

Unaudited interim condensed
consolidated financial statements

Open Joint Stock Company "Vimpel-Communications"

(a wholly-owned subsidiary of VimpelCom Ltd.)

for the three months ended 31 March 2014

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Review Report of Independent Auditors

The Board of Directors and Shareholders of OJSC Vimpel-Communications

We have reviewed the interim condensed consolidated financial statements of Open Joint Stock Company Vimpel-Communications (a wholly-owned subsidiary of VimpelCom Ltd.) and its subsidiaries (hereinafter collectively referred to as "VimpelCom"), which comprise the interim consolidated statement of financial position as of 31 March 2014, and the related interim consolidated income statements, statements of comprehensive income, changes in equity, and cash flows for the three-month periods ended 31 March 2014 and 2013.

Management is responsible for the preparation and fair presentation of the interim condensed consolidated financial information in conformity with International Financial Reporting Standard IAS 34, Interim Financial Reporting; this includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim condensed consolidated financial information in conformity with IAS 34, Interim Financial Reporting.

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the interim condensed consolidated financial information referred to above for it to be in conformity with IAS 34, Interim Financial Reporting.



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We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated statement of financial position of VimpelCom as of 31 December 2013, and the related consolidated statements of income, comprehensive income and changes in equity, and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated 23 May 2014. As described in Note 2 to VimpelCom's unaudited interim condensed consolidated financial statements, on 1 January 2014 VimpelCom adopted amendments to International Financial Reporting Standard IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities, on a retrospective basis resulting in a revision of the 31 December 2013 consolidated statement of financial position. We have not audited or reported on the revised consolidated statement of financial position reflecting the adoption of the amendments to IAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities.

Ernst & Young LLC

6 June 2014

Open Joint Stock Company "Vimpel-Communications"
(a wholly-owned subsidiary of VimpelCom Ltd.)

Interim consolidated income statement

for the three months ended 31 March 2014 and 2013

	Note	Three months ended 31 March	
		2014 (unaudited)	2013 (unaudited)
<i>(All amounts in thousands of US dollars unless otherwise stated)</i>			
Service revenue		2,286,299	2,593,685
Sale of equipment and accessories		44,644	139,987
Other revenue		6,120	6,738
Total operating revenue	4	2,337,063	2,740,410
Operating expenses			
Service costs		(617,380)	(695,821)
Cost of equipment and accessories		(56,420)	(136,495)
Selling, general and administrative expenses		(713,858)	(756,432)
Depreciation	6	(347,460)	(391,943)
Amortization	7	(59,767)	(73,104)
Impairment loss		–	(30,885)
Loss on disposals of non-current assets		(9,232)	(1,717)
Total operating expenses		(1,804,117)	(2,086,397)
Operating profit		532,946	654,013
Finance costs		(198,650)	(206,040)
Finance income		94,387	102,645
Net foreign exchange gain/(loss)		(80,648)	49,025
Other non-operating gain/(loss), net		4,957	(2,524)
Shares of loss of associates and joint ventures accounted for using the equity method		(16,165)	(2,529)
Profit before tax		336,827	594,590
Income tax expense	5	(88,520)	(131,763)
Profit for the period		248,307	462,827
Attributable to:			
The owners of the parent		226,504	456,906
Non-controlling interest		21,803	5,921
		248,307	462,827

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

Open Joint Stock Company "Vimpel-Communications"
(a wholly-owned subsidiary of VimpelCom Ltd.)

Interim consolidated statement of comprehensive income
for the three months ended 31 March 2014 and 2013

	Three months ended 31 March	
	2014 (unaudited)	2013 (unaudited)
	<i>(All amounts in thousands of US dollars unless otherwise stated)</i>	
Profit for the period	248,307	462,827
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Cash flow hedge reserve	(271)	3,159
Income tax effect	-	-
Shares of exchange differences on translation of associates and joint ventures accounted for using the equity method	(34,353)	(10,849)
Income tax effect	-	-
Net gain arising on revaluation of available-for-sale financial assets at fair value through other comprehensive income	(33,186)	12,553
Income tax effect	-	-
Exchange differences arising on net investment in foreign operations and translation to the presentation currency	(74,120)	(62,337)
Income tax effect	(8,129)	(2,151)
Other comprehensive income items not being reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of OJSC VimpelCom's operations	(282,697)	(56,732)
Income tax effect	-	-
Other comprehensive income/(loss) for the period, net of tax	(432,756)	(116,357)
Total comprehensive income /(loss) for the period, net of tax	(184,449)	346,470
Attributable to:		
The owners of the parent	(142,882)	340,634
Non-controlling interests	(41,567)	5,836
	(184,449)	346,470

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

Open Joint Stock Company "Vimpel-Communications"
(a wholly-owned subsidiary of VimpelCom Ltd.)

Interim consolidated statements of financial position

as of 31 March 2014 and 31 December 2013

	Note	31 March 2014 (unaudited)	31 December 2013* (unaudited)
<i>(All amounts in thousands of US dollars unless otherwise stated)</i>			
Assets			
Non-current assets			
Property and equipment	6	7,042,016	7,681,837
Intangible assets	7	778,805	881,227
Goodwill	7	3,089,719	3,357,221
Investments in associates and joint ventures		376,389	426,924
Deferred tax asset		13,702	5,609
Other financial assets	8	760,746	791,759
Other non-current non-financial assets	9	14,265	16,799
Total non-current assets		12,075,642	13,161,376
Current assets			
Inventories		100,819	129,618
Trade and other receivables		645,247	639,977
Other current non-financial assets	9	186,729	187,228
Current income tax asset		24,153	78,715
Other current financial assets	8	3,686,423	3,655,102
Cash and cash equivalents	10	884,943	997,752
Total current assets		5,528,314	5,688,392
Total assets		17,603,956	18,849,768
Equity and liabilities			
Equity			
Equity attributable to equity owners of the parent		4,655,799	4,845,936
Non-controlling interests		175,453	200,999
Total equity		4,831,252	5,046,935
Non-current liabilities			
Financial liabilities	8	8,191,695	9,109,653
Provisions		122,565	127,161
Other non-current non-financial liabilities	9	31,875	36,403
Deferred tax liability		457,553	532,364
Total non-current liabilities		8,803,688	9,805,581
Current liabilities			
Trade and other payables		1,195,515	1,715,694
Dividends payable		–	461,299
Other current non-financial liabilities	9	734,658	697,178
Other financial liabilities	8	1,931,679	1,005,686
Current income tax payable		4,872	4,013
Provisions		102,292	113,382
Total current liabilities		3,969,016	3,997,252
Total equity and liabilities		17,603,956	18,849,768

* Certain amounts shown here do not correspond to the 2013 consolidated financial statements and reflect adjustments made as described in Note 2.

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

Open Joint Stock Company "Vimpel-Communications"
(a wholly-owned subsidiary of VimpelCom Ltd.)

Interim consolidated statement of changes in equity

for the three months ended 31 March 2014

Note	Attributable to the owners of the parent								Non-controlling interest	Total equity
	Issued capital	Capital surplus	Other capital reserves	Retained earnings	Foreign currency translation reserve	Cash flow hedge reserve	Available-for-sale reserve	Total		
<i>(All amounts in thousands of US dollars unless otherwise stated)</i>										
As of 1 January 2014	92	1,433,396	663,971	3,599,256	(880,339)	105	29,455	4,845,936	200,999	5,046,935
Profit for the period	–	–	–	226,504	–	–	–	226,504	21,803	248,307
Other comprehensive income	–	–	–	–	(335,929)	(271)	(33,186)	(369,386)	(63,370)	(432,756)
Total comprehensive income	–	–	–	226,504	(335,929)	(271)	(33,186)	(142,882)	(41,567)	(184,449)
Effect of options over non-controlling interests in subsidiaries	8	–	(15,761)	–	(31,330)	–	–	(47,091)	16,021	(31,070)
Share-based payment transactions	–	–	(164)	–	–	–	–	(164)	–	(164)
As of 31 March 2014 (unaudited)	92	1,433,396	648,046	3,825,760	(1,247,598)	(166)	(3,731)	4,655,799	175,453	4,831,252

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

Open Joint Stock Company "Vimpel-Communications"
(a wholly-owned subsidiary of VimpelCom Ltd.)

Interim consolidated statement of changes in equity

for the three months ended 31 March 2013

		Attributable to the owners of the parent									
Note	Issued capital	Capital surplus	Other capital reserves	Retained earnings	Foreign currency translation reserve	Cash flow hedge reserve	Available-for-sale reserve	Total	Non-controlling interest	Total equity	
<i>(All amounts in thousands of US dollars unless otherwise stated)</i>											
As of 1 January 2013	92	1,433,396	620,210	5,334,545	(544,061)	(3,309)	9,246	6,850,119	(10,524)	6,839,595	
Profit for the period	–	–	–	456,906	–	–	–	456,906	5,921	462,827	
Other comprehensive income	–	–	–	–	(131,984)	3,159	12,553	(116,272)	(85)	(116,357)	
Total comprehensive income	–	–	–	456,906	(131,984)	3,159	12,553	340,634	5,836	346,470	
Effect of options over non-controlling interests in subsidiaries	8	–	(3,211)	–	(661)	–	–	(3,872)	(15,112)	(18,984)	
Share-based payment transactions	–	–	71	–	–	–	–	71	–	71	
As of 31 March 2013 (unaudited)	92	1,433,396	617,070	5,791,451	(676,706)	(150)	21,799	7,186,952	(19,800)	7,167,152	

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

Open Joint Stock Company "Vimpel-Communications"
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Interim consolidated statement of cash flows

for the three months ended 31 March 2014 and 2013

	Note	Three month ended 31 March	
		2014 (unaudited)	2013 (unaudited)
<i>(All amounts in thousands of US dollars unless otherwise stated)</i>			
Operating activities			
Profit for the period		248,307	462,827
Income tax expense	5	88,520	131,763
Profit before tax		336,827	594,590
Non-cash adjustment to reconcile profit before tax to net cash flows from operating activities:			
Depreciation	6	347,460	391,943
Impairment loss		–	30,885
Amortization	7	59,767	73,104
Loss on disposals of non-current assets		9,232	1,717
Finance income		(94,387)	(102,645)
Finance costs		198,650	206,040
Other non-operating (gain)/loss, net		(4,957)	2,524
Net foreign exchange (gain)/loss		80,648	(49,025)
Shares of loss of associates and joint ventures accounted for using the equity method		16,165	2,529
Movements in provisions		2,844	4,285
Operating profit before working capital adjustments, interest and income taxes		952,249	1,155,947
Working capital adjustments			
Change in trade and other receivables and prepayments		(122,004)	(100,377)
Change in inventories		18,608	(49,895)
Change in trade and other payables		90,370	14,844
Interest and income taxes			
Interest paid		(171,502)	(180,704)
Interest received		6,188	17,672
Income tax paid		(96,271)	(110,788)
Net cash flows from operating activities		677,638	746,699
Investing activities			
Proceeds from sale of property, equipment and intangible assets		1,061	24,347
Purchase of property, equipment and intangible assets		(729,171)	(529,599)
Issue of loans		(6,189)	(1,000,418)
Repayment of loans issued		16,120	669,044
Inflows/(Outflows) from deposits (net)		36,546	(124,699)
Proceeds from sale of available-for-sale financial asset		–	91
Disposal of subsidiaries, net of cash disposed		350	6,074
Receipt of dividends		113	–
Net cash flows used in investing activities		(681,170)	(955,160)
Financing activities			
Proceeds from borrowings, net of fees paid		405,000	398,518
Repayment of borrowings		(34,192)	(106,392)
Dividends paid to equity holders		(442,033)	–
Dividends paid to non-controlling interests		–	(357)
Net cash flows from/(used in) financing activities		(71,225)	291,769
Net increase in cash and cash equivalents		(74,757)	83,307
Net foreign exchange difference		(38,052)	(26,334)
Cash and cash equivalents at beginning of period		997,752	981,845
Cash classified as asset held for sale		–	(391)
Cash and cash equivalents at end of period		884,943	1,038,427

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

Open Joint Stock Company "Vimpel-Communications"
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Notes to the unaudited interim condensed consolidated financial statements
for the three months ended 31 March 2014

(All amounts in thousands of US dollars unless otherwise stated)

1. General information

Open Joint Stock Company "Vimpel-Communications" (**OJSC "VimpelCom"**, together with its subsidiaries referred to as the "**Group**", "**VimpelCom**", the "**Company**" or "**we**") was registered in the Russian Federation ("**Russia**") on 15 September 1992 as a closed joint stock company, re-registered as an open joint stock company on 28 July 1993 and began full-scale commercial operations in June 1994.

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

The interim condensed consolidated financial statements are presented in United States dollars ("**US dollars**" or "**US\$**"), as this is the functional and reporting currency of our controlling shareholder VimpelCom Ltd. In these notes United States dollar amounts are presented in thousands, all values are rounded to the nearest thousand (USD thousand) unless otherwise indicated.

VimpelCom earns revenues by providing voice, data and other telecommunication services through a range of wireless, fixed and broadband internet services, as well as selling related equipment and accessories. As of 31 March 2014, the Company operated telecommunications services in Russia, Kazakhstan, Ukraine, Armenia, Uzbekistan, Georgia, Kyrgyzstan and Laos primarily under the "Beeline" brand name.

The unaudited interim condensed consolidated financial statements of the Company for the three months ended 31 March 2014 were authorized for issue by General Director on 6 June 2014.

2. Basis of the interim condensed consolidated financial statements

Basis of preparation

The interim condensed consolidated financial statements for the three months ended 31 March 2014 have been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required for a complete set of consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2013 prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

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

Open Joint Stock Company "Vimpel-Communications"
(a wholly-owned subsidiary of VimpelCom Ltd.)

Notes to the unaudited interim condensed consolidated financial statements (continued)

(All amounts in thousands of US dollars unless otherwise stated)

2. Basis of the interim condensed consolidated financial statements (continued)

Basis of preparation (continued)

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

The preparation of these interim condensed consolidated financial statements required management to apply accounting policies and methodologies based on complex and subjective judgments, estimates based on past experience and assumptions determined to be reasonable and realistic based on the related circumstances. The use of these estimates and assumptions affects the amounts reported in the statement of financial position and the income statement as well as the notes. The final amounts for items for which estimates and assumptions are made in these interim condensed consolidated financial statements may differ from those reported in these statements due to the uncertainties that characterize the assumptions and conditions on which the estimates are based. The results for the interim period are not necessarily indicative of results for the full year.

Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of and for the three month periods ended 31 March 2014. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.

Intercompany accounts and transactions within the Group have been eliminated. Non-controlling interests are reported in the interim condensed consolidated statement of financial position as a separate component of equity. Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the owners of the parent.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

The Group has applied, for the first time, the amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*. These amendments permit financial assets and liabilities to be offset against each other for balance sheet presentation only where a currently existing, legally enforceable, unconditional right of offset applies to all counterparties of the financial instruments in all situations, including both normal operations and insolvency. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. An entity shall apply those amendments retrospectively for annual periods beginning on or after 1 January 2014.

Open Joint Stock Company "Vimpel-Communications"
(a wholly-owned subsidiary of VimpelCom Ltd.)

Notes to the unaudited interim condensed consolidated financial statements (continued)

(All amounts in thousands of US dollars unless otherwise stated)

2. Basis of the interim condensed consolidated financial statements (continued)

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

VimpelCom enters into interconnect contracts with various counterparties that are settled on a net basis in the normal course of business. However, following the Russian legislation net settlement is not possible in the event of bankruptcy of a counterparty. Consequently, the offsetting of the respective financial assets and liabilities relevant for the Russian jurisdiction is not allowed in the light of the amendments to IAS 32. As a result of the retrospective application of the amendments to IAS 32, the outstanding receivables and payables balances under the interconnect contracts included in the 31 December 2013 Statement of financial position presented as a comparative information in these interim condensed consolidated financial statements have been presented on a gross basis leading to the increase of the Trade and other receivables and Trade and other payables by US\$ 130,300. No additional statement of financial position as of 1 January 2013 is presented because the application of the amendments to IAS 32 did not result in a change of equity in any of the prior periods.

Several other new standards and amendments apply for the first time in 2014, i.e. IFRIC 21 *Levies* and IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39*. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

In 2013, the Company early adopted IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36* that become effective for annual periods beginning on or after 1 January 2014. Since the amended/additional disclosures provide useful information as intended by the IASB, the Company decided to early adopt the Standard in 2013. The amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period.

3. Seasonality of operations

Due to seasonality of the Group's operations, higher revenues and operating profits are usually expected in the third quarter of the year and the month of December. These expectations are mainly attributable to the increased demand for telecommunication services during the peak holiday seasons from private customers. This information is provided to allow for a proper assessment of the results, however management has concluded that this does not constitute a "highly seasonal" business as described by IAS 34 *Interim Financial Reporting*.

4. Segment information

Management analyzes the Company's operating segments separately because of different economic environments and stages of development in different geographical areas, requiring different investment and marketing strategies. Management does not analyze assets or liabilities by reportable segment. The segment data for acquired operations are reflected herein from the date of their respective acquisition.

Management evaluates the performance of the Company's segments on a regular basis, primarily based on earnings before interest, tax, depreciation, amortization, impairment loss, loss on disposals of non-current assets, other non-operating losses and shares of profit/(loss) of associates and joint ventures ("**EBITDA**").

Open Joint Stock Company "Vimpel-Communications"
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Notes to the unaudited interim condensed consolidated financial statements (continued)

(All amounts in thousands of US dollars unless otherwise stated)

4. Segment information (continued)

Financial information by reportable segment for the three month periods ended 31 March 2014 and 31 March 2013 is presented in the following tables.

Information by reportable segments for the three months ended 31 March 2014

	Russia	CIS	Ukraine	Total	All other	Group
Revenue						
External customers	1,889,268	408,753	10,799	2,308,820	28,243	2,337,063
Inter-segment	4,117	(5,452)	427	(908)	908	–
Total operating revenues	1,893,385	403,301	11,226	2,307,912	29,151	2,337,063
EBITDA	760,146	189,337	1,867	951,350	(1,945)	949,405
Capital expenditures	325,431	36,316	385	362,132	–	362,132

Information by reportable segments for the three months ended 31 March 2013

	Russia	CIS	Ukraine	Total	All other	Group
Revenue						
External customers	2,290,669	422,477	11,983	2,725,129	15,281	2,740,410
Inter-segment	13,609	1,110	659	15,378	(15,378)	–
Total operating revenues	2,304,278	423,587	12,642	2,740,507	(97)	2,740,410
EBITDA	963,201	207,195	1,725	1,172,121	(20,459)	1,151,662
Capital expenditures	220,248	86,601	1,165	308,014	381	308,395

The following table provides the reconciliation of consolidated EBITDA to consolidated profit for the three month period ended:

	Three months ended 31 March	
	2014	2013
EBITDA	949,405	1,151,662
Depreciation	(347,460)	(391,943)
Amortization	(59,767)	(73,104)
Impairment loss	–	(30,885)
Loss on disposals of non-current assets	(9,232)	(1,717)
Finance costs	(198,650)	(206,040)
Finance income	94,387	102,645
Other non-operating gain/(loss), net	4,957	(2,524)
Shares of loss of associates and joint ventures accounted for using the equity method	(16,165)	(2,529)
Net foreign exchange gain/(loss)	(80,648)	49,025
Income tax expense	(88,520)	(131,763)
Profit for the period	248,307	462,827

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Notes to the unaudited interim condensed consolidated financial statements (continued)

(All amounts in thousands of US dollars unless otherwise stated)

5. Income taxes

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

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

	Three months ended 31 March	
	2014	2013
Current income taxes	140,729	179,948
Deferred income taxes	(52,209)	(48,185)
Income tax expense reported in the income statement	88,520	131,763
Effective tax rates	26%	22%

The increase in the effective tax rate ("ETR") for the three months ended 31 March 2014 compared with the ETR for the prior year three months relates to the withholding tax accrued in 2014 for dividends that will be distributed in the foreseeable future. Furthermore, the ETR increased as a result of prior year adjustments due to refileing of tax returns.

6. Property and equipment

During the three months ended 31 March 2014 and 2013 the Company had the following changes in property and equipment:

	Three months ended 31 March		
	Note	2014	2013
Opening net book value as of 1 January		7,681,837	7,763,187
Additions		337,666	280,391
Net book value of assets disposed		(10,856)	(20,775)
Translation adjustment		(619,171)	(135,834)
Depreciation charge		(347,460)	(391,943)
Closing net book value as of 31 March		7,042,016	7,495,026

Open Joint Stock Company "Vimpel-Communications"
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Notes to the unaudited interim condensed consolidated financial statements (continued)

(All amounts in thousands of US dollars unless otherwise stated)

7. Intangible assets and goodwill

During the three months ended 31 March 2014 and 2013 the Company had the following changes in intangible assets and goodwill:

	Three months ended 31 March				
	2014		2013		
	Note	Other intangible assets	Goodwill	Other intangible assets	Goodwill
Opening net book value as of 1 January		881,227	3,357,221	1,067,164	3,603,922
Additions		24,466	–	26,006	–
Net book value of assets disposed		(849)	–	(1,950)	–
Translation adjustment		(66,272)	(267,502)	(24,026)	(68,597)
Amortization charge		(59,767)	–	(73,104)	–
Closing net book value as of 31 March		778,805	3,089,719	994,090	3,535,325

Goodwill is tested for impairment annually (at 1 October) and when circumstances indicate the carrying value may be impaired. The Company's impairment test for goodwill is primarily based on value-in-use calculations that use a discounted cash flow model. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual financial statements for the year ended 31 December 2013.

There were no indicators of impairment of goodwill during the three months period ended 31 March 2014.

8. Financial assets and liabilities

There were no significant changes in the financial assets and liabilities in the three months period ended 31 March 2014, except as described below.

On 4 February 2014, the Company entered into Subordination Deed to rank the liabilities owed by VimpelCom to each of OJSC Sberbank ("Sberbank Liabilities"), Vimpelcom Amsterdam B.V., Vimpelcom Holdings B.V. and Weather Capital Special Purpose 1 S.A ("Subordinated Liabilities") if an Insolvency Event occurs in respect of the Company. If such Event occurs in respect of the Company, and for so long as such Event continues, the Subordinated Liabilities shall be subordinated in full to the Sberbank Liabilities and the Sberbank Liabilities shall rank in priority to the Subordinated Liabilities.

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

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Notes to the unaudited interim condensed consolidated financial statements (continued)

(All amounts in thousands of US dollars unless otherwise stated)

8. Financial assets and liabilities (continued)

Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments as of 31 March 2014:

	Carrying value		Fair value	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
Financial assets at fair value through profit or loss				
Derivatives over non-controlling interest	40,730	34,874	40,730	34,874
Foreign exchange contracts	11	301	11	301
Financial assets at fair value through other comprehensive income				
Available-for-sale financial asset	76,641	109,827	76,641	109,827
Total financial assets at fair value	117,382	145,002	117,382	145,002
Loans granted, deposits and other financial assets at amortised cost				
Loans granted to related parties	4,055,555	4,077,478	4,273,155	4,484,501
Bank deposits	173,399	209,066	173,399	209,066
Interest receivable	91,517	4,890	91,517	4,890
Other financial asset	9,316	10,425	9,316	10,425
Total loans granted, deposits and other financial assets at amortised cost	4,329,787	4,301,859	4,547,387	4,708,882
Trade and other receivables	645,247	509,677	645,247	509,677
Cash and cash equivalents	884,943	997,752	884,943	997,752
Total financial assets	5,977,359	5,954,290	6,194,959	6,361,313
Financial liabilities				
Derivatives over non-controlling interest	235,539	204,469	235,539	204,469
Foreign exchange contracts	2,918	–	2,918	–
Total financial liabilities at fair value through profit or loss or equity	238,457	204,469	238,457	204,469
Trade and other payables	1,195,515	1,585,394	1,195,515	1,585,394
Dividends payable	–	461,299	–	461,299
Bank loans, bonds, equipment financing and finance lease obligations	9,884,917	9,910,870	10,000,492	10,374,549
Total financial liabilities at amortised cost	11,080,432	11,957,563	11,196,007	12,421,242
Total financial liabilities	11,318,889	12,162,032	11,434,464	12,625,711

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Notes to the unaudited interim condensed consolidated financial statements (continued)

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8. Financial assets and liabilities (continued)

Fair values (continued)

The fair value of the financial assets and liabilities are included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of our publicly traded bonds was estimated based on quoted market prices. The fair value of other loans and borrowings was determined using discounted cash flows under the agreement at the rate applicable for the instruments with similar maturity and risk profile.

Fair value hierarchy

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities
- Level 2 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)
- Level 3 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable)

For financial instruments that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period (including interim reporting periods).

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8. Financial assets and liabilities (continued)

Fair value hierarchy (continued)

The following table provides the disclosure of fair value measurements separately for each major class of assets and liabilities measured at fair value and those with carrying amounts that are reasonable approximations of fair values as of 31 March 2014 and 31 December 2013.

	As of 31 March 2014		
	(Level 1)	(Level 2)	(Level 3)
Financial assets at fair value through profit or loss			
Derivatives over non-controlling interest	–	–	40,730
Foreign exchange contracts	–	11	–
Financial assets at fair value through other comprehensive income			
Available-for-sale financial asset	76,641	–	–
Total financial assets at fair value	76,641	11	40,730
Assets for which fair values are disclosed			
Loans granted to related parties	–	4,273,155	–
Bank deposits	–	173,399	–
Interest receivable	–	91,517	–
Other financial asset	–	9,316	–
Trade and other receivables	–	645,247	–
Cash and cash equivalents	–	884,943	–
Total assets for which fair values are disclosed	–	6,077,577	–
Financial liabilities at fair value through profit or loss			
Derivatives over non-controlling interest	–	–	235,539
Foreign exchange contracts	–	2,918	–
Total financial liabilities at fair value	–	2,918	235,539
Liabilities for which fair values are disclosed			
Trade and other payables	–	1,195,515	–
Other financial liabilities at amortised cost	5,209,998	4,790,494	–
Total liabilities for which fair values are disclosed	5,209,998	5,986,009	–
	As of 31 December 2013		
	(Level 1)	(Level 2)	(Level 3)
Financial assets at fair value through profit or loss			
Derivatives over non-controlling interest	–	–	34,874
Foreign exchange contracts	–	301	–
Financial assets at fair value through other comprehensive income			
Available-for-sale financial asset	109,827	–	–
Total financial assets at fair value	109,827	301	34,874
Assets for which fair values are disclosed			
Loans to related parties	–	4,484,501	–
Bank deposits	–	209,066	–
Interest receivable	–	4,890	–
Other financial asset	–	10,425	–
Trade and other receivables	–	509,677	–
Cash and cash equivalents	–	997,752	–
Total assets for which fair values are disclosed	–	6,216,311	–
Financial liabilities at fair value through profit or loss			
Derivatives over non-controlling interest	–	–	204,469
Total financial liabilities at fair value	–	–	204,469
Liabilities for which fair values are disclosed			
Trade and other payables	–	1,585,394	–
Dividends payable	–	461,299	–
Other financial liabilities at amortised cost	5,560,202	4,814,347	–
Total liabilities for which fair values are disclosed	5,560,202	6,861,040	–

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8. Financial assets and liabilities (continued)

Fair value hierarchy (continued)

During the three months period ended 31 March 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

The movement of financial instruments measured at the fair value using unobservable inputs (Level 3) is presented below:

	As of 31 December 2013	Change in fair value reported in earnings	Change in fair value reported in equity	As of 31 March 2014
Financial assets at fair value through profit or loss				
Derivatives over non-controlling interest	34,874	5,856	–	40,730
Total financial assets	34,874	5,856	–	40,730
Financial liabilities at fair value through profit or loss				
Derivatives over non-controlling interest	204,469	–	31,070	235,539
Total financial liabilities at fair value	204,469	–	31,070	235,539

Description of significant unobservable inputs to valuation:

	Valuation technique	Significant unobservable input	Range	Sensitivity of the input
Derivatives over non-controlling interest (asset)	Black-Scholes option model	Volatility based on peer group	Volatility +/- 10 p. p.	Every p. p. increase in volatility results in US\$ 4,000 higher fair value
Derivatives over non-controlling interest (liability)	Present value of redemption amount	Discount rate	Discount rate +/- 10 p. p.	Every p. p. decrease in discount rate results in US\$ 8,266 higher fair value

Valuation technique

The Company measures the fair value of quoted equity instruments by reference to published price quotations in an active market (Level 1).

The Company measures the fair value of derivatives on a recurring basis, using observable inputs (Level 2), such as LIBOR, EURIBOR and swap curves, basis swap spreads and foreign exchange rates, floating rates with present value techniques.

The Company measures the fair value options over non-controlling interests on a recurring basis, using unobservable inputs (Level 3) such as projected redemption amounts, volatility, fair value of underlying shares using income approach with present value techniques and the Black-Scholes model.

Offsetting arrangements

The Company did not enter into any offsetting arrangements or other related contracts that would impact the Company's financial position or reported performance.

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Notes to the unaudited interim condensed consolidated financial statements (continued)

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9. Other non-financial assets and liabilities

Other non-current non-financial assets consisted of the following:

	31 March 2014	31 December 2013
Deferred costs related to connection fees	7,551	8,960
Other long-term assets	6,714	7,839
Other non-current non-financial assets	14,265	16,799

Other current non-financial assets consisted of the following:

	31 March 2014	31 December 2013
Input value added tax	90,370	85,228
Advances to suppliers	78,570	89,767
Deferred costs related to connection fees	6,150	7,072
Prepaid taxes	7,985	932
Others	3,654	4,229
Other current non-financial assets	186,729	187,228

Other non-current non-financial liabilities consisted of the following:

	31 March 2014	31 December 2013
Long-term deferred revenue	30,094	33,871
Other non-current liabilities	1,781	2,532
Other non-current non-financial liabilities	31,875	36,403

Other current non-financial liabilities consisted of the following:

	31 March 2014	31 December 2013
Customer advances, net of VAT	278,869	361,318
Other taxes payable	261,697	167,398
Amounts due to employees	121,798	85,190
Short-term deferred revenue	37,858	41,032
Customer deposits	27,586	34,603
Other liabilities	6,850	7,637
Other current non-financial liabilities	734,658	697,178

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Notes to the unaudited interim condensed consolidated financial statements (continued)

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10. Cash and cash equivalents

Cash and cash equivalents consisted of the following items:

	31 March 2014	31 December 2013
Cash and cash equivalents at banks and on hand	783,157	825,595
Short-term deposits with an original maturity of less than 92 days	101,786	172,157
Total cash and cash equivalents	884,943	997,752

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

The cash balances as of 31 March 2014 in Uzbekistan of US\$ 311,617 (31 December 2013: US\$ 256,212) are restricted for the use of the Company due to the local government, central bank restrictions. The restrictions have effect on international payments only, while such cash can be used for transactions within the country.

11. Dividends

On 17 January 2014 VimpelCom paid the second tranche of dividends to the shareholders based on financial results for the nine months ended 30 September 2013 in the amount of RUR 7,932.81 million (the equivalent to US\$ 237,500 as of 17 January 2014), net of tax withheld. In accordance with Russian tax legislation, VimpelCom withheld a tax on dividend payments in the amount of RUR 417.52 million (the equivalent to US\$ 12,500 as of 17 January 2014).

On 31 January 2014 VimpelCom paid the third tranche of dividends to the shareholders based on financial results for the nine months ended 30 September 2013 in the amount of RUR 4,218.80 million (the equivalent to US\$ 119,700 as of 31 January 2014), net of tax withheld. In accordance with Russian tax legislation, VimpelCom withheld a tax on dividend payments in the amount of RUR 222.04 million (the equivalent to US\$ 6,300 as of 31 January 2014).

On 14 February 2014 VimpelCom paid the fourth tranche of dividends to the shareholders based on financial results for the nine months ended 30 September 2013 in the amount of RUR 2,186.89 million (the equivalent to US\$ 62,732 as of 14 February 2014), net of tax withheld. In accordance with Russian tax legislation, VimpelCom withheld a tax on dividend payments in the amount of RUR 115.10 million (the equivalent to US\$ 3,302 as of 14 February 2014).

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Notes to the unaudited interim condensed consolidated financial statements (continued)

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12. Related parties

As of 31 March 2014 OJSC VimpelCom is a wholly-owned subsidiary of VimpelCom Ltd. As of 31 March 2014 VimpelCom Ltd. is primarily owned by two major shareholders: Altimo Coöperatief, a member of the Alfa group of companies (hereafter: Alfa Group), and Telenor East Holding II AS, a member of the Telenor group of companies (hereafter: Telenor). VimpelCom Ltd. has no ultimate controlling shareholder.

The following table provides the total amount of transactions that have been entered into with related parties and balances of accounts with them for the three months ended:

	31 March 2014	31 March 2013
Revenue from Alfa Group	2,443	2,385
Revenue from Telenor	30	555
Revenue from Kyivstar	23,373	5,662
Revenue from associates	2,200	1,210
Revenue from joint venture	2,817	13,827
Revenue from Teta Telecom	9,254	–
Revenue from other related parties	2,797	2,806
	42,914	26,445
Services from Alfa Group	2,825	3,018
Services from Telenor	(1,165)	1,250
Services from Kyivstar	27,924	23,077
Services from associates	2,579	3,076
Services from joint ventures	8,979	16,425
Services from Teta Telecom	26,870	–
Services from VimpelCom Ltd. or its subsidiaries	24,332	23,207
Services from other related parties	2,825	17
	95,169	70,070
Finance income from VimpelCom Ltd. or its subsidiaries	87,751	96,544
Finance costs from VimpelCom Ltd. or its subsidiaries	35,557	4,689
Other gain from other related parties	157	1,419

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12. Related parties (continued)

	31 March 2014	31 December 2013
Accounts receivable from Alfa Group	1,502	3,047
Accounts receivable from Telenor	2,858	3,835
Accounts receivable from Kyivstar	11,091	9,097
Accounts receivable from associates	7,628	7,537
Accounts receivable from joint ventures	13,280	12,394
Accounts receivable from Teta Telecom	8,156	7,069
Accounts receivable from VimpelCom Ltd. or its subsidiaries	17,895	16,679
Accounts receivable from other related parties	–	162
	62,410	59,820
Accounts payable to Alfa Group	414	18
Accounts payable to Telenor	124	513
Accounts payable to Kyivstar	14,567	10,359
Accounts payable to associates	595	1,026
Accounts payable to joint ventures	13,048	9,544
Accounts payable to Teta Telecom	47,733	49,700
Accounts payable to VimpelCom Ltd. or its subsidiaries	41,097	44,089
Dividends payable to VimpelCom Ltd. or its subsidiaries	–	461,159
	117,578	576,408
Loans granted to VimpelCom Ltd. or its subsidiaries	4,055,555	4,077,477
Interest receivable from VimpelCom Ltd. or its subsidiaries	90,115	3,692
Loans received from VimpelCom Ltd. or its subsidiaries	2,282,456	1,907,845
Interest payable to VimpelCom Ltd. or its subsidiaries	74,021	56,378

VimpelCom maintains bank accounts in Alfa Bank (member of the Alfa Group), which are used for payroll and other payments in the ordinary course of business. The balances in these bank accounts as of 31 March 2014 and 31 December 2013 were US\$ 22,408 and US\$ 48,237, respectively.

Loans granted to VimpelCom Ltd. or its subsidiaries

As of 31 March 2014 and 31 December 2013 the principal amount of debt outstanding of loans granted to VimpelCom Ltd. or its subsidiaries was as follows:

Borrower	Date of agreements	Maturity	Interest rate	Currency	31 March 2014	31 December 2013
VimpelCom Amsterdam Finance B.V.	13 May 2011	May 2014	8.72%	USD	3,408,420	3,129,493
VimpelCom Ltd.	7 Oct 2010	Dec 2070	LIBOR+7.5%	USD	561,469	561,469
Teta Telecom	2007-2011	2017-2021	10.6%	KZT	61,156	75,078
Others					24,510	32,510
Total					4,055,555	4,077,477

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12. Related parties (continued)

Loans received from VimpelCom Ltd. or its subsidiaries

As of 31 March 2014 and 31 December 2013 the principal amount of debt outstanding of loans received from VimpelCom Ltd. or its subsidiaries was as follows:

Creditor	Date of agreement	Maturity	Interest rate	Currency	31 March 2014	31 December 2013
VimpelCom Holdings B.V.	14 Feb 2013	Feb, 2018	9.60%	RUR	336,256	366,645
Weather Capital Special Purpose 1 S.A.	22 Apr 2010	Oct, 2021	5.75%	USD	400,000	400,000
Weather Capital Special Purpose 1 S.A.	3 Oct 2013	Feb, 2020	5.67-6.07%	USD	635,000	635,000
Weather Capital Special Purpose 1 S.A.	13 Nov 2013	Feb, 2020	5.56-5.96%	USD	580,000	430,000
Weather Capital Special Purpose 1 S.A.	21 Jan 2014	Feb, 2020	5.44-5.80%	USD	255,000	–
Others					76,200	76,200
Total					2,282,456	1,907,845

Terms and conditions of transactions with related parties

Outstanding balances at the period-end are unsecured, settlements occur in cash. For the three months ended 31 March 2014 there have been no new guarantees provided or received for any related party receivables or payables and no changes occurred during the three month period ended 31 March 2014 to the terms and amounts of the Company's guarantees of the related party loans existed as of 31 December 2013 and disclosed in the notes to the respective annual consolidated financial statements. No triggering events under the existing guarantees in favor of related party occurred. The Company believes that probability of these events is remote.

13. Commitments, contingencies and uncertainties

There has been no material change in the status of the commitments, contingencies and uncertainties from that disclosed in the 2013 annual consolidated financial statements.

14. Events after the reporting period

On 1 December 2011, the Company entered into Revolving Credit Facility with OJSC Sberbank for the amount of RUB 15,000 million (the equivalent of US\$ 420,320 as of 31 March 2014 at the exchange rate provided by Central Bank of Russia). The facility bears interest at a rate of MosPrime plus 1.8% p.a. On 1 April 2014, VimpelCom drew down under this Revolving Credit Facility an amount of RUB 7,300 million (the equivalent of US\$ 205,026 at the exchange rate as of 1 April 2014 provided by Central Bank of Russia).

On 9 April 2014, VimpelCom granted an amount of US\$ 200,000 to VimpelCom Holdings B.V. under the existing facility as disclosed at Note 12.

On 30 April 2014, VimpelCom signed a loan facility agreement with CISCO Systems Finance International. The loan was a Russian ruble denominated export credit facility for a total amount of RUB 1,500 million (the equivalent of US\$ 42,019 as of 30 April 2014 at the exchange rate provided by Central Bank of Russia). The purpose of the facility is to finance equipment purchased by VimpelCom from CISCO on a reimbursement basis. The facility bears interest at a rate of 8.85%. The facility was drawn on 7 May 2014 in amount of RUB 1,312 million (the equivalent of US\$ 36,797 as of 7 May 2014 at the exchange rate provided by Central Bank of Russia).