

Unaudited interim condensed
consolidated financial statements

Public Joint Stock Company
“Vimpel-Communications”

(a wholly-owned subsidiary of VimpelCom Ltd.)

*as of 30 September 2015 and for the three
and nine months ended 30 September 2015*

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30 September 2015

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Independent Auditor's Report

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

We have reviewed the accompanying interim condensed consolidated financial statements of Public 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 statements of financial position as of 30 September 2015 and 31 December 2014, and the related interim consolidated income statement, interim consolidated statement of comprehensive income and interim consolidated statement of changes in equity for the three-month and nine-month periods ended 30 September 2015, and interim consolidated statement of cash flows for the nine-month period ended 30 September 2015. The accompanying interim consolidated income statements, interim consolidated statements of comprehensive income and interim consolidated statements of changes in equity for the three-month and nine-month periods ended 30 September 2014 and interim consolidated statement of cash flows for the nine-month period ended 30 September 2014 were not reviewed by us, and accordingly, we do not express any form of assurance on them.

Management's Responsibility for the Interim Condensed Consolidated Financial Statements

VimpelCom's management is responsible for the preparation and fair presentation of the interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34, *Interim Financial Reporting*; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of the interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34, *Interim Financial Reporting*.

Auditor's Responsibility

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial statements. A review of interim financial statements 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 of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements for it to be in accordance with International Accounting Standard IAS 34, *Interim Financial Reporting*.

AO PricewaterhouseCoopers Audit

27 November 2015

Public Joint Stock Company “Vimpel-Communications”
(a wholly-owned subsidiary of VimpelCom Ltd.)

Interim consolidated income statement
for the three and nine months ended 30 September 2015

	Note	Three months ended 30 September		Nine months ended 30 September	
		2015 (unaudited)	2014 (unaudited)	2015 (unaudited)	2014 (unaudited)
<i>(All amounts in millions of Rubles unless otherwise stated)</i>					
Service revenue		94,875	89,191	272,868	252,747
Sale of equipment and accessories		2,897	1,953	6,616	4,813
Other revenue		167	190	568	582
Total operating revenue	5	97,939	91,334	280,052	258,142
Operating expenses					
Service costs		(27,024)	(24,622)	(75,385)	(69,761)
Cost of equipment and accessories		(3,368)	(2,159)	(7,521)	(5,667)
Selling, general and administrative expenses	6	(31,310)	(26,750)	(88,034)	(75,701)
Depreciation	9	(14,190)	(12,799)	(42,800)	(37,539)
Amortization	10	(2,430)	(2,300)	(7,062)	(6,272)
Impairment loss	10	–	–	(1,059)	–
Loss on disposal of non-current assets		(446)	(521)	(964)	(1,264)
Total operating expenses		(78,768)	(69,151)	(222,825)	(196,204)
Operating profit		19,171	22,183	57,227	61,938
Finance costs		(6,573)	(7,075)	(20,214)	(21,167)
Finance income		(1,007)	3,110	1,444	9,631
Net foreign exchange loss		(13,347)	(6,287)	(14,096)	(7,765)
Other non-operating gain/(loss), net	7	3,208	(1,032)	(3,822)	(2,073)
Share of gain/(loss) of associates and joint ventures accounted for using the equity method		578	35	1,263	(746)
Profit before tax		2,030	10,934	21,802	39,818
Income tax expense	8	(1,545)	(3,832)	(2,883)	(9,666)
Profit for the period		485	7,102	18,919	30,152
Attributable to:					
The owners of the parent		(564)	6,467	17,845	28,333
Non-controlling interests		1,049	635	1,074	1,819
		485	7,102	18,919	30,152

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

Public Joint Stock Company “Vimpel-Communications”
(a wholly-owned subsidiary of VimpelCom Ltd.)

Interim consolidated statement of comprehensive income
for the three and nine months ended 30 September 2015

	Three months ended 30 September		Nine months ended 30 September	
	2015 (unaudited)	2014 (unaudited)	2015 (unaudited)	2014 (unaudited)
	<i>(All amounts in millions of Rubles unless otherwise stated)</i>			
Profit for the period	485	7,102	18,919	30,152
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Cash flow hedge reserve	282	32	(661)	(4)
Income tax effect	-	-	-	-
Net (loss)/gain arising on revaluation of available-for-sale financial assets at fair value through other comprehensive income	(486)	413	(63)	(932)
Income tax effect	-	-	-	-
Exchange differences arising on net investment in foreign operations	15,993	16,774	15,975	12,889
Income tax effect	(906)	(532)	(844)	(615)
Other comprehensive income for the period, net of tax	14,883	16,687	14,407	11,338
Total comprehensive income for the period, net of tax	15,368	23,789	33,326	41,490
Attributable to:				
The owners of the parent	16,368	21,442	34,495	39,141
Non-controlling interests	(1,000)	2,347	(1,169)	2,349
	15,368	23,789	33,326	41,490

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

Public Joint Stock Company “Vimpel-Communications”
(a wholly-owned subsidiary of VimpelCom Ltd.)

Interim consolidated statement of financial position
as of 30 September 2015

	Note	30 September 2015 (unaudited)	31 December 2014
<i>(All amounts in millions of Rubles unless otherwise stated)</i>			
Assets			
Non-current assets			
Property and equipment	9	262,359	274,549
Intangible assets	10	30,778	29,299
Goodwill	10	113,581	113,557
Investments in associates and joint ventures		14,609	13,346
Deferred income tax assets		2,184	923
Other financial assets	11	48,633	248,934
Other non-current non-financial assets	12	476	910
Total non-current assets		472,620	681,518
Current assets			
Inventories		5,346	3,627
Trade and other receivables		28,103	29,097
Other current non-financial assets	12	10,026	8,623
Current income tax assets		3,362	3,264
Other current financial assets	11	20,524	15,888
Cash and cash equivalents	13	103,174	87,197
Total current assets		170,535	147,696
Assets classified as held for sale		178	308
Total assets		643,333	829,522
Equity and liabilities			
Equity			
Equity attributable to equity owners of the parent		258,464	224,666
Non-controlling interests		14,590	8,074
Total equity		273,054	232,740
Non-current liabilities			
Financial liabilities	11	160,019	378,592
Provisions		3,292	5,394
Other non-current non-financial liabilities	12	1,097	880
Deferred income tax liabilities		14,783	22,971
Total non-current liabilities		179,191	407,837
Current liabilities			
Trade and other payables		56,131	61,146
Dividends payable		8	7
Other current non-financial liabilities	12	25,612	25,668
Other financial liabilities	11	101,402	97,686
Current income tax payables		645	172
Provisions	15	7,290	4,266
Total current liabilities		191,088	188,945
Total equity and liabilities		643,333	829,522

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

Public Joint Stock Company “Vimpel-Communications”
(a wholly-owned subsidiary of VimpelCom Ltd.)

Interim consolidated statement of changes in equity
for the three months ended 30 September 2015

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 interests	Total equity
<i>(All amounts in millions of Rubles unless otherwise stated)</i>										
As of 30 June 2015 (unaudited)	3	40,234	22,300	161,154	18,265	(283)	423	242,096	23,199	265,295
Profit for the period	–	–	–	(564)	–	–	–	(564)	1,049	485
Other comprehensive income	–	–	–	–	17,136	282	(486)	16,932	(2,049)	14,883
Total comprehensive income	–	–	–	(564)	17,136	282	(486)	16,368	(1,000)	15,368
Dividends declared	–	–	–	–	–	–	–	–	(7,609)	(7,609)
As of 30 September 2015 (unaudited)	3	40,234	22,300	160,590	35,401	(1)	(63)	258,464	14,590	273,054

Interim consolidated statement of changes in equity
for the nine months ended 30 September 2015

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 interests	Total equity
<i>(All amounts in millions of Rubles unless otherwise stated)</i>										
As of 1 January 2015	3	40,234	22,997	142,745	18,027	660	–	224,666	8,074	232,740
Profit for the period	–	–	–	17,845	–	–	–	17,845	1,074	18,919
Other comprehensive income	–	–	–	–	17,374	(661)	(63)	16,650	(2,243)	14,407
Total comprehensive income	–	–	–	17,845	17,374	(661)	(63)	34,495	(1,169)	33,326
Dividends declared	–	–	–	–	–	–	–	–	(7,609)	(7,609)
Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control	4	–	–	(697)	–	–	–	(697)	15,294	14,597
As of 30 September 2015 (unaudited)	3	40,234	22,300	160,590	35,401	(1)	(63)	258,464	14,590	273,054

Public Joint Stock Company “Vimpel-Communications”
(a wholly-owned subsidiary of VimpelCom Ltd.)

Interim consolidated statement of changes in equity
for the three months ended 30 September 2014

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 interests	Total equity
<i>(All amounts in millions of Rubles unless otherwise stated)</i>										
As of 30 June 2014 (unaudited)	3	40,234	18,364	128,265	(11,066)	(30)	(413)	175,357	6,038	181,395
Profit for the period	–	–	–	6,467	–	–	–	6,467	635	7,102
Other comprehensive income	–	–	–	–	14,530	32	413	14,975	1,712	16,687
Total comprehensive income	–	–	–	6,467	14,530	32	413	21,442	2,347	23,789
Effect of options over non-controlling interests in subsidiaries	–	–	1,150	–	(1,236)	–	–	(86)	(1,555)	(1,641)
Share-based payment transactions	–	–	7	–	–	–	–	7	–	7
Disposal of non-controlling interest	–	–	–	–	–	–	–	–	(29)	(29)
Transaction under common control	–	–	1,345	–	(352)	–	–	993	–	993
As of 30 September 2014 (unaudited)	3	40,234	20,866	134,732	1,876	2	–	197,713	6,801	204,514

Interim consolidated statement of changes in equity
for the nine months ended 30 September 2014

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 interests	Total equity
<i>(All amounts in millions of Rubles unless otherwise stated)</i>										
As of 1 January 2014	3	40,234	20,188	106,399	(9,158)	6	932	158,604	6,578	165,182
Profit for the period	–	–	–	28,333	–	–	–	28,333	1,819	30,152
Other comprehensive income	–	–	–	–	11,744	(4)	(932)	10,808	530	11,338
Total comprehensive income	–	–	–	28,333	11,744	(4)	(932)	39,141	2,349	41,490
Effect of options over non-controlling interests in subsidiaries	–	–	(670)	–	(358)	–	–	(1,028)	(2,097)	(3,125)
Share-based payment transactions	–	–	3	–	–	–	–	3	–	3
Disposal of non-controlling interest	–	–	–	–	–	–	–	–	(29)	(29)
Transaction under common control	–	–	1,345	–	(352)	–	–	993	–	993
As of 30 September 2014 (unaudited)	3	40,234	20,866	134,732	1,876	2	–	197,713	6,801	204,514

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

Public Joint Stock Company “Vimpel-Communications”
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Interim consolidated statement of cash flows
for the nine months ended 30 September 2015

		Nine months ended 30 September	
		2015	2014
Note		(unaudited)	(unaudited)
<i>(All amounts in millions of Rubles unless otherwise stated)</i>			
Operating activities			
	Profit for the period	18,919	30,152
	Income tax expense	2,883	9,666
	Profit before tax	21,802	39,818
Non-cash adjustments to reconcile profit before tax to net cash flows from operating activities:			
	Depreciation	42,800	37,539
	Impairment loss	1,059	–
	Amortization	7,062	6,272
	Loss on disposal of non-current assets	964	1,264
	Finance income	(1,444)	(9,631)
	Finance costs	20,214	21,167
	Other non-operating losses, net	3,822	2,073
	Net foreign exchange loss	14,096	7,765
	Share of (gain)/loss of associates and joint ventures accounted for using the equity method	(1,263)	746
	Movements in provisions	2,135	(355)
	Operating profit before working capital adjustments, interest and income taxes	111,247	106,658
Working capital adjustments			
	Change in trade and other receivables	(9,140)	(6,197)
	Change in inventories	(1,519)	1,247
	Change in trade and other payables	8,435	5,865
Interest and income taxes			
	Interest paid	(20,477)	(20,062)
	Interest received	8,520	812
	Income tax paid	(10,892)	(8,254)
	Net cash flows from operating activities	86,174	80,069
Investing activities			
	Proceeds from sale of property, equipment and intangible assets	335	302
	Purchase of property, equipment and intangible assets	(45,912)	(58,725)
	Issue of loans	(63,839)	(7,302)
	Repayment of loans issued	310,936	7,530
	(Outflows)/Inflows from deposits, net	(13,153)	3,311
	Receipts from investments in other financial assets	5,203	74
	Disposal of subsidiaries, net of cash disposed	–	(175)
	Acquisition of subsidiaries, net of cash acquired	26	–
	Receipt of dividends	1	4
	Net cash flows from/(used in) investing activities	193,597	(54,981)
Financing activities			
	Proceeds from borrowings, net of fees paid	2,529	33,040
	Repayment of borrowings	(264,187)	(28,787)
	Dividends paid to equity holders	–	(15,093)
	Dividends paid to non-controlling interests	(7,624)	(19)
	Net cash flows used in financing activities	(269,282)	(10,859)
	Net increase in cash and cash equivalents	10,489	14,229
	Effect of exchange rate changes on cash and cash equivalents, net	5,488	4,140
	Cash and cash equivalents at the beginning of the period	87,197	32,656
	Cash and cash equivalents at the end of the period	103,174	51,025

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

Public Joint Stock Company “Vimpel-Communications”
(a wholly-owned subsidiary of VimpelCom Ltd.)

Notes to the unaudited interim condensed consolidated financial statements

(All amounts in millions of Rubles unless otherwise stated)

1. General information

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

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

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

VimpelCom earns revenue by providing voice, data and other telecommunication services through a range of wireless, fixed and broadband internet services, as well as selling equipment and accessories. As of 30 September 2015, the Company operated telecommunications services in Russia, Kazakhstan, Armenia, Uzbekistan, Georgia, Kyrgyzstan and Laos primarily under the “Beeline” brand name.

The foreign exchange rate in Uzbekistan applied for consolidation purposes is an official rate published by the local central bank. However, this exchange rate is not achievable in expatriating funds out of the country due to long term restrictions imposed by the local government. The net assets of Uzbekistan to the consolidated financial position as of 30 September 2015 amounted to RUR 76,425. However, if the Company applied the exchange rate implied by market transactions, we believe the net assets would decrease by approximately 50%.

The interim condensed consolidated financial statements of the Company as of 30 September 2015 and for the three and nine months ended 30 September 2015 were authorized for issue by the General Director on 27 November 2015.

2. Basis of preparation of the interim condensed consolidated financial statements

Basis of preparation

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

The interim condensed consolidated financial statements do not include all the information and disclosures required 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 2014 prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

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

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

Public 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 millions of Rubles unless otherwise stated)

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

Basis of preparation (continued)

The preparation of these interim condensed consolidated financial statements has 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 interim consolidated statement of financial position, income statement, statements of comprehensive income, statement of changes in equity, cash flows as well as the notes to financial statements. The final amounts for items for which estimates and assumptions were made in the interim condensed consolidated financial statements may differ from those reported in these statements due to the uncertainties that characterize the assumptions and conditions on which the estimates are based. 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 PJSC “VimpelCom” and its subsidiaries.

Subsidiaries are all entities (including structured entities) over which PJSC “VimpelCom” has control. PJSC “VimpelCom” controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to PJSC “VimpelCom”. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group’s accounting policies.

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

New accounting pronouncements 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 2014. The Company did not adopt any new standards and interpretations effective as of 1 January 2015 that would have any impact on the financial position, performance or disclosures in the interim financial statements as well as in the annual financial statements except for the amendment to IFRS 8 Operating segments introduced by 2010-2012 IFRS annual improvements cycle effective for annual periods beginning on or after 1 July 2014 and requiring to disclose judgments about aggregation of operating segments into reportable segments. However, since the Company does not aggregate any operating segments into reportable segments, the amendment has no implications on the disclosures.

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*.

Public Joint Stock Company “Vimpel-Communications”
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Notes to the unaudited interim condensed consolidated financial statements (continued)

(All amounts in millions of Rubles unless otherwise stated)

4. Significant transactions

In May 2015, VimpelCom’s indirect ownership interests in Kazakhstan and Kyrgyzstan subsidiaries were changed from 71.5% to 75% in KaR-Tel LLP and from 71.5% to 50.1% in Sky Mobile LLC in accordance with the new shareholder agreement. Concurrently, the ownership in KaR-Tel LLP and Sky Mobile LLC was moved from Cyprus to Swiss holding companies and the related dividend mandates, as well as the put option which was held by the non-controlling interest holder and call options (value nil), held by the Company, have been cancelled. The changes in the ownership structure as well as derecognition of the put option liability of RUR 14,016 were recorded directly in equity as a transaction between the shareholders acting in their capacity as the owners of the company and resulted in a net decrease to parent equity of RUR 697 and increase to non-controlling interest of RUR 15,294. The reversal of deferred tax liabilities of RUR 4,853 resulted in a corresponding decrease of income tax expense for the period related to withholding taxes on distributed and future dividends. No cash consideration was exchanged in connection with the above restructuring and the Company will continue to control Kar-Tel LLP and Sky Mobile LLC subsequent to the transaction.

On 17 July 2015 the subsidiary of the Company VimpelCom Kazakhstan Holding AG declared and paid dividends to non-controlling interest in the amount of USD 104.28 million (the equivalent of RUR 5,939 as of 17 July 2015 at the exchange rate provided by the Central Bank of Russia).

On 11 August 2015 the subsidiary of the Company VimpelCom Kyrgyzstan Holding AG declared dividends to non-controlling interest in the amount of USD 22.8 million (the equivalent of RUR 1,469 as of 11 August 2015 at the exchange rate provided by the Central Bank of Russia). The dividends were paid on 17 August 2015.

5. 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 segments. 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 (both finance income and finance costs), income tax, depreciation, amortization, impairment loss, loss on disposals of non-current assets, net foreign exchange gain/(loss), other non-operating losses and share of profit/(loss) of associates and joint ventures (“EBITDA”).

Starting 1 January 2015, management decided to separately present certain operating units as separate reportable segments to enhance understanding of the business, and better reflect on the actual structure of the Group. Therefore, the previous reportable segments were disaggregated into additional operating segments, whereby the former CIS segment is now split into Kazakhstan and Uzbekistan, followed by all others. “All others” category also includes headquarter expenses and other unallocated adjustments and inter-company eliminations. The comparative information has been adjusted accordingly.

Financial information by reportable segment for the three and nine months ended 30 September 2015 and 30 September 2014 is presented in the following tables.

Information by reportable segments for the three months ended 30 September 2015

	Russia	Uzbekistan	Kazakhstan	All others	Group
Revenue					
External customers	72,007	11,676	9,323	4,933	97,939
Inter-segment	362	17	35	(414)	–
Total operating revenue	72,369	11,693	9,358	4,519	97,939
EBITDA	28,466	6,146	3,452	(1,827)	36,237
Other disclosures					
Capital expenditures	12,647	2,002	1,260	1,308	17,217
Impairment loss	–	–	–	–	–

Public Joint Stock Company “Vimpel-Communications”
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Notes to the unaudited interim condensed consolidated financial statements (continued)

(All amounts in millions of Rubles unless otherwise stated)

5. Segment information (continued)

Information by reportable segments for the nine months ended 30 September 2015

	Russia	Uzbekistan	Kazakhstan	All others	Group
Revenue					
External customers	205,723	31,260	27,732	15,337	280,052
Inter-segment	957	44	78	(1,079)	–
Total operating revenue	206,680	31,304	27,810	14,258	280,052
EBITDA	82,132	18,588	11,366	(2,974)	109,112
Other disclosures					
Capital expenditures	29,467	2,094	2,662	4,845	39,068
Impairment loss	–	–	–	(1,059)	(1,059)

Information by reportable segments for the three months ended 30 September 2014

	Russia	Uzbekistan	Kazakhstan	All others	Group
Revenue					
External customers	72,557	6,894	6,877	5,006	91,334
Inter-segment	525	2	15	(542)	–
Total operating revenue	73,082	6,896	6,892	4,464	91,334
EBITDA	29,878	4,587	2,894	444	37,803
Other disclosures					
Capital expenditures	15,147	714	941	438	17,240
Impairment loss	–	–	–	–	–

Information by reportable segments for the nine months ended 30 September 2014

	Russia	Uzbekistan	Kazakhstan	All others	Group
Revenue					
External customers	207,046	18,834	19,215	13,047	258,142
Inter-segment	906	16	32	(954)	–
Total operating revenue	207,952	18,850	19,247	12,093	258,142
EBITDA	84,894	12,274	8,092	1,753	107,013
Other disclosures					
Capital expenditures	40,339	1,777	1,851	1,135	45,102
Impairment loss	–	–	–	–	–

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

	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
EBITDA	36,237	37,803	109,112	107,013
Depreciation	(14,190)	(12,799)	(42,800)	(37,539)
Amortization	(2,430)	(2,300)	(7,062)	(6,272)
Impairment loss	–	–	(1,059)	–
Loss on disposal of non-current assets	(446)	(521)	(964)	(1,264)
Finance costs	(6,573)	(7,075)	(20,214)	(21,167)
Finance income	(1,007)	3,110	1,444	9,631
Other non-operating gain/(losses), net	3,208	(1,032)	(3,822)	(2,073)
Share of gain/(loss) of associates and joint ventures accounted for using the equity method	578	35	1,263	(746)
Net foreign exchange loss	(13,347)	(6,287)	(14,096)	(7,765)
Income tax expense	(1,545)	(3,832)	(2,883)	(9,666)
Profit for the period	485	7,102	18,919	30,152

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

(All amounts in millions of Rubles unless otherwise stated)

6. Selling, general and administrative expenses

Selling, general and administrative expenses for the three and nine months ended 30 September consist of the following:

	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
Network and IT costs	9,330	8,397	27,423	23,944
Personnel costs	7,264	5,868	22,575	19,277
Customer associated costs	7,164	7,005	20,039	19,533
Taxes	3,347	2,381	9,313	6,469
Consulting and professional service costs	1,055	1,096	2,589	2,346
Losses on receivables	485	337	1,336	1,119
Other G&A expenses	2,665	1,666	4,759	3,013
Total	31,310	26,750	88,034	75,701

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

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

	Note	Three months ended 30 September		Nine months ended 30 September	
		2015	2014	2015	2014
Early redemption fees	11	–	–	(2,389)	–
Changes in the fair value of non-hedge derivatives		3,447	919	(673)	–
Gain/(Loss) on sale of foreign currency, net		47	3	(507)	(23)
Effect of refilling tax returns		–	–	457	–
Changes in the fair value of hedge derivatives		75	146	(356)	89
Change of the fair value of derivatives over non-controlling interest		–	(1,321)	–	(1,310)
Loss from available-for-sale financial asset net of result of disposal		–	(701)	–	(703)
Dividend income		–	–	–	5
Other losses, net		(361)	(78)	(354)	(131)
Total other non-operating gain/(loss), net		3,208	(1,032)	(3,822)	(2,073)

8. Income taxes

Current income 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 years.

Income tax expense consisted of the following for the three and nine months ended 30 September:

	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
Profit before tax	2,030	10,934	21,802	39,818
Current income tax	(2,067)	(2,863)	(11,217)	(10,324)
Deferred income tax	522	(969)	8,334	658
Income tax expense reported in the interim consolidated income statement	(1,545)	(3,832)	(2,883)	(9,666)
Effective tax rates	76%	35%	13%	24%

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8. Income taxes (continued)

The effective income tax rate for the three and nine months ended 30 September 2015 amounts to 76% and 13% (2014: 35% and 24%). In the three-month period ended 30 September 2015 the effective income tax rate was mainly driven by non-deductible expenses. In the nine-month period ended 30 September 2015 the effect of non-deductible expenses was more than offset by the decrease in accrued withholding taxes on future dividends (see Note 4).

9. Property and equipment

During the nine months ended 30 September 2015 and 2014, the Company had the following changes in property and equipment:

	Nine months ended 30 September	
	2015	2014
Net book value as of 1 January	274,549	251,421
Additions	30,564	40,478
Acquisition of a subsidiary	176	–
Net book value of assets disposed	(1,336)	(1,463)
Translation adjustment	1,203	4,572
Depreciation charge	(42,800)	(37,539)
Assets reclassified as held for sale	3	(178)
Net book value as of 30 September	262,359	257,291

10. Intangible assets and goodwill

During the nine months ended 30 September 2015 and 2014, the Company had the following changes in intangible assets and goodwill:

	Nine months ended 30 September			
	2015		2014	
	Other intangible assets	Goodwill	Other intangible assets	Goodwill
Opening net book value as of 1 January	29,299	113,557	28,842	109,877
Additions	8,504	–	4,624	–
Acquisition of a subsidiary	24	–	–	–
Net book value of assets disposed	(30)	–	(99)	–
Translation adjustment	43	1,083	723	2,584
Impairment	–	(1,059)	–	–
Amortization charge	(7,062)	–	(6,272)	–
Closing net book value as of 30 September	30,778	113,581	27,818	112,461

Goodwill is tested for impairment annually (at 1 October) and when circumstances indicate the carrying value may be impaired. The impairment test for goodwill is primarily based on fair value less cost of disposal calculations that use a discounted cash flow model. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual financial statements for the year ended 31 December 2014.

The Company considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment.

Due to higher weighted average costs of capital for the CGU Armenia, an impairment was concluded in the amount of RUR 1,059. The recoverable amount was determined based on a fair value less costs of disposal calculation using the latest cash flow projections (Level 3 fair value). The Company applied post-tax discount rate of 12.1%.

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11. Financial assets and liabilities

There were no significant changes in the financial assets and liabilities in the nine month-period ended 30 September 2015, except as described below.

Major treasury events during 2015

On 2 March 2015, OJSC “Sberbank of Russia” informed PJSC “VimpelCom” of an increase in fixed interest rates to between 14.50% and 16.25% with effect from 1 June 2015 in accordance with the terms of the credit facility agreements between PJSC “VimpelCom” and OJSC “Sberbank of Russia”. The increase in interest rates would apply to three loans from OJSC “Sberbank of Russia” with a total principal amount outstanding of RUR 80,274 as of 1 June 2015. The actual fixed interest rate as from 1 June 2015 was 14.5%.

On 5 August PJSC “VimpelCom” and OJSC “Sberbank of Russia” signed the amendments to the Sberbank Facilities to reduce fixed interest rate to between 8.75% and 14.0% depending on certain conditions. The decrease in interest rates would apply to three loans from OJSC “Sberbank of Russia” with a total principal amount outstanding of RUR 77,497 as of 5 August 2015. The actual fixed interest rate as from 5 August 2015 is 12.75%.

On 2 March 2015, VimpelCom Amsterdam B.V. announced that it commenced a cash tender offer for up to USD 2,100 million aggregate principal amount of the outstanding U.S. dollar notes issued by VimpelCom Holdings B.V. and guaranteed by PJSC “VimpelCom” and loan participation notes issued by VIP Finance Ireland Limited and UBS (Luxembourg) S.A. (Eurobonds) for the sole purpose of funding loans to PJSC “VimpelCom”. The total outstanding amount of these bonds was USD 6,700 million (USD 3,100 million of which accounts for PJSC “VimpelCom”). The tender offer expired on 30 March 2015 and settlement took place on 2 April 2015. On 2 April 2015, PJSC “VimpelCom” bought the notes issued by VIP Finance Ireland Limited and UBS (Luxembourg) S.A. in the total principal amount of USD 1,420 million from VimpelCom Amsterdam B.V. for further cancellation. After that the outstanding principal amount of debt under the 6.493%-9.125% Eurobonds due in 2016-2021 was USD 1,680 million as of 2 April 2015 (the equivalent of RUR 98,034 as of 2 April 2015 at the exchange rate provided by the Central Bank of Russia).

The carrying value of the bonds subject to the purchase was adjusted on 31 March 2015 upon closing of the tender to reflect on the expected additional cash flows of the bonds stemming from the agreed premiums amounting to USD 33.6 million (the equivalent of RUR 2,027 at the average exchange rate for March, 2015 provided by the Central Bank of Russia). This adjustment to the carrying value was recorded in the “Other non-operating gain/(loss), net” as part of the “Early redemption fees” account to reflect on the nature of the adjustment. The unamortized debt issuance costs were released to the income statement at the date of the closing due significantly reduced expected remaining time of the amortization period. The total amount of the unamortized fees to be released amounted to USD 6 million (the equivalent of RUR 362 at the average exchange rate for March, 2015 provided by the Central Bank of Russia). Since the release of the debt issuance costs was part of the tender, it was recorded as part of “Other non-operating gain/(loss), net” in the account “Early redemption fees”.

On 5 March 2015, PJSC “VimpelCom” announced a new coupon rate of 10% per annum for the next four coupon periods on Ruble bonds in the total principal amount of RUR 35,000, maturing in March 2022 and subject to an investor put option exercisable in March 2015. As a result of put option exercised in March 2015 PJSC “VimpelCom” bought Ruble bonds in total principal amount of RUR 34,783. After that the outstanding principal amount of debt became RUR 217.

In March 2015, KaR-Tel LLP entered into an agreement to provide loans to Aureglia Limited in the amount of USD 100 million with a 2.41% interest rate for a period of 175 days. On 10 March 2015, KaR-Tel LLP provided loans under this agreement in the amount of USD 100 million (the equivalent of RUR 5,999 as of 10 March 2015 at the exchange rate provided by the Central Bank of Russia). The guarantor under the agreement with Aureglia Limited is the indirect non-controlling shareholder of KaR-Tel LLP. On 24 June 2015 the full outstanding amount of this loan was early repaid.

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

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11. Financial assets and liabilities (continued)

Major treasury events during 2015 (continued)

On 4 May 2015, KaR-Tel LLP entered into a KZT 8,300 million (the equivalent of RUR 2,284 as of 4 May 2015 at the exchange rate provided by the Central Bank of Russia) term loan facility agreement with Kazkommertsbank JSC as lender, bearing interest at a rate of 19%. KaR-Tel LLP has provided a cash deposit in the amount of USD 50 million (the equivalent of RUR 2,557 as of 4 May 2015 at the exchange rate provided by the Central Bank of Russia) as a security. The loan enables KaR-Tel LLP to dispose on higher liquidity in local currency. The facility has a total tenor of one year.

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 14.

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11. Financial assets and liabilities (continued)

Carrying values and fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Company’s financial instruments that are carried in the interim condensed consolidated financial statements as of 30 September 2015 and 31 December 2014 except for cash and cash equivalents, trade and other receivables and trade and other payables where the carrying amount is a reasonable approximation of fair value (based on future cash flows discounted at current market rates):

	Carrying value		Fair value	
	30 September 2015	31 December 2014	30 September 2015	31 December 2014
Financial assets at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	119	5,243	119	5,243
Financial assets at fair value through other comprehensive income				
Derivatives designated as cash flow hedges				
Foreign exchange contracts	36	2,092	36	2,092
Available-for-sale financial assets	2,109	1,913	2,109	1,913
Total financial assets at fair value	2,264	9,248	2,264	9,248
Loans granted, deposits and other financial assets at amortised cost				
Loans granted to related parties, principal (Note 14)	43,009	244,791	28,509	201,844
Bank deposits	20,234	6,136	20,234	6,136
Interest receivable	994	3,349	994	3,349
Other financial assets	2,656	1,298	2,656	1,298
Total loans granted, deposits and other financial assets at amortised cost	66,893	255,574	52,393	212,627
Total other financial assets	69,157	264,822	54,657	221,875
Financial liabilities at fair value through profit or loss				
Derivatives not designated as cash flow hedges				
Foreign exchange contracts	131	–	131	–
Financial liabilities at fair value through other comprehensive income				
Derivatives designated as cash flow hedges				
Foreign exchange contracts	146	–	146	–
Total financial liabilities at fair value	277	–	277	–
Other financial liabilities at amortised cost				
Interest-bearing loans, bonds and finance lease liabilities, principal	220,758	334,122	226,778	303,726
Loans payables to related parties, principal (Note 14)	31,766	122,882	23,354	98,720
Unamortised fees	(1,123)	(1,613)	–	–
Interest payable	9,743	6,290	5,572	6,274
Financial liability to non-controlling interest via equity	–	14,597	–	13,004
Total other financial liabilities at amortised cost	261,144	476,278	255,704	421,724
Total other financial liabilities	261,421	476,278	255,981	421,724

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11. Financial assets and liabilities (continued)

Carrying values and fair values (continued)

The following table provides the breakdown of the carrying value other financial assets and other financial liabilities by non-current and current portions as of 30 September 2015 and 31 December 2014:

Other financial assets	30 September 2015	31 December 2014
Non-current portion	48,633	248,934
Current portion	20,524	15,888
Total other financial assets	69,157	264,822
Other financial liabilities		
Non-current portion	160,019	378,592
Current portion	101,402	97,686
Total other financial liabilities	261,421	476,278

Fair value hierarchy

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 except for options over non-controlling interests on a recurring basis, using observable inputs (Level 2), such as LIBOR, EURIBOR, swap curves, basis swap spreads, foreign exchange rates and credit default spreads of both counterparties and our own entities, using present value techniques, Monte Carlo simulation and/or Black-Scholes model.

The following table provides the disclosure of fair value measurements separately for each major class of assets and liabilities measured at fair value except for trade and other receivables, cash and cash equivalents and trade and other payables whose carrying amounts are reasonable approximations of fair values and related to Level 2 class of assets and liabilities.

	As of 30 September 2015		
	(Level 1)	(Level 2)	(Level 3)
Financial assets at fair value through profit or loss			
Derivatives not designated as hedges			
Foreign exchange contracts	–	119	–
Financial assets at fair value through other comprehensive income			
Derivatives designated as cash flow hedges			
Foreign exchange contracts	–	36	–
Available-for-sale financial asset	2,109	–	–
Total financial assets at fair value	2,109	155	–
Financial assets for which fair values are disclosed			
Loans granted to related parties, principal (Note 14)	–	28,509	–
Bank deposits	–	20,234	–
Interest receivable	–	994	–
Other financial assets	–	2,656	–
Total financial assets for which fair values are disclosed	–	52,393	–

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

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11. Financial assets and liabilities (continued)

Fair value hierarchy (continued)

	As of 30 September 2015		
	(Level 1)	(Level 2)	(Level 3)
Financial liabilities at fair value through profit or loss			
Derivatives not designated as cash flow hedges			
Foreign exchange contracts	–	131	–
Financial liabilities at fair value through other comprehensive income			
Derivatives designated as cash flow hedges			
Foreign exchange contracts	–	146	–
Total financial liabilities at fair value	–	277	–
Financial liabilities for which fair values are disclosed			
Other financial liabilities at amortised cost	139,470	116,234	–
Total financial liabilities for which fair values are disclosed	139,470	116,511	–
	As of 31 December 2014		
	(Level 1)	(Level 2)	(Level 3)
Financial assets at fair value through profit or loss			
Derivatives not designated as hedges			
Foreign exchange contracts	–	5,243	–
Financial assets at fair value through other comprehensive income			
Derivatives designated as cash flow hedges			
Foreign exchange contracts	–	2,092	–
Available-for-sale financial asset	1,913	–	–
Total financial assets at fair value	1,913	7,335	–
Assets for which fair values are disclosed			
Loans granted to related parties (Note 14)	–	201,844	–
Bank deposits	–	6,136	–
Interest receivable	–	3,349	–
Other financial assets	–	1,298	–
Total assets for which fair values are disclosed	–	212,627	–
Financial liabilities for which fair values are disclosed			
Other financial liabilities at amortised cost	115,367	306,357	–
Total financial liabilities for which fair values are disclosed	115,367	306,357	–

During the nine-months period ended 30 September 2015, 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.

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12. Other non-financial assets and liabilities

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

	<u>30 September 2015</u>	<u>31 December 2014</u>
Deferred costs related to connection fees	161	191
Advances to suppliers and prepayments	94	268
Other non-current assets	221	451
Other non-current non-financial assets	476	910

Other current non-financial assets consisted of the following:

	<u>30 September 2015</u>	<u>31 December 2014</u>
Advances to suppliers	5,060	5,570
Input value added tax	4,453	2,682
Deferred costs related to connection fees	196	181
Prepaid taxes	107	21
Others	210	169
Other current non-financial assets	10,026	8,623

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

	<u>30 September 2015</u>	<u>31 December 2014</u>
Long-term deferred revenue	691	880
Other non-current liabilities	406	–
Other non-current non-financial liabilities	1,097	880

Other current non-financial liabilities consisted of the following:

	<u>30 September 2015</u>	<u>31 December 2014</u>
Customer advances, net of VAT	11,701	14,089
Other taxes payable	8,138	6,276
Amounts due to employees	3,230	2,255
Customer deposits	1,143	1,297
Short-term deferred revenue	832	1,236
Other liabilities	568	515
Other current non-financial liabilities	25,612	25,668

13. Cash and cash equivalents

Cash and cash equivalents consisted of the following items:

	<u>30 September 2015</u>	<u>31 December 2014</u>
Cash and cash equivalents at banks and on hand	83,883	79,476
Short-term deposits with an original maturity of less than 92 days	19,291	7,721
Total cash and cash equivalents	103,174	87,197

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 30 September 2015 in Uzbekistan of RUR 36,496 (31 December 2014: RUR 29,954) are restricted from repatriation due to the local government and central bank regulations. The restrictions have effect on international payments only, while such cash can be used for transactions within the country.

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14. Related parties

Shareholders and other related parties

As of 30 September 2015, PJSC “VimpelCom” is a wholly-owned indirect subsidiary of VimpelCom Ltd. As of 30 September 2015 VimpelCom Ltd. is primarily owned by two major shareholders: LetterOne Holding S.A., a member of the Letter One group of companies (hereinafter: “LetterOne”), and Telenor East Holding II AS, a member of the Telenor group of companies (hereinafter: “Telenor”). VimpelCom Ltd. has no ultimate controlling shareholder.

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2015	2014	2015	2014
Revenue from Telenor	17	3	29	9
Revenue from Kyivstar	860	1,746	4,019	3,717
Revenue from associates	62	127	336	280
Revenue from joint ventures	338	108	891	301
Revenue from Teta Telecom or its subsidiaries	610	467	1,652	1,198
Revenue from other related parties	251	361	810	674
	2,138	2,812	7,737	6,179
Services from Telenor	11	27	60	1
Services from Kyivstar	1,353	1,451	4,574	3,685
Services from associates	73	89	243	265
Services from joint ventures	348	335	907	1,027
Services from Teta Telecom or its subsidiaries	1,702	1,202	4,647	3,203
Services from VimpelCom Ltd. or its subsidiaries	2,337	1,723	5,571	3,582
Services from other related parties	166	(98)	543	6
	5,990	4,729	16,545	11,769
Finance income from VimpelCom Ltd. or its subsidiaries	(1,323)	2,919	371	9,066
Finance costs from VimpelCom Ltd. or its subsidiaries	677	1,373	2,299	3,907
Other gain/(loss) from other related parties	(27)	13	1	17
			As of 30 September 2015	As of 31 December 2014
Accounts receivable from Telenor			152	213
Accounts receivable from Kyivstar			932	2,991
Accounts receivable from associates			–	79
Accounts receivable from joint ventures			544	1,496
Accounts receivable from Teta Telecom or its subsidiaries			317	522
Accounts receivable from VimpelCom Ltd. or its subsidiaries			2,771	2,155
Accounts receivable from other related parties			71	341
			4,787	7,797
Accounts payable to Telenor			(39)	91
Accounts payable to Kyivstar			956	1,974
Accounts payable to associates			–	26
Accounts payable to joint ventures			172	1,125
Accounts payable to Teta Telecom or its subsidiaries			1,615	1,955
Accounts payable to VimpelCom Ltd. or its subsidiaries			5,229	3,282
Accounts payable to other related parties			22	–
			7,955	8,453
Loans granted to VimpelCom Ltd. or its subsidiaries			43,009	244,791
Interest receivable from VimpelCom Ltd. or its subsidiaries			952	3,240
Loans received from VimpelCom Ltd. or its subsidiaries			31,766	122,882
Interest payable to VimpelCom Ltd. or its subsidiaries			6,184	1,055

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14. Related parties (continued)

Loans granted to VimpelCom Ltd. or its subsidiaries

As of 30 September 2015 and 31 December 2014, the principal amounts of loans granted to VimpelCom Ltd. or its subsidiaries were as follows:

Borrower	Date of agreement	Maturity	Interest rate	Currency	30 September 2015	31 December 2014
VimpelCom Ltd.	7 Oct. 2010	Dec., 2070	LIBOR+7.5%	USD	37,190	31,587
Kyivstar	8 June 2004	Jan., 2016	5%	USD	1,742	1,480
Teta Telecom	2007-2011	2017-2021	10.6%	KZT	1,572	2,288
Kyivstar	15 Oct. 2008	Mar., 2016	7.7%	USD	1,213	1,030
VimpelCom (BVI) Ltd.	27 Jul. 2010	Jul., 2016	5.2%	USD	682	580
VimpelCom (BVI) Ltd.	17 Nov. 2011	Nov., 2016	5.2%	USD	610	518
VimpelCom Amsterdam Finance B.V. ¹	13 May 2011	May, 2017	7.5%	USD	–	207,308
Total					43,009	244,791

¹ During the period from 1 April 2015 till 6 May 2015 the full outstanding amount of this loan was early repaid.

On 13 April 2015, PJSC “VimpelCom” signed an agreement to grant a Revolving Credit Facility for the amount of one billion USD (the equivalent of RUR 51,068 as of 13 April 2015 at the exchange rate provided by the Central Bank of Russia) to VimpelCom Amsterdam B.V. The interest rate under this agreement is LIBOR (1 month) + 4% and it is determined monthly. For the period starting from 27 May 2015 until 17 August 2015 USD 250 million (the equivalent of RUR 13,903 as of the dates of transactions at the exchange rate provided by the Central Bank of Russia) have been disbursed. On 23 September 2015 VimpelCom Amsterdam B.V. repaid USD 250 million (the equivalent of RUR 16,544 as of the date of transaction at the exchange rate provided by the Central Bank of Russia). On 22 October 2015, VimpelCom Amsterdam B.V. drew down USD 300 million (the equivalent of RUR 18,789 as of the date of transaction at the exchange rate provided by the Central Bank of Russia) under the existing Revolving Credit Facility. On 16 November 2015, VimpelCom Amsterdam B.V. drew down USD 220 million (the equivalent of RUR 14,660 as of the date of transaction at the exchange rate provided by the Central Bank of Russia) under the existing Revolving Credit Facility.

Loans received from VimpelCom Ltd. or its subsidiaries

As of 30 September 2015 and 31 December 2014, the principal amounts of loans received from VimpelCom Ltd. or its subsidiaries were as follows:

Lender	Date of agreement	Maturity	Interest rate	Currency	30 September 2015	31 December 2014
Weather Capital Special Purpose 1 S.A. ¹	26 Mar. 2015	Mar., 2032	6.5%	USD	12,472	–
VimpelCom Holdings B.V.	14 Feb. 2013	Feb., 2018	9.6%	RUR	12,000	12,000
Weather Capital Special Purpose 1 S.A.	13 Apr. 2007	Apr., 2017	11%	USD	4,368	3,710
Weather Capital Special Purpose 1 S.A.	27 May 2008	Jun., 2016	11%	USD	2,926	1,969
Weather Capital Special Purpose 1 S.A. ²	3 Oct. 2013	Feb., 2020	5.67-6.07%	USD	–	35,724
Weather Capital Special Purpose 1 S.A. ²	13 Nov. 2013	Feb., 2020	5.56-5.96%	USD	–	32,630
Weather Capital Special Purpose 1 S.A. ²	22 Apr. 2013	Oct., 2021	5.75%	USD	–	22,503
Weather Capital Special Purpose 1 S.A. ²	21 Jan. 2014	Feb., 2020	5.44-5.80%	USD	–	14,346
Total					31,766	122,882

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

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14. Related parties (continued)

Loans received from VimpelCom Ltd. or its subsidiaries (continued)

¹ At 31 December 2014 Mobitel, the Company’s operator in Georgia, had intercompany debts to the PJSC “VimpelCom”. On 26 March 2015, debts of Mobitel in the amount of USD 262 million (the equivalent of RUR 15,035 as of the date of the transaction at the exchange rate provided by the Central Bank of Russia) was sold to VimpelCom Amsterdam B.V. at par. Thereafter these debts were sold to Weather Capital Special Purpose 1 S.A. with the maturity in March 2032 bearing fixed interest of 6.5%.

² The loan was fully early repaid of in February 2015.

Terms and conditions of transactions with related parties

Outstanding balances at period-end are unsecured, settlements occur in cash. During the nine months ended 30 September 2015, there have been no new guarantees provided or received for any related party receivables or payables and there have been no changes occurred to the terms and amounts of the Company’s guarantees of the related party loans that existed as of 31 December 2014 and were disclosed in the notes to the respective annual consolidated financial statements except for those changes disclosed below in Note 15. No triggering events under the existing guarantees in favor of related party occurred. The Company believes that probability of these events is remote.

15. Commitments, contingencies and uncertainties

Investigation of the operations in Uzbekistan

The United States Securities and Exchange Commission (“SEC”), the United States Department of Justice (“DOJ”) and the Dutch Public Prosecution Service (“OM”) are conducting investigations related to the Company’s parent (VimpelCom Ltd.), which have been focused primarily on the VimpelCom Ltd.’s prior dealings with Takilant Ltd. (“Takilant”).

In June 2007, Takilant purchased from VimpelCom a 7% interest in VimpelCom’s business in Uzbekistan for USD 20 million (the equivalent of RUR 516 as of 30 June 2007 at the exchange rate provided by the Central Bank of Russia) and entered into a shareholders agreement with VimpelCom. In September 2009, Takilant exercised its option to put its 7% interest to VimpelCom for USD 57.5 million (the equivalent of RUR 1,730 as of 30 September 2009 at the exchange rate provided by the Central Bank of Russia), an amount specified in the shareholders agreement. In addition, VimpelCom had agreements with Takilant relating to the acquisition of frequency spectrum (including with respect to 3G and LTE) and channels in Uzbekistan pursuant to which VimpelCom paid Takilant an aggregate of USD 57 million.

It has also been reported in the press that Takilant is currently being investigated in Sweden and Switzerland on allegations that it and certain persons associated with it have committed acts of bribery and money-laundering connected with their activities in Uzbekistan, and also that Takilant is being investigated in The Netherlands and perhaps other jurisdictions. These investigations may, in part, involve VimpelCom Ltd.

As a result of concerns arising from press reports regarding Takilant, VimpelCom Ltd. commenced a review with respect to its operations in Uzbekistan, including its relations with Takilant, and in 2013 VimpelCom Ltd. retained external counsel with expertise relating to the U.S. Foreign Corrupt Practices Act (“FCPA”) and other anti-corruption laws and regulations to conduct such investigation.

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

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15. Commitments, contingencies and uncertainties (continued)

Investigation of the operations in Uzbekistan (continued)

Following notice of the investigations by the SEC, DOJ and OM, VimpelCom Ltd. established a Special Committee of the Supervisory Board in March 2014 to oversee the internal investigation being conducted by the VimpelCom Ltd's external counsel and the VimpelCom Ltd.'s response to the inquiries by various authorities. The Special Committee consists of directors who qualify as independent for purposes of Rule 10A-3 under the Exchange Act. The investigation being conducted by VimpelCom Ltd.'s external counsel has been focused primarily on VimpelCom Ltd.'s Uzbekistan operations, including relations with Takilant, and whether there was any conduct in VimpelCom Ltd.'s operations in Uzbekistan that may have violated the anti-bribery provisions of the FCPA, the FCPA's books and records and internal controls provisions, applicable local laws and/or VimpelCom Ltd.'s own internal policies. The investigation also is reviewing VimpelCom Ltd.'s operations in additional countries.

On 29 June 2015, the DOJ filed a civil complaint in the Southern District Court of New York, seeking the forfeiture of property, currently held by others, located in Belgium, Ireland, and Luxembourg that it claims was derived in violation of US law. VimpelCom Ltd. is not a defendant in this action. Such a forfeiture action indicates, however, the DOJ's position that certain conduct by VimpelCom Ltd. in or relating to Uzbekistan constituted a violation of the FCPA. On 10 July 2015, a federal judge signed warrant orders allowing the DOJ to proceed with forfeiture actions as described in the complaint. VimpelCom Ltd. will continue to monitor this proceeding.

As announced in February of 2015, VimpelCom Ltd. has been exploring resolution of the VimpelCom Ltd.'s potential liabilities. VimpelCom Ltd. continues to cooperate with the authorities. Based on its ongoing assessment of the investigation during the third quarter of 2015, VimpelCom Ltd. has provided for an amount of USD 900 million, which includes direct and incremental legal costs, in the VimpelCom Ltd.'s interim IFRS consolidated financial statements as of and for the three and nine month periods ended 30 September 2015.

The discussions with the authorities are ongoing and, until concluded, there can be no certainty as to the final cost to VimpelCom Ltd. of any such resolution or the nature, likelihood or timing of a definitive resolution. VimpelCom Ltd.'s management has considered which VimpelCom entity should record the liability associated with this matter and has concluded that it is presently appropriate for VimpelCom Ltd. to record the liability, rather than any other subsidiary or affiliate of the Group. Since the provision was made by VimpelCom Ltd., it will not affect the Company's interim IFRS consolidated financial statements as of and for the three and nine month periods ended 30 September 2015.

Guarantees in favour of VimpelCom Holdings B.V.

On 29 June 2011, VimpelCom Holdings B.V., a subsidiary owned by VimpelCom Ltd., completed an offering of an aggregate principal amount of USD 2,200 million (the equivalent of RUR 62,117 as of 29 June 2011 at the exchange rate provided by the Central Bank of Russia) notes (the "June Bonds"), split between three-year, five-year and 10-year tranches, for the primary purpose of refinancing the outstanding principal amount of USD 2,200 million under the Bridge Facility Agreement. On 2 April 2015, VimpelCom Amsterdam B.V. partially repurchased the current notes issued by VimpelCom Holdings B.V. (Note 11) and guaranteed by PJSC "VimpelCom". As of 2 April 2015, the outstanding principal amount under the notes due in March, 2017 and March, 2022 was USD 1,629 million (the equivalent of RUR 95,058 as of 2 April 2015 at the exchange rate provided by the Central Bank of Russia). No triggering events under the guarantee occurred. The Company believes that probability of these events is remote.

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

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15. Commitments, contingencies and uncertainties (continued)

Guarantees in favour of VimpelCom Holdings B.V.

On 13 February 2013, VimpelCom Holdings B.V. completed an offering of an aggregate principal amount of USD 1,600 million (the equivalent of RUR 48,274 as of 13 February 2013 at the exchange rate provided by the Central Bank of Russia) notes and notes, denominated in RUR, in the amount of RUR 12,000, split between five-year, six-year and ten-year tranches. On 2 April 2015, VimpelCom Amsterdam B.V. partially repurchased the current notes issued by VimpelCom Holdings B.V. and guaranteed by PJSC “VimpelCom” (Note 11). As of 2 April 2015, the outstanding principal amount under the notes due in February, 2019 and February, 2023 was USD 1,554 million (the equivalent of RUR 90,681 as of 2 April 2015 at the exchange rate provided by the Central Bank of Russia). No triggering events under the guarantee occurred. The Company believes that probability of these events is remote.

Provisions

Changes in the line Provisions of Current liabilities of interim consolidated statement of financial position as of 30 September 2015 are driven by the respective changes in the legal provisions and income taxes provisions in the reported period.

16. Events after the reporting period

Since 30 September 2015, several currencies demonstrated high volatility. In particular, between 30 September 2015 and 20 November 2015, the Kazakhstan tenge depreciated against the U.S. dollar and the Euro by approximately 14% and 8%. Currencies devaluation against major foreign currencies (USD, EUR) may give additional impact on the financial position or performance of the Group. Development of telecommunications market may show negative trends during 2015 due to the decrease of purchasing power of the population.

On 24 September 2015, PJSC “VimpelCom” signed a loan facility agreement with CISCO Systems Finance International for a total amount of RUR 894. The purpose of the facility is to finance equipment provided to PJSC “VimpelCom” by CISCO Systems Finance International on a reimbursement basis. The facility bears interest at a rate of 12% per annum. On 2 October 2015, PJSC “VimpelCom” drew down RUR 894.

On 5 October 2015, during the auction organized by Federal supervision authority for telecommunication, information technologies and mass communications (“Roskomnadzor”) PJSC “VimpelCom” was awarded licenses to provide services over the GSM-1800 and LTE-1800 radio standards in Stavropol region and Buryatia Republic of the Russian Federation. Aggregate cost of radio frequencies amounted to RUR 2,027.

On 16 October 2015, PJSC “VimpelCom” issued Russian ruble–denominated bonds, in an aggregate principal amount of RUR 25,000. The bonds have a ten–year maturity with a put option in 2 years and bear an annual interest rate of 11.90%. Interest will be paid semi–annually. Funds received from issuance will be used for general corporate purposes, including refinancing of existing debt.

On 3 November 2015, PJSC “VimpelCom” confirmed the final allocation of the secondary offer (Note 11) of 10% bonds for the principal amount of RUR 14,840. The proceeds have been settled on 5 November 2015. The coupon is paid on a semi–annual basis and the final maturity of the bonds is 8 March 2022. The bonds were sold at a price of 98.05% resulting in a yield to the next put option of 17 March 2017 of 11.91%. Funds raised will be used in refinancing debt and for general corporate purposes.