Euro		-	0.25%	365
<b>Total cash and cash equivalents</b>		<b><u>2,067</u></b>		<b><u>2,629</u></b>

## 8. SHORT-TERM INVESTMENTS

Short-term investments represent time deposits, which have original maturities of longer than three months and are repayable in less than twelve months. Short-term investments comprised the following:

	<u>Deposit rates</u>	<u>30 September 2019</u>	<u>Deposit rates</u>	<u>31 December 2018</u>
Euro	0.3%	329	0.25%	324
Ukrainian Hryvnia	15.75%	153		-
<b>Total short-term investments</b>		<b><u>482</u></b>		<b><u>324</u></b>

## 9. TRADE AND OTHER RECEIVABLES

Trade and other receivables current comprised the following:

	<u>30 September 2019</u>	<u>31 December 2018</u>
Roaming	257	186
Subscribers	152	154
Interconnect	110	140
Other trade receivables	34	18
Dealers	32	51
Other receivables	5	13
Allowance for ECL	(52)	(66)
Receivables from factor for sold investments in distressed banks Delta bank and Kyivskaya Rus to a factor (100% credit-impaired)	961	961
Cash balance in distressed bank Platinum bank	250	250
Allowance for ECL on distressed banks credit impaired receivables	(1,211)	(1,211)
<b>Trade and other receivables</b>	<b><u>538</u></b>	<b><u>496</u></b>

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 *Amounts in millions of Ukraine Hryvnias unless otherwise stated*

#### 10. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	<u>Network and base station equipment</u>	<u>Land and buildings</u>	<u>Office equipment, vehicles and other</u>	<u>Construction in progress and equipment for installation</u>	<u>Total</u>
<b>Property and equipment</b>					
<b>Nine months ended 30 September 2019</b>					
Additions	668	7	13	1,400	<b>2,088</b>
Transferred into use	1,030	42	164	(1,224)	<b>12</b>
Disposals (net book value)	(13)	-	-	(17)	<b>(30)</b>
<b>Nine months ended 30 September 2018</b>					
Additions	474	7	11	1,222	<b>1,714</b>
Transferred into use	1,274	41	74	(1,381)	<b>8</b>
Disposals (net book value)	(2)	-	(1)	(3)	<b>(6)</b>

	<u>Licenses</u>	<u>Billing and other software</u>	<u>Total</u>
<b>Other intangible assets</b>			
<b>Nine months ended 30 September 2019</b>			
Additions	6	598	<b>604</b>
Disposals (net book value)	-	-	<b>-</b>
<b>Nine months ended 30 September 2018</b>			
Additions	2,601	706	<b>3,307</b>
Disposals (net book value)	-	-	<b>-</b>

#### 11. TRADE AND OTHER PAYABLES

Trade and other payables current comprised the following:

	<u>30 September 2019</u>	<u>31 December 2018</u>
Trade accounts payable	472	486
Accounts payable for property, equipment and intangible assets	710	714
Accrued liabilities	395	297
Accrued payroll and vacation	118	70
<b>Trade and other payables total</b>	<b><u>1,695</u></b>	<b><u>1,567</u></b>

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 *Amounts in millions of Ukraine Hryvnias unless otherwise stated*

#### 12. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS

The following table presents a summary of net book value of right-of-use assets:

<b>Lease of:</b>	<b>30 September 2019</b>	<b>31 December 2018</b>
Sites for placement of network and base station equipment	2,268	2,408
Retail store	396	375
Exclusive rights for trademarks	375	600
Administrative buildings	96	57
Vehicles	13	16
Channels	-	3
<b>Rights-of-use assets, net</b>	<b>3,148</b>	<b>3,459</b>

Depreciation charge of the right-of-use assets for the nine months ended 30 September 2019 and 30 September 2018 was as follows:

	<b>Nine months ended 30 September</b>	
	<b>2019</b>	<b>2018</b>
Sites for placement of network and base station equipment	194	161
Retail store	89	18
Exclusive rights for trademarks	225	225
Administrative buildings	26	20
Vehicles	3	2
Channels	1	10
<b>Depreciation charge, total</b>	<b>538</b>	<b>436</b>

Additions to the assets leased during the nine months ended 30 September 2019 and 30 September 2018 amounted to UAH 241 million and UAH 578 million, respectively.

Interest expense accrued on lease obligations the nine months ended 30 September 2019 and 30 September 2018 amounted to UAH 419 million and UAH 354 million, respectively.

The following table presents future minimum lease payments under lease arrangements together with the present value of the net minimum lease payments as at 30 September 2019:

	<b>30 September 2019</b>
<b>Minimum lease payments, including:</b>	
Current portion (less than 1 year)	1,007
More than 1 to 5 years	2,715
Over 5 years	2,981
<b>Total minimum lease payments</b>	<b>6,703</b>
Less amount representing interest	(3,285)
<b>Present value of minimum lease payments, including:</b>	
Current portion (less than 1 year)	915
More than 1 to 5 years	1,591
Over 5 years	912
<b>Total present value of minimum lease payments</b>	<b>3,418</b>
Less current portion of lease obligations	(916)
<b>Non-current portion of lease obligations</b>	<b>2,502</b>



## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 *Amounts in millions of Ukraine Hryvnias unless otherwise stated*

The table below represents changes in the Group's lease obligations during the nine months ended 30 September 2019:

	<b>Lease obligations</b>
<b>1 January 2019</b>	<b>3,658</b>
New obligations arising during the year	241
Modifications of existing leases	23
Termination of leases	(82)
Accrued interest	419
Payment of principal	(342)
Payment of interest	(419)
Foreign exchange gain	(80)
<b>30 September 2019</b>	<b>3,418</b>

## 13. BORROWINGS

The Group's borrowings comprise the following:

	<b>30 September 2019</b>	<b>31 December 2018</b>
Notes, related parties	-	2,951
Vendor financing	15	47
<b>Total borrowings</b>	<b>15</b>	<b>2,998</b>
Less: current portion	(15)	(142)
<b>Total borrowings, non-current</b>	<b>-</b>	<b>2,856</b>

### Notes

As of 31 December 2018 the Group's notes consisted of Capital Valentine B.V. international notes issued to Dega Retail Holding Limited, a fellow subsidiary of MTS, in EUR due 2021 at interest rate 9.20%.

In March 2019, the Group repaid principal and coupon (interest accrued to date) of Notes due in 2021 in the amount of EUR 90 million (UAH 2,745 million as of the repayment date).

The table below details changes in the Group's Notes and vendor financing:

	<b>Notes</b>	<b>Vendor financing</b>
<b>31 December 2017</b>	<b>-</b>	<b>85</b>
Principal received	2,917	-
Accrued interest	195	10
Payment of principal	-	(36)
Payment of interest	(96)	(11)
Foreign exchange gain	(65)	(1)
<b>31 December 2018</b>	<b>2,951</b>	<b>47</b>
Accrued interest	57	4
Payment of principal	(2,745)	(27)
Payment of interest	(150)	(6)
Foreign exchange gain	(113)	(3)
<b>30 September 2019</b>	<b>-</b>	<b>15</b>

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 *Amounts in millions of Ukraine Hryvnias unless otherwise stated*

#### 14. PROVISIONS

The following table summarizes totals in provisions as at 30 September 2019 and 31 December 2018:

	<b>Tax provisions other than for income tax</b>	<b>Provision for decom- missioning and restoration</b>	<b>Employee bonuses and other rewards</b>	<b>Other provisions</b>	<b>Total</b>
<b>At 31 December 2018</b>	<b>4</b>	<b>228</b>	<b>139</b>	<b>40</b>	<b>411</b>
Current	4	-	135	40	<b>179</b>
Non-current	-	228	4	-	<b>232</b>
Arising during the year	17	6	150	5	<b>178</b>
Utilised	-	(5)	(166)	-	<b>(171)</b>
Discount rate adjustment and imputed interest (change in estimates)	-	47	-	-	<b>47</b>
Unused amounts reversed	(1)	-	(6)	-	<b>(7)</b>
<b>At 30 September 2019</b>	<b>20</b>	<b>276</b>	<b>117</b>	<b>45</b>	<b>458</b>
Current	20	-	117	45	<b>182</b>
Non-current	-	276	-	-	<b>276</b>

Other provisions as at 30 September 2019 in amount of UAH 45 million consist mainly of a provision for present liability on a claim on protection against unfair competition initiated by the Antimonopoly Committee of Ukraine in amount of UAH 40 million.

Change in discount rate used for calculation of provision for decommissioning and restoration in 2019 is driven by transition from WACC to risk-free rate, effect of about UAH 19 million.

#### 15. OTHER NON-FINANCIAL LIABILITIES

Other non-financial liabilities comprised the following:

	<b>30 September 2019</b>	<b>31 December 2018</b>
VAT payable	150	29
Taxes payable other than income tax	83	9
<b>Total other non-financial liabilities</b>	<b>233</b>	<b>38</b>

Taxes payable at 30 September 2019 in amount of UAH 83 million mainly consist of a present liability on a fee for the use of radio frequency resource of Ukraine in amount of UAH 55 million (at 31 December 2018: nil) and present liability on social contributions in amount of UAH 20 million (at 31 December 2018: UAH 7 million).

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 *Amounts in millions of Ukraine Hryvnias unless otherwise stated*

#### 16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's financial instruments are represented by trade and other receivables and payables, cash and cash equivalents, short-term investments, borrowing and lease obligations. The fair values are not materially different to their carrying value, since the interest receivable or payable is either close to current market rates or the instruments are short-term in nature.

#### 17. RELATED PARTIES

Related parties include entities under common ownership with the Group, affiliated companies and associated companies.

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

Outstanding balances as of 30 September 2019 and 31 December 2018 were unsecured and settlements are made on a cash basis. There have been no guarantees provided or received for any related party receivables or payables. As 30 September 2019 and 31 December 2018, the Group had no impairment of receivables relating to significant amounts owed by related parties or expenses recognized during the years ended 30 September 2019 and 31 December 2018 in respect to bad or doubtful debts from related parties. The Group receives and provides volume discounts under roaming agreements with the parent company and accounts for discounts as a reduction of roaming expenses and revenue. The resulting receivable and payable are recognized in the accompanying interim condensed consolidated statement of financial position.

Accounts receivable from, accounts payable and advances paid and prepaid expenses to related parties were as follows:

	30 September 2019	31 December 2018
<b>Accounts receivable</b>		
MTS Belarus, MTS's associate	3	1
MTS, parent company	43	52
<b>Total accounts receivable, related parties – current</b>	<b>46</b>	<b>53</b>
<b>Total advances paid and prepaid expenses</b>	<b>3</b>	<b>6</b>
<b>Accounts payable, excluding PPE, other intangible assets and dividends</b>		
MTS Belarus, MTS's associate	-	1
Sitronics Telecom Solutions Ukraine, a subsidiary of MTS	12	18
MTS, parent company	18	49
Stream, a subsidiary of MTS	16	8
ITM Ukraine, a subsidiary of MTS	4	5
<b>Total accounts payable, excluding PPE, other intangible assets and dividends</b>	<b>50</b>	<b>81</b>
<b>Accounts payable PPE and other intangible assets</b>		
Sitronics Telecom Solutions Ukraine, a subsidiary of MTS	47	75
ITM Ukraine, a subsidiary of MTS	-	6
<b>Total accounts payable PPE and other intangible assets</b>	<b>47</b>	<b>81</b>
<b>Dividends payable</b>		
MTS	2,297	2,297
Preludium B.V.	797	797

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 *Amounts in millions of Ukraine Hryvnias unless otherwise stated*

	30 September 2019	31 December 2018
PPT Telecom	-	8
<b>Total dividends payable</b>	<b>3,094</b>	<b>3,102</b>
<b>Total accounts payable, related parties</b>	<b>3,191</b>	<b>3,264</b>
<b>Advances paid and prepaid expenses</b>		
Sitronics Telecom Solutions Ukraine, a subsidiary of MTS	3	6

The Group makes advances for the purchase of property and equipment, intangible assets and other assets to related parties which are summarized as follows:

	30 September 2019	31 December 2018
<b>Advances given for property, plant and equipment and other intangible assets</b>		
Sitronics Telecom Solutions Ukraine, a subsidiary of MTS	1	10
MTS, parent company	-	3
<b>Total advances given for property, plant and equipment and other intangible assets</b>	<b>1</b>	<b>13</b>

As of 31 December 2018 the Group's borrowings represent interest bearing notes issued (EUR 90 million with interest rate 9.20%) in the capital markets by structured entity Capital Valentine B.V. The noteholder of Capital Valentine B.V. International Notes due 2021 is Dega Retail Holding Limited, a subsidiary of MTS.

As of 30 September 2019 the Group had repaid principal and coupon (interest accrued to date) of Notes (see Note 13).

Transactions related to purchases of non-current assets were as follows:

	Nine months ended 30 September	
	2019	2018
<b>Purchases of property, plant and equipment, intangible assets and other assets:</b>		
MTS, parent company	6	12
Sitronics Telecom Solutions Ukraine, a subsidiary of MTS	285	257
ITM Ukraine, subsidiary of MTS	39	84
Stream, subsidiary of MTS	9	-
<b>Total purchases of property, plant and equipment, intangible assets and other assets</b>	<b>339</b>	<b>353</b>

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 *Amounts in millions of Ukraine Hryvnias unless otherwise stated*

#### Operating transactions

For the nine months ended 30 September 2019 and 30 September 2018 operating transactions with related parties were as follows:

	Nine months ended 30 September	
	2019	2018
<b>Revenue from related parties</b>		
MTS, parent company (telecommunication services, roaming and interconnect services)	303	286
MTS Belarus, the Group's associate (telecommunication and interconnect services)	4	2
K-Telekom, subsidiary of MTS (telecommunication and interconnect services)	1	3
Stream, subsidiary of MTS (telecommunication services, netting of content services)	(55)	(47)
Sitronics Telecom Solutions Ukraine, a subsidiary of MTS (billing, data processing services and repair and maintenance services)	6	-
<b>Total revenue from related parties</b>	<b>259</b>	<b>244</b>
<b>Costs of services incurred on transactions with related parties</b>		
MTS, parent company (roaming and interconnect services, advertising services, billing, data processing services and line rental services)	(295)	(278)
MTS Belarus, MTS's associate (telecommunication and interconnect services)	(3)	(2)
K-Telekom, subsidiary of MTS (telecommunication and interconnect services)	(1)	(3)
Sitronics Telecom Solutions Ukraine, a subsidiary of MTS (billing, data processing services and repair and maintenance services)	(48)	(56)
ITM Ukraine (billing, data processing services and repair and maintenance services)	(11)	(10)
Stream (telecommunication services)	-	-
<b>Total costs of services incurred on transactions with related parties</b>	<b>(358)</b>	<b>(349)</b>
<b>Selling, general and administrative expenses and costs incurred on transactions with related parties</b>		
Sitronics Telecom Solutions Ukraine, a subsidiary of MTS	(3)	(3)
MTS, parent company (trademark)	(3)	(8)
<b>Total SG&amp;A incurred on transactions with related parties</b>	<b>(6)</b>	<b>(11)</b>

#### Remuneration of key management personnel

During the nine months ended 30 September 2019 and 30 September 2018 key management personnel's total remuneration amounted to UAH 62 million and UAH 45 million, respectively.

## 18. COMMITMENTS AND CONTINGENCIES

#### Capital commitments

As of 30 September 2019, the Group had unexecuted purchase agreements of approximately UAH 672 million to network equipment, tangible and intangible assets that were still in progress (31 December 2018: UAH 602 million).

## **PrJSC VF UKRAINE AND SUBSIDIARIES**

### **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 *Amounts in millions of Ukraine Hryvnias unless otherwise stated***

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#### **Taxation**

Application of taxes and duties in Ukraine is regulated by the Tax Code of Ukraine. The taxes applicable to the Company's activity include VAT, income tax (profits tax), fee for the use of radio frequency resource of Ukraine, payroll (social) taxes and other. Transactions with non-resident related parties may be subject to transfer pricing compliance, in case the transactions with related non-resident per year exceeds UAH 10 million.

Compliance with tax and custom legislation is subject to review and investigation by a number of authorities, which are enabled by law to collect unpaid liability as well as impose penalties and fines. Since Ukrainian tax law and practice are relatively new with little existing precedent, the tax authorities approaches and interpretation may rapidly change, comparing to the countries with more stable and developed tax systems.

Generally, according to Ukrainian tax legislation, the tax period remains open for tax audits for three years after the respective tax return submission. As of 30 September 2019 the tax periods 2015 - 2019 remains open for the tax audits in respect to corporate income tax.

During the year ended 31 December 2018 and preceding periods, the Group paid dividends to non-resident shareholder. Taking into account an interest of the tax authorities to cross-border transactions, as well as due to Ukraine's attempts to implement BEPS measures, tax authorities may scrutinize these transactions and interpret them differently. The effect of any such claim may be significant and may materially affect financial results of the Group.

The management analyzed and monitored the transactions on a regular basis and believes them fully comply with the applicable tax laws.

In case of a different interpretation by the tax authorities of this issue, the Group estimated the risk of possible claim of tax liabilities in the amount of not more than UAH 188 million and a penalty of UAH 47 million.

#### **Litigation**

In the ordinary course of business, the Group is a party to various legal, tax and customs proceedings, and subject to claims.

However, such processes either as a whole or separately, did not have a material adverse effect on the Group. The Group assessed the risks of the negative issue and, in the case of a high level of risk, made a provision for such litigation.

#### **Political and economic crisis in Ukraine**

The Ukrainian economy proceeded recovery from the economic and political crisis of previous years and demonstrated sound real GDP growth of around 2.5% year on year for the six-month periods ended 30 June 2019 (2018: 2.8%), modest annual inflation of 9.0% (2018: 13.2%), and stabilization of national currency.

Also, Ukraine continued to limit its political and economic ties with Russia, given annexation of Crimea, an autonomous republic of Ukraine, and a frozen armed conflict with separatists in certain parts of Luhansk and Donetsk regions. Amid such events, the Ukrainian economy demonstrated further refocusing on the European Union ("EU") market realizing all potentials of established Deep and Comprehensive Free Trade Area with EU, in such a way effectively reacting to mutual trading restrictions imposed between Ukraine and Russia. As a result, the weight of the export and import to/from Russia substantially fell from 18.2% and 23.3% in 2014 to around 7.7% and 14.2% in 2018, respectively.

## **PrJSC VF UKRAINE AND SUBSIDIARIES**

### **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 *Amounts in millions of Ukraine Hryvnias unless otherwise stated***

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In terms of currency regulations, the new currency law was adopted in 2018 and came into force on 7 February 2019. It purports to enable the NBU to promulgate more liberal currency regulation and soften a number of currency restrictions, such as: requirement to register loans obtained from non-residents with the NBU, 180-day term for making payments in foreign economic transactions, required 50% share of mandatory sale of foreign currency proceeds, etc.

Further economic growth depends, largely, upon success of the Ukrainian government in realization of planned reforms and cooperation with the International Monetary Fund ("IMF").

#### **19. PENSIONS AND RETIREMENT PLANS**

The Group's contributions to the State Pension Fund during nine months ended 30 September 2019 and 30 September 2018 amounted to UAH 166 million and UAH 123 million, respectively.

#### **20. SUBSEQUENT EVENTS**

##### **Change of ownership**

On 25 November 2019, MTS PJSC and Telco Solutions and Investments LLC signed a binding agreement according to which Telco Solutions and Investments LLC acquired PrJSC VF Ukraine from MTS for cash consideration of USD 734 million (including approximately USD 84 million earn-out). The deal was closed on 3 December 2019. Upon completion of the deal, the new Supervisory Board of PrJSC VF Ukraine was formed from top managers and board members of telecommunications company Bakcell LLC and NEQSOL Holding. Nasib Hasanov is ultimate beneficiary of Telco Solutions and Investments LLC, NEQSOL Holding international group of companies and Bakcell LLC.

Subsequent to the closure of the deal, PrJSC VF Ukraine entered into the rights to funds pledge agreement with Raiffeisen Bank International AG to secure the full and timely performance of all present and future liabilities and obligations owing or incurred under the facility agreement between Telco Solutions and Investments LLC with J.P. Morgan Securities plc and Raiffeisen Bank International AG by its cash and deposit accounts at banks (with the total amount of UAH 1,578 million at the date of the agreement). Also, 100% of PrJSC VF Ukraine shares with face value of UAH 8 million was pledged under facility agreements with J.P. Morgan Securities plc and Raiffeisen Bank International AG (99% by Preludium B.V. and 1% by PPT Telecom).

##### **Dividends**

In October 2019 dividends in the amount of USD 31 million (UAH 757 million as of the repayment date) were paid to Preludium B.V.

On 6 December 2019 dividends in the amount of UAH 406 million were paid to Telco Solutions and Investments LLC in accordance to the conditions of agreement with MTS PJSC. In connection with that, on 3 December 2019 the Group paid withholding tax at a rate of 5% in the amount of UAH 115 million and made corporate profit tax advance payment in the amount of UAH 129 million.

#### **21. AUTHORISATION OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

These interim condensed consolidated financial statements were authorized for issue by the Management of the Group on 10 January 2020.

## **PrJSC VF Ukraine and Subsidiaries**

Consolidated Financial Statements  
for the Year Ended 31 December 2018



**TABLE OF CONTENTS**

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	<b>Page</b>
INDEPENDENT AUDITOR'S REPORT	1-4
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018:	
Consolidated statement of profit or loss and other comprehensive income	5
Consolidated statement of financial position	6
Consolidated statement of changes in shareholders' equity	7
Consolidated statement of cash flows	8
Notes to the consolidated financial statements	9-43

## INDEPENDENT AUDITOR'S REPORT

### To Shareholders of Private Joint Stock Company "VF Ukraine":

#### Opinion

We have audited the consolidated financial statements of Private Joint Stock Company "VF Ukraine" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

#### 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 are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code"), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### 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.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
<b>Accuracy and timeliness of revenue recognition given the complexity of IT systems</b>  The Group's consolidated revenue is a material amount formed from a large number of individually insignificant transactions. The Group is using complex information systems, including automated billing systems and integrated accounting systems, to recognize revenue.	Our audit procedures on testing of revenue and assessment of IT systems included the following: <ol style="list-style-type: none"> <li>1. Analysis of the information technology environment that ensure the functioning of telecommunication billing and other IT systems related to accounting for revenue;</li> <li>2. Detailed analysis of IT systems and business processes that are relevant to revenue recognition in order to identify risks of material misstatement of the consolidated financial statements arising from IT systems and key business processes and appropriate controls that address those risks;</li> </ol>

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Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
<p>We consider this to be a key audit matter due to the fact that accurate and timely recognition of revenue, to a large extent, depends on the correct functioning of those systems. Potential deficiencies in the work of those systems and risks of incorrect processing of data by those systems may have a material impact on the revenue recognized in the Group's consolidated financial statements.</p> <p>See Note 6 "Revenue from contracts with customers".</p>	<ol style="list-style-type: none"> <li>3. Testing design, implementation, and operating effectiveness of controls, both manual and automated, in the process of recording revenue, including in the following areas: recording and registering calls, their duration, rendering data transfer and additional services; authorizing changes in tariff plans and entering this information into automated calculation systems;</li> <li>4. Testing reconciliations of the information about duration, volume and monetary amounts of telecommunication services provided from initial recording of billable events by switching equipment to billing and other IT systems and further to the accounting records and the amounts reported in the consolidated financial statements;</li> <li>5. Performing test calls and checking the correctness of data about calls (their registration, duration, and correct billing) recorded in IT systems;</li> <li>6. Sample reconciling of data on the existing tariffs for communication services recorded in the billing systems to tariffs and public offer plans approved by the Group.</li> </ol> <p>We have also reviewed the Group's accounting policy with respect to recognition of revenue from the provision of services to subscribers and insured that the existing policy is appropriate and applied consistently.</p>
<p>Early adoption of IFRS 16, <i>Leases</i></p> <p>As disclosed in Note 2 to the consolidated financial statements the Group has early adopted IFRS 16, <i>Leases</i>, as of 1 January 2018. The Group applied a transition option provided by the standard not to restate the comparative periods as a result of its adoption.</p> <p>We consider this to be a key audit matter because the early adoption of the standard required the Group to modify existing business processes, IT systems and control procedures, had a material impact on the consolidated financial statements and required the Group's management to apply significant judgement, in particular, when determining whether the contract is, or contains, a lease, the lease term and discount rates.</p> <p>See Note 2 "Summary of significant accounting policies and new accounting pronouncements" and Note 27 "Right-of-use assets and lease obligations"</p>	<p>Our audit procedures on implementation of IFRS 16 included the following:</p> <ol style="list-style-type: none"> <li>1. Testing Group's internal controls over the formation of a registry of lease agreements and the identification of key inputs required in the measurement of right-of-use assets and lease liabilities.</li> <li>2. Analysis as to whether the Group's accounting policy was in line with IFRS 16, as well as verification of its appropriate application by means of sample-based analysis of Group's accounting for particular lease contracts, which included an analysis of: determining whether the contract is, or contains, a lease; identification of lease components within the contract as a lease separately from non-lease components of the contract; correctness of the identification and classification of lease payments and the assessment of right-of-use assets and lease liabilities; assessment of the discount rate; assessment of the lease term; compliance of methods used in measurement of right-of-use asset and lease liability with the requirements of the new standard; accuracy of management's calculations.</li> <li>3. Assessment of completeness and consistency of disclosures in the consolidated financial statements with the requirements of the new standard on leases.</li> </ol>

## **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 International Financial Reporting Standards ("IFRSs"), 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 the Group'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 the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 skepticism 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.

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, related safeguards.

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, which constitute the key audit matters included herein.

*LLC "Deloitte & Touche USC"*

*Olga Shamrytska*

Olga Shamrytska,  
Engagement Partner

LLC "Deloitte & Touche Ukrainian Services Company"  
48, 50a Zhylianska Str., Kyiv, 01033, Ukraine

10 December 2019

**PrJSC VF UKRAINE AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

	Notes	2018	2017
Service revenue	6	12,531	11,703
Sales of goods	6	268	28
<b>Revenue</b>		<b>12,799</b>	<b>11,731</b>
Cost of services	7	(3,714)	(4,329)
Cost of goods	14	(261)	(68)
Selling, general and administrative expenses	8	(2,022)	(2,292)
Depreciation and amortization	15,16,17,27	(4,088)	(2,758)
Other operating income/(expenses)		62	(25)
<b>Operating profit</b>		<b>2,776</b>	<b>2,259</b>
Finance income	9	165	132
Finance costs	9	(745)	(24)
Currency exchange gain		11	236
Other expenses		-	(1)
<b>Profit before tax</b>		<b>2,207</b>	<b>2,602</b>
Income tax expense	10	(460)	(470)
<b>Profit for the year</b>		<b>1,747</b>	<b>2,132</b>
<b>Total comprehensive income for the year</b>		<b>1,747</b>	<b>2,132</b>

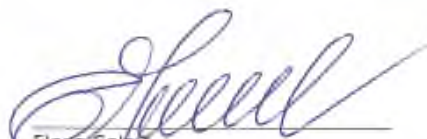
**Signed on behalf of the Group's Management:**



Olga Ustynova  
Chief Executive Officer



Natalia Shevchenko  
Chief Finance Officer



Elena Soloviyova  
Head of Department for the Financial  
Statements and Accounting


## PrJSC VF UKRAINE AND SUBSIDIARIES


### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2018

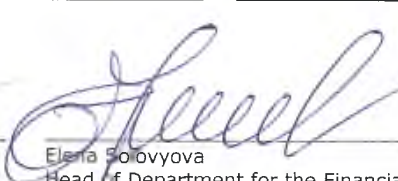
*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

	Notes	31 December 2018	31 December 2017
<b>Assets</b>			
<i>Non-current assets</i>			
Property and equipment	15	9,456	8,618
Right-of-use assets	27	3,459	-
Other intangible assets	16	7,258	4,646
Cost to obtain contracts	17	200	-
Deferred tax assets	10	596	846
<b>Total non-current assets</b>		<b>20,969</b>	<b>14,110</b>
<i>Current assets</i>			
Inventories	14	188	42
Trade and other receivables	13,21	496	1,702
Accounts receivable, related parties	21,23	53	529
Short-term investments	12	324	-
Advances paid and prepaid expenses		109	72
VAT receivable		216	251
Current income tax assets		44	-
Cash and cash equivalents	11,21	2,629	707
<b>Total current assets</b>		<b>4,059</b>	<b>3,303</b>
<b>Total assets</b>		<b>25,028</b>	<b>17,413</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Common stock	24	8	8
Other components of equity		2	2
Retained earnings		11,836	10,738
<b>Total equity</b>		<b>11,846</b>	<b>10,748</b>
<i>Non-current liabilities</i>			
Notes payable, related parties	23	2,854	-
Borrowings	19	2	38
Lease obligation	27	2,779	-
Provisions	20	232	64
Contract liabilities	22	1	3
<b>Total non-current liabilities</b>		<b>5,868</b>	<b>105</b>
<i>Current liabilities</i>			
Trade and other payables	18,21	1,567	1,739
Accounts payable, related parties	21,23	3,264	3,294
Contract liabilities	22	1,245	1,139
Interest on notes payable, related parties	19,23	97	-
Borrowings	19	45	47
Lease obligation	27	879	-
Income tax liabilities		-	114
Provisions	20	179	166
Other non-financial liabilities		38	61
<b>Total current liabilities</b>		<b>7,314</b>	<b>6,560</b>
<b>Total equity and liabilities</b>		<b>25,028</b>	<b>17,413</b>

Signed on behalf of the Group's Management:

  
Olga Ustynova  
Chief Executive Officer

  
Natalia Shevchenko  
Chief Finance Officer

  
Elena Solovyova  
Head of Department for the Financial  
Statements and Accounting

## PrJSC VF UKRAINE AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

	Common stock		Retained	Other	Total
	Shares	Amount	earnings	components of equity	equity
<b>Balances at 1 January 2017</b>	<b>781,662,116</b>	<b>8</b>	<b>10,006</b>	<b>2</b>	<b>10,016</b>
Profit/(loss) for the year	-	-	2,132	-	2,132
<b>Total comprehensive (loss)/income for the year</b>	<b>-</b>	<b>-</b>	<b>2,132</b>	<b>-</b>	<b>2,132</b>
Dividends declared	-	-	(1,400)	-	(1,400)
<b>Balances at 31 December 2017</b>	<b>781,662,116</b>	<b>8</b>	<b>10,738</b>	<b>2</b>	<b>10,748</b>
Adjustment on initial application of IFRS 15, net of tax	-	-	160	-	160
Adjustment on initial application of IFRS 9, net of tax	-	-	(4)	-	(4)
<b>Adjusted balance at 1 January 2018</b>	<b>-</b>	<b>8</b>	<b>10,894</b>	<b>2</b>	<b>10,904</b>
Profit for the year	-	-	1,747	-	1,747
<b>Total comprehensive (loss)/income for the year</b>	<b>-</b>	<b>-</b>	<b>1,747</b>	<b>-</b>	<b>1,747</b>
Dividends declared	-	-	(805)	-	(805)
<b>Balances at 31 December 2018</b>	<b>781,662,116</b>	<b>8</b>	<b>11,836</b>	<b>2</b>	<b>11,846</b>

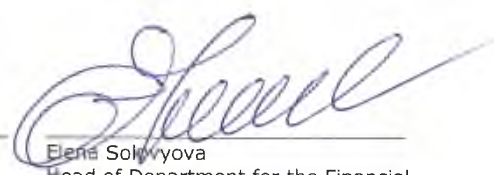
Signed on behalf of the Group's Management:



Olga Ustynova  
Chief Executive Officer



Natalia Shevchenko  
Chief Finance Officer



Elena Soloviyova  
Head of Department for the Financial  
Statements and Accounting



## PrJSC VF UKRAINE AND SUBSIDIARIES

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018


*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

	2018	2017
<b>Cash flows from operating activities</b>		
Profit for the period	1,747	2,132
<b>Adjustments for:</b>		
Depreciation and amortization	4,088	2,758
Finance income	(165)	(132)
Finance costs	745	24
Income tax expense	460	470
Currency exchange (gain)/loss	(11)	(235)
Inventory obsolescence expense	1	(1)
Allowance for doubtful accounts	14	9
Change in provisions for employee bonuses	169	121
Change in provisions for Antimonopoly Committee cases	(13)	53
Other non-cash items (gain from disposal of PPE, IA and right-of-use assets)	(51)	(14)
<b>Movements in operating assets and liabilities</b>		
Decrease/(Increase) in trade and other receivables and contract assets	1,591	(58)
Increase in inventory	(147)	(10)
(Increase)/Decrease in VAT receivable	42	(71)
Increase in advances paid and prepaid expenses	(36)	(6)
Increase in subscriber prepayments and deposits	128	116
Increase/(Decrease) in trade and other payables, contract liabilities and other liabilities	(478)	(1)
Income taxes paid	(402)	(258)
Cost to obtain and fulfill contracts, paid	(95)	-
Interest received	153	138
Interest paid, net of interest capitalised	(610)	(15)
Net cash provided by operating activities	7,130	5,020
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(2,752)	(3,383)
Purchases of other intangible assets (excl. cost to obtain contracts)	(1,456)	(1,407)
Purchase of 4G licenses	(2,433)	-
Proceeds from sale of property and equipment	31	27
Placement of short-term investments	(322)	-
Net cash used in investing activities	(6,932)	(4,763)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of Notes	2,917	-
Notes and debt issuance cost paid	(7)	-
Lease obligation principal paid	(334)	-
Dividends paid	(730)	(1,022)
Repayment of loans	(36)	(25)
Net cash provided by/(used in) financing activities	1,810	(1,047)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,008</b>	<b>(790)</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>707</b>	<b>1,445</b>
Effect of exchange rate changes on cash and cash equivalents	(86)	52
<b>Cash and cash equivalents, end of the period</b>	<b>2,629</b>	<b>707</b>
<b>Non-cash transactions</b>		
Additions of property and equipment through vendor financing	-	-
Effect of upward revision of Assets retirement obligations	140	6
Effect of VAT for CAPEX purchases	1	(64)
Foreign exchange difference	6	(7)

Signed on behalf of the Group's Management:

  
Olga Ustynova  
Chief Executive Officer

  
Natalia Shevchenko  
Chief Finance Officer

  
Elena Solovyova  
Head of Department for the Financial  
Statements and Accounting

## **PrJSC VF UKRAINE AND SUBSIDIARIES**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

***Amounts in millions of Ukrainian Hryvnias unless otherwise stated***

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#### **1. GENERAL INFORMATION AND DESCRIPTION OF BUSINESS**

VF Ukraine Private Joint-Stock Company (PrJSC "VF Ukraine" or "the Company") is a company incorporated under the laws of Ukraine and having its registered address at 15, Leiptsyzka Street, 01601, Kyiv, Ukraine.

The consolidated financial statements include the Company's and its subsidiaries' ("the Group" or "VF Ukraine") results as of 31 December 2018 and 2017, and for the years ended 31 December 2018 and 2017.

##### **Business of the Group**

The Group provides a wide range of telecommunications services including voice and data transmission, internet access, various value added services ("VAS") through wireless, pay TV, as well as the sale of equipment and accessories. The Group conducts operational activity in Ukraine. On 15 October 2015, PrJSC "VF Ukraine" signed a strategic agreement with Vodafone Sales and Services Limited on the cooperation and use of Vodafone brand in Ukraine.

PrJSC "VF Ukraine" is the Parent Company that exercises control over the subsidiaries such as LLC VF Retail, LLC IT SmartFlex and also include Capital Valentine B.V., established in the Netherlands, as a consolidated structured company in order to raise the funds for the benefit of PrJSC "VF Ukraine".

The purpose of the Limited Liability Company VF Retail ("VF Retail") is to stimulate the sales of phones and smartphones for smartphonization of the Ukrainian population.

Limited Liability Company IT SmartFlex ("IT SmartFlex") did not start its operations as of 31 December 2018.

By the end of 2018, the number of full-time employees of the Group had reached over 3,400 persons (2017: 2,800 persons).

VF Ukraine PJSC's majority shareholder is Preludium B.V. (hereinafter "Preludium"), a company incorporated under Dutch law. Preludium holds since 2015 directly 99% of the shares in VF Ukraine and 100% of the shares in PTT Telecom Kiev. As of 31 December 2018 Preludium was indirect subsidiary of Mobile TeleSystems Public Joint-Stock Company or MTS ("parent company").

On 3 December 2019 Preludium was sold to Telco Solutions and Investments LLC controlled by telecommunications company Bakcell LLC, which is a part of NEQSOL Holding international group of companies (see Note 29).

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS**

##### **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").

These consolidated financial statements have been prepared on a historical cost basis, unless disclosed otherwise. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Amounts in the consolidated financial statements are stated in millions of Ukrainian Hryvnias ("UAH million"), unless indicated otherwise.

These consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future.

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

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#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved only where the Company has power over the entity, is exposed and has rights to variable returns, and is able to use the power to affect its amount of variable returns. The results of the controlled entities acquired or disposed of during the reporting period are included in the consolidated financial statements from the date the Group achieves control over the entity, or until the date on which the Company ceases to control the entity. If necessary, the accounting policies of controlled entities are aligned with the accounting policy applied by the Group. All intra-group assets and liabilities, and equity, income, expenses and cash flows are eliminated on consolidation.

#### Functional currency

The functional currency as of 31 December 2018 of PrJSC "VF Ukraine" is the Ukrainian Hryvnia. Foreign-currency transactions are translated into the functional currency at the exchange rates at the dates of the transactions. At the reporting date, monetary items denominated in foreign currencies are translated at the closing rate, whereas non-monetary items are stated at the exchange rate at the date of their recognition. Exchange rate differences are recognized in profit or loss.

Effective ownership interests in the Group's significant subsidiaries were the following:

	<b>Accounting method</b>	<b>31 December 2018</b>	<b>31 December, 2017</b>
LLC "VF Retail"	Consolidated	100.0%	100.0%
LLC "ITSF"	Consolidated	100.0%	-

As of 31 December 2018, the Group also consolidated special purpose entity – Capital Valentine B.V., that was established according to the Netherlands law for the Group's financing purposes. The company was incorporated in January 2018 as commercial finance company with the purpose to provide financing to PrJSC "VF Ukraine". PrJSC "VF Ukraine" has control over Capital Valentine B.V. as its activity is limited to provision of financing to the Company, its capital is insufficient for operating activity as a separate entity and voting powers of direct shareholder are limited to administrative matters. The consolidation of special purpose entity had the following effect on the consolidated financial statements of the Group at 31 December, 2018 – Capital Valentine B.V. issued notes to a related party for a total amount of EUR 90 million and granted a loan to PrJSC "VF Ukraine" for a total amount of EUR 90 million for a period of 35 months. The loan and notes were fully repaid after the balance sheet date (see Note 29).

#### Standards, interpretations and amendments adopted on 1 January 2018

Starting from 1 January 2018 the Group has applied IFRS 9, *Financial Instruments*, IFRS 15, *Revenue from Contracts with Customers*, and IFRS 16, *Leases*.

#### **IFRS 9, *Financial Instruments*** (hereinafter IFRS 9)

IFRS 9 replaces the existing standard IAS 39 in regulating the classification and measurement of financial assets and liabilities and requires certain additional disclosures. The primary changes relate to provisioning for potential future credit losses on financial assets as well as recognition of modification gain or loss for all revisions of estimated payments or receipts, including changes in cash flows arising from a modification or exchange of a financial liability, that does not result in its derecognition.

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

**Amounts in millions of Ukrainian Hryvnias unless otherwise stated**

The new guidance on the classification of financial assets did not result in any material changes in the measurement and presentation of the Group's financial assets. The following table compares the classification of financial assets in accordance with IFRS 9 and IAS 39, *Financial Instruments: Recognition and Measurement*:

	Classification		31 December 2017	1 January 2018
	IAS 39	IFRS 9		
Trade and other receivables	Loans and receivables	At amortized cost	1,702	1,698
Accounts receivable, related parties	Loans and receivables	At amortized cost	529	529
Cash and Cash equivalents	Loans and receivables	At amortized cost	707	707
<b>Total</b>			<b>2,938</b>	<b>2,934</b>

The Group recognized the cumulative effect arising from the transition to IFRS 9 as an adjustment to the opening balance of equity. Prior period comparatives have not been restated.

#### **IFRS 15, Revenue from Contracts with Customers** (hereinafter IFRS 15)

The standard establishes a single comprehensive framework for the determination and recognition of revenue to be applied to all contracts with customers. IFRS 15 replaces the existing standards IAS 18, *Revenue*, and IAS 11, *Construction Contracts*. The core principle of IFRS 15 is that an entity should recognize revenue to accurately reflect the transfer of promised goods or services to customers in an amount that is equal to the consideration to which the entity expects to be entitled in exchange for those goods or services.

The most significant impact of the adoption of IFRS 15 on the Group's consolidated financial statements related to the deferral of certain incremental costs, which were incurred in acquiring contracts with customers.

The Group utilized the option for simplified initial application, meaning that those contracts that were not completed by 1 January 2018 were recognized as if they had been accounted for under IFRS 15 from the very beginning. The cumulative effect arising from the transition amounted to UAH 160 million gain and was recognized as an adjustment to the opening balance of equity. The prior period comparatives were not restated.

The effects of implementation of IFRS 15 on the Group financial statements as of 31 December 2018 are summarized in Note 3.

#### **IFRS 16, Leases** (hereinafter IFRS 16)

The standard requires lessees to recognize assets and liabilities for all leases and to present the rights and obligations associated with these leases in the statement of financial position. The standard also includes a new definition of a lease and requirements for its presentation, new disclosures requirements and changes in the accounting for sale and leaseback transactions.

The Group elected for an early adoption of the IFRS 16 standard effective as of 1 January 2018 concurrent with the adoption of the new IFRS 15 standard on revenue recognition.

In applying IFRS 16 for the first time, the Group used the following practical expedients permitted by the standard:

- Relief from the requirement to reassess whether a contract is, or contains the lease for contracts existing as of 1 January 2018;
- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous;

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

- Exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- Use of hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

The weighted average borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application was 17.46%.

The reconciliation between the operating lease commitments disclosed under IAS 17, *Leases* as of 31 December 2017 discounted at the weighted average rate and lease liability recognized under IFRS 16 at 1 January 2018 is presented below:

	<b>1 January 2018</b>
Operating lease commitments	585
Operating lease commitments discounted at 17.46%	457
Lease liability under IFRS 16	3,143
<b>Difference</b>	<b>2,686</b>
Thereof:	
Lease liability related to exclusive right to use trademark	900
Extension options reasonably certain to be exercised	1,786

The most significant difference between the discounted value of the operating lease commitments as of 31 December 2017 and the value of lease liability under IFRS 16 recognised at 1 January 2018, pertains to the requirements of the previously applied standard IAS 17 that in determining its lease operating commitments, the Group only considers future payments under the non-cancellable period of leases. Under the new lease standard, when determining a lease liability, the Group is required to consider existing extension options which are reasonably certain to be exercised.

The Group has not restate comparative for 2017 reporting period, as permitted under the specific transitional provision in IFRS 16. The adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2018. The effects of IFRS 16 adoption on the Group's consolidated statement of financial position as of 1 January 2018 are presented below:

	<b>31 December 2017 as originally presented</b>	<b>IFRS 16 adjustments</b>	<b>1 January 2018 (Restated)</b>
<b>Assets</b>			
<i>Non-current assets</i>			
Right-of-use assets	-	3,143	3,143
<b>Total non-current assets</b>	<b>14,110</b>	<b>3,143</b>	<b>17,253</b>
<b>Total assets</b>	<b>17,413</b>	<b>3,143</b>	<b>20,556</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Retained earnings	10,738	-	10,738
<b>Total equity</b>	<b>10,748</b>	<b>-</b>	<b>10,748</b>
<i>Non-current liabilities</i>			
Lease obligation	-	2,439	2,439
<b>Total non-current liabilities</b>	<b>105</b>	<b>2,439</b>	<b>2,544</b>
<i>Current liabilities</i>			
Lease obligation	-	704	704
<b>Total current liabilities</b>	<b>6,560</b>	<b>704</b>	<b>7,264</b>
<b>Total equity and liabilities</b>	<b>17,413</b>	<b>3,143</b>	<b>20,556</b>

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

**Amounts in millions of Ukrainian Hryvnias unless otherwise stated**

Other standards, interpretations and amendments adopted by the Group on 1 January 2018 had no effect on the Group's consolidated financial statements.

#### Standards, interpretations and amendments in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures<sup>(1)</sup></i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments<sup>(1)</sup></i>
Amendments to IFRS 9	<i>Prepayment Features With Negative Compensation<sup>(1)</sup></i>
Amendments IFRSs	<i>Annual Improvements to IFRSs 2015-2017 Cycle<sup>(1)</sup></i>
Amendments to Conceptual Framework	<i>Conceptual Framework in IFRS standards<sup>(2)</sup></i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Rate Benchmark Reform<sup>(2)</sup></i>
IFRS 17	<i>Insurance Contracts<sup>(3)</sup></i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>(4)</sup></i>

(1) Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

(2) Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.

(3) Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

(4) The effective date for these amendments was deferred indefinitely. Early adoption continues to be permitted.

These IFRS pronouncements are not expected to have a material impact on the Group's consolidated financial statements.

### 3. EFFECT FROM IFRS 15 IMPLEMENTATION

The effects of IFRS 15 adoption on the Group's consolidated statement of financial position as of 1 January 2018 are presented below:

	<b>31 December 2017 as originally presented</b>	<b>IFRS 15 adjustments</b>	<b>1 January 2018 (Restated)</b>
<b>Assets</b>			
<i>Non-current assets</i>			
Costs to obtain contracts	-	180	180
Deferred tax asset	846	(35)	811
<b>Total non-current assets</b>	<b>14,110</b>	<b>145</b>	<b>14,255</b>
<b>Total assets</b>	<b>17,413</b>	<b>145</b>	<b>17,558</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Retained earnings	10,738	160	10,898
<b>Total equity</b>	<b>10,748</b>	<b>160</b>	<b>10,908</b>
<i>Non-current liabilities</i>			
Contract liabilities	3	(3)	-
<b>Total non-current liabilities</b>	<b>105</b>	<b>(3)</b>	<b>102</b>
<i>Current liabilities</i>			
Trade and other payables	1,739	10	1,749
Contract liabilities	1,139	(22)	1,117
<b>Total current liabilities</b>	<b>6,560</b>	<b>(12)</b>	<b>6,548</b>
<b>Total equity and liabilities</b>	<b>17,413</b>	<b>145</b>	<b>17,558</b>

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

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As a result of implementation of IFRS 15, the Group capitalized certain incremental costs incurred in acquiring a contract with a customer which include commissions paid to a third-party distributors as well as the associated remuneration of the Group's commercial employees for obtaining a contract with a customer (See Note 17).

As a result of implementation of IFRS 15, the Group accounted for performance obligations on provision of TV and music content as an agent as the Group does not control such services before transfer to the customer.

#### 4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

##### **Critical accounting estimates**

A critical accounting estimate is an estimate that is both important to the presentation of the Group's financial position and requires management's most difficult, subjective or complex judgments, often as a result of the need to determine estimates and develop assumptions about the outcome of matters that are inherently uncertain.

Management evaluates such estimates on an on-going basis, based upon historical results, historical experience, trends, consultations with experts, forecasts of the future, and other methods which management considers reasonable under the circumstances. Management considers the accounting estimates discussed below to be its critical accounting estimates, and, accordingly, provides an explanation of each.

##### **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 management 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. Critical estimates in the evaluations of useful lives for intangible assets include, but are not limited to, the estimated average customer relationship based on churn, the remaining license period and the expected developments in technology and markets.

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 important relevant factors. The actual economic lives of intangible assets may be different from useful lives estimated by management, thereby resulting in a different carrying value of intangible assets with finite lives.

The Group continues 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. See Note 15, 16 for further information.

##### **Right-of-use assets and lease liabilities**

The value of right-of-use assets and lease liabilities is based on management estimates of lease terms as well as an incremental borrowing rate used to discount lease payments. The lease term corresponds to the non-cancellable period of each contract, however, in the most cases the Group is reasonably certain of exercising renewal options and therefore lease terms are extended to 10-20 years (See Note 27). When assessing the lease term the management considers all facts and circumstances that create the economic incentive for the Group to exercise the option to extend the lease, such as the useful life of the asset located on the leased site, statistics on sites replacement, sequence of technology change, marginality of retail stores as well as costs to terminate or enter into lease contracts. The incremental borrowing rate of the Group is determined based on the credit spreads of the Group's loan offers from banks in relation to zero-coupon yield curve for government securities.

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

Changes in these factors could affect the estimated lease term and the reported value of right-of-use assets and lease liabilities.

#### Critical judgements

#### Provisions and contingencies

The Group is subject to various legal proceedings, disputes and claims, including regulatory discussions related to the Group's business, tax positions, where the outcomes are subject to significant uncertainty. The 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 or related expense. Unanticipated events or changes in these factors may require the Group to increase or decrease the amount recorded or to be recorded for a matter that has not been previously recorded because it was not considered probable. See Note 25 for further information.

## 5. SEGMENT INFORMATION

The chief operating decision makers (CEO and senior management team) analyze and review results of the Group's operating segments separately based on the nature of products and services. The chief operating decision makers evaluate the segments' performance based on revenue and OIBDA (operating income before depreciation and amortization). The chief operating decision makers do not analyze assets or liabilities by reportable segments.

Mobile business segment represents the result of mobile operations, which encompasses services rendered to customers across Ukraine, including voice and data services.

The "Other" category does not constitute a reportable segment. It includes the results of LLC VF Retail and LLC IT SmartFlex that do not meet the quantitative thresholds for separate reporting.

The intercompany eliminations presented below primarily consist of sales transactions conducted under the normal course of operations.

Financial information by reportable segment is presented below:

Year ended 31 December 2018:	Mobile business	Other	HQ and elimination	Consolidated
<b>Revenue</b>				
External customers	12,623	176	-	12,799
Intersegment	13	105	(118)	-
<b>Total revenue</b>	<b>12,636</b>	<b>281</b>	<b>(118)</b>	<b>12,799</b>
Operating profit	2,909	(127)	(6)	2,776
Depreciation and amortization	4,069	24	(5)	4,088
<b>OIBDA</b>	<b>6,978</b>	<b>(103)</b>	<b>(11)</b>	<b>6,864</b>
<b>Other disclosure:</b>				
Capital expenditures	6,693	112	-	6,805

The consolidated operating profit is reconciled to the consolidated profit before tax on the face of the consolidated statement of profit or loss.



## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

#### Disaggregation of revenue:

Year ended 31 December 2018:	Mobile business	Other	Total
<b>Revenue</b>			
Mobile services	12,526	5	<b>12,531</b>
Sales of goods	97	171	<b>268</b>
<b>Total revenue</b>	<b>12,623</b>	<b>176</b>	<b>12,799</b>

All revenue is generated in Ukraine, including revenue from roaming and interconnect received from foreign counterparties, as services are rendered in Ukraine.

## 6. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognized to the extent that the Group has delivered goods or rendered services under an agreement, the amount of revenue can be reliably measured and it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is measured at the fair value of the consideration receivable, exclusive of value added taxes, 7.5% State Pension Fund tax and discounts.

The Group obtains revenue from providing mobile telecommunication services (access charges, messaging, interconnect fees, TV and musical content and connection fees), as well as selling equipment, accessories. Products and services may be sold separately or in bundle packages. The most significant part of revenue relates to prepaid contracts.

Revenue for access charges, messaging, interconnect fees is recognized as services are rendered. This is based upon either usage (minutes of traffic processed, volume of data transmitted) or passage of time (monthly subscription fees). Revenue from the sale of prepaid credit is deferred until such time as the customer consumes the services or the credit expires. This leads to the recognition of what is known as a contract liabilities on the statement of financial position (see Note 22) and higher cash flows from operations in the year the prepaid credit is provided to the customer while consummation takes place in subsequent years.

Revenue from the provision of TV and music content is recognized as the Group renders the service and is recorded in the amount of commission fee receivable by the Group (acts as an agent) under IFRS 15, *Revenue From Contracts with Customers* as the Group does not control such services before transfer to the customer.

The Group recognizes initial connection fees on its prepaid tariff plans from the activation of subscribers over the terms of the contract, during which the parties have existing rights and obligations secured by legal protection that is a month under Ukrainian legislation.

Revenue from sales of goods (mainly mobile handsets and other mobile devices) is recognized when the significant risks and rewards of ownership have been transferred to the customer.

For bundled packages, the Group accounts for individual products and services separately if they are distinct, which means that a product or service, as well as the customer benefit, is separately identifiable from other items in the bundled package and a customer can benefit from it. The arrangement consideration is allocated to each separate product and service, based on its relative fair value. The determined fair value of individual elements is generally based on prices at which the deliverable is regularly sold on a stand-alone basis after considering any appropriate volume discounts. Incentives provided to customers are usually offered on signing a new contract or as part of a promotional offering. Incentives, representing the reduction of the selling price of the service (discounts) are recorded in the period to which they relate, when the respective revenue is recognized, as a reduction to both trade receivables and service revenue.

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

The Group provides retrospective volume discounts under roaming agreements with international mobile operators. To estimate the variable consideration in relation to these discounts, the Group uses original data traffic adjusted on a monthly basis to reflect newly-available information. The resulting liability for the expected future discounts is recognized as a reduction of revenue within trade and other payables in the accompanying consolidated statement of financial position. Service revenue for the years ended 31 December 2018 and 2017 comprised the following:

	<b>2018</b>	<b>2017</b>
Revenue from mobile subscribers	9,687	9,126
Interconnect revenue	2,479	2,163
Other revenue	365	414
<b>Total</b>	<b>12,531</b>	<b>11,703</b>

Total sales of goods for year ended 31 December 2018 amounted UAH 268 million (31 December 2017: UAH 28 million).

#### **Comparative information under IAS 18, Revenue**

##### **Revenue recognition**

Revenue included all revenues from the ordinary business activities of the Group. Revenues were measured at the fair value of the consideration received or receivable and recorded net of value-added tax. The Group recognized revenue when the amount of revenue and related costs can be measured reliably; when it was probable that future economic benefit was flow to the Group; and when specific criteria have been met.

Content revenue recognized on a gross basis as the Group considered as a primary obligor in the arrangement under IAS 18, *Revenue*.

Upfront fees received for connection of new subscribers ("connection fees") were deferred and recognized over the estimated average subscriber life (12 months as of 31 December 2017).

## **7. COST OF SERVICES**

Cost of services for the years ended 31 December 2018 and 2017 comprised the following:

	<b>2018</b>	<b>2017</b>
Interconnect expenses	1,494	1,566
Electricity and other production costs	834	1,158
Radio frequency usage costs	794	775
Roaming expenses	363	480
Salaries and social contributions, production	199	184
Cost of value added services and other direct costs	30	166
<b>Total</b>	<b>3,714</b>	<b>4,329</b>

Prior to the adoption of IFRS 16 on 1 January 2018, other production costs included rent expenses.

Before application of IFRS 15 on 1 January 2018, the Group accounted provision of TV and music content ("Cost of value added services") on principal basis.

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

#### 8. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended 31 December 2018 and 2017 comprised the following:

	2018	2017
Salaries and social contributions	845	667
Advertising and marketing expenses	355	619
Dealers commission	272	419
General office expenses	187	163
Billing and data processing	172	183
Taxes other than income tax	105	99
Other	86	142
<b>Total</b>	<b>2,022</b>	<b>2,292</b>

Before application of IFRS 16 on 1 January 2018, the Group accounted for agreement on usage of Vodafone trademark under IAS 17 and classified these expenses as part of advertising and marketing expenses.

#### 9. FINANCE INCOME AND COSTS

Finance income and costs for the years ended 31 December 2018 and 2017 comprised the following:

	2018	2017
<b>Interest expense:</b>		
– Notes payable and vendor financing (financial liabilities at amortized cost)	205	15
– Amortization of debt issuance costs	7	-
– Lease obligations <sup>(1)</sup>	503	-
– Provisions: unwinding of discount	30	9
<b>Total interest expense</b>	<b>745</b>	<b>24</b>
<b>Total finance costs</b>	<b>745</b>	<b>24</b>
<b>Interest income:</b>		
– Interest income on bank deposits (financial assets at amortized cost)	165	132
<b>Finance income</b>	<b>165</b>	<b>132</b>
<b>Net finance (costs)/income</b>	<b>(580)</b>	<b>108</b>

<sup>(1)</sup> Starting from 1 January 2018 the Group has applied IFRS 16, *Leases*.

#### 10. INCOME TAX

Income taxes of the Group have been calculated in accordance with Ukrainian legislation and are based on the taxable profit for the period. The corporate income tax rate in Ukraine is 18%.

Standard Ukrainian withholding tax rate applicable to dividend distribution is 15%, however, the Double Tax Treaty between Ukraine and the Netherlands on the avoidance of double taxation (the DTT) provides a possibility to apply reduced 0% or 5% tax rate to dividend income. During dividend distribution in favor of Preludium B.V. the Company applied reduced withholding tax rate of 5% under the DTT.

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases of assets and liabilities that will result in future taxable or deductible amounts. The deferred tax assets and liabilities are measured using the enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income.

Significant components of income tax expense for the years ended 31 December 2018 and 2017 were as follows:

	<b>2018</b>	<b>2017</b>
Current income tax charge	244	381
Deferred tax	216	89
<b>Total tax expense for the period</b>	<b>460</b>	<b>470</b>

The statutory income tax rates in Ukraine for 2018 and 2017 was at the rate 18%:

	<b>2018</b>	<b>2017</b>
<b>Statutory income tax rate for the year</b>	<b>18.0</b>	<b>18.0</b>
Adjustments:		
Effect of IFRS 16 tax non-deductible expenses	1.5	-
Loss of subsidiary VF Retail for which no deferred tax asset was recognised	1.2	-
Expenses not deductible for tax purposes	0.1	0.1
<b>Effective income tax rate</b>	<b>20.8</b>	<b>18.1</b>

The Group reported the following deferred income tax assets and liabilities in the consolidated statement of financial position:

	<b>31 December 2018</b>	<b>31 December 2017</b>
Deferred tax assets	596	846
<b>Net deferred tax assets</b>	<b>596</b>	<b>846</b>

Movements in the deferred tax assets and liabilities for the year ended 31 December 2017 were as follows:

	<b>1 January 2017</b>	<b>Recognised in profit/loss</b>	<b>31 December 2017</b>
<b>Assets/(liabilities) arising from tax effect of:</b>			
Provision for receivables from factor and cash balance in distressed bank	396	(32)	364
Depreciation of property and equipment	277	42	319
Deferred connection fees and subscriber prepayments	158	(92)	66
Accrued expenses	74	9	83
Allowance for doubtful accounts	15	(3)	12
Assets retirement obligations	8	3	11
Other	7	(16)	(9)
<b>Net deferred tax asset</b>	<b>935</b>	<b>(89)</b>	<b>846</b>

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

Movements in the deferred tax assets and liabilities for the year ended 31 December 2018 were as follows:

	<b>31 December 2017</b>	<b>Adjustment on initial application of new IFRS standards</b>	<b>Recognised in profit/loss</b>	<b>31 December 2018</b>
<b>Assets/(liabilities) arising from tax effect of:</b>				
Provision for receivables from factor and cash balance in distressed bank	364	-	(146)	218
Depreciation of property and equipment	319	-	(23)	296
Deferred connection fees and subscriber prepayments	66	-	(61)	5
Accrued expenses	83	-	(19)	64
Allowance for doubtful accounts	12	1	(1)	12
Assets retirement obligations	11	-	30	41
Capitalization of cost to obtain and fulfill contracts	-	(35)	(5)	(40)
Other	(9)	-	9	-
<b>Net deferred tax asset</b>	<b>846</b>	<b>(34)</b>	<b>(216)</b>	<b>596</b>

Tax losses of subsidiary VF Retail, for which deferred tax assets were not recognized in the consolidated statement of financial position as of 31 December, 2018 amounted to UAH 148 million.

## 11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent cash on hand and in bank accounts, as well as short-term bank deposits, which have original maturities of less than three months. As of 31 December 2018, cash on current bank accounts was held in five reputable banks – JSC "Raiffeisen Bank Aval", JSC "Credit Agricole Bank", JSC "Citibank", JSC "ING Bank Ukraine", JSC "Ukrsibbank" located in Ukraine (as of 31 December 2017: in five reputable banks located in Ukraine, respectively). Cash equivalents include cash in transit in amount of UAH 65 million (as of 31 December 2017: UAH 58 million) which is cash paid by subscribers but not yet received from financial institutions.

Cash and cash equivalents comprised the following:

	<b>Deposit rates</b>	<b>31 December 2018</b>	<b>Deposit rates</b>	<b>31 December 2017</b>
<b>Cash and cash equivalents at banks and on hand in:</b>				
Ukrainian Hryvnia		560		338
Euro		467		253
US Dollars		4		6
<b>Short-term deposits with an original maturity of less than 92 days:</b>				
Ukrainian Hryvnia	17.5%-18.5%	1,233	12.5%	110
Euro	0.25%	365		-
<b>Total cash and cash equivalents</b>		<b>2,629</b>		<b>707</b>

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

#### 12. SHORT-TERM INVESTMENTS

Short-term investments represent time deposits, which have original maturities of longer than three months and are repayable in less than twelve months. As of 31 December 2018 time deposits were nominated in EUR at interest rate 0.25% and amounted to UAH 324 million (2017: nil). Short-term investments of the Group are measured at amortized costs.

#### 13. TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at transaction price and carried at amortized cost. The carrying value of all trade receivables is reduced by appropriate allowances for expected credit losses (ECL).

For trade receivables the Group applies a simplified approach and calculates ECL based on lifetime expected credit losses. For receivables from subscribers the allowance for ECL is computed using the provision matrix. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome and all reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, receivables from subscribers are impaired if past due for more than 180 days.

ECL on receivables other than from subscribers are measured on individual basis based on past information (historical losses) and forward-looking information, when available. Receivables other than from subscribers are written-off upon the expiration of the limitation period or before based on results of internal investigations.

The Group receives volume discounts under roaming agreements with international mobile operators and accounts for discounts received as a reduction of roaming expenses. The resulting receivable is recognized within trade and other receivables in the accompanying consolidated statement of financial position. Such receivables are settled once a year.

Trade and other receivables current comprised the following:

	<b>31 December 2018</b>	<b>31 December 2017</b>
Roaming	186	1,403
Subscribers	154	154
Interconnect	140	151
Dealers	51	54
Other trade receivables	18	5
Other receivables	13	1
Allowance for ECL (IFRS 9)	(66)	-
Allowance for doubtful accounts (IAS 39)	-	(66)
Receivables from factor for sold investments in distressed banks Delta bank and Kyivskaya Rus to a factor (100% credit-impaired)	961	961
Cash balance in distressed bank Platinum bank	250	250
Allowance for ECL on distressed banks credit impaired receivables (IFRS 9)	(1,211)	(1,211)
<b>Trade and other receivables total</b>	<b>496</b>	<b>1,702</b>

The majority of the Group's trade receivable balances are settled within 30 days. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits separately for each individual customer.

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

**Amounts in millions of Ukrainian Hryvnias unless otherwise stated**

In 2015 the company entered in a factoring agreement in respect to cash balances deposited in distressed banks Delta Bank (UAH 1,627 million) and Kyivska Rus (UAH 328 million), under which the factor is obliged to reimburse the Group for 50% and 45% of cash balance, accordingly. As of 31 December 2017 receivables from factor in amount of UAH 961 million and cash in distressed bank in Platinum bank (UAH 250 million) were fully impaired due to high credit risk of counterparties. As of December 2018 recognized the lifetime ECL was estimated in the same amount as 100% credit-impaired significantly overdue receivables.

Trade receivables from roaming as of 31 December 2018 are presented net of UAH 79 million set off with respective trade payables for roaming (see Note 18) (as of 31 December 2017 UAH 248 million). Trade receivables from interconnect as of 31 December 2018 are presented net of UAH 92 million set off with respective trade payables for interconnect (see Note 18) (as of 31 December 2017 UAH 106 million).

The analysis of the age of trade and other accounts receivables and the respective allowance for ECL as of 31 December 2018:

Receivables from subscribers assessed for impairment based on provision matrix	Weighted- average loss rate	Gross carrying amount	Loss allowance (based on provision matrix)	Credit- impaired
Current	1%	99	(0.9)	No
1-30 days past due	19%	8	(1.5)	No
31-60 days past due	35%	3	(1.1)	No
61-90 days past due	60%	1	(0.7)	No
91-120 days past due	75%	1	(0.5)	No
121-150 days past due	85%	1	(1)	No
151-180 days past due	90%	1	(0.9)	No
More than 180 days past due	100%	40	(39.8)	Yes
<b>Total</b>	<b>30%</b>	<b>154</b>	<b>(46.4)</b>	

As of 31 December 2018 the Group recognized ECL in the amount of UAH 1,231 million for receivables other than from subscribers with gross carrying amount of UAH 1,619 million which was measured on individual basis based on past and forward-looking information.

The following table summarizes changes in the allowance for expected credit losses for the year ended 31 December 2018:

	2018
<b>Balance, beginning of the year calculated under IAS 39</b>	<b>(1,277)</b>
Additional allowance required under IFRS 9	(4)
<b>Balance, beginning of the year, calculated under IFRS 9</b>	<b>(1,281)</b>
Allowance for ECL	(14)
Accounts receivable written off	18
<b>Balance, end of the year</b>	<b>(1,277)</b>

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

#### Comparative information under IAS 39:

Trade and other receivables were stated at their nominal value as reduced by appropriate allowance for doubtful accounts. The Group provided an allowance for doubtful accounts based on management's periodic review with respect to the recoverability of trade receivables, advances given and other receivables. Such allowance reflected specific cases, collection trends or estimates based on evidence of collectability.

The analysis of the age of trade and other accounts receivables past due but not impaired:

	<b>31 December 2017</b>
Neither past due nor impaired	1,654
Past due, but not impaired:	
Less than 60 days	41
61-150 days	3
More than 150 days	4
<b>Total</b>	<b><u>1,702</u></b>

The following table summarizes changes in the allowance for doubtful accounts receivable:

	<b>2017</b>
<b>Balance, beginning of the year</b>	<b>(1,292)</b>
Allowance for doubtful accounts	(9)
Accounts receivable written off	24
<b>Balance, end of the year</b>	<b><u>(1,277)</u></b>

#### 14. INVENTORIES

Inventories are stated at the lower of cost or net realizable value. Inventory cost is determined using the weighted average cost method. Handsets and accessories held for sale are expensed when sold. The Group regularly assesses its inventories for obsolete and slow-moving stock.

Inventory comprised the following:

	<b>31 December 2018</b>	<b>31 December 2017</b>
Handsets and accessories	159	18
Advertising and other materials	20	15
SIM cards and prepaid phone cards	9	9
<b>Total inventories</b>	<b><u>188</u></b>	<b><u>42</u></b>

Inventories at the end of 2018 increased due to the launch of VF Retail.

Other materials mainly consist of automotive and IT components, advertising, stationery, fuel and auxiliary materials.

Expenses for inventory obsolescence provision were included in cost of goods in the consolidated statement of profit or loss.



## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

For the years ended 31 December 2018 and 2017, cost of goods comprised the following expenses:

	<b>2018</b>	<b>2017</b>
Cost of goods sold	260	69
Inventory obsolescence provision	1	-
Reversal of obsolescence provision	-	(1)
<b>Total cost of goods</b>	<b>261</b>	<b>68</b>

The reversal of the inventory obsolescence provision relates to handsets and accessories sold over the course of the Group's promotion campaigns.

## 15. PROPERTY AND EQUIPMENT

Property and equipment, including improvements, are stated at cost less impairment. Property and equipment with a useful life of more than one year is capitalized at historical cost and depreciated on a straight-line basis over its expected useful life, as follows:

### **Network and base station equipment:**

Network infrastructure	3-20 years
Other	3-15 years

### **Land and buildings:**

Buildings	20-50 years
Leasehold improvements	the term of the lease

### **Office equipment, vehicles and other:**

Office equipment	3-20 years
Vehicles	3-7 years
Other	3-20 years

The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal of an item of property and equipment is determined as the difference between any sale proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

Construction in progress and equipment held for installation is not depreciated until the constructed or installed asset is ready for its intended use. Maintenance and repair costs are expensed as incurred, while upgrades and improvements are capitalized.

Pursuant to IAS 36, property and equipment are tested for impairment when circumstances indicate that there may be a potential impairment.

Recoverable amounts of assets and cash generating units ("CGUs") are based on evaluations, including the determination of the appropriate CGUs, the discount rate, estimates of future performance, the revenue generating capacity of the assets, timing and amount of future purchases of property and equipment, assumptions of the future market conditions and the long-term growth rate into perpetuity (terminal value). A change of assumptions, particularly in relation to the discount rate and growth rate used to estimate the recoverable amounts of assets, could significantly impact results of the Group's impairment evaluation.

The Group calculates a provision for decommissioning and restoration (ARO) when the Group has a legal or constructive obligation in connection with the retirement of property and equipment (see Note 20).

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

The net book value of property and equipment as of 31 December 2018 and 2017 was as follows:

	Network and base station equipment	Land and buildings	Office equipment, vehicles and other	Construction in progress and equipment for installation	Total
<b>Cost</b>					
<b>31 December 2016</b>	<b>16,228</b>	<b>606</b>	<b>2,058</b>	<b>520</b>	<b>19,412</b>
Additions	1,085	6	15	2,213	<b>3,319</b>
Transferred into use	1,567	12	106	(1,685)	-
Disposal	(763)	(4)	(31)	(7)	<b>(805)</b>
<b>31 December 2017</b>	<b>18,117</b>	<b>620</b>	<b>2,148</b>	<b>1,041</b>	<b>21,926</b>
Additions	844	16	85	1,867	<b>2,812</b>
Transferred into use	2,033	44	174	(2,251)	-
Disposal	(582)	(2)	(25)	(6)	<b>(615)</b>
<b>31 December 2018</b>	<b>20,412</b>	<b>678</b>	<b>2,382</b>	<b>651</b>	<b>24,123</b>
<b>Accumulated amortisation and impairment</b>					
<b>31 December 2016</b>	<b>(10,624)</b>	<b>(228)</b>	<b>(1,503)</b>	-	<b>(12,355)</b>
Charge for the year	(1,541)	(23)	(184)	-	<b>(1,748)</b>
Disposal	762	4	29	-	<b>795</b>
<b>31 December 2017</b>	<b>(11,403)</b>	<b>(247)</b>	<b>(1,658)</b>	-	<b>(13,308)</b>
Charge for the year	(1,696)	(69)	(197)	-	<b>(1,962)</b>
Disposal	578	1	24	-	<b>603</b>
<b>31 December 2018</b>	<b>(12,521)</b>	<b>(315)</b>	<b>(1,831)</b>	-	<b>(14,667)</b>
<b>Net book value</b>					
<b>31 December 2017</b>	<b>6,714</b>	<b>373</b>	<b>490</b>	<b>1,041</b>	<b>8,618</b>
<b>31 December 2018</b>	<b>7,891</b>	<b>363</b>	<b>551</b>	<b>651</b>	<b>9,456</b>

The Group has secured its notes payable with the network and base station equipment with the net book value of UAH 2,161 million as of 31 December 2018 (nil as of 31 December 2017).

## 16. OTHER INTANGIBLE ASSETS

Other intangible assets primarily consist of billing, telecommunication, accounting and office software as well as numbering capacity and licenses. These assets are assets with finite useful lives. They are initially recognized at cost and amortized on a straight-line basis over their estimated useful lives.

Pursuant to IAS 36, other intangible assets with indefinite useful lives and intangible assets not yet brought into use must be tested for impairment annually or more often if indicators of impairment exist. Other assets are tested for impairment when circumstances indicate that there may be a potential impairment.

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

Recoverable amounts of assets and cash generating units ("CGUs") are based on evaluations, including the determination of the appropriate CGUs, the discount rate, estimates of future performance, the revenue generating capacity of the assets, timing and amount of future purchases of property and equipment, assumptions of the future market conditions and the long-term growth rate into perpetuity (terminal value). A change of assumptions, particularly in relation to the discount rate and growth rate used to estimate the recoverable amounts of assets, could significantly impact results of the Group's impairment evaluation.

Net book value of other intangible assets as of 31 December 2018 and 2017 was as follows:

	<b>Licenses</b>	<b>Billing and other software</b>	<b>Numbering capacity</b>	<b>Total</b>
<b>Useful life, years</b>	<b>1 to 19</b>	<b>1 to 15</b>	<b>1 to 15</b>	
<b>Cost</b>				
<b>31 December 2016</b>	<b>3,693</b>	<b>3,986</b>	<b>49</b>	<b>7,728</b>
Additions	373	1,216	-	<b>1,589</b>
Disposal	-	(71)	-	<b>(71)</b>
<b>31 December 2017</b>	<b>4,066</b>	<b>5,131</b>	<b>49</b>	<b>9,246</b>
Additions	2,849	1,144	-	<b>3,993</b>
Disposal	(81)	(508)	-	<b>(589)</b>
<b>31 December 2018</b>	<b>6,834</b>	<b>5,767</b>	<b>49</b>	<b>12,650</b>
<b>Accumulated amortisation and impairment</b>				
<b>31 December 2016</b>	<b>(645)</b>	<b>(2,972)</b>	<b>(44)</b>	<b>(3,661)</b>
Charge for the year	(251)	(757)	(2)	<b>(1,010)</b>
Disposal	-	71	-	<b>71</b>
<b>31 December 2017</b>	<b>(896)</b>	<b>(3,658)</b>	<b>(46)</b>	<b>(4,600)</b>
Charge for the year	(372)	(1,008)	(1)	<b>(1,381)</b>
Disposal	81	508	-	<b>589</b>
<b>31 December 2018</b>	<b>(1,187)</b>	<b>(4,158)</b>	<b>(47)</b>	<b>(5,392)</b>
<b>Net book value</b>				
<b>31 December 2017</b>	<b>3,170</b>	<b>1,473</b>	<b>3</b>	<b>4,646</b>
<b>31 December 2018</b>	<b>5,647</b>	<b>1,609</b>	<b>2</b>	<b>7,258</b>

In connection with providing telecommunication services, the Group has been issued with various GSM, UMTS, LTE radio frequencies licenses by the National Commission For The State Regulation Of Communications And Informatization. The amount of intangible assets generated internally was not significant.

In March 2015, the Group acquired a nationwide license for the provision of UMTS (3G) telecommunications services through an open tender. The cost of the license was UAH 2,715 million and this was granted for 15 years. In accordance with the terms of the license, the Group was required to launch UMTS services in Ukraine by October 2016, and provide coverage throughout Ukraine by April 2020.

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

In accordance with the terms of the license, the Group also concluded agreements to convert the provided frequencies for commercial use with the Ministry of Defense of Ukraine, Ministry of Internal Affairs of Ukraine and State Service of Special Communications and Information Protection of Ukraine. For the conversion of frequencies, the Group paid UAH 358 million before 1 January 2017, UAH 299 million in 2017, and UAH 230 million in 2018. Conversion costs were capitalized and included in gross book value of licenses.

In January and March 2018, the Group secured a 4G LTE licenses in the 2510-2520/2630-2640 and 1780-1785/1875-1880 MHz bands as the result of a national auction. Period of licenses is 15 years. Under the terms and conditions of the LTE licenses, VF Ukraine is obligated to deliver LTE services to not less than 90% of the population in each regional center of Ukraine (with certain exceptions) within 12 months from the date when the licenses were effective. VF Ukraine is also obligated to deliver LTE services to at least 90% of the population in each population center with over 10,000 inhabitants (with certain exceptions) within 42 months from the issuance of the licenses. For the conversion of frequencies, VF Ukraine paid UAH 146 million in 2018.

The management believes that as of 31 December 2018, the Group is in compliance with conditions of the aforementioned licenses.

#### 17. COSTS TO OBTAIN CONTRACTS

The Group capitalizes certain incremental costs incurred in acquiring a contract with a customer if the management expects these costs to be recoverable.

Costs of acquiring a contract include commissions paid to a third-party distributors as well as the associated remuneration of the Group's commercial employees for obtaining a contract with a customer. These costs are amortized on a straight-line basis over the average subscriber life (29 months).

The Group uses a practical expedient from IFRS 15 which allows to expense contract costs as incurred when the expected contract duration is one year or less.

As of 31 December 2018 and 1 January 2018 the balances of cost to obtain contracts capitalized by the Group amounted to:

	<b>Costs to obtain contracts</b>
<b>Useful life, years</b>	<b>3</b>
<b>Cost</b>	
<b>31 December 2017</b>	-
Effect on adoption of IFRS 15 (Note 3)	334
Additions	165
Disposal	-
<b>31 December 2018</b>	<b>499</b>
<b>Accumulated amortisation and impairment</b>	
<b>31 December 2017</b>	-
Effect on adoption of IFRS 15 (Note 3)	(154)
Charge for the year	(145)
Disposal	-
<b>31 December 2018</b>	<b>(299)</b>
<b>Net book value</b>	
<b>31 December 2018</b>	<b>200</b>

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

#### 18. TRADE AND OTHER PAYABLES

Trade and other payables current comprised the following:

	31 December 2018	31 December 2017
Trade accounts payable	486	606
Accounts payable for property, equipment and intangible assets	714	760
Accrued liabilities	297	313
Accrued payroll and vacation	70	60
<b>Trade and other payables total</b>	<b>1,567</b>	<b>1,739</b>

#### 19. BORROWINGS

Group's borrowings represent vendor financing and notes issued in the capital markets. Borrowings are initially recorded at fair value plus transaction costs that are directly attributable to the issue of the financial liability.

The Group's borrowings comprise the following:

	31 December 2018	31 December 2017
Notes, related parties	2,951	-
Vendor financing	47	85
<b>Total borrowings</b>	<b>2,998</b>	<b>85</b>
Less: current portion	(142)	(47)
<b>Total borrowings, non-current</b>	<b>2,856</b>	<b>38</b>

#### Notes

The Group's notes consisted of Capital Valentine B.V. international notes issued in EUR due 2021 at interest rate 9.20%.

	Currency	Interest rate (actual at 31 December 2018)	31 December 2018
Notes due 2021	EUR	9.2%	2,951
<b>Total notes</b>			<b>2,951</b>
Including:			
- principal debt			2,854
- accrued interest			97
<b>Total</b>			<b>2,951</b>
Less: current portion			(97)
<b>Total notes, non-current</b>			<b>2,854</b>

The notes were fully repaid after the balance sheet date (see Note 29).

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

#### Vendor financing

The Group's vendor financing, liabilities for the acquisition of property or equipment, consisted of the following:

	<u>Currency</u>	<u>Interest rate (actual at 31 December 2018)</u>	<u>31 December 2018</u>	<u>31 December 2017</u>
ZTE Corporation (2018-2019)	USD	16.0%-13.0%	32	62
ZTE Ukraine LLC (2018-2020)	UAH	28.0%	15	23
<b>Total vendor financing</b>			<b>47</b>	<b>85</b>
Including:				
- principal debt			30	64
- accrued interest			17	21
<b>Total</b>			<b>47</b>	<b>85</b>
Less: current portion			(45)	(47)
<b>Total vendor financing, non-current</b>			<b>2</b>	<b>38</b>

The table below represents changes in the Group's borrowings during the years ended 31 December 2018 and 2017:

	<u>Notes</u>	<u>Vendor financing</u>
<b>31 December 2016</b>	-	<b>110</b>
Accrued interest	-	15
Payment of principal	-	(25)
Payment of interest	-	(15)
<b>31 December 2017</b>	-	<b>85</b>
Principal received	2,917	-
Accrued interest	195	10
Payment of principal	-	(36)
Payment of interest	(96)	(11)
Foreign exchange gain	(65)	(1)
<b>31 December 2018</b>	<b>2,951</b>	<b>47</b>

The following table presents the aggregated scheduled maturities of principal and interests on notes and vendor financing (gross of debt issuance costs) outstanding for the three years ending 31 December 2021:

	<u>As of 31 December 2018</u>	
	<u>Notes</u>	<u>Vendor financing</u>
Payments due in the year ending 31 December		
2019	262	46
2020	263	5
2021	2,987	-
<b>Contractual undiscounted cash flows</b>	<b>3,512</b>	<b>51</b>
Less: interest	(658)	(21)
<b>Total debt</b>	<b>2,854</b>	<b>30</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

**20. PROVISIONS**

**Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the managements' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. The main provisions the Group holds are in relation to employees' bonuses, decommissioning and restoration obligation, tax provisions as well as legal claims.

**Provision for decommissioning and restoration**

The Group calculates a provision for decommissioning and restoration when the Group has a legal or constructive obligation in connection with the retirement of tangible long-lived assets. The Group's obligations relate primarily to the cost of removing its equipment from sites. The Group records the present value of provision for decommissioning and restoration as non-current provisions in the consolidated statement of financial position.

The following table summarizes the movement in provisions for the year ended 31 December 2018, and 2017:

	<b>Tax provisions other than for income tax</b>	<b>Provision for decom- missioning and restoration</b>	<b>Employee bonuses and other rewards</b>	<b>Other provisions</b>	<b>Total</b>
<b>At 1 January 2017</b>	-	<b>46</b>	<b>87</b>	-	<b>133</b>
Arising during the year	6	6	134	53	<b>199</b>
Utilised	-	-	(98)	-	<b>(98)</b>
Discount rate adjustment and imputed interest (change in estimates)	-	9	-	-	<b>9</b>
Unused amounts reversed	-	-	(13)	-	<b>(13)</b>
<b>At 31 December 2017</b>	<b>6</b>	<b>61</b>	<b>110</b>	<b>53</b>	<b>230</b>
Current 2017	6	-	107	53	<b>166</b>
Non-current 2017	-	61	3	-	<b>64</b>
<b>At 1 January 2018</b>	<b>6</b>	<b>61</b>	<b>110</b>	<b>53</b>	<b>230</b>
Arising during the year	(2)	140	172	41	<b>351</b>
Utilised	-	(3)	(140)	-	<b>(143)</b>
Discount rate adjustment and imputed interest (change in estimates)	-	30	-	-	<b>30</b>
Unused amounts reversed	-	-	(3)	(54)	<b>(57)</b>
<b>At 31 December 2018</b>	<b>4</b>	<b>228</b>	<b>139</b>	<b>40</b>	<b>411</b>
Current 2018	4	-	135	40	<b>179</b>
Non-current 2018	-	228	4	-	<b>232</b>

Other provisions as of 31 December 2018 in amount of UAH 40 million consist of a provision for present liability on a claim on protection against unfair competition. Antimonopoly Committee of Ukraine (AMCU) initiated a case against three leading telecommunications operators including PrJSC "VF Ukraine" due to provision of service packages during a reduced period (28 days) instead of full month.

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

***Amounts in millions of Ukrainian Hryvnias unless otherwise stated***

As of 31 December 2017 the Group provided a provision of UAH 54 million for potential fine in antitrust cast opened by the Antimonopoly Committee of Ukraine (AMCU) against the Company on regional tariffs. In October 2018 the case was closed in a favorable way for the Group. The provision for liability in amount of UAH 54 million was reversed and gain recognized in the consolidated statements of profit or loss for the year ended 31 December 2018.

#### 21. FAIR VALUE OF FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets include, in particular, cash and cash equivalents, trade and other receivables, investments (mainly deposits with original maturity of more than three months). Financial liabilities generally substantiate claims for repayment in cash or another financial asset. In particular, this includes notes, trade and other payables, lease obligations. Financial instruments are recognized as soon as the Group becomes a party to the contractual provision of the instrument.

Financial assets and financial liabilities are recognized initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, except for a financial asset or liability accounted for at fair value through profit or loss, in which case transaction costs are expensed. Subsequently they are measured either at amortized cost or fair value depending on the classification of those assets and liabilities.

Financial assets can be classified as 1) financial assets at amortized cost; 2) financial assets at fair value through other comprehensive income; 3) financial assets at fair value through profit or loss. If the financial assets are held for collecting contractual cash flows in the form of principal and interest on the specified dates, it is classified as carried at amortized cost. If the financial assets are held not only for collecting contractual cash flows in the form of principal and interest on the specified dates, but also for potential sale, they are classified as measured at fair value through other comprehensive income. All other financial assets are classified as measured at fair value through profit or loss.

Financial liabilities can be classified as measured at fair value or at amortized costs.

Management of the Group believes that the fair values of financial instruments as of 31 December 2018 and 2017 approximate their carrying amounts.

The Group offsets its financial assets and financial liabilities only if it has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets and financial liabilities of the Group are measured at amortized costs.

As of 31 December 2018 and 2017 financial assets and financial liabilities of the Group comprised:

##### Financial assets

	<b>31 December 2018</b>	<b>31 December 2017</b>
Trade and other receivables (Note 13)	496	1,702
Accounts receivable, related parties (Note 23)	53	529
Cash and Cash equivalents (Note 11)	2,629	707
Short-term investments	324	-
<b>Total financial assets at amortized cost</b>	<b>3,502</b>	<b>2,938</b>
<b>Total current financial assets</b>	<b>(3,502)</b>	<b>(2,938)</b>
<b>Total non-current financial assets</b>	<b>-</b>	<b>-</b>



## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

#### Financial liabilities

	31 December 2018	31 December 2017
Trade and other payables (Note 18)	1,457	1,647
Accounts payable, related parties (Note 23)	3,264	3,294
<b>Loans and borrowings:</b>		
Lease obligations (Note 27)	3,658	-
Notes, related parties (Note 19)	2,951	-
Vendor financing (Note 19)	47	85
<b>Total loans and borrowings</b>	<b>6,656</b>	<b>85</b>
<b>Total financial liabilities at amortized cost</b>	<b>11,377</b>	<b>5,026</b>
Total current financial liabilities	(5,742)	(4,988)
<b>Total non-current financial liabilities</b>	<b>5,635</b>	<b>38</b>

#### Maturity analysis

31 December 2018				
	Trade and other payables	Accounts payable, related parties	Vendor financing	Notes, related parties
Due within three months	1,354	126	11	132
Due from three months to twelve months	103	3,138	36	130
Due from 1 year to 5 years	-	-	5	3,249
Less: future interest payments	-	-	(5)	(560)
<b>Total</b>	<b>1,457</b>	<b>3,264</b>	<b>47</b>	<b>2,951</b>

31 December 2017				
	Trade and other payables	Accounts payable, related parties	Vendor financing	
Due within three months		1,257	83	10
Due from three months to twelve months		390	3,211	37
Due from 1 year to 5 years		-	-	54
Less: future interest payments		-	-	(16)
<b>Total</b>		<b>1,647</b>	<b>3,294</b>	<b>85</b>

Maturity analysis for lease obligations see Note 27.

There were no transfers between the accounting categories of financial instruments during the years ended 31 December 2018 and 2017.

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

#### 22. CONTRACT LIABILITIES

Contract balances include trade receivables related to the recognized revenue and contract liabilities.

Trade receivables represent an unconditional right to receive consideration (primarily in cash).

Contract liabilities represent amounts paid by customers to the Group before receiving services promised in the contract. This is the case for advances received from customers or amounts invoiced or amounts invoiced and paid for goods or services that are yet to be transferred. Typically, subscribers make payments on a monthly basis and which are immediately debited to the monthly fee. Therefore, all contract liabilities are short-term. The credit period for subscribers is mainly 30 days, therefore, all receivables from subscribers are short-term.

The following table provides information about receivables and contract liabilities from contracts with customers:

	<b>As of</b>	
	<b>31 December 2018</b>	<b>1 January 2018</b>
Receivables	496	1,697
<b>Total assets</b>	<b>496</b>	<b>1,697</b>
Contract liabilities	1,246	1,142
<i>Thereof:</i>		
Mobile telecommunication services	1,205	1,096
Other services	29	28
Loyalty programme	12	18
<b>Total liabilities</b>	<b>1,246</b>	<b>1,142</b>
Less current portion	(1,245)	(1,139)
<b>Total non-current liabilities</b>	<b>1</b>	<b>3</b>

Changes in the contract assets and the contract liabilities balances during the period are as follows:

	<b>Contract liabilities</b>
<b>Balance as of 1 January 2018</b>	1,142
Revenue recognised that was included in the contract liability balance at the beginning of the period	(1,095)
Increase due to cash received, excluding amount recognised as revenue during the period	1,198
<b>Balance as of 31 December 2018</b>	<b>1,245</b>

The Group expects to recognize revenue related to performance obligations that were unsatisfied (or partially unsatisfied) as of 31 December 2018 as follows:

	<b>2019</b>	<b>2020</b>
Mobile bundle packages and other services and loyalty	1,233	-
Loyalty programme	12	1

Amount of performance obligations that were unsatisfied (or partially unsatisfied) for postpaid subscribers is not material. This is due to the fact that in most cases, contracts with postpaid subscribers are concluded for a non-determined period and can be terminated at any time without penalties.

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

#### 23. RELATED PARTIES

Related parties include entities under common ownership with the Group, affiliated companies and associated companies.

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

Outstanding balances as of 31 December 2018 and 2017 were unsecured and settlements are made on a cash basis. There have been no guarantees provided or received for any related party receivables or payables. As of 31 December 2018 and 2017, the Group had no impairment of receivables relating to significant amounts owed by related parties or expenses recognized during the years ended 31 December 2018 and 2017 in respect to bad or doubtful debts from related parties. The Group receives and provides volume discounts under roaming agreements with the parent company and accounts for discounts as a reduction of roaming expenses and revenue. The resulting receivable and payable are recognized in the accompanying consolidated statement of financial position.

Accounts receivable from, accounts payable and advances paid and prepaid expenses to related parties were as follows:

	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Accounts receivable</b>		
MTS Belarus, MTS's associate	1	32
MTS, parent company	52	497
<b>Total accounts receivable, related parties – current</b>	<b>53</b>	<b>529</b>
<b>Total advances paid and prepaid expenses</b>	<b>6</b>	<b>3</b>
<b>Accounts payable</b>		
MTS Belarus, MTS's associate	1	53
Sitronics Telecom Solutions Ukraine, a subsidiary of MTS	93	50
MTS, parent company	49	145
Stream, a subsidiary of MTS	8	17
ITM Ukraine, a subsidiary of MTS	11	2
<b>Total accounts payable excluding dividends, related parties</b>	<b>162</b>	<b>267</b>
<b>Dividends payable</b>		
MTS	2,297	2,297
Preludium B.V.	797	730
PPT Telecom	8	-
<b>Total dividends payable</b>	<b>3,102</b>	<b>3,027</b>
<b>Total accounts payable, related parties</b>	<b>3,264</b>	<b>3,294</b>

Dividends to MTS were declared during 2014 for the years ended 31 December 2012 and 2013 but were not paid due to regulatory limitations (see Note 24). Later, in 2015, the ownership structure changed and Preludium B.V. became a shareholder by transfer of shares from MTS.

	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Advances paid and prepaid expenses</b>		
Sitronics Telecom Solutions Ukraine, a subsidiary of MTS	6	3

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

The Group makes advances for the purchase of property and equipment, intangible assets and other assets to related parties which are summarized as follows:

	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Advances given for property and equipment and other intangible assets</b>		
Sitronics Telecom Solutions Ukraine, a subsidiary of MTS	10	8
MTS, parent company	3	-
<b>Total advances given for property and equipment and other intangible assets</b>	<b>13</b>	<b>8</b>

Transactions related to purchases of non-current assets were as follows:

	<b>2018</b>	<b>2017</b>
<b>Purchases of property and equipment, intangible assets and other assets:</b>		
MTS, parent company	16	44
Sitronics Telecom Solutions Ukraine, a subsidiary of MTS	541	442
ITM Ukraine, subsidiary of MTS	145	47
Stream, subsidiary of MTS	3	7
<b>Total purchases of property and equipment, intangible assets and other assets</b>	<b>705</b>	<b>540</b>

#### Operating transactions

For the years ended 31 December 2018, 31 December 2017 operating transactions with related parties were as follows:

	<b>2018</b>	<b>2017</b>
<b>Revenues from related parties</b>		
MTS, parent company (telecommunication services, roaming and interconnect services)	378	502
MTS Belarus, the Group's associate (telecommunication and interconnect services)	-	3
K-Telekom, subsidiary of MTS (telecommunication and interconnect services)	5	3
Stream, subsidiary of MTS (telecommunication services, netting of content services)	(65)	1
<b>Total revenues from related parties</b>	<b>318</b>	<b>509</b>
<b>Costs of services incurred on transactions with related parties</b>		
MTS, parent company (roaming and interconnect services, advertising services, billing, data processing services and line rental services)	(374)	(549)
MTS Belarus, MTS's associate (telecommunication and interconnect services)	-	(2)
K-Telekom, subsidiary of MTS (telecommunication and interconnect services)	(4)	(12)
Sitronics Telecom Solutions Ukraine, a subsidiary of MTS (billing, data processing services and repair and maintenance services)	(74)	(83)
ITM Ukraine (billing, data processing services and repair and maintenance services)	(13)	(14)
Stream (telecommunication services)	-	(41)
<b>Total costs of services incurred on transactions with related parties</b>	<b>(465)</b>	<b>(701)</b>
<b>Selling, general and administrative expenses and costs incurred on transactions with related parties</b>		
Sitronics Telecom Solutions Ukraine, a subsidiary of MTS	(4)	-
MTS, parent company (trademark)	(10)	(26)
<b>Total SG&amp;A incurred on transactions with related parties</b>	<b>(14)</b>	<b>(26)</b>

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

Group's borrowings represent interest bearing notes issued (EUR 90 million with interest rate 9.2%, equal to UAH 2,854 as of 31 December 2018) in the capital markets by structured entity Capital Valentine B.V. The noteholder of Capital Valentine B.V. International Notes due 2021 is Dega Retail Holding Limited, a subsidiary of MTS.

#### Remuneration of key management personnel

During the years ended 31 December 2018 and 2017 key management personnel's total remuneration amounted to UAH 54 million and UAH 41 million, respectively.

## 24. SHAREHOLDER'S EQUITY

The Company had a legal status of a Private Joint-Stock Company at 31 December 2018 and 2017.

#### Share capital (ordinary shares)

The Group had 781,662,116 authorized ordinary shares with par value UAH 0.01 as of 31 December 2018 and 2017, for a total amount of UAH 8 million.

The Company's major shareholders at 31 December 2018 and 2017 are presented in the table below:

	Number of shares	Ownership, %	
		31 December 2018	31 December 2017
Preludium B.V. (Netherlands)	773,845,495	99.0%	99.0%
PPT Telecom (Ukraine)	7,816,621	1.0%	1.0%
<b>Total</b>	<b>781,662,116</b>	<b>100%</b>	<b>100%</b>

Preludium B.V and PPT Telecom are ultimately controlled by MTS.

The declared capital of the Company as per its Charter was contributed in full at 31 December 2018 and 2017.

There were no share capital changes during the year ended 31 December 2018 and 2017.

#### Dividends

In accordance with Ukrainian laws, earnings available for dividends are limited to profits determined under Ukrainian statutory accounting regulations, denominated in Ukrainian Hryvnia, after certain deductions.

The following table summarizes the Group's declared cash dividends for the years ended 31 December 2018, and 2017:

	2018	2017
Dividends declared	805	1,400
Dividends per share, UAH	1.03	1.79

As of 31 December 2018 and 2017 dividends payable included in the Accounts payable, related parties within the consolidated statement of financial position.

On 13 April 2017, the National Bank of Ukraine adopted a resolution that allows the repatriation of dividends not only for 2014-2015, but also for 2016 and simplifies the mechanism of such payments: repatriation of dividends within one month for the specified years in a total amount of up to USD 5 million.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

***Amounts in millions of Ukrainian Hryvnias unless otherwise stated***

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The NBU adopted a decree which cancelled the terms of repatriation of dividends to foreign shareholders of Ukrainian companies from 15 November 2017; currently, it is allowed the repatriation of dividends accrued by 2016 inclusive. The monthly limit on the repatriation of dividends for the period up to 2013 inclusive is an equivalent to of USD 2 million.

In March 2018, the NBU adopted a new resolution authorizing the repatriation of dividends, regardless of the period for which they are accrued within the monthly limit of USD 7 million.

On 4 January 2019 the NBU approved a new system of currency regulation and issued a roadmap of currency liberalization. The roadmap of currency liberalization, developed by the NBU together with IMF experts, stipulates the step-by-step removal of all currency restrictions in accordance with the pace of improvement of the macroeconomic conditions in Ukraine, as well as the adoption of a number of laws aimed at improving the quality of regulation of the non-banking financial market and preventing the unproductive outflow of capital from the country (the Draft Law on BEPS counteraction "On implementation of the Base Erosion and Profit Shifting Plan"). Among the main priorities of the NBU is the removal of a number of restrictions related to the conduct of foreign economic activities and the new investment disincentive in Ukraine, including reduction and/or cancellation of the limit on repatriation of dividends.

Despite this fact, it cannot be excluded that the restrictions on the repatriation of dividends will be again tightened in the future.

## **25. COMMITMENTS AND CONTINGENCIES**

### **Capital commitments**

As of 31 December 2018, the Group had unexecuted purchase agreements of approximately UAH 602 million to network equipment, tangible and intangible assets that were still in progress (31 December 2017: UAH 965 million).

### **Taxation**

Application of taxes and duties in Ukraine is regulated by the Tax Code of Ukraine. The taxes applicable to the Company's activity include VAT, income tax (profits tax), fee for the use of radio frequency resource of Ukraine, payroll (social) taxes and other. Transactions with non-resident related parties may be subject to transfer pricing compliance, in case the transactions with related non-resident per year exceeds UAH 10 million.

Compliance with tax and custom legislation is subject to review and investigation by a number of authorities, which are enabled by law to collect unpaid liability as well as impose penalties and fines. Since Ukrainian tax law and practice are relatively new with little existing precedent, the tax authorities approaches and interpretation may rapidly change, comparing to the countries with more stable and developed tax systems.

Generally, according to Ukrainian tax legislation, the tax period remains open for tax audits for three years after the respective tax return submission. As of 31 December 2018 the tax periods 2015-2018 remains open for the tax audits in respect to corporate income tax.

During the year ended 31 December 2018 and preceding periods, the Group paid dividends to non-resident shareholder. Taking into account an interest of the tax authorities to cross-border transactions, as well as due to Ukraine's attempts to implement BEPS measures, tax authorities may scrutinize these transactions and interpret them differently. The effect of any such claim may be significant and may materially affect financial results of the Group.

The management analyzed and monitored the transactions on a regular basis and believes them fully comply with the applicable tax laws.

In case of a different interpretation by the tax authorities of this issue, the Group estimated the risk of possible claim of tax liabilities in the amount of not more than UAH 188 million and a penalty of UAH 47 million.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

***Amounts in millions of Ukrainian Hryvnias unless otherwise stated***

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**Litigation**

In the ordinary course of business, the Group is a party to various legal, tax and customs proceedings, and subject to claims.

However, such processes either as a whole or separately, did not have a material adverse effect on the Group. The Group assessed the risks of the negative issue and, in the case of a high level of risk, made a provision for such litigation.

**Political and economic crisis in Ukraine**

In 2018, the Ukrainian economy continued to recover from the economic and political crises of previous years and showed a steady increase in the real GDP equaling to 3.4% (in 2017 – 2.5%), the moderate inflation rate of 9.8% (in 2017 – 13.7%) and a slight devaluation of the national currency for about 2.4% against the US dollar and 8.2% against the euro compared to the average figures of the previous years.

Ukraine also continued to limit its political and economic relations with Russia due to the annexation of Crimea, an autonomous republic within Ukraine, as well as the frozen armed conflict with separatists in some districts of the Luhansk and Donetsk regions. In such circumstances, the Ukrainian economy has demonstrated further refocus on the European Union (EU) market, unlocking the full potential of the Deep and Comprehensive Free Trade Area with the EU, thus, effectively responding to the mutual trade restrictions imposed between Ukraine and Russia. As a result of it, the specific weight of export and import operations with Russia significantly decreased from 18.2% and 23.3% in 2014 to about 7.7% and 14.2% in 2018, respectively.

Regarding the currency regulation, the new currency law was adopted in 2018, which came into force on 7 February 2019. It provided the NBU with an opportunity to implement a more liberal currency regulation policy and to mitigate a number of currency restrictions, e.g.: the requirements to register the loans of non-residents with the NBU, the 180-day term for making payments under foreign economic transactions, the obligatory sale of 50% share of FX proceeds, etc.

The further economic growth mainly depends on the success of the Ukrainian government in the implementation of the upcoming reforms, cooperation with the International Monetary Fund ("IMF").

**26. FINANCIAL RISK MANAGEMENT**

As part of its business the Group is exposed to several types of financial risks: foreign currency risks, credit (or counterparty) risks, and liquidity risks.

**Foreign currency risks**

Foreign currency risk is the negative impact of foreign currency fluctuations on the Group's finance results (in UAH) as its incomes and expenses are dependent on foreign currency rates. The Group does not use derivative financial instruments for currency risk management.

Since the beginning of February 2014, the floating exchange rate is applied to USD.

Within the period of 2014-2017, the economic crisis in Ukraine, combined with political unrests and events in eastern Ukraine, led to the Hryvnia weakening. Thus, the Hryvnia exchange rate fell from UAH/USD 15.77 at the end of 2014, and up to UAH 27.19 at the end of 2016, respectively, as a result of a significant outflow of capital due to the continuing political instability in Ukraine. As of 31 December 2017, the Hryvnia exchange rate was UAH/USD 28.07. On 31 December 2018 – UAH/USD 27.69. The calculations of the state budget are based on the expected Hryvnia exchange rate of UAH/USD 29.4 as of the year-end. The NBU believes that the exchange rate volatility will slow down in 2019. However, large payments on foreign debts will determine the exchange rate risks in 2019. Many factors will contribute to the further US dollar exchange rate. Among them:

- The amount of foreign exchange earnings for Ukrainian exporters;

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

- The deficit of the foreign trade balance;
- Political elections in Ukraine;
- The global crisis (trade wars, stock markets falling);
- The possibility of external financing.

The weakening of the Hryvnia against the USD and/or EUR can increase expenses denominated in both Hryvnia and foreign currency.

The following tables demonstrate the sensitivity to a reasonably possible change in USD and EUR exchange rates, with all other variables held constant.

	Change in rate		USD – effect	EUR – effect
	USD	EUR	on profit before tax UAH million	on profit before tax UAH million
2018	+5%	+5%	(3)	(88)
	-5%	-5%	3	88
2017	+10%	+10%	(4)	163
	-10%	-10%	4	(163)

The movement in the pre-tax effect is a result of a change in monetary assets and liabilities denominated in US dollars and Euro, where the functional currency of the entity is a currency other than US dollars and Euro.

There will be no material impact on equity.

The Group's exposure to foreign currency changes for all other currencies is not material.

#### Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they are due. The Group's liquidity position is carefully monitored and managed. The Group has in place a detailed budgeting and cash forecasting process to help ensure that it has adequate cash available to meet its payment obligations.

In 2018 Capital Valentine B.V. issued international notes in amount of EUR 90 millions at 9.2% per annum with semi-annual interest repayment due repayment in February 2021 (see Note 19).

The loan agreement implied compliance with covenants such as limitation for restricted payments (not to exceed EUR 50 million in aggregate), limitation on incurrence of indebtedness, liens, sale of asset, transactions with affiliates, etc. The restrictions include both ratios (Leverage Ratio и Fixed Charge Coverage Ratio) and some business activity restrictions: keeping the corporate existence; conditions for merger, consolidation and disposition of assets; requirements for asset and intellectual property maintenance; insurance; payment of taxes and other claims; other conditions and restrictions for conduct of business. In case of failure to respect the covenants, the noteholder has the right to report about the termination of its obligations as well as to report the loan due to immediate repayment. As of 31 December 2018 the Group has complied with covenants imposed by the loan agreement.

As of 31 December 2018 current liabilities exceeded current assets by UAH 3,255 million (31 December 2017: UAH 3,257 million). Current liabilities include non-financial liabilities in amount of UAH 1,245 million (see Note 22), and dividends to related parties in amount of UAH 3,102 million (see Note 23). During previous years the Company demonstrated positive trends in operating cash flows and made early repayment of Notes in subsequent period (see Note 29) which indicated the company's ability to avoid bankruptcy and continue its business as going concern. Management believes the Group has sufficient existing and continuing access to liquidity through both operating cash flows and credit facilities.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

***Amounts in millions of Ukrainian Hryvnias unless otherwise stated***

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**Credit risk**

Credit risk is the risk that the counterparty will not meet its obligations arising from entering into financial instrument, leading to a financial loss. Credit risk is not considered to be significant for the Group.

In March 2015, the NBU declared PJSC "Delta Bank" and PJSC "Kyivska Rus Bank" insolvent. At 31 December 2015 the funds placed in PJSC "Platinum Bank" fell in value and at the beginning of January 2017 PJSC "Platinum Bank" was declared insolvent too and liquidation procedure was initiated.

In 2015 the company entered in a factoring agreement in respect to cash balances deposited in distressed banks Delta Bank (UAH 1,627 million) and Kyivska Rus Bank (UAH 328 million) (see Note 13).

In July 2017, the confirmation was obtained that company was included in the Platinum Bank' list of creditors of the 7th line (amount of UAH 250 million).

The banking crisis, bankruptcy or financial insolvency of the banks wherein PrJSC "VF Ukraine" places its funds may lead to the loss of deposits or may have a negative impact on the Company's capability to perform the banking transactions that may cause the substantive negative consequences for business, financial position and results of activities.

**27. RIGHT-OF-USE ASSETS AND LEASE OBLIGATIONS**

The Group's lease contracts largely relate to leases of cellular sites (i.e. land, space in cell towers or rooftop surface areas), network infrastructure, and retail stores as well as buildings used for administrative or technical purposes.

The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements, which conveys the right to control the use of identified assets for a period of time in exchange for consideration, except for short-term leases (with a lease term of 12 months or less). For these leases, the Group recognizes the lease payments as operating expenses over the term of the lease. When identifying the lease, the Group uses practical expedient of IFRS 16 permitting the lessee not to separate the non-lease components of the contract and, instead, to account for any lease and associated non-lease components as a single arrangements.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate of the Group. The incremental borrowing rate of the Group is determined based on the credit spreads of the Group's loan offers from banks in relation to zero-coupon yield curve for government securities. The weighted average borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application was 17.46%. The lease payments include fixed payments, variable payments that depend on index or rate, amounts expected to be paid under residual value guarantee, the exercise price under a purchase option the Group is reasonably certain to exercise as well as early termination fees unless the Group is reasonably certain not to terminate earlier. Variable payments that depend on external factors (such as sale volume of a particular retail store) are expensed as incurred.

Lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. A corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in profit or loss if the carrying amount of right-of-use asset had been reduced to zero.

Right-of-use assets are initially measured at cost, which is the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any direct costs incurred less any lease incentives received.

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

Right-of-use assets are subsequently amortized on a straight-line basis over the expected lease term. The lease term corresponds to the non-cancellable period of each contract, however, in the most cases the Group is reasonably certain of exercising renewal options and therefore lease terms are extended to terms as described below. When assessing the lease term, the Group considers all facts and circumstances that create an economic incentive for the Group to exercise the option to extend the lease, such as useful life of the asset located on the leased site, sites replacement statistics, sequence of technology change, profitability of our retail stores as well as costs to terminate or enter into lease contracts.

The table below summarises the estimated terms, over which the right-of-use assets are amortized:

**Lease of:**

Sites for placement of network equipment and base stations on rooftops or inside the buildings	10 years
Sites for placement of network equipment and base stations on land	20 years
Channels	Up to 2 years
Retail stores	Up to 6 years
Administrative offices, warehouses, parking garages	Not less than 3 years
Vehicles	5 years
Exclusive rights for trademarks	3 years

Right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognize a provision for onerous lease contracts.

The following table presents a summary of net book value of rights-of-use assets:

<b>Lease of:</b>	<b>1 January 2018</b>	<b>31 December 2018</b>
Sites for placement of network and base station equipment	2,060	2,408
Exclusive rights for trademarks	900	600
Retail stores	88	375
Administrative buildings	73	57
Channels	22	3
Vehicles	-	16
<b>Rights-of-use assets, net</b>	<b>3,143</b>	<b>3,459</b>

Depreciation of the rights-of-use assets for the twelve months ended 31 December 2018 included in depreciation and amortization expense in the accompanying consolidated statement of profit or loss was as follows:

<b>Lease of:</b>	<b>2018</b>
Exclusive rights for trademarks	300
Sites for placement of network and base station equipment	231
Retail stores	28
Administrative buildings	26
Channels	12
Vehicles	3
<b>Depreciation charge, total</b>	<b>600</b>

Additions to the assets leased during the twelve months ended 31 December 2018 amounted to UAH 881 million.

Interest expense accrued on lease obligations for the twelve months ended 31 December 2018 totaled UAH 503 million and was included in finance costs in the accompanying consolidated statements of profit or loss.

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

**Amounts in millions of Ukrainian Hryvnias unless otherwise stated**

As of 31 December 2018, expenses recognized in respect of variable lease payments not included on the measurement of lease liabilities and short-term leases amounted to UAH 6 million.

The following table presents future minimum lease payments under lease arrangements together with the present value of the net minimum lease payments as of 31 December 2018:

	<b>31 December 2018</b>
<b>Minimum lease payments, including:</b>	
Current portion (less than 1 year)	1,046
More than 1 to 5 years	2,965
Over 5 years	<u>2,978</u>
<b>Total minimum lease payments</b>	<b><u>6,989</u></b>
Less amount representing interest	(3,331)
<b>Present value of net minimum lease payments, including:</b>	
Current portion (less than 1 year)	950
More than 1 to 5 years	1,808
Over 5 years	<u>900</u>
<b>Total present value of net minimum lease payments</b>	<b><u>3,658</u></b>
Less current portion of lease obligations	<u>(879)</u>
<b>Non-current portion of lease obligations</b>	<b><u>2,779</u></b>

The table below represents changes in the Group's lease obligations during the year ended 31 December 2018:

	<b>Lease obligations</b>
<b>1 January 2018</b>	<b>3,143</b>
New obligations arising during the year	852
Modifications of existing leases	40
Accrued interest	503
Payment of principal	(334)
Payment of interest	(503)
Foreign exchange gain	<u>(43)</u>
<b>31 December 2018</b>	<b><u>3,658</u></b>

The Group's lease contracts include typical restrictions and covenants common for local business practice, such as the responsibility of the Group for regular maintenance and repair of the lease assets and their insurance, redesign and conduction of permanent improvements only with the consent of the lessor, and use of the leased asset in accordance with current legislation.

#### **Comparative information under IAS 17 Leases**

##### **Accounting policy**

Under IAS 17 leases were classified as finance or operating.

The Group classified all lease agreements as operating under IAS 17. Payments for operating leases were expensed on a straight-line basis over the term of the lease.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

***Amounts in millions of Ukrainian Hryvnias unless otherwise stated***

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**28. PENSIONS AND RETIREMENT PLANS**

The employees of the Group receive pension benefits from the government in accordance with the laws and regulations of Ukraine. The Group's contributions to the State Pension Fund are recorded in the consolidated statement of profit or loss and other comprehensive income on the accrual basis. The Group companies are not liable for any supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees, other than pay-as-you-go expenses.

Due to legislation of Ukraine contributions to the State Pension Fund include also obligatory payments for other kinds of social insurance related to loss of capacity for work incidents and others. The Group's contributions to the State Pension Fund during the years ended 31 December 2018 and 2017 amounted to UAH 164 million and UAH 130 million, respectively.

**29. SUBSEQUENT EVENTS**

**Dividends**

During 2019 dividends in the amount of UAH 8 million and USD 31 million (UAH 797 million as of the repayment date) were paid to PPT Telecom and Preludium B.V., respectively. No dividends were declared.

**Repayments of Notes**

In March 2019, the Group repaid principal and coupon (interest accrued to date) of Notes due in 2021 in the amount of EUR 90 million (UAH 2,745 million as of the repayment date).

**Change of ownership**

On 25 November 2019 MTS PJSC and Telco Solutions and Investments LLC controlled by telecommunications company Bakcell LLC, which is a part of NEQSOL Holding international group of companies, signed a binding agreement according to which Telco Solutions and Investments LLC will acquire VF Ukraine from MTS for cash consideration of USD 734 m (including approximately USD 84 m earn-out). The deal was closed on 3 December 2019.

On 6 December 2019 dividends in the amount of UAH 406 million were paid to Telco Solutions and Investments LLC in accordance to the conditions of agreement with MTS PJSC. In connection with that, on 3 December 2019 the Group paid withholding tax at a rate of 5% in the amount of UAH 115 million and made corporate profit tax advance payment in the amount of UAH 129 million.

**30. AUTHORISATION OF CONSOLIDATED FINANCIAL STATEMENTS**

These consolidated financial statements were authorized for issue by the Management of the Group on 10 December 2019.

## **PrJSC VF Ukraine and Subsidiaries**

Consolidated Financial Statements  
for the Year Ended 31 December 2017

**TABLE OF CONTENTS**

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	<b>Page</b>
INDEPENDENT AUDITOR'S REPORT	1-3
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017:	
Consolidated statement of profit or loss and other comprehensive income	4
Consolidated statement of financial position	5
Consolidated statement of changes in shareholders' equity	6
Consolidated statement of cash flows	7
Notes to the consolidated financial statements	8-35

## INDEPENDENT AUDITOR'S REPORT

### To Shareholders of Private Joint Stock Company "VF Ukraine":

#### Opinion

We have audited the consolidated financial statements of Private Joint Stock Company "VF Ukraine" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

#### 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 are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code"), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### 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.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
<p><b>Accuracy and timeliness of revenue recognition given the complexity of IT systems</b></p> <p>The Group's consolidated revenue is a material amount formed from a large number of individually insignificant transactions. The Group is using complex information systems, including automated billing systems and integrated accounting systems, to recognize revenue.</p>	<p>Our audit procedures on testing of revenue and assessment of IT systems included the following:</p> <ol style="list-style-type: none"> <li>1. Analysis of the information technology environment that ensure the functioning of telecommunication billing and other IT systems related to accounting for revenue;</li> <li>2. Detailed analysis of IT systems and business processes that are relevant to revenue recognition in order to identify risks of material misstatement of the consolidated financial statements arising from IT systems and key business processes and appropriate controls that address those risks;</li> </ol>

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Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
<p>We consider this to be a key audit matter due to the fact that accurate and timely recognition of revenue, to a large extent, depends on the correct functioning of those systems. Potential deficiencies in the work of those systems and risks of incorrect processing of data by those systems may have a material impact on the revenue recognized in the Group's consolidated financial statements.</p> <p>See Note 4 "Revenue".</p>	<ol style="list-style-type: none"> <li>3. Testing design, implementation, and operating effectiveness of controls, both manual and automated, in the process of recording revenue, including in the following areas: recording and registering calls, their duration, rendering data transfer and additional services; authorizing changes in tariff plans and entering this information into automated calculation systems;</li> <li>4. Testing reconciliations of the information about duration, volume and monetary amounts of telecommunication services provided from initial recording of billable events by switching equipment to billing and other IT systems and further to the accounting records and the amounts reported in the consolidated financial statements;</li> <li>5. Performing test calls and checking the correctness of data about calls (their registration, duration, and correct billing) recorded in IT systems;</li> <li>6. Sample reconciling of data on the existing tariffs for communication services recorded in the billing systems to tariffs and public offer plans approved by the Group.</li> </ol> <p>We have also reviewed the Group's accounting policy with respect to recognition of revenue from the provision of services to subscribers and insured that the existing policy is appropriate and applied consistently.</p>

## 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 International Financial Reporting Standards ("IFRSs"), 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 the Group'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 the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 skepticism 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.

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, related safeguards.

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, which constitute the key audit matters included herein.

*LLC "Deloitte & Touche USC"*



Olga Shamrytska,  
Engagement Partner

LLC "Deloitte & Touche Ukrainian Services Company"  
48, 50a Zhylianska Str., Kyiv, 01033, Ukraine

10 December 2019


**PrJSC VF UKRAINE AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017**


*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

	Notes	2017	2016
Service revenue	4	11,703	11,115
Sales of goods	4	28	23
<b>Revenue</b>		<b>11,731</b>	<b>11,138</b>
Cost of services	5	(4,329)	(4,980)
Cost of goods	11	(68)	(74)
Selling, general and administrative expenses	6	(2,292)	(2,301)
Depreciation and amortization	12,13	(2,758)	(2,384)
Other operating (expenses)/income		(25)	16
<b>Operating profit</b>		<b>2,259</b>	<b>1,415</b>
Finance income	7	132	195
Finance costs	7	(24)	(21)
Currency exchange gain or (loss)		236	(2)
Other expenses		(1)	(1)
<b>Profit before tax</b>		<b>2,602</b>	<b>1,586</b>
Income tax expense	8	(470)	(285)
<b>Profit for the year</b>		<b>2,132</b>	<b>1,301</b>
<b>Total comprehensive income for the year</b>		<b>2,132</b>	<b>1,301</b>

**Signed on behalf of the Group's Management:**

  
Olga Ustynova  
Chief Executive Officer

  
Natalia Shevchenko  
Chief Finance Officer

  
Elena Soldatova  
Head of Department for the Financial  
Statements and Accounting

## PrJSC VF UKRAINE AND SUBSIDIARIES


### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2017


*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

	Notes	31 December 2017	31 December 2016	1 January 2016
<b>Assets</b>				
<i>Non-current assets</i>				
Property and equipment	12	8,618	7,057	6,473
Other intangible assets	13	4,646	4,067	4,004
Deferred tax assets	8	846	935	973
<b>Total non-current assets</b>		<b>14,110</b>	<b>12,059</b>	<b>11,450</b>
<i>Current assets</i>				
Inventories	11	42	31	35
Trade and other receivables	10	1,702	1,421	496
Accounts receivable, related parties	19	529	466	283
Advances paid and prepaid expenses		72	67	64
VAT receivable		251	113	121
Current income tax assets		-	8	255
Cash and cash equivalents	9	707	1,445	2,198
<b>Total current assets</b>		<b>3,303</b>	<b>3,551</b>	<b>3,452</b>
<b>Total assets</b>		<b>17,413</b>	<b>15,610</b>	<b>14,902</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Common stock	18	8	8	8
Other Components of Equity		2	2	2
Retained earnings		10,738	10,006	9,205
<b>Total equity</b>		<b>10,748</b>	<b>10,016</b>	<b>9,215</b>
<b>Non-current liabilities</b>				
Borrowings	16	38	63	-
Provisions	17	64	49	19
Subscriber prepayments and other advances	15	3	79	67
<b>Total non-current liabilities</b>		<b>105</b>	<b>191</b>	<b>86</b>
<b>Current liabilities</b>				
Trade and other payables	14	1,739	1,266	1,513
Accounts payable, related parties	19	3,294	2,871	3,143
Subscriber prepayments and other advances	15	1,139	947	865
Borrowings	16	47	47	-
Income tax liabilities		114	-	-
Provisions	17	166	84	80
Other non-financial liabilities		61	188	-
<b>Total current liabilities</b>		<b>6,560</b>	<b>5,403</b>	<b>5,601</b>
<b>Total equity and liabilities</b>		<b>17,413</b>	<b>15,610</b>	<b>14,902</b>

Signed on behalf of the Group's Management:

  
Olga Ustynova  
Chief Executive Officer

  
Natalia Shevchenko  
Chief Finance Officer

  
Elena Solovyova  
Head of Department for the Financial  
Statements and Accounting


**PrJSC VF UKRAINE AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

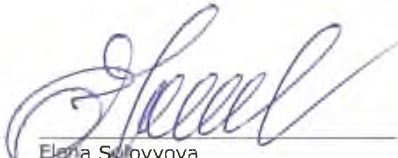
*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

	Common stock		Retained earnings	Other components of equity	Total equity
	Shares	Amount			
<b>Balances at 1 January 2016</b>	<b>781,662,116</b>	<b>8</b>	<b>9,205</b>	<b>2</b>	<b>9,215</b>
Profit for the year	-	-	1,301	-	1,301
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>1,301</b>	<b>-</b>	<b>1,301</b>
Dividends declared	-	-	(500)	-	(500)
<b>Balances at 31 December 2016</b>	<b>781,662,116</b>	<b>8</b>	<b>10,006</b>	<b>2</b>	<b>10,016</b>
Profit for the year	-	-	2,132	-	2,132
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>2,132</b>	<b>-</b>	<b>2,132</b>
Dividends declared	-	-	(1,400)	-	(1,400)
<b>Balances at 31 December 2017</b>	<b>781,662,116</b>	<b>8</b>	<b>10,738</b>	<b>2</b>	<b>10,748</b>

**Signed on behalf of the Group's Management:**

  
Olga Ustynova  
Chief Executive Officer

  
Natalia Shevchenko  
Chief Finance Officer

  
Elena Solovyova  
Head of Department for the Financial Statements and Accounting

## PrJSC VF UKRAINE AND SUBSIDIARIES


### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017


*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

	2017	2016
<b>Cash flows from operating activities</b>		
Profit for the period	2,132	1,301
<b>Adjustments for:</b>		
Depreciation and amortization	2,758	2,384
Finance income	(132)	(195)
Finance costs	24	21
Income tax expense	470	285
Currency exchange (gain)/loss	(235)	1
Inventory obsolescence (reversal)/expense	(1)	1
Allowance for doubtful accounts	9	8
Change in provisions for employee bonus	121	103
Change in provisions for Antimonopoly Committee cases	53	-
Other non-cash items (gain from disposal of PPE, IA and right-of-use)	(14)	(19)
<b>Movements in operating assets and liabilities</b>		
(Increase)/Decrease in trade and other receivables and contract assets	(58)	(1,046)
(Increase)/Decrease in inventory	(10)	3
(Increase)/Decrease in VAT receivable	(71)	(20)
Increase in advances paid and prepaid expenses	(6)	(3)
Increase in subscriber prepayments and deposits	116	94
Decrease in trade and other payables and other liabilities	(1)	(574)
Income taxes paid	(258)	(1)
Interest received	138	202
Interest paid	(15)	(12)
Net cash provided by operating activities	5,020	2,533
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(3,383)	(2,216)
Purchases of other intangible assets	(1,407)	(975)
Proceeds from sale of property and equipment	27	23
Net cash used in investing activities	(4,763)	(3,168)
<b>Cash flows from financing activities</b>		
Dividends paid	(1,022)	(148)
Repayment of loans	(25)	-
Net cash used in financing activities	(1,047)	(148)
<b>Net decrease in cash and cash equivalents</b>	<b>(790)</b>	<b>(783)</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>1,445</b>	<b>2,198</b>
Effect of exchange rate changes on cash and cash equivalents	52	30
<b>Cash and cash equivalents, end of the period</b>	<b>707</b>	<b>1,445</b>
<b>Non-cash transactions</b>		
Additions of property and equipment through vendor financing	-	89
Effect of upward revision of Assets retirement obligations	6	22
Effect of VAT for CAPEX purchases	(64)	25
Foreign exchange difference	(7)	(3)

Signed on behalf of the Group's Management:

  
Olga Ustynova  
Chief Executive Officer

  
Natalja Shevchenko  
Chief Finance Officer

  
Elena Solovyova  
Head of Department for the Financial  
Statements and Accounting

## **PrJSC VF UKRAINE AND SUBSIDIARIES**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

***Amounts in millions of Ukrainian Hryvnias unless otherwise stated***

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#### **1. GENERAL INFORMATION AND DESCRIPTION OF BUSINESS**

VF Ukraine Private Joint-Stock Company (PrJSC "VF Ukraine", or "the Company") is a company incorporated under the laws of Ukraine and having its registered address at 15, Leptyszka Street, 01601, Kyiv, Ukraine.

The consolidated financial statements include the Company and its subsidiaries ("the Group" or "VF Ukraine") results as of 31 December 2017, as of 31 December 2016, as of 01 January 2016, and for the years ended 31 December 2017 and 31 December 2016.

##### **Business of the Group**

The Group provides a wide range of telecommunications services including voice and data transmission, internet access, pay TV, various value added services ("VAS") through wireless, as well as the sale of equipment and accessories. The Group operates only in Ukraine. On 15 October 2015, PrJSC "VF Ukraine" signed a strategic agreement with Vodafone Sales and Services Limited on the cooperation and use of Vodafone brand in Ukraine.

PrJSC "VF Ukraine" is the Parent Company that exercises control over the subsidiary LLC VF Retail. The purpose of the company Limited Liability Company VF Retail ("VF Retail") is to stimulate the sales of phones and smartphones for smartphonization of the Ukrainian population. It did not start its operations as of 31 December 2017.

By the end of 2017 the number of full-time employees of the Group had reached over 2,800 (2016: 3,100 persons).

VF Ukraine PJSC's majority shareholder is Preludium B.V. (hereinafter "Preludium"), a company incorporated under Dutch law. Preludium holds since 2015 directly 99% of the shares in VF Ukraine and 100% of the shares in PTT Telecom Kiev. As of 31 December 2018 Preludium was indirect subsidiary of Mobile TeleSystems Public Joint-Stock Company or MTS ("parent company").

On 3 December 2019 Preludium was sold to Telco Solutions and Investments LLC controlled by telecommunications company Bakcell LLC, which is a part of NEQSOL Holding international group of companies (see Note 24).

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS**

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

These consolidated financial statements for the years ended 31 December 2017 and 2016 (hereinafter the "Financial Statements") have been prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS"). The Group adopted IFRS as its reporting framework as of 1 January 2016.

The Group's opening IFRS statement of financial position as of 1 January 2016 ("the date of transition to IFRS") was prepared in accordance with the requirements of IFRS 1 (Revised 2008) *First Time Adoption of International Financial Reporting Standards* ("IFRS 1"). Before 1 January 2016, the Group did not prepare its consolidated financial statements in accordance with IFRS. Before 1 January 2016, the entities of the Group prepared their separate financial statements under accounting standards and other statutory requirements to financial reporting in Ukraine. The accompanying consolidated financial statements have been prepared in accordance with all new Standards and Interpretations that are mandatory for adoption for the year ended 31 December 2017.

These consolidated financial statements have been prepared on a historical cost basis, unless disclosed otherwise. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

**Amounts in millions of Ukrainian Hryvnias unless otherwise stated**

Amounts in the consolidated financial statements are stated in millions of Ukrainian Hryvnias ("UAH million"), unless indicated otherwise.

These consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future.

The Group did not use any exemptions from IFRS allowed under IFRS 1.

Reconciliation of equity reported under accounting standards and other statutory requirements to financial reporting in Ukraine to the equity under IFRS is as follows:

	Equity as of 31 December 2016	Declared dividends	Net income/loss for the year ended 31 December 2016	Equity as of 1 January 2016
<b>UAS amounts</b>	<b>10,187</b>	<b>(500)</b>	<b>1,288</b>	<b>9,399</b>
Difference in period of revenue recognition	(287)	-	(66)	(221)
Difference in accrual of VAT receivable	77	-	77	-
Recognition of deferred tax assets/(liabilities) for the above	38	-	(2)	40
Other corrections of previous periods	1	-	4	(3)
<b>Corrections total</b>	<b>(171)</b>	<b>-</b>	<b>13</b>	<b>(184)</b>
<b>IFRS amounts</b>	<b>10,016</b>	<b>(500)</b>	<b>1,301</b>	<b>9,215</b>

Transition from accounting standards and other statutory requirements to financial reporting in Ukraine to IFRS has influenced most significantly the statement of financial position, profit and loss statement and cash flows as follows:

- During 2016, under accounting standards in Ukraine the Group has recognized revenue received from activation of subscribers, change of tariffs by subscribers and also from bundled packages provided to subscribers for 12 month in the period when such activation took place. Under IFRS, the Group recognized deferred revenue for such activations and bundled packages (see table above). Revenue from activations was recognized during the average life of subscriber and revenue from 12-month bundles was recognized evenly during 12 months (see Note 15).
- The Group annually recognizes provisions or receivables for non-refundable VAT under the local Tax Code in Ukraine. Under accounting standards in Ukraine the Group has recognized the receivable for non-refundable VAT excluding effect of accruals as of the year end in accordance with generally accepted accounting practice. However, as IFRS provide for accrual basis of accounting, under IFRS the Group adjusted the VAT receivable (see table above).
- Cash in transit which is cash paid by subscribers but not yet received from financial institutions (see Note 9) was accounted for as trade receivables under accounting standards in Ukraine. Under IFRS this was classified as cash equivalent under IAS 7, *Statement of Cash Flows*, and presented with cash and cash equivalents. This reclassification impacted statement of financial position and statement of cash flows.
- Statement of cash flows under accounting standards and other statutory requirements to financial reporting in Ukraine was presented with direct method and that under IFRS is presented on indirect method. There were also other minor reclassifications between operating, investing and financing activities as a result of transition to IFRS, including reclassification of interest received from investing to operating activities.

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved only where the Company has power over the entity, is exposed and has rights to variable returns, and is able to use the power to affect its amount of variable returns. The results of the controlled entities acquired or disposed of during the reporting period are included in the consolidated financial statements from the date the Group achieves control over the entity, or until the date on which the Company ceases to control the entity. If necessary, the accounting policies of controlled entities are aligned with the accounting policy applied by the Group. All intra-group assets and liabilities, and equity, income, expenses and cash flows are eliminated on consolidation.

During the years ended 31 December 2017 and 2016, Chief operating decision makers (CEO and the senior management team of the Group) reviewed the Group as a single operating segment.

#### Functional currency

The functional currency of the Group is the Ukrainian Hryvnia.

Foreign-currency transactions are translated into the functional currency at the exchange rates at the dates of the transactions. At the reporting date, monetary items denominated in foreign currencies are translated at the closing rate, whereas non-monetary items are stated at the exchange rate at the date of their recognition. Exchange rate differences are recognized in profit or loss.

Effective ownership interests in the Group's significant subsidiaries were the following:

	<b>Accounting method</b>	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>1 January 2016</b>
LLC "VF Retail"	Consolidated	100.0%	-	-

#### Standards, interpretations and amendments in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	<i>Financial Instruments<sup>(1)</sup></i>
Amendments to IFRS 2	<i>Classification and measurement of Share-based Payment Transactions<sup>(1)</sup></i>
IFRS 15	<i>Revenue from contracts with Customers<sup>(1)</sup></i>
Amendments to IAS 40	<i>Transfers of Investment Property<sup>(1)</sup></i>
IFRIC 22	<i>Foreign Currency Transactions and advances Consideration<sup>(1)</sup></i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures<sup>(2)</sup></i>
IFRS 16	<i>Leases<sup>(2)</sup></i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments<sup>(2)</sup></i>
Amendments to IFRS 9	<i>Prepayment Features With Negative Compensation<sup>(2)</sup></i>
Amendments IFRSs	<i>Annual Improvements to IFRSs 2014-2016 Cycle<sup>(2)</sup></i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Rate Benchmark Reform<sup>(3)</sup></i>
IFRS 17	<i>Insurance contracts<sup>(4)</sup></i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>(5)</sup></i>

<sup>(1)</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

<sup>(2)</sup> Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

<sup>(3)</sup> Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.

<sup>(4)</sup> Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

<sup>(5)</sup> Effective date is not currently determined.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

***Amounts in millions of Ukrainian Hryvnias unless otherwise stated***

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**IFRS 9, *Financial Instruments***

IFRS 9, *Financial Instruments* (hereinafter IFRS 9) regulates the classification and measurement of financial assets and liabilities and requires certain additional disclosures. The primary changes relate to provisioning for potential future credit losses on financial assets as well as recognition of modification gain or loss for all revisions of estimated payments or receipts, including changes in cash flows arising from a modification or exchange of a financial liability, that does not result in its derecognition.

There would be no material effect from earlier recognition of future credit losses on financial assets. The Group would recognize the cumulative effect arising from the transition as an adjustment to the opening balance of equity. Prior period's comparative will not be restated.

**IFRS 15, *Revenue from Contracts with Customers***

This standard provides a single, principles based five-step model for the determination and recognition of revenue to be applied to all contracts with customers. It replaces the existing standards IAS 18, *Revenue*, and IAS 11, *Construction Contracts*. The core principle of IFRS 15, *Revenue from Contracts with Customers* (hereinafter IFRS 15) is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under the standard, an entity recognizes revenue when (or as) a performance obligation is satisfied, i. e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios than exists in the current guidance. Furthermore, extensive disclosures are required by IFRS 15.

The main effect from the adoption of IFRS 15 on the Group's consolidated financial statements would relate to the deferral of certain incremental costs incurred in acquiring or fulfilling a contract with a customer. Such contract costs would be amortised over the period of benefit. The Group would use a practical expedient from IFRS 15 allowing to expense contract costs as incurred when the amortization period is one year or less.

Other impacts of the standard include later recognition of revenue in cases, where "material rights" (such as offering additional products and services free of charge) are granted to the customers, and the reallocation of remuneration between components of contracts with customers. The Group estimates the additional deferred revenue to be recognized as a result of applying IFRS 15 will not be material.

The Group would utilize the option for simplified initial application, so that contracts that are not completed by 1 January 2018 will be accounted for as if they had been recognized in accordance with IFRS 15 from the very beginning. The cumulative effect arising from the transition would be recognized as an adjustment to the opening balance of equity in the year of initial application. The prior period comparatives would not be restated.

**IFRS 16, *Leases***

This standard principally requires lessees to recognize assets and liabilities for all leases and to present the rights and obligations associated with these leases in the statement of financial position. The standard also includes new provisions on the definition of a lease and its presentation, on disclosures in the notes, and on sale and leaseback transactions.

The Group elected to early adopt the standard effective 1 January 2018 concurrent with the adoption of the new standard related to revenue recognition.

The Group would make use of the following practical expedients:

- Relief from the requirement to reassess whether a contract is, or contains the lease for contracts existing as of 1 January 2018;

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

***Amounts in millions of Ukrainian Hryvnias unless otherwise stated***

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- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous;
- Exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- Use of hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

The Company would choose to take advantage of the practical expedient and will apply the IFRS 16, *Leases* (hereinafter IFRS 16) definition to all contracts entered into the date of initial application and the requirements of IFRS 16 will apply to contracts entered into after the date of initial application.

As a result of implementation of IFRS 16, the Group would recognize right-or-use assets and related lease liabilities for a total amount of UAH 3,143 million as of 1 January 2018.

Other mentioned IFRS pronouncements do not have a material impact on the Group's consolidated financial statements.

**3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

**Critical accounting estimates**

A critical accounting estimate is an estimate that is both important to the presentation of the Group's financial position and requires management's most difficult, subjective or complex judgments, often as a result of the need to determine estimates and develop assumptions about the outcome of matters that are inherently uncertain.

Management evaluates such estimates on an on-going basis, based upon historical results, historical experience, trends, consultations with experts, forecasts of the future, and other methods which management considers reasonable under the circumstances. Management considers the accounting estimates discussed below to be its critical accounting estimates, and, accordingly, provides an explanation of each.

**Roaming discounts**

The Group provides and receives retrospective volume discounts under roaming agreements with international mobile operators. To estimate the variable consideration in relation to these discounts, the Group uses original data traffic adjusted on a monthly basis to reflect newly-available information. The Group accounts for discounts received as a reduction of roaming expenses and rebates granted as reduction of roaming revenue. The Group considers terms of the various roaming discount agreements in order to determine the appropriate presentation of the amounts receivable from and payable to its roaming partners in its consolidated statement of financial position. The Group offsets such financial assets and financial liabilities as it has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis.

**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 management 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. Critical estimates in the evaluations of useful lives for intangible assets include, but are not limited to, the estimated average customer relationship based on churn, the remaining license period and the expected developments in technology and markets.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

***Amounts in millions of Ukrainian Hryvnias unless otherwise stated***

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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 important relevant factors. The actual economic lives of intangible assets may be different from useful lives estimated by management, thereby resulting in a different carrying value of intangible assets with finite lives.

The Group continues 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. See Note 12 and 13 for further information.

**Critical judgements**

**Provisions and contingencies**

The Group is subject to various legal proceedings, disputes and claims, including regulatory discussions related to the Group's business, tax positions, where the outcomes are subject to significant uncertainty. The 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 or related expense. Unanticipated events or changes in these factors may require the Group to increase or decrease the amount recorded or to be recorded for a matter that has not been previously recorded because it was not considered probable. See Note 17 for further information.

**4. REVENUE**

Revenue is recognized to the extent that the Group has delivered goods or rendered services under an agreement, the amount of revenue can be reliably measured and it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is measured at the fair value of the consideration receivable, exclusive of value added taxes, 7.5% State Pension Fund tax and discounts.

The Group obtains revenue from providing mobile telecommunication services (access charges, voice, messaging, interconnect fees, TV and musical content and connection fees) and sales of goods (selling equipment and accessories). Products and services may be sold separately or in bundle packages. The most significant part of revenue relates to prepaid contracts.

Revenue for access charges, voice calls, messaging, interconnect fees is recognized as services are rendered. This is based upon either usage (minutes of traffic processed, volume of data transmitted) or passage of time (monthly subscription fees). Revenue from the sale of prepaid credit is deferred until such time as the customer consumes the services or the credit expires.

Revenue from the provision of TV and music content is recognized as the Group renders the service and is recorded on principal basis under IAS 18, *Revenue*.

Revenue from sales of goods (mainly mobile handsets and other mobile devices) is recognized when the significant risks and rewards of ownership have been transferred to the customer.

The Group provides retrospective volume discounts under roaming agreements with international mobile operators. To estimate the variable consideration in relation to these discounts, the Group uses original data traffic adjusted on a monthly basis to reflect newly-available information. The resulting liability for the expected future discounts is recognized as a reduction of revenue within trade and other payables in the accompanying consolidated statement of financial position.

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

Service revenue for the years ended 31 December 2017 and 2016 comprised the following:

	<b>2017</b>	<b>2016</b>
Revenue from mobile subscribers	9,126	7,673
Interconnect revenue	2,163	3,055
Other revenue	414	387
<b>Total</b>	<b>11,703</b>	<b>11,115</b>

Total sales of goods for year ended 31 December 2017 amounted UAH 28 million (31 December 2016: UAH 23 million).

#### 5. COST OF SERVICES

Cost of services for the years ended 31 December 2017 and 2016 comprised the following:

	<b>2017</b>	<b>2016</b>
Interconnect expenses	1,566	1,885
Electricity and other production costs	1,158	1,149
Radio frequency usage costs	775	710
Roaming expenses	480	885
Salaries and social contributions, production	184	180
Cost of value added services and other direct costs	166	171
<b>Total</b>	<b>4,329</b>	<b>4,980</b>

#### 6. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended 31 December 2017 and 2016 comprised the following:

	<b>2017</b>	<b>2016</b>
Salaries and social contributions	667	595
Advertising and marketing expenses	619	623
Dealers commission	419	392
Billing and data processing	183	195
General office expenses	163	173
Taxes other than income tax	99	165
Rent, general and administrative	45	44
Other	97	114
<b>Total</b>	<b>2,292</b>	<b>2,301</b>

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

#### 7. FINANCE INCOME AND COSTS

Finance income and costs for the years ended 31 December 2017 and 2016 comprised the following:

	2017	2016
<b>Interest expenses:</b>		
– Vendor financing	15	15
– Provisions: unwinding of discount	9	6
<b>Total finance costs</b>	<b>24</b>	<b>21</b>
<b>Interest income:</b>		
– Interest income on bank deposits	132	195
<b>Finance income</b>	<b>132</b>	<b>195</b>
<b>Net finance income</b>	<b>108</b>	<b>174</b>

#### 8. INCOME TAX

Income taxes of the Group have been calculated in accordance with Ukrainian legislation and are based on the taxable profit for the period. The corporate income tax rate in Ukraine is 18%.

Standard Ukrainian withholding tax rate applicable to dividend distribution is 15%, however, the Double Tax Treaty between Ukraine and the Netherlands on the avoidance of double taxation (the DTT) provides a possibility to apply reduced 0% or 5% tax rate to dividend income.

During dividend distribution in favor of Preludium B.V. the Company applied reduced withholding tax rate of 5% under the DTT.

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases of assets and liabilities that will result in future taxable or deductible amounts. The deferred tax assets and liabilities are measured using the enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income.

Significant components of income tax expense for the years ended 31 December 2017 and 2016 were as follows:

	2017	2016
Current income tax charge	381	247
Deferred tax	89	38
<b>Total tax expense for the period</b>	<b>470</b>	<b>285</b>

The statutory income tax rates in Ukraine for 2017 and 2016 was at the rate 18%:

	2017	2016
<b>Statutory income tax rate for the year</b>	<b>18.0</b>	<b>18.0</b>
Adjustments:		
Expenses not deductible for tax purposes	0.1	-
<b>Effective income tax rate</b>	<b>18.1</b>	<b>18.0</b>

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

The Group reported the following deferred income tax assets and liabilities in the consolidated statement of financial position:

	31 December 2017	31 December 2016	1 January 2016
Deferred tax assets	846	935	973
<b>Net deferred tax assets</b>	<b>846</b>	<b>935</b>	<b>973</b>

Movements in the deferred tax assets and liabilities for the year ended 31 December 2017 were as follows:

	31 December 2016	Recognised in profit/loss	31 December 2017
<b>Assets/(liabilities) arising from tax effect of:</b>			
Provision for receivables from factor and cash balance in distressed bank	396	(32)	364
Depreciation of property and equipment	277	42	319
Accrued expenses	74	9	83
Deferred connection fees and subscriber prepayments	158	(92)	66
Allowance for doubtful accounts	15	(3)	12
Assets retirement obligations	8	3	11
Other	7	(16)	(9)
<b>Net deferred tax asset</b>	<b>935</b>	<b>(89)</b>	<b>846</b>

Movements in the deferred tax assets and liabilities for the year ended 31 December 2016 were as follows:

	1 January 2016	Recognised in profit/loss	31 December 2016
<b>Assets/(liabilities) arising from tax effect of:</b>			
Provision for receivables from factor and cash balance in distressed bank	397	(1)	396
Depreciation of property and equipment	320	(43)	277
Deferred connection fees and subscriber prepayments	130	28	158
Accrued expenses	100	(26)	74
Allowance for doubtful accounts	16	(1)	15
Assets retirement obligations	3	5	8
Other	7	-	7
<b>Net deferred tax asset</b>	<b>973</b>	<b>(38)</b>	<b>935</b>

## 9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent cash on hand and in bank accounts, as well as short-term bank deposits, which have original maturities of less than three months. As of 31 December 2017, cash on current bank accounts was held in five reputable banks – JSC "Raiffeisen Bank Aval", JSC "Credit Agricole Bank", JSC "Oschadbank", JSC "ING Bank Ukraine", JSC "Ukrsibbank" located in Ukraine (as of 31 December 2016: 95% in four reputable banks located in Ukraine, respectively). Cash equivalents include cash in transit in amount of UAH 58 million (as of 31 December 2016: UAH 37 million and as of 1 January 2016: UAH 21 million) which is cash paid by subscribers but not yet received from financial institutions.

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

Cash and cash equivalents comprised the following:

	Deposit rates	31 December 2017	Deposit rates	31 December 2016	Deposit rates	1 January 2016
<b>Cash and cash equivalents at banks and on hand in:</b>						
Euro		338		1		696
Ukrainian Hryvnia		253		717		541
US Dollars		6		-		63
<b>Short-term deposits with an original maturity of less than 92 days:</b>						
Ukrainian Hryvnia	12.5%	110	8%-14%	727	16.2%-17.5%	832
Euro		-		-	4%	66
<b>Total cash and cash equivalents</b>		<b>707</b>		<b>1,445</b>		<b>2,198</b>

## 10. TRADE AND OTHER RECEIVABLES

Trade and other receivables are stated at their nominal value as reduced by appropriate allowance for doubtful accounts. The Group provides an allowance for doubtful accounts based on management's periodic review with respect to the recoverability of trade receivables, advances given and other receivables. Such allowance reflects specific cases, collection trends or estimates based on evidence of collectability.

Trade and other receivables current comprised the following:

	31 December 2017	31 December 2016	1 January 2016
Roaming	1,403	1,072	167
Interconnect	154	205	201
Subscribers	151	163	168
Dealers	54	48	35
Other receivables	6	14	15
Allowance for doubtful accounts (IAS 39)	(66)	(81)	(90)
Receivables from factor for sold investments in distressed banks Delta bank and Kyivskaya Rus to a factor (100% credit-impaired)	961	961	961
Cash balance in distressed bank Platinum bank	250	250	250
Allowance on distressed banks credit impaired receivables	(1,211)	(1,211)	(1,211)
<b>Trade and other receivables total</b>	<b>1,702</b>	<b>1,421</b>	<b>496</b>

The majority of the Group's trade receivable balances are settled within 30 days, however, receivables on roaming discounts are settled once a year. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits separately for each individual customer.

In 2015 the company entered in a factoring agreement in respect to cash balances deposited in distressed banks Delta Bank (UAH 1,627 million) and Kyivska Rus (UAH 328 million), under which the factor is obliged to reimburse the Group for 50% and 45% of cash balance, accordingly. As of 31 December 2017 receivable under this agreement (UAH 814 million and UAH 148 million) was significantly overdue and the asset was fully credit impaired as no transfer of funds was made.

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

Trade receivables from roaming as of 31 December 2017 are presented net of UAH 248 million set off with respective trade payables for roaming (see Note 14) (as of 31 December 2016 UAH 353 million, as of 1 January 2016 UAH 214 million). Trade receivables from interconnect as of 31 December 2017 are presented net of UAH 106 million set off with respective trade payables for interconnect (see Note 14) (as of 31 December 2016 UAH 99 million, as of 1 January 2016 UAH 52 million).

The analysis of the age of trade and other accounts receivables past due but not impaired:

	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>1 January 2016</b>
Neither past due nor impaired	1,654	1,384	464
Past due, but not impaired:			
Less than 60 days	41	21	26
61-150 days	3	9	1
More than 150 days	4	7	5
<b>Total</b>	<b>1,702</b>	<b>1,421</b>	<b>496</b>

The following table summarizes changes in the allowance for doubtful accounts receivable:

	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Balance, beginning of the year</b>	<b>(1,292)</b>	<b>(1,301)</b>
Allowance for doubtful accounts	(9)	(8)
Accounts receivable written off	24	17
<b>Balance, end of the year</b>	<b>(1,277)</b>	<b>(1,292)</b>

## 11. INVENTORIES

Inventories are stated at the lower of cost or net realizable value. Inventory cost is determined using the weighted average cost method. Handsets and accessories held for sale are expensed when sold. The Group regularly assesses its inventories for obsolete and slow-moving stock.

Inventory comprised the following:

	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>1 January 2016</b>
Handsets and accessories	18	5	4
Advertising and other materials	15	13	11
SIM cards and prepaid phone cards	9	13	20
<b>Total inventories</b>	<b>42</b>	<b>31</b>	<b>35</b>

Other materials mainly consist of automotive and IT components, advertising, stationery, fuel and auxiliary materials.

Expenses for inventory obsolescence provision were included in cost of goods in the consolidated statement of profit or loss.



## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

For the years ended 31 December 2017 and 2016, cost of goods comprised the following expenses:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Cost of goods sold	69	73
Inventory obsolescence provision	-	1
Reversal of obsolescence provision	(1)	-
<b>Total cost of goods</b>	<b>68</b>	<b>74</b>

The reversal of the inventory obsolescence provision relates to handsets and accessories sold over the course of the Group's promotion campaigns.

## 12. PROPERTY AND EQUIPMENT

Property and equipment, including improvements, are stated at cost less impairment. Property and equipment with a useful life of more than one year is capitalized at historical cost and depreciated on a straight-line basis over its expected useful life, as follows:

### Network and base station equipment:

Network infrastructure	3-20 years
Other	3-15 years

### Land and buildings:

Buildings	20-50 years
Leasehold improvements	the term of the lease

### Office equipment, vehicles and other:

Office equipment	3-20 years
Vehicles	3-7 years
Other	3-20 years

The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal of an item of property and equipment is determined as the difference between any sale proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

Construction in progress and equipment held for installation is not depreciated until the constructed or installed asset is ready for its intended use. Maintenance and repair costs are expensed as incurred, while upgrades and improvements are capitalized.

Pursuant to IAS 36, property and equipment are tested for impairment when circumstances indicate that there may be a potential impairment.

Recoverable amounts of assets and cash generating units ("CGUs") are based on evaluations, including the determination of the appropriate CGUs, the discount rate, estimates of future performance, the revenue generating capacity of the assets, timing and amount of future purchases of property and equipment, assumptions of the future market conditions and the long-term growth rate into perpetuity (terminal value). A change of assumptions, particularly in relation to the discount rate and growth rate used to estimate the recoverable amounts of assets, could significantly impact results of the Group's impairment evaluation.

The Group calculates a provision for decommissioning and restoration (ARO) when the Group has a legal or constructive obligation in connection with the retirement of property and equipment sets (see Note 17) and includes it in the amount of additions for the period.

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

The net book value of property and equipment as of 31 December 2017, 31 December 2016 and 1 January 2016 was as follows:

	Network and base station equipment	Land and buildings	Office equipment, vehicles and other	Construction in progress and equipment for installation	Total
<b>Cost</b>					
<b>1 January 2016</b>	<b>14,650</b>	<b>602</b>	<b>1,892</b>	<b>1,105</b>	<b>18,249</b>
Additions	452	6	27	1,613	<b>2,098</b>
Transferred into use	1,997	4	194	(2,195)	-
Disposal	(871)	(6)	(55)	(3)	<b>(935)</b>
<b>31 December 2016</b>	<b>16,228</b>	<b>606</b>	<b>2,058</b>	<b>520</b>	<b>19,412</b>
Additions	1,085	6	15	2,213	<b>3,319</b>
Transferred into use	1,567	12	106	(1,685)	-
Disposal	(763)	(4)	(31)	(7)	<b>(805)</b>
<b>31 December 2017</b>	<b>18,117</b>	<b>620</b>	<b>2,148</b>	<b>1,041</b>	<b>21,926</b>
<b>Accumulated amortisation and impairment</b>					
<b>1 January 2016</b>	<b>(10,213)</b>	<b>(222)</b>	<b>(1,341)</b>	-	<b>(11,776)</b>
Charge for the year	(1,272)	(19)	(218)	-	<b>(1,509)</b>
Disposal	861	13	56	-	<b>930</b>
<b>31 December 2016</b>	<b>(10,624)</b>	<b>(228)</b>	<b>(1,503)</b>	-	<b>(12,355)</b>
Charge for the year	(1,541)	(23)	(184)	-	<b>(1,748)</b>
Disposal	762	4	29	-	<b>795</b>
<b>31 December 2017</b>	<b>(11,403)</b>	<b>(247)</b>	<b>(1,658)</b>	-	<b>(13,308)</b>
<b>Net book value</b>					
<b>1 January 2016</b>	<b>4,437</b>	<b>380</b>	<b>551</b>	<b>1,105</b>	<b>6,473</b>
<b>31 December 2016</b>	<b>5,604</b>	<b>378</b>	<b>555</b>	<b>520</b>	<b>7,057</b>
<b>31 December 2017</b>	<b>6,714</b>	<b>373</b>	<b>490</b>	<b>1,041</b>	<b>8,618</b>

### 13. OTHER INTANGIBLE ASSETS

Other intangible assets primarily consist of billing, telecommunication, accounting and office software as well as numbering capacity, and licenses. These assets are assets with finite useful lives. They are initially recognized at cost and amortized on a straight-line basis over their estimated useful lives.

Pursuant to IAS 36, other intangible assets with indefinite useful lives and intangible assets not yet brought into use must be tested for impairment annually or more often if indicators of impairment exist. Other assets are tested for impairment when circumstances indicate that there may be a potential impairment.

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

Recoverable amounts of assets and cash generating units ("CGUs") are based on evaluations, including the determination of the appropriate CGUs, the discount rate, estimates of future performance, the revenue generating capacity of the assets, timing and amount of future purchases of property and equipment, assumptions of the future market conditions and the long-term growth rate into perpetuity (terminal value). A change of assumptions, particularly in relation to the discount rate and growth rate used to estimate the recoverable amounts of assets, could significantly impact results of the Group's impairment evaluation.

Net book value of other intangible assets as at 31 December 2017, 31 December 2016 and 1 January 2016 was as follows:

	<u>Licenses</u>	<u>Billing and other software</u>	<u>Numbering capacity</u>	<u>Total</u>
<b>Useful life, years</b>	<b>1 to 19</b>	<b>1 to 15</b>	<b>1 to 15</b>	
<b>Cost</b>				
<b>1 January 2016</b>	<b>3,660</b>	<b>3,313</b>	<b>47</b>	<b>7,020</b>
Additions	33	905	2	<b>940</b>
Disposal	-	(232)	-	<b>(232)</b>
<b>31 December 2016</b>	<b>3,693</b>	<b>3,986</b>	<b>49</b>	<b>7,728</b>
Additions	373	1,216	-	<b>1,589</b>
Disposal	-	(71)	-	<b>(71)</b>
<b>31 December 2017</b>	<b>4,066</b>	<b>5,131</b>	<b>49</b>	<b>9,246</b>
<b>Accumulated amortisation and impairment</b>				
<b>1 January 2016</b>	<b>(413)</b>	<b>(2,562)</b>	<b>(41)</b>	<b>(3,016)</b>
Charge for the year	(229)	(644)	(2)	<b>(875)</b>
Disposal	(3)	234	(1)	<b>230</b>
<b>31 December 2016</b>	<b>(645)</b>	<b>(2,972)</b>	<b>(44)</b>	<b>(3,661)</b>
Charge for the year	(251)	(757)	(2)	<b>(1,010)</b>
Disposal	-	71	-	<b>71</b>
<b>31 December 2017</b>	<b>(896)</b>	<b>(3,658)</b>	<b>(46)</b>	<b>(4,600)</b>
<b>Net book value</b>				
<b>1 January 2016</b>	<b>3,247</b>	<b>751</b>	<b>6</b>	<b>4,004</b>
<b>31 December 2016</b>	<b>3,048</b>	<b>1,014</b>	<b>5</b>	<b>4,067</b>
<b>31 December 2017</b>	<b>3,170</b>	<b>1,473</b>	<b>3</b>	<b>4,646</b>

In connection with providing telecommunication services, the Group has been issued with various GSM, UMTS, LTE radio frequencies licenses by the National Commission For The State Regulation Of Communications And Informatization. The amount of intangible assets generated internally was not significant.

In March 2015, the Group acquired a nationwide license for the provision of UMTS (3G) telecommunications services through an open tender. The cost of the license was UAH 2,715 million and this was granted for 15 years. In accordance with the terms of the license, the Group was required to launch UMTS services in Ukraine by October 2016, and provide coverage throughout Ukraine by April 2020.

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

In accordance with the terms of the license, the Group also concluded agreements to convert the provided frequencies for commercial use with the Ministry of Defense of Ukraine, Ministry of Internal Affairs of Ukraine and State Service of Special Communications and Information Protection of Ukraine. For the conversion of frequencies, the Group paid UAH 358 million before 1 January 2017, UAH 299 million in 2017, and UAH 230 million in 2018. Conversion costs were capitalized and included in gross book value of licenses.

The management believes that as of 31 December 2017, the Group is in compliance with conditions of the aforementioned licenses.

#### 14. TRADE AND OTHER PAYABLES

Trade and other payables current comprised the following:

	31 December 2017	31 December 2016	1 January 2016
Trade accounts payable	606	443	314
Accounts payable for property, equipment and intangible assets	760	550	818
Accrued liabilities	313	219	345
Accrued payroll and vacation	60	54	36
<b>Trade and other payables total</b>	<b>1,739</b>	<b>1,266</b>	<b>1,513</b>

#### 15. SUBSCRIBER PREPAYMENTS

The Group requires the majority of its customers to pay in advance for telecommunications services. All amounts received in advance of services provided are recorded as a subscriber prepayment liability and are not recognized as revenues until the related services have been provided to the subscriber.

Upfront fees received for connection of new subscribers ("connection fees") and activation of different mobile services are deferred and recognized over the estimated average subscriber life and the period of validity of respective services, as follows:

Mobile bundle packages and other services	30 days-3 years
Loyalty program	1 year

The following table provides information about subscriber prepayments and deferred income:

	Subscribers and other customers	Connection fees, mobile bundle packages and loyalty	Total
<b>Balance as of 1 January 2017</b>	<b>578</b>	<b>448</b>	<b>1,026</b>
Revenue recognised that was included in the subscriber prepayments balance at the beginning of the period	(517)	(444)	<b>(961)</b>
Increase due to cash received, excluding amount recognised as revenue during the period	527	550	<b>1,077</b>
<b>Balance as of 31 December 2017</b>	<b>588</b>	<b>554</b>	<b>1,142</b>

In 2016 average subscribers lives reached 55 months (2017: 45 months).

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

Following performed analysis of subscriber base and specifically a life time of new additions over last 2 years, effective 1 December 2017 average subscriber lives have been changed from 45 to 12 months. The effect of change in estimate was approximately UAH 90 million.

As of result of implementation of IFRS 15 a time period of revenue recognition of connection fees and other services would be changed (see Note 2).

#### 16. BORROWINGS

The Group's vendor financing, liabilities for the acquisition of property or equipment, consisted of the following (on 1 January 2016: nil):

	<b>Currency</b>	<b>Interest rate (actual at 31 December 2017)</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
ZTE Corporation (2018-2019)	USD	16.0%-13.0%	62	83
ZTE Ukraine LLC (2018-2020)	UAH	28.0%	23	27
<b>Total vendor financing</b>			<b>85</b>	<b>110</b>
Including:				
- principal debt			64	107
- accrued interest			21	3
<b>Total</b>			<b>85</b>	<b>110</b>
Less: current portion			(47)	(47)
<b>Total vendor financing, non-current</b>			<b>38</b>	<b>63</b>

The table below represents changes in the Group's borrowings during the years ended 31 December 2017 and 2016:

	<b>Vendor financing</b>
<b>1 January 2016</b>	-
Principal received	89
Accrued interest	15
Payment of interest	(12)
Foreign exchange loss	18
<b>31 December 2016</b>	<b>110</b>
Accrued interest	15
Payment of principal	(25)
Payment of interest	(15)
<b>31 December 2017</b>	<b>85</b>

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

The following table presents the aggregated scheduled maturities of principal and interests on vendor financing (gross of debt issuance costs) outstanding for the three years ending July 2020:

	<b>As of 31 December 2017 Vendor financing</b>
Payments due in the year ending 31 December	
2018	47
2019	49
2020	5
	<hr/>
<b>Contractual undiscounted cash flows</b>	<b>101</b>
	<hr/>
Less: interest	(37)
	<hr/>
<b>Total principal debt</b>	<b>64</b>
	<hr/>

## 17. PROVISIONS

### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the managements' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. The main provisions the Group holds are in relation to employees' bonuses, decommissioning and restoration obligation, tax provisions as well as legal claims.

### Provision for decommissioning and restoration

The Group calculates a provision for decommissioning and restoration when the Group has a legal or constructive obligation in connection with the retirement of tangible long-lived assets. The Group's obligations relate primarily to the cost of removing its equipment from sites. The Group records the present value of provision for decommissioning and restoration as non-current provisions in the consolidated statement of financial position.

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

The following table summarizes the movement in provisions for the year ended 31 December 2017 and 2016:

	<b>Tax provisions other than for income tax</b>	<b>Provision for decommiss ioning and restoration</b>	<b>Employee bonuses and other rewards</b>	<b>Other provisions</b>	<b>Total</b>
<b>At 1 January 2016</b>	-	<b>18</b>	<b>81</b>	-	<b>99</b>
Arising during the year	48	22	119	-	<b>189</b>
Utilised	(30)	-	(97)	-	<b>(127)</b>
Discount rate adjustment and imputed interest (change in estimates)	-	6	-	-	<b>6</b>
Unused amounts reversed	(18)	-	(16)	-	<b>(34)</b>
<b>At 31 December 2016</b>	-	<b>46</b>	<b>87</b>	-	<b>133</b>
Current 2016	-	-	84	-	<b>84</b>
Non-current 2016	-	46	3	-	<b>49</b>
<b>At 1 January 2017</b>	-	<b>46</b>	<b>87</b>	-	<b>133</b>
Arising during the year	6	6	134	53	<b>199</b>
Utilised	-	-	(98)	-	<b>(98)</b>
Discount rate adjustment and imputed interest (change in estimates)	-	9	-	-	<b>9</b>
Unused amounts reversed	-	-	(13)	-	<b>(13)</b>
<b>At 31 December 2017</b>	<b>6</b>	<b>61</b>	<b>110</b>	<b>53</b>	<b>230</b>
Current 2017	6	-	107	53	<b>166</b>
Non-current 2017	-	61	3	-	<b>64</b>

Other provisions as at 31 December 2017 in amount of UAH 53 million consist of a provision for a present liability for a fine in the case, opened by the Antimonopoly Committee of Ukraine, on regional tariffs.

## 18. SHAREHOLDER'S EQUITY

As of 31 December 2017, 31 December 2016 and 1 January 2016 the Company had a legal status of a Private-Joint Stock Company.

### Share capital (ordinary shares)

The Group had 781 662 116 authorized ordinary shares with par value 0.01 UAH as of 31 December 2017, 31 December 2016 and 1 January 2016 for a total amount of UAH 8 million.

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

The Company's major shareholders at 31 December 2017, 31 December 2016 and 1 January 2016 are presented in the table below:

	Ownership, %			
	Number of shares	31 December 2017	31 December 2016	1 January 2016
Preludium B.V (Netherlands)	773,845,495	99.0%	99.0%	99.0%
PPT Telecom (Ukraine)	7,816,621	1.0%	1.0%	1.0%
<b>Total</b>	<b>781,662,116</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Preludium B.V and PPT Telecom are ultimately controlled by MTS.

The declared capital of the Company as per its Charter was contributed in full at 31 December 2017 and 2016.

There were no share capital changes during the year ended 31 December 2017 and 2016.

#### Dividends

In accordance with Ukrainian laws, earnings available for dividends are limited to profits determined under Ukrainian statutory accounting regulations, denominated in Ukrainian Hryvnia, after certain deductions.

The following table summarizes the Group's declared cash dividends for the years ended 31 December 2017 and 2016:

	2017	2016
Dividends declared	1,400	500
Dividends per share, UAH	1.79	0.64

As of 31 December 2017 and 2016 dividends payable included in the Accounts payable, related parties within the consolidated statement of financial position.

On 13 April 2017, the National Bank of Ukraine (hereinafter the NBU) adopted a resolution that allows the repatriation of dividends not only for 2014-2015, but also for 2016 and simplifies the mechanism of such payments: repatriation of dividends within one month for the specified years in a total amount of up to USD 5 million.

The NBU adopted a decree which cancelled the terms of repatriation of dividends to foreign shareholders of Ukrainian companies from 15 November 2017; currently, it is allowed the repatriation of dividends accrued by 2016 inclusive. The monthly limit on the repatriation of dividends for the period up to 2013 inclusive is an equivalent to of USD 2 million.

Despite this fact, it cannot be excluded that the restrictions on the repatriation of dividends will be again tightened in the future.



## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

#### 19. RELATED PARTIES

Related parties include entities under common ownership with the Group, affiliated companies and associated companies.

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

Outstanding balances as of 31 December 2017, as of 31 December 2016 and 1 January 2016 were unsecured and settlements are made on a cash basis. There have been no guarantees provided or received for any related party receivables or payables. As of 31 December 2017 and 2016, the Group had no impairment of receivables relating to significant amounts owed by related parties or expenses recognized during the years ended 31 December 2017 and 2016 in respect to bad or doubtful debts from related parties.

The Group receives and provides volume discounts under roaming agreements with the parent company and accounts for discounts as a reduction of roaming expenses and revenue. The resulting receivable and payable are recognized in the accompanying consolidated statement of financial position.

Accounts receivable from, accounts payable and Advances paid and prepaid expenses to related parties were as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>1 January 2016</b>
<b>Accounts receivable</b>			
MTS, parent company	497	449	269
MTS Belarus, MTS's associate	32	17	14
<b>Total accounts receivable, related parties – current</b>	<b>529</b>	<b>466</b>	<b>283</b>
<b>Accounts payable</b>			
MTS, parent company	145	137	731
MTS Belarus, MTS's associate	53	22	14
Sitronics Telecom Solutions Ukraine, a subsidiary of MTS	50	28	84
Stream, a subsidiary of MTS	17	9	3
ITM Ukraine, a subsidiary of MTS	2	-	-
NVision Group, a subsidiary of MTS	-	23	-
K-Telekom, a subsidiary of MTS	-	3	14
<b>Total accounts payable excluding dividends, related parties</b>	<b>267</b>	<b>222</b>	<b>846</b>
<b>Dividends payable</b>			
MTS	2,297	2,297	2,297
Preludium B.V.	730	347	-
PPT Telecom (Ukraine)	-	5	-
<b>Total dividends payable</b>	<b>3,027</b>	<b>2,649</b>	<b>2,297</b>
<b>Total accounts payable, related parties</b>	<b>3,294</b>	<b>2,871</b>	<b>3,143</b>

Dividends to MTS were declared during 2014 for the years ended 31 December 2012 and 2013 but were not paid due to regulatory limitations (see Note 23). Later, in 2015, the ownership structure changed and Preludium B.V. became a shareholder by transfer of shares from MTS.

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

	31 December 2017	31 December 2016	1 January 2016
<b>Advances paid and prepaid expenses:</b>			
Sitronics Telecom Solutions Ukraine, a subsidiary of MTS	3	8	-
<b>Total advances paid and prepaid expenses</b>	<b>3</b>	<b>8</b>	<b>-</b>

The Group makes advances for the purchase of property and equipment, intangible assets and other assets to related parties which are summarized as follows:

	31 December 2017	31 December 2016	1 January 2016
<b>Advances given for property and equipment and other intangible assets:</b>			
Sitronics Telecom Solutions Ukraine, a subsidiary of MTS	8	14	-
<b>Total advances given for property and equipment and other intangible assets</b>	<b>8</b>	<b>14</b>	<b>-</b>

Transactions related to purchases of non-current assets were as follows:

	2017	2016
<b>Purchases of property and equipment, intangible assets and other assets:</b>		
Sitronics Telecom Solutions Ukraine, a subsidiary of MTS	442	409
ITM Ukraine, subsidiary of MTS	47	76
MTS, parent company	44	49
Stream, subsidiary of MTS	7	11
NVision Group, subsidiary of MTS	-	42
<b>Total purchases of property and equipment, intangible assets and other assets</b>	<b>540</b>	<b>587</b>

### Operating transactions

For the years ended 31 December 2017 and 2016, operating transactions with related parties were as follows:

	2017	2016
<b>Revenues from related parties</b>		
MTS, parent company (telecommunication services, roaming and interconnect services)	502	805
MTS Belarus, the Group's associate (telecommunication and interconnect services)	3	4
K-Telekom, subsidiary of MTS (telecommunication and interconnect services)	3	3
Stream, subsidiary of MTS (telecommunication services)	1	1
<b>Total revenues from related parties</b>	<b>509</b>	<b>813</b>

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

	<u>2017</u>	<u>2016</u>
<b>Costs of services incurred on transactions with related parties</b>		
MTS, parent company (roaming and interconnect services, advertising services, billing, data processing services and line rental services)	(549)	(488)
Sitronics Telecom Solutions Ukraine, a subsidiary of MTS (billing, data processing services and repair and maintenance services)	(83)	(72)
Stream (telecommunication services)	(41)	(40)
ITM Ukraine (billing, data processing services and repair and maintenance services)	(14)	-
K-Telekom, subsidiary of MTS (telecommunication and interconnect services)	(12)	(124)
MTS Belarus, MTS's associate (telecommunication and interconnect services)	(2)	(4)
<b>Total costs of services incurred on transactions with related parties</b>	<u><b>(701)</b></u>	<u><b>(728)</b></u>
<b>Selling, general and administrative expenses incurred on transactions with related parties</b>		
MTS, parent company (trademark)	(26)	(46)
<b>Total SG&amp;A incurred on transactions with related parties</b>	<u><b>(26)</b></u>	<u><b>(46)</b></u>

#### Remuneration of key management personnel

During the years ended 31 December 2017 and 2016 key management personnel's total remuneration amounted to UAH 41 million and UAH 38 million, respectively.

## 20. COMMITMENTS AND CONTINGENCIES

#### Capital commitments

As of 31 December 2017, the Group had unexecuted purchase agreements of approximately UAH 965 million thousand to network equipment, tangible and intangible assets that were still in progress (31 December 2016: UAH 304 million and 1 January 2016: UAH 371 million).

#### Operating leases

The Group has entered into non-cancellable agreements to lease space for telecommunications equipment, offices and transmission channels, which expire in various years up to 2064.

Rental expenses under the operating leases amounted of UAH 525 million and UAH 524 million for the years ended 31 December 2017 and 2016 respectively.

Rental expenses under the operating leases of office spaces are included in selling, general and administrative expenses in the accompanying consolidated statement of profit or loss.

Rental expenses under the operating leases of technical spaces are included in cost of services in the accompanying consolidated statement of profit or loss.

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

Future minimum lease payments due under these leases at 31 December 2017 are as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Due within 1 year	282	289
Due from 1 year to 5 years	219	253
Due over 5 years	84	78
<b>Total</b>	<b>585</b>	<b>620</b>

#### **Taxation**

Application of taxes and duties in Ukraine is regulated by the Tax Code of Ukraine. The taxes applicable to the Company's activity include VAT, income tax (profits tax), fee for the use of radio frequency resource of Ukraine, payroll (social) taxes and other. Transactions with non-resident related parties may be subject to transfer pricing compliance, in case the transactions with related non-resident per year exceeds UAH 10 million.

Compliance with tax and custom legislation is subject to review and investigation by a number of authorities, which are enabled by law to collect unpaid liability as well as impose penalties and fines. Since Ukrainian tax law and practice are relatively new with little existing precedent, the tax authorities approaches and interpretation may rapidly change, comparing to the countries with more stable and developed tax systems.

Generally, according to Ukrainian tax legislation, the tax period remains open for tax audits for three years after the respective tax return submission. As of 31 December 2017 the tax periods 2014-2017 remains open for the tax audits in respect to corporate income tax.

During the year ended 31 December 2017 and preceding periods, the Group paid dividends to non-resident shareholder. Taking into account an interest of the tax authorities to cross-border transactions, as well as due to Ukraine's attempts to implement BEPS measures, tax authorities may scrutinize these transactions and interpret them differently. The effect of any such claim may be significant and may materially affect financial results of the Group.

The management analyzed and monitored the transactions on a regular basis and believes them fully comply with the applicable tax laws. In case of a different interpretation by the tax authorities of this issue, the Group estimated the risk of possible claim of tax liabilities in the amount of not more than UAH 115 million and a penalty of UAH 29 million.

#### **Litigation**

In the ordinary course of business, the Group is a party to various legal, tax and customs proceedings, and subject to claims.

However, such processes either as a whole or separately, did not have a material adverse effect on the Group. The Group assessed the risks of the negative issue and, in the case of a high level of risk, made a provision for such litigation.

#### **Operating environment**

In the recent years, Ukraine has been in a political and economic turmoil. Crimea, an autonomous republic of Ukraine, was effectively annexed by the Russian Federation. In 2016-2017, an armed conflict with separatists continued in certain parts of Luhansk and Donetsk regions. These events resulted in higher inflation, devaluation of the national currency against major foreign currencies, decrease of GDP, illiquidity, and volatility of financial markets.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

***Amounts in millions of Ukrainian Hryvnias unless otherwise stated***

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In 2017, annual inflation rate amounted to 13.7% (2016: 12.4%). The Ukrainian economy proceeded recovery from the economic and political crisis of previous years that resulted in real GDP smooth growth of around 2.5% (2016: 2.4%) and stabilization of national currency. From trading perspective, the economy was demonstrating refocusing on the European Union ("EU") market, which was a result of the signed Association Agreement with the EU in January 2016 that established the Deep and Comprehensive Free Trade Area ("DCFTA"). Under this agreement, Ukraine has committed to harmonize its national trade-related rules, norms, and standards with those of the EU, progressively reduce import customs duties for the goods originating from the EU member states, and abolish export customs duties during a 10-year transitional period. Implementation of DCFTA began on 1 January 2017. As a result, the Russian Federation implemented a trade embargo or import duties on key Ukrainian export products. In response, Ukraine implemented similar measures against Russian products.

In terms of currency regulations, the National Bank of Ukraine ("NBU") decreased the required share of mandatory sale of foreign currency proceeds from 65% to 50% from April 2017, increased settlement period for export-import transactions in foreign currency from 120 to 180 days from May 2017, and allowed companies to pay the 2013 (and earlier) dividends with a limit of USD 2 million per month from November 2017 (from June 2016, companies were allowed to pay dividends for 2014-2016 to non-residents with a limit of USD 5 million per month).

In March 2015, Ukraine signed four-year Extended Fund Facility ("EFF") with the International Monetary Fund ("IMF") that will last until March 2019. The total program amounted to USD 17.5 billion, while Ukraine has so far received only USD 8.7 billion from the entire amount. In September 2017, Ukraine successfully issued USD 3 billion of Eurobonds, of which USD 1.3 billion is new financing, with the remaining amount aimed to refinance the bonds due in 2019. The NBU expects that Ukraine will receive another USD 3.5 billion from the IMF in 2018. To receive next tranches, the government of Ukraine has to implement certain key reforms, including in such areas as pension system, anti-corruption regulations, and privatization.

Further stabilization of the economic and political situation depends, to a large extent, upon success of the Ukrainian government's efforts, yet further economic and political developments are currently difficult to predict.

## **21. FINANCIAL RISK MANAGEMENT**

As part of its business The Group is exposed to several types of financial risks: foreign currency risks, credit (or counterparty) risks, and liquidity risks.

### **Foreign currency risks**

Foreign currency risk is risk of negative impact of foreign currency fluctuations on the Group's finance results (in UAH) as its incomes and expenses are dependent on foreign currency rates. The Group does not use derivative financial instruments for currency risk management.

The ongoing political and economic crisis in Ukraine has led to the deterioration of market conditions, decrease in the quality of the balance of payments and overall foreign currency deficit in the country, which in turn caused the significant weakening of the national currency.

Since the beginning of February 2014, the floating exchange rate is applied to UAH/USD.

Within the period of 2014-2017, the economic crisis in Ukraine, combined with political unrests and events in eastern Ukraine, led to the hryvnia weakening. Thus, the hryvnia exchange rate fell from UAH/USD 15.77 at the end of 2014, up to UAH 24.00 at the end of 2015, and up to UAH 27.19 at the end of 2016, respectively, as a result of a significant outflow of capital due to the continuing political instability in Ukraine. As of 31 December 2017, the hryvnia exchange rate was UAH/USD 28.07.

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

***Amounts in millions of Ukrainian Hryvnias unless otherwise stated***

In 2017, according to the information of the NBU, the national currency devaluated by 4.1% from UAH/USD 25.55 (the average exchange rate of the NBU for 2016) up to UAH/USD 26.59 (as compared with 17.0% for the similar period of 2015-2016).

Further UAH/USD ratio will depend on several factors, namely:

- Economic growth;
- Successful reforms;
- Investment capital receipt, external funding by IMF, World Bank, European Bank of Reconstruction and Development;
- Improvement of the balance of payments.

The weakening UAH exchange rate to USD and/or EUR can result in the raising expenditures as well as the decreasing the incomes nominated both in UAH and foreign currency.

The following tables demonstrate the sensitivity to a reasonably possible change in USD and EUR exchange rates, with all other variables held constant.

	Change in rate		USD – effect on profit before tax	EUR – effect on profit before tax
	USD	EUR	UAH million	UAH million
2017	+10%	+10%	(4)	163
	-10%	-10%	4	(163)
2016	+5%	+15%	(11)	187
	-5%	-15%	11	(187)

The movement in the pre-tax effect is a result of a change in monetary assets and liabilities denominated in US dollars and Euro, where the functional currency of the entity is a currency other than US dollars and Euro.

The Group's exposure to foreign currency changes for all other currencies is not material.

#### **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they are due. The Group's liquidity position is carefully monitored and managed. The Group has in place a detailed budgeting and cash forecasting process to help ensure that it has adequate cash available to meet its payment obligations.

As of 31 December 2017 current liabilities exceeded current assets by UAH 3,257 million. Current liabilities include non-financial liabilities in amount of UAH 1,142 million (see Note 15), and dividends to related parties in amount of UAH 3,027 million (see Note 19). During previous years the Company demonstrated positive trends in operating cash flows which indicated the company's ability to avoid bankruptcy and continue its business as going concern. Management believes the Group has sufficient existing and continuing access to liquidity through both operating cash flows and credit facilities.

#### **Credit risk**

Credit risk is the risk that the counterparty will not meet its obligations arising from entering into financial instrument, leading to a financial loss.

In March 2015, the NBU declared PJSC "Delta Bank" and PJSC "Kyivska Rus Bank" insolvent. At 31 December 2015 the funds placed in PJSC "Platinum Bank" fell in value and at the beginning of January 2017 PJSC "Platinum Bank" was declared insolvent too and liquidation procedure was initiated.

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

In 2015 the company entered in a factoring agreement in respect to cash balances deposited in distressed banks Delta Bank (UAH 1,627 million) and Kyivska Rus Bank (UAH 328 million) (see Note 10).

In July 2017, the confirmation was obtained that company was included in the Platinum Bank' list of creditors of the 7th line (amount of UAH 250 million).

The banking crisis, bankruptcy or financial insolvency of the banks wherein PrJSC "VF Ukraine" places its funds may lead to the loss of deposits or may have a negative impact on the Company's capability to perform the banking transactions that may cause the substantive negative consequences for business, financial position and results of activities.

## 22. FAIR VALUE OF FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets include, in particular, cash and cash equivalents, trade and other receivables, investments (deposits with original maturity of more than three months). Financial liabilities generally substantiate claims for repayment in cash or another financial asset. In particular, this includes trade and other payables, lease obligations. Financial instruments are recognized as soon as the Group becomes a party to the contractual provision of the instrument.

Financial assets and financial liabilities of the Group are measured at amortized costs.

The Group offsets its financial assets and financial liabilities only if it has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Management of the Group believes that the fair values of financial instruments as of 31 December 2018 and 2017 approximate their carrying amounts.

As of 31 December 2017 and 2016 financial assets and financial liabilities of the Group comprised:

### Financial assets

	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>1 January 2016</b>
Trade and other receivables (Note 10)	1,702	1,421	496
Accounts receivable, related parties (Note 19)	529	466	283
Cash and Cash equivalents (Note 9)	707	1,445	2,198
<b>Total financial assets at amortized cost</b>	<b>2,938</b>	<b>3,332</b>	<b>2,977</b>
Total current financial assets	(2,938)	(3,332)	(2,977)
<b>Total non-current financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Financial liabilities

	<b>31 December 2017</b>	<b>31 December 2016</b>	<b>1 January 2016</b>
Trade and other payables (Note 14)	1,647	1,212	1,466
Accounts payable, related parties (Note 19)	3,294	2,871	3,143
Vendor financing	85	110	-
<b>Total financial liabilities at amortized cost</b>	<b>5,026</b>	<b>4,193</b>	<b>4,609</b>
Total current financial liabilities	(4,988)	(4,130)	(4,609)
<b>Total non-current financial liabilities</b>	<b>38</b>	<b>63</b>	<b>-</b>

## PrJSC VF UKRAINE AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

*Amounts in millions of Ukrainian Hryvnias unless otherwise stated*

#### Maturity analysis

	<b>31 December 2017</b>		
	<b>Trade and other payables</b>	<b>Accounts payable, related parties</b>	<b>Vendor financing</b>
Due within three months	1,257	83	10
Due from three months to twelve months	390	3,211	37
Due from 1 year to 5 years	-	-	54
Less: future interest payments	-	-	(16)
<b>Total</b>	<b>1,647</b>	<b>3,294</b>	<b>85</b>

	<b>31 December 2016</b>		
	<b>Trade and other payables</b>	<b>Accounts payable, related parties</b>	<b>Vendor financing</b>
Due within three months	1,009	199	6
Due from three months to twelve months	203	2,672	41
Due from 1 year to 5 years	-	-	94
Less: future interest payments	-	-	(31)
<b>Total</b>	<b>1,212</b>	<b>2,871</b>	<b>110</b>

	<b>1 January 2016</b>	
	<b>Trade and other payables</b>	<b>Accounts payable, related parties</b>
Due within three months	1,245	810
Due from three months to twelve months	221	2,333
<b>Total</b>	<b>1,466</b>	<b>3,143</b>

## 23. PENSIONS AND RETIREMENT PLANS

The employees of the Group receive pension benefits from the government in accordance with the laws and regulations of Ukraine. The Group's contributions to the State Pension Fund are recorded in the consolidated statement of profit or loss and other comprehensive income on the accrual basis. The Group companies are not liable for any supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees, other than pay-as-you-go expenses.

Due to legislation of Ukraine contributions to the State Pension Fund include also obligatory payments for other kinds of social insurance related to loss of capacity for work incidents and others. The Group's contributions to the State Pension Fund during the years ended 31 December 2017 and 2016 amounted to UAH 130 million and UAH 117 million, respectively.

## 24. SUBSEQUENT EVENTS

The following non-adjusting events were identified:

### Dividends

During 2018 dividends in the amount of UAH 8 million were declared to PPT Telecom.

During 2018 dividends in the amount of UAH 797 million were declared and in amount of USD 26 million (UAH 730 million as of the payment date) were paid to Preludium B.V.



## **PrJSC VF UKRAINE AND SUBSIDIARIES**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

***Amounts in millions of Ukrainian Hryvnias unless otherwise stated***

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During 2019 dividends in the amount of UAH 8 million and USD 32 million (UAH 797 million as of the payment date) were paid to PPT Telecom and Preludium B.V., respectively. No dividends were declared.

#### **Licenses**

On 31 January and 6 March 2018, a tender on acquiring 4G licenses was held in two stages, in which the Company successfully purchased two lots for the total amount of UAH 631 million in the range of 2,600 MHz and two lots for the total amount of UAH 1,802 million in the range of 1,800 MHz. In order to raise funds for the development of 4G/LTE network on 3 April 2018, the Company issued Notes to a related party with the due date 2021 at interest rate 9.20% in the amount of EUR 90 million.

#### **Change of ownership**

On 25 November 2019 MTS PJSC and Telco Solutions and Investments LLC controlled by telecommunications company Bakcell LLC, which is a part of NEQSOL Holding international group of companies, signed a binding agreement according to which Telco Solutions and Investments LLC will acquire VF Ukraine from MTS for cash consideration of USD 734 m (including approximately USD 84 m earn-out). The deal was closed on 3 December 2019.

On 6 December 2019 dividends in the amount of UAH 406 million were paid to Telco Solutions and Investments LLC in accordance to the conditions of agreement with MTS PJSC. In connection with that, on 3 December 2019 the Group paid withholding tax at a rate of 5% in the amount of UAH 115 million and made corporate profit tax advance payment in the amount of UAH 129 million.

## **25. AUTHORISATION OF CONSOLIDATED FINANCIAL STATEMENTS**

These consolidated financial statements were authorized for issue by the Management of the Group on 10 December 2019.

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