

Unaudited interim condensed
consolidated financial statements

Public Joint Stock Company
“Vimpel-Communications”

(a wholly-owned subsidiary of VimpelCom Ltd.)

*as of 31 March 2016 and
for the three months ended 31 March 2016*

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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 condensed consolidated statements of financial position as of 31 March 2016 and 31 December 2015, and the related interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three-month period ended 31 March 2016.

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

23 June 2016

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

Interim condensed consolidated income statement
for the three months ended 31 March 2016

	Note	Three months ended 31 March	
		2016 (unaudited)	2015 (unaudited)
<i>(All amounts in millions of Rubles unless otherwise stated)</i>			
Service revenue		85,179	89,880
Sale of equipment and accessories		2,969	1,877
Other revenue		160	182
Total operating revenue	4	88,308	91,939
Operating expenses			
Service costs		(22,970)	(24,543)
Cost of equipment and accessories		(3,389)	(1,871)
Selling, general and administrative expenses	5	(29,744)	(28,746)
Depreciation	8	(14,552)	(14,575)
Amortization	9	(2,648)	(2,326)
Impairment loss		(156)	(1,059)
Loss on disposal of non-current assets		(90)	(325)
Total operating expenses		(73,549)	(73,445)
Operating profit		14,759	18,494
Finance costs		(6,587)	(7,719)
Finance income		1,835	1,339
Net foreign exchange gain/(loss)		4,247	(3,543)
Other non-operating loss, net	6	(2,660)	(3,009)
Share of (loss)/gain of joint ventures and associates accounted for using the equity method		(345)	988
Profit before tax		11,249	6,550
Income tax expense	7	(4,552)	(2,348)
Profit for the period		6,697	4,202
Attributable to:			
The owners of the Company		6,958	4,545
Non-controlling interests		(261)	(343)
		6,697	4,202

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 condensed consolidated statement of comprehensive income
for the three months ended 31 March 2016

	Three months ended 31 March	
	2016	2015
	(unaudited)	(unaudited)
	<i>(All amounts in millions of Rubles unless otherwise stated)</i>	
Profit for the period	6,697	4,202
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Cash flow hedge reserve	(110)	(773)
Income tax effect	-	-
Net gain arising on revaluation of available-for-sale financial assets at fair value through other comprehensive income	-	580
Income tax effect	-	-
Exchange differences arising on net investment in foreign operations	(14,416)	3,351
Income tax effect	733	(187)
Other comprehensive (loss)/income for the period, net of tax	(13,793)	2,971
Total comprehensive (loss)/income for the period, net of tax	(7,096)	7,173
Attributable to:		
The owners of the Company	(6,798)	7,222
Non-controlling interests	(298)	(49)
	(7,096)	7,173

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 condensed consolidated statement of financial position
as of 31 March 2016

	31 March 2016 (unaudited)	31 December 2015 (audited)	
Note	<i>(All amounts in millions of Rubles unless otherwise stated)</i>		
Assets			
Non-current assets			
Property and equipment	8	252,753	265,899
Intangible assets	9	39,067	35,976
Goodwill	9	112,261	113,369
Investments in associates and joint ventures		14,174	14,519
Deferred income tax assets		2,262	2,225
Other financial assets	10	82,254	99,388
Other non-current non-financial assets	11	1,038	436
Total non-current assets		503,809	531,812
Current assets			
Inventories		4,984	6,266
Trade and other receivables		26,583	27,980
Other current non-financial assets	11	9,023	8,025
Current income tax assets		6,830	5,713
Other current financial assets	10	12,257	29,108
Cash and cash equivalents	12	88,970	63,385
Total current assets		148,647	140,477
Assets classified as held for sale		-	178
Total assets		652,456	672,467
Equity and liabilities			
Equity			
Equity attributable to equity owners of the parent		266,333	266,329
Non-controlling interests		13,761	14,059
Total equity		280,094	280,388
Non-current liabilities			
Financial liabilities	10	200,343	199,657
Provisions		3,597	3,600
Other non-current non-financial liabilities	11	787	804
Deferred income tax liabilities		16,801	19,096
Total non-current liabilities		221,528	223,157
Current liabilities			
Trade and other payables		42,398	58,684
Dividends payable		7	8
Other current non-financial liabilities	11	27,781	25,191
Other financial liabilities	10	76,268	82,180
Current income tax payables		1,708	258
Provisions		2,672	2,601
Total current liabilities		150,834	168,922
Total equity and liabilities		652,456	672,467

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 condensed consolidated statement of changes in equity
for the three months ended 31 March 2016

Attributable to the owners of the Company										
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 31 December 2015	3	40,234	24,408	162,005	40,150	20	(491)	266,329	14,059	280,388
Profit for the period	–	–	–	6,958	–	–	–	6,958	(261)	6,697
Other comprehensive loss	–	–	–	–	(13,646)	(110)	–	(13,756)	(37)	(13,793)
Total comprehensive income / (loss)	–	–	–	6,958	(13,646)	(110)	–	(6,798)	(298)	(7,096)
Transactions under common control	3	–	6,661	–	(350)	–	491	6,802	–	6,802
As of 31 March 2016	3	40,234	31,069	168,963	26,154	(90)	–	266,333	13,761	280,094

Interim consolidated statement of changes in equity
for the three months ended 31 March 2015

Attributable to the owners of the Company										
	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 31 December 2014	3	40,234	22,997	142,745	18,027	660	–	224,666	8,074	232,740
Profit for the period	–	–	–	4,545	–	–	–	4,545	(343)	4,202
Other comprehensive income / (loss)	–	–	–	–	2,870	(773)	580	2,677	294	2,971
Total comprehensive income / (loss)	–	–	–	4,545	2,870	(773)	580	7,222	(49)	7,173
Effect of options over non-controlling interests in subsidiaries	–	–	(665)	–	(12)	–	–	(677)	(575)	(1,252)
As of 31 March 2015 (unaudited)	3	40,234	22,332	147,290	20,885	(113)	580	231,211	7,450	238,661

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 condensed consolidated statement of cash flows
for the three months ended 31 March 2016

	Note	Three months ended 31 March	
		2016	2015
<i>(All amounts in millions of Rubles unless otherwise stated)</i>			
Operating activities			
Profit for the period		6,697	4,202
Income tax expense	7	4,552	2,348
Profit before tax		11,249	6,550
Non-cash adjustments to reconcile profit before tax to net cash flows from operating activities:			
Depreciation	8	14,552	14,575
Impairment loss		156	1,059
Amortization	9	2,648	2,326
Loss on disposal of non-current assets		90	325
Finance income		(1,835)	(1,339)
Finance costs		6,587	7,719
Other non-operating loss, net	6	2,660	3,009
Net foreign exchange (gain)/loss		(4,247)	3,543
Share of loss/(gain) of joint ventures and associates accounted for using the equity method		345	(988)
Movements in provisions		344	355
Operating cash flows before working capital adjustments, interest and income taxes		32,549	37,134
Working capital adjustments			
Change in trade and other receivables		(2,017)	(9,861)
Change in inventories		1,438	(104)
Change in trade and other payables		(3,358)	6,366
Interest and income taxes			
Interest paid		(5,787)	(7,399)
Interest received		1,455	4,912
Income tax paid		(5,463)	(4,301)
Net cash flows from operating activities		18,817	26,747
Investing activities			
Proceeds from sale of property, equipment and intangible assets		50	227
Purchase of property, equipment and intangible assets		(21,726)	(17,140)
Issue of loans		(8,329)	(17,048)
Repayment of loans issued		24,760	159,353
Inflows / (outflows) from deposits, net		6,260	(286)
Inflow from investments in other financial assets		1,128	4,785
Disposal of subsidiaries, net of cash disposed		1,592	–
Acquisition of subsidiaries, net of cash acquired		17	–
Net cash flows from investing activities		3,752	129,891
Financing activities			
Proceeds from borrowings, net of fees paid		31,748	–
Repayment of borrowings		(24,447)	(161,943)
Net cash flows from/(used in) financing activities		7,301	(161,943)
Net increase/(decrease) in cash and cash equivalents		29,870	(5,305)
Effect of exchange rate changes on cash and cash equivalents, net		(4,285)	(262)
Cash and cash equivalents at the beginning of the period		63,385	87,197
Cash and cash equivalents at the end of the period		88,970	81,630

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

Public Joint Stock Company “Vimpel-Communications”
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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 31 March 2016, 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 Central Bank of the Republic of Uzbekistan. However, this exchange rate is not achievable in expatriating funds out of the country due to restrictions imposed by the local government. The assets of our business in Uzbekistan represented RUR 84,365 of the total assets in the Company's interim condensed consolidated statement of financial position as of 31 March 2016. However, if the Company applied the exchange rate implied by market transactions, we believe the assets of Uzbekistan would decrease significantly in RUR terms.

The interim condensed consolidated financial statements of the Company as of 31 March 2016 and for the three months ended 31 March 2016 were authorized for issue by the General Director on 23 June 2016.

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 as of 31 December 2015 and for the year ended 31 December 2015 prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

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 judgements, estimates and assumptions affects the amounts reported in the interim condensed consolidated statement of financial position, interim condensed consolidated income statement, interim condensed consolidated statements of comprehensive income, interim condensed consolidated statement of changes in equity, interim condensed consolidated statement of cash flows as well as the notes. 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.

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)

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 as of and for the year ended 31 December 2015.

A number of new and amended standards became effective as of 1 January 2016, however, the Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. The Group has not early adopted any other standards, interpretations or amendments that have been issued but not yet effective.

3. Significant transactions

On 10 March 2016, VimpelCom signed an agreement to sell its indirect 99.99% stake in VC ESOP N.V. to one of the subsidiaries of VimpelCom Ltd. and related party of the Group for total consideration of USD 1. The ownership of the 99.99% shares in VC ESOP N.V. was transferred from the Group on 1 January 2016. As of 1 January 2016, net liabilities of VC ESOP N.V. were RUR 6,873. For business combinations exercised under common control, VimpelCom measures the net assets of the transaction at the carrying amounts, the difference between the amount received for the transaction and the corresponding carrying amount of the net assets is accounted for as equity transaction.

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 segments.

Management evaluates the performance of the Company’s segments on a regular basis, primarily based on earnings before interest (both finance income and finance costs), income tax, depreciation, amortization, impairment loss, gain/(loss) on disposals of non-current assets, net foreign exchange gain/(loss), other non-operating gain/(losses) and share of profit/(loss) of joint ventures and associates (“EBITDA”).

The Company’s reportable segments include Russia, Kazakhstan and Uzbekistan, HQ and Others. The segment HQ and Others includes our operations in Kyrgyzstan, Armenia, Georgia, and Laos as well as headquarter expenses, other unallocated adjustments and inter-company eliminations.

Financial information by reportable segment for the three months ended 31 March 2016 and 31 March 2015 is presented in the following tables. Inter-segment revenues between operating segments are on an arm’s length basis in a manner similar to transactions with third parties. The segment data for acquired operations are reflected herein from the date of their respective acquisition.

Information by reportable segments for the three months ended 31 March 2016

	Russia	Uzbekistan	Kazakhstan	HQ and others	Group
Revenue					
External customers	66,067	12,266	5,592	4,383	88,308
Inter-segment	230	31	19	(280)	–
Total operating revenue	66,297	12,297	5,611	4,103	88,308
EBITDA	24,159	7,487	1,826	(1,267)	32,205
Other disclosures					
Capital expenditures	3,552	2,084	6,167	318	12,121
Impairment loss	(141)	–	(15)	–	(156)

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. Segment information (continued)

Information by reportable segments for the three months ended 31 March 2015

	Russia	Uzbekistan	Kazakhstan	HQ and others	Group
Revenue					
External customers	65,969	10,364	9,834	5,772	91,939
Inter-segment	307	15	28	(350)	–
Total operating revenue	66,276	10,379	9,862	5,422	91,939
EBITDA	26,130	6,509	4,261	(121)	36,779
Other disclosures					
Capital expenditures	5,425	–	425	2,869	8,719
Impairment loss	–	–	–	(1,059)	(1,059)

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

	Three months ended 31 March	
	2016	2015
EBITDA	32,205	36,779
Depreciation	(14,552)	(14,575)
Amortization	(2,648)	(2,326)
Impairment loss	(156)	(1,059)
Loss on disposal of non-current assets	(90)	(325)
Finance costs	(6,587)	(7,719)
Finance income	1,835	1,339
Other non-operating losses, net	(2,660)	(3,009)
Share of (loss) / gain of joint ventures and associates accounted for using the equity method	(345)	988
Net foreign exchange gain / (loss)	4,247	(3,543)
Income tax expense	(4,552)	(2,348)
Profit for the period	6,697	4,202

5. Selling, general and administrative expenses

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

	Three months ended 31 March	
	2016	2015
Personnel costs	7,317	7,696
Customer associated costs	6,124	6,272
Network and IT costs	5,138	4,908
Operating lease and other rent expenses	4,435	4,345
Taxes other than income tax	3,404	3,195
Consulting and professional service costs	1,399	738
Losses on receivables	1,006	505
Other G&A expenses	921	1,087
Total	29,744	28,746

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)

6. Other non-operating loss, net

Other non-operating gain loss, net consisted of the following for the three months ended 31 March:

Note	Three months ended 31 March	
	2016	2015
Changes in the fair value of non-hedge derivatives	(3,116)	(941)
Income on sale of foreign currency, net	335	–
Changes in the fair value of hedge derivatives	6	(109)
Early redemption fee	–	(2,389)
Effect of refiling tax returns	–	457
Other gains/(losses), net	115	(27)
Total other non-operating loss, net	(2,660)	(3,009)

7. 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 months ended 31 March:

	Three months ended 31 March	
	2016	2015
Profit before tax	11,249	6,550
Current income tax	(6,637)	(4,007)
Deferred income tax	2,085	1,659
Income tax expense reported in the interim condensed consolidated income statement	(4,552)	(2,348)
Effective tax rates	40%	36%

The effective income tax rate for the three months ended 31 March 2016 amounts to 40% (2015: 36%). In the three-month period ended 31 March 2016 the effective income tax rate was mainly driven by non-deductible expenses and higher tax rate in Uzbekistan introduced since 1 January 2016. The income tax expense accrued in Uzbekistan amounts to 3,172 RUR for the three months ended 31 March 2016 and 769 RUR for the three months ended 31 March 2015.

8. Property and equipment

During the three months ended 31 March 2016 and 2015, the Company had the following changes in property and equipment:

	Three months ended 31 March	
	2016	2015
Net book value as of 1 January	265,899	274,549
Additions	5,657	4,692
Acquisition of a subsidiary	10	–
Net book value of assets disposed	(135)	(432)
Translation adjustment	(4,148)	993
Depreciation charge	(14,552)	(14,575)
Impairment	(156)	–
Assets reclassified from assets held for sale	178	3
Net book value as of 31 March	252,753	265,230

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)

9. Intangible assets and goodwill

During the three months ended 31 March 2016 and 2015, the Company had the following changes in intangible assets and goodwill:

	Three months ended 31 March			
	2016		2015	
	Other intangible assets	Goodwill	Other intangible assets	Goodwill
Opening net book value as of 1 January	35,976	113,369	29,299	113,557
Additions	6,464	-	4,027	-
Acquisition of a subsidiary	34	2	-	-
Net book value of assets disposed	(7)	-	(26)	-
Translation adjustment	(752)	(1,110)	(501)	(194)
Impairment	-	-	-	(1,059)
Amortization charge	(2,648)	-	(2,326)	-
Closing net book value as of 31 March	39,067	112,261	30,473	112,304

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 2015.

The Company considers the relationship between its market capitalization and its book value, as well as weighted average cost of capital and the actual quarterly performances when reviewing for indicators of impairment in interim periods.

There were no goodwill impairments recorded during three months period ended 31 March 2016.

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)

10. Financial assets and liabilities

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 31 March 2016 and 31 December 2015 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	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015
Financial assets at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	24	912	24	912
Financial assets at fair value through other comprehensive income				
Derivatives designated as cash flow hedges				
Foreign exchange contracts	–	1,258	–	1,258
Available-for-sale financial assets	–	1,847	–	1,847
Total financial assets at fair value	24	4,017	24	4,017
Loans granted, deposits and other financial assets at amortised cost				
Loans granted to related parties, principal (Note 13)	72,271	93,063	65,976	81,892
Bank deposits	18,765	26,522	18,765	26,522
Interest receivable	1,051	730	916	730
Other financial assets	2,400	4,164	2,400	4,164
Total loans granted, deposits and other financial assets at amortised cost	94,487	124,479	88,057	113,308
Total other financial assets	94,511	128,496	88,081	117,325
Financial liabilities at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	3,358	–	3,358	–
Financial liabilities at fair value through other comprehensive income				
Derivatives designated as cash flow hedges				
Foreign exchange contracts	2,956		2,956	
Total financial liabilities at fair value	6,314	–	6,314	–
Other financial liabilities at amortised cost				
Loans, bonds and finance lease liabilities, principal	234,309	237,205	243,622	243,101
Loans payables to related parties, principal (Note 13)	27,094	35,068	17,887	25,813
Unamortised fees	(1,435)	(1,348)	–	–
Interest payable	10,329	10,912	6,123	6,349
Total other financial liabilities at amortised cost	270,297	281,837	267,632	275,263
Total other financial liabilities	276,611	281,837	273,946	275,263

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

(All amounts in millions of Rubles unless otherwise stated)

10. 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 31 March 2016 and 31 December 2015:

	31 March 2016	31 Decembe r 2015
Other financial assets		
Non-current portion	82,254	99,388
Current portion	12,257	29,108
Total other financial assets	94,511	128,496
Other financial liabilities		
Non-current portion	200,343	199,657
Current portion	76,268	82,180
Total other financial liabilities	276,611	281,837

Fair value hierarchy

The fair value hierarchy ranks fair value measurements based on the type of inputs used in the valuation; it does not depend on the type of valuation techniques used:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: inputs are unobservable inputs for the asset or liability

The following table provides the disclosure of fair value measurements separately for each major class of assets and liabilities.

	As of 31 March 2016		
	(Level 1)	(Level 2)	(Level 3)
Financial assets at fair value through profit or loss			
Derivatives not designated as hedges			
Foreign exchange contracts	–	24	–
Total financial assets at fair value	–	24	–
Financial liabilities at fair value through profit or loss			
Derivatives not designated as hedges			
Foreign exchange contracts	–	3,358	–
Financial liabilities at fair value through other comprehensive income			
Derivatives designated as cash flow hedges			
Foreign exchange contracts	–	2,956	–
Total financial liabilities at fair value	–	6,314	–
	As of 31 December 2015		
	(Level 1)	(Level 2)	(Level 3)
Financial assets at fair value through profit or loss			
Derivatives not designated as hedges			
Foreign exchange contracts	–	912	–
Financial assets at fair value through other comprehensive income			
Derivatives designated as cash flow hedges			
Foreign exchange contracts	–	1,258	–
Available-for-sale financial asset	1,847	–	–
Total financial assets at fair value	1,847	2,170	–

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10. Financial assets and liabilities (continued)

Fair value hierarchy (continued)

During the three-months period ended 31 March 2016, 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.

Major treasury events during 2016

A subsidiary B.V. Vimpelcom Finance S.à.r.l. had short term deposits as of 31 December 2015 amounts to USD 20 million (the equivalent of RUR 1,490 as of 31 December 2015 at the exchange rate provided by the Central Bank of Russia) with ANZ Bank as security for the loan provided by the same bank to VimpelCom Lao Co. Ltd. The loan from ANZ Bank was repaid on 29 January 2016 and the related deposit was released as well.

On 30 December 2015, the Company entered into a Credit Facility agreement with “Sberbank of Russia” for the amount of RUR 30,000 that was fully drawn on 31 March 2016. The facility bears an interest rate of 11.55%. The Credit Facility matures on 29 June 2018.

Significant changes in financial assets and liabilities also relate to the loans received from related parties and the amount of interest due on them, and loans granted to related parties and the amount of interest due on them as further described in Note 13.

11. Other non-financial assets and liabilities

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

	31 March 2016	31 December 2015
Advances to suppliers and prepayments	719	87
Deferred costs related to connection fees	142	152
Other non-current assets	177	197
Other non-current non-financial assets	1,038	436

Other current non-financial assets consisted of the following:

	31 March 2016	31 December 2015
Advances to suppliers	4,538	4,408
Input value added tax	3,897	3,059
Prepaid taxes	315	284
Deferred costs related to connection fees	84	94
Others	189	180
Other current non-financial assets	9,023	8,025

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

	31 March 2016	31 December 2015
Long-term deferred revenue	548	602
Other non-current liabilities	239	202
Other non-current non-financial liabilities	787	804

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11. Other non-financial assets and liabilities (continued)

Other current non-financial liabilities consisted of the following:

	31 March 2016	31 December 2015
Customer advances, net of VAT	10,765	13,787
Other taxes payable	10,548	5,631
Amounts due to employees	4,386	3,047
Customer deposits	1,002	1,457
Short-term deferred revenue	861	903
Other liabilities	219	366
Other current non-financial liabilities	27,781	25,191

12. Cash and cash equivalents

Cash and cash equivalents consisted of the following items:

	31 March 2016	31 December 2015
Cash and cash equivalents at banks and on hand	88,574	62,885
Short-term deposits with an original maturity of less than 92 days	396	500
Total cash and cash equivalents	88,970	63,385

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 2016 in Uzbekistan of RUR 34,195 (31 December 2015: RUR 36,083) 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.

13. Related parties

As of 31 March 2016, PJSC “VimpelCom” is a wholly-owned indirect subsidiary of VimpelCom Ltd. As of 31 March 2016, VimpelCom Ltd. is primarily owned by two major shareholders: L1T VIP Holdings S.à.r.l., 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.

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(All amounts in millions of Rubles unless otherwise stated)

13. Related parties (continued)

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

	For the three months ended 31 March	
	2016	2015
Revenue from Telenor	(9)	4
Revenue from Kyivstar	515	1,915
Revenue from associates	–	163
Revenue from joint ventures	66	241
Revenue from Teta Telecom or its subsidiaries	419	558
Revenue from VimpelCom Ltd. or its subsidiaries	278	320
	1,269	3,201
Services from Telenor	20	39
Services from Kyivstar	957	1,582
Services from associates	–	97
Services from joint ventures	239	277
Services from Teta Telecom or its subsidiaries	1,144	1,530
Services from VimpelCom Ltd. or its subsidiaries	2,199	1,483
Services from other related parties	7	215
	4,566	5,223
Finance income from VimpelCom Ltd. or its subsidiaries	1,351	918
Finance costs from VimpelCom Ltd. or its subsidiaries	547	1,045
Other loss from other related parties, net	(41)	(1)
	2,157	2,976
	As of 31 March 2016	As of 31 December 2015
Accounts receivable from Telenor	118	85
Accounts receivable from Kyivstar	603	756
Accounts receivable from joint ventures	520	618
Accounts receivable from Teta Telecom or its subsidiaries	302	307
Accounts receivable from VimpelCom Ltd. or its subsidiaries	2,360	3,929
Accounts receivable from other related parties	102	101
	4,005	5,796
Accounts payable to Telenor	(6)	(65)
Accounts payable to Kyivstar	682	723
Accounts payable to joint ventures	142	162
Accounts payable to Teta Telecom or its subsidiaries	1,268	1,333
Accounts payable to VimpelCom Ltd. or its subsidiaries	3,440	6,023
Accounts payable to other related parties	1	–
	5,527	8,176
Loans granted to VimpelCom Ltd. or its subsidiaries	72,271	93,063
Interest receivable from VimpelCom Ltd. or its subsidiaries	1,066	730
Loans received from VimpelCom Ltd. or its subsidiaries	27,094	35,068
Interest payable to VimpelCom Ltd. or its subsidiaries	6,282	6,800

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13. Related parties (continued)

Loans granted to VimpelCom Ltd. or its subsidiaries

As of 31 March 2016 and 31 December 2015, the principal amounts of loans granted to VimpelCom Ltd. or its subsidiaries were as follows:

Borrower	Date of agreement	Maturity	Interest rate	Currency	31 March 2016	31 December 2015
VimpelCom Ltd.	7 Oct. 2010	Dec., 2070	LIBOR+7.5%	USD	37,960	40,921
VimpelCom Amsterdam B.V. ¹	13 Apr. 2015	Apr., 2018	LIBOR + 4%	USD	31,099	45,187
VimpelCom Micro Holdings B.V. ²	15 Mar. 2016	Feb., 2018	5.00%	USD	1,285	–
Teta Telecom	2007-2011	2017-2021	10.60%	KZT	1,265	1,378
Kyivstar ³	8 June 2004	Feb., 2016	5.00%	USD	–	1,917
Kyivstar ³	15 Oct. 2008	Feb., 2016	7.70%	USD	–	1,093
VimpelCom (BVI) AG ³	27 Jul. 2010	Jul., 2016	5.20%	USD	–	751
VimpelCom (BVI) AG ³	17 Nov. 2011	Nov., 2016	5.20%	USD	–	671
Golden Telecom Limited ³	1 Jun. 2010	Sep., 2016	5.00%	USD	–	430
Others					662	715
Total					72,271	93,063

¹ In the first quarter of 2016, the net cash flow on this loan was amounted to USD 160 million (the equivalent of RUR 12,752 as of the dates of transactions at the exchange rate provided by the Central Bank of Russia). In April, 2016, VimpelCom Amsterdam B.V. drew down USD 185 million (the equivalent of RUR 12,448 as of the dates of transactions at the exchange rate provided by the Central Bank of Russia). In May 2016 VimpelCom Amsterdam B.V. repaid USD 270 million (the equivalent of RUR 17,768 as of the date of transaction at the exchange rate provided by the Central Bank of Russia);

² On 26 February 2016, B.V. Vimpelcom Finance S.à.r.l. (subsidiary of the PJSC “VimpelCom”) entered into a term loan facility agreement with related party VimpelCom Micro Holdings B.V. On 15 March 2016, B.V. Vimpelcom Finance S.à.r.l. provided loan in the total amount of the facility of USD 19 million (the equivalent of RUR 1,333 as of 15 March 2016 at the exchange rate provided by the Central Bank of Russia);

³ The full outstanding amount of loans were repaid in February, 2016.

Loans received from VimpelCom Ltd. or its subsidiaries

As of 31 March 2016 and 31 December 2015, the principal amounts of loans received from VimpelCom Ltd. or its subsidiaries were as follows:

Lender	Date of agreement	Maturity	Interest rate	Currency	31 March 2016	31 December 2015
Weather Capital Special Purpose 1 S.A.	26 Mar. 2015	Mar., 2032	6.50%	USD	13,812	14,307
VimpelCom Holdings B.V.	14 Feb. 2013	Feb., 2018	9.60%	RUR	12,000	12,000
VimpelCom Micro Holdings B.V. ¹	27 Jan., 2016	Jan., 2018	5.00%	USD	1,282	–
Weather Capital Special Purpose 1 S.A. ²	13 Apr. 2007	Apr., 2017	11.00%	USD	–	5,335
Weather Capital Special Purpose 1 S.A. ²	27 May 2008	Jun., 2016	11.00%	USD	–	3,426
Total					27,094	35,068

¹ On 27 January 2016, VimpelCom Lao Co Ltd. (subsidiary of the PJSC “VimpelCom”) drew down USD 19 million (the equivalent of RUR 1,555 as of 27 January 2016 at the exchange rate provided by the Central Bank of Russia) under new term loan facility agreement with related party VimpelCom Micro Holdings B.V. The facility is bearing 5% per annum;

² On 10 March 2016, VimpelCom signed an agreement to sell its indirect 99.99% stake in VC ESOP N.V. to one of the subsidiaries of VimpelCom Ltd. (Note 3).

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13. Related parties (continued)

Terms and conditions of transactions with related parties

Outstanding balances at period-end are unsecured, settlements occur in cash. During the three months ended 31 March 2016, there have been no new guarantees provided or received for any related party receivables or payables and no changes occurred to the terms and amounts of the Company's guarantees of the related party loans that existed as of 31 December 2015 and were disclosed in the notes to the respective annual consolidated financial statements. No triggering events under the existing guarantees in favor of related parties occurred. The Company believes that the probability of these events is remote.

14. Commitments, contingencies and uncertainties

There were no material commitments, contingencies and uncertainties that occurred during the three month period ended 31 March 2016 and there were no material changes during the same period to the commitments, contingencies and uncertainties as disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2015.