Consolidated financial statements

Open Joint Stock Company "Vimpel-Communications"

(a wholly-owned subsidiary of VimpelCom Ltd.)

as of 31 December 2013 and 2012 and for the two years ended 31 December 2013

Open Joint Stock Company "Vimpel-Communications"

(a wholly-owned subsidiary of VimpelCom Ltd.)

Consolidated financial statements

for the year ended 31 December 2013

Contents

Совершенствуя бизнес, улучшаем мир

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Report of independent auditors

The Board of Directors and Shareholders of OJSC Vimpel-Communications

We have audited the accompanying consolidated financial statements of Open Joint Stock Company Vimpel-Communications (a wholly-owned subsidiary of VimpelCom Ltd.) and its subsidiaries (hereinafter collectively referred to as "**VimpelCom**"), which comprise the consolidated statement of financial position as of 31 December 2013, and the related consolidated income statement and consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with International Financial Reporting Standards; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Совершенствуя бизнес, улучшая мир

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of VimpelCom at 31 December 2013, and the consolidated results of its operations and its cash flows for the year then ended in conformity with International Financial Reporting Standards.

As described in Note 3 to VimpelCom's consolidated financial statements, on 1 January 2013 VimpelCom adopted International Financial Reporting Standard IFRS 11, *Joint Arrangements*, on a retrospective basis resulting in a revision of the 31 December 2012 consolidated statement of financial position and of the related consolidated income statement for the year then ended.

Ernst & Young LLC

23 May 2014

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

Consolidated income statements
for the years ended 31 December 2013 and 2012

	Note	Years ended 31 December 2013	2012*
		(All amounts in thousands of US dollars unless otherwise stated)	
Service revenue		**10,612,115**	10,538,602
Sale of equipment and accessories		**358,800**	377,938
Other revenue		**23,661**	31,109
Total operating revenue	7	**10,994,576**	10,947,649
Operating expenses			
Service costs		**(2,950,533)**	(2,812,565)
Cost of equipment and accessories		**(398,236)**	(351,931)
Selling, general and administrative expenses	8	**(3,133,521)**	(3,134,344)
Depreciation	13	**(1,469,786)**	(1,464,270)
Amortization	14	**(276,712)**	(370,847)
Impairment losses	6,9	**(105,945)**	(26,168)
Loss on disposals of non-current assets		**(66,085)**	(162,359)
Total operating expenses		**(8,400,818)**	(8,322,484)
Operating profit		**2,593,758**	2,625,165
Finance costs		**(775,276)**	(836,983)
Finance income		**333,310**	365,559
Net foreign exchange gain		**24,436**	31,792
Other non-operating losses (net)	10	**(8,619)**	(22,454)
Shares of profit/(loss) of associates and joint ventures accounted for using the equity method	11.3	**(13,402)**	62,075
Profit before tax		**2,154,207**	2,225,154
Income tax expense	12	**(573,231)**	(495,571)
Profit for the year		**1,580,976**	1,729,583
Attributable to:			
The owners of the parent		**1,541,203**	1,673,672
Non-controlling interest		**39,773**	55,911
		1,580,976	1,729,583

* Certain amounts shown here do not correspond to the 2012 consolidated financial statements and reflect adjustments made as detailed in Note 3.

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

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

Consolidated statements of comprehensive income for the years ended 31 December 2013 and 2012

	Note	Years ended 31 December 2013	2012*
		(All amounts in thousands of US dollars unless otherwise stated)	
Profit for the year		**1,580,976**	1,729,583
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Cash flow hedge reserve		**3,414**	(3,309)
Income tax effect		**–**	–
Share of foreign currency translation of associates and joint ventures accounted for using the equity method		**(34,789)**	33,311
Income tax effect		**–**	–
Net gain arising on revaluation of available-for-sale financial assets at fair value through other comprehensive income		**20,209**	9,246
Income tax effect		**–**	–
Exchange differences arising on net investment in foreign operations and translation to the presentation currency		**(219,200)**	116,874
Income tax effect		**(6,888)**	6,153
Other comprehensive income items not being reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of OJSC VimpelCom's operations		**(81,990)**	43,652
Income tax effect		**–**	–
Other comprehensive income/(loss) for the year, net of tax		**(319,244)**	205,927
Total comprehensive income for the year, net of tax		**1,261,732**	1,935,510
Attributable to:			
The owners of the parent		**1,233,833**	1,878,354
Non-controlling interests		**27,899**	57,156
		1,261,732	1,935,510

* Certain amounts shown here do not correspond to the 2012 consolidated financial statements and reflect adjustments made as detailed in Note 3.

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

Consolidated statements of financial position as of 31 December 2013 and 2012

	Note	31 December 2013	31 December 2012*
		(All amounts in thousands of US dollars unless otherwise stated)	
Assets			
Non-current assets			
Property and equipment	13	**7,681,837**	7,763,187
Intangible assets	14	**881,227**	1,067,164
Goodwill	9,14	**3,357,221**	3,603,922
Investments in associates and joint ventures	11.3	**426,924**	483,825
Deferred tax assets		**5,609**	10,281
Other financial assets	15	**791,759**	4,766,582
Other non-current non-financial assets	16	**16,799**	18,231
Total non-current assets		**13,161,376**	17,713,192
Current assets			
Inventories	17	**129,618**	97,101
Trade and other receivables	18	**509,677**	641,448
Other current non-financial assets		**187,228**	212,430
Current income tax asset		**78,715**	115,140
Other current financial assets	15	**3,655,102**	431,042
Cash and cash equivalents	19	**997,752**	981,845
Total current assets		**5,558,092**	2,479,006
Assets classified as held for sale	6	**–**	86,089
Total assets		**18,719,468**	20,278,287
Equity and liabilities			
Equity			
Equity attributable to equity owners of the parent	21	**4,845,936**	6,850,119
Non-controlling interests	11.2	**200,999**	(10,524)
Total equity		**5,046,935**	6,839,595
Non-current liabilities			
Financial liabilities	15	**9,109,653**	8,278,505
Provisions	24	**127,161**	226,259
Other non-current non-financial liabilities	16	**36,403**	40,394
Deferred tax liability	12	**532,364**	488,702
Total non-current liabilities		**9,805,581**	9,033,860
Current liabilities			
Trade and other payables	20	**1,585,394**	1,431,872
Dividends payable	22	**461,299**	–
Other current non-financial liabilities	16	**697,178**	809,253
Other financial liabilities	15	**1,005,686**	2,040,749
Current income tax payable		**4,013**	5,826
Provisions	24	**113,382**	59,484
Total current liabilities		**3,866,952**	4,347,184
Liabilities directly associated with the assets classified as held for sale	6	**–**	57,648
Total equity and liabilities		**18,719,468**	20,278,287

* Certain amounts shown here do not correspond to the 2012 consolidated financial statements and reflect adjustments made as detailed in Note 3.

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

Open Joint Stock Company "Vimpel-Communications"

(a wholly-owned subsidiary of VimpelCom Ltd.)

Consolidated statement of changes in equity
for the year ended 31 December 2013

		Attributable to the owners of the parent									
	Note	**Issued capital**	**Capital surplus**	**Other capital reserves**	**Retained earnings**	**Foreign currency translation reserve**	**Cash flow hedge reserve**	**Available-for-sale reserve (Note 15)**	**Total**	**Non-controlling interest**	**Total equity**
As of 1 January 2013		**92**	**1,433,396**	**620,210**	**5,940,969**	**(519,903)**	**(3,309)**	**9,246**	**7,480,701**	**(10,524)**	**7,470,177**
Changes in accounting policies	3	–	–	–	(606,424)	(24,158)	–	–	**(630,582)**	–	**(630,582)**
As of 1 January 2013*		**92**	**1,433,396**	**620,210**	**5,334,545**	**(544,061)**	**(3,309)**	**9,246**	**6,850,119**	**(10,524)**	**6,839,595**
Profit for the year		–	–	–	1,541,203	–	–	–	**1,541,203**	39,773	**1,580,976**
Other comprehensive income/(loss)		–	–	–	–	(330,993)	3,414	20,209	**(307,370)**	(11,874)	**(319,244)**
Total comprehensive income/(loss)		–	–	–	**1,541,203**	**(330,993)**	**3,414**	**20,209**	**1,233,833**	**27,899**	**1,261,732**
Dividends declared	22	–	–	–	(3,251,922)	–	–	–	**(3,251,922)**	–	**(3,251,922)**
Effect of options over non-controlling interests in subsidiaries	15	–	–	90,928	–	(14,427)	–	–	**76,501**	160,734	**237,235**
Gain of control over a former joint venture	6	–	–	–	–	3,102	–	–	**3,102**	30,345	**33,447**
Divestment	6	–	–	–	(24,570)	450	–	–	**(24,120)**	24,570	**450**
Share-based payment transactions	23	–	–	191	–	–	–	–	**191**	–	**191**
Acquisition of non-controlling interest		–	–	66	–	–	–	–	**66**	(123)	**(57)**
Transactions under common control	6	–	–	(47,424)	–	5,590	–	–	**(41,834)**	(31,902)	**(73,736)**
As of 31 December 2013		**92**	**1,433,396**	**663,971**	**3,599,256**	**(880,339)**	**105**	**29,455**	**4,845,936**	**200,999**	**5,046,935**

* Certain amounts shown here do not correspond to the 2012 consolidated financial statements and reflect adjustments made as detailed in Note 3.

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

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

Consolidated statement of changes in equity
for the year ended 31 December 2012

	Note	Attributable to the owners of the parent								Non-controlling interest	Total equity
		Issued capital	Capital surplus	Other capital reserves	Retained earnings	Foreign currency translation reserve	Cash flow hedge reserve	Available-for-sale reserve (Note 15)	Total		
As of 1 January 2012		**92**	**1,433,396**	**311,933**	**4,265,292**	**(725,825)**	**–**	**–**	**5,284,888**	**35,056**	**5,319,944**
Profit for the year*		–	–	–	1,673,672	–	–	–	**1,673,672**	55,911	**1,729,583**
Other comprehensive income/(loss)*		–	–	–	–	198,745	(3,309)	9,246	**204,682**	1,245	**205,927**
Total comprehensive income/(loss)*		–	–	–	**1,673,672**	**198,745**	**(3,309)**	**9,246**	**1,878,354**	**57,156**	**1,935,510**
Dividends declared	22	–	–	–	(604,419)	–	–	–	**(604,419)**	(25,433)	**(629,852)**
Effect of options over non-controlling interests in subsidiaries	15	–	–	(12,420)	–	(4,933)	–	–	**(17,353)**	(33,654)	**(51,007)**
Divestment	6	–	–	(1,444)	–	1,558	–	–	**114**	(43,672)	**(43,558)**
Share-based payment transactions	23	–	–	(1,338)	–	–	–	–	**(1,338)**	–	**(1,338)**
Acquisition of non-controlling interest		–	–	(9,551)	–	–	–	–	**(9,551)**	644	**(8,907)**
Transactions under common control	6	–	–	333,030	–	(13,606)	–	–	**319,424**	(621)	**318,803**
As of 31 December 2012*		**92**	**1,433,396**	**620,210**	**5,334,545**	**(544,061)**	**(3,309)**	**9,246**	**6,850,119**	**(10,524)**	**6,839,595**

* Certain amounts shown here do not correspond to the 2012 consolidated financial statements and reflect adjustments made as detailed in Note 3.

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

Consolidated statements of cash flows
for the years ended 31 December 2013 and 2012

	Note	2013	2012*
		(All amounts in thousands of US dollars unless otherwise stated)	
Operating activities			
Profit for the year		**1,580,976**	1,729,583
Income tax expense	12	**573,231**	495,571
Profit before tax		**2,154,207**	2,225,154
Non-cash adjustment to reconcile profit before tax to net cash flows from operating activities:			
Depreciation	13	**1,469,786**	1,464,270
Impairment loss	6,9	**105,945**	26,168
Amortization	14	**276,712**	370,847
Loss on disposals of non-current assets		**66,085**	162,359
Finance income		**(333,310)**	(365,559)
Finance costs		**775,276**	836,983
Other non-operating losses (net)	10	**8,619**	22,454
Net foreign exchange gain		**(24,436)**	(31,792)
Shares of loss/(profit) of associates and joint ventures accounted for using the equity method	11.3	**13,402**	(62,075)
Movements in provisions		**143,489**	44,565
Operating profit before working capital adjustments, interest and income taxes		**4,656,775**	4,693,374
Working capital adjustments:			
Change in trade and other receivables and prepayments		**81,414**	(3,493)
Change in inventories		**(50,567)**	10,140
Change in trade and other payables		**(110,006)**	130,402
Interest and income taxes:			
Interest paid		**(749,819)**	(732,072)
Interest received		**97,808**	23,005
Income tax paid		**(461,604)**	(443,978)
Net cash flows from operating activities		**3,463,001**	3,677,378
Investing activities			
Proceeds from sale of property, equipment and intangible assets		**26,783**	38,898
Purchase of property, equipment and intangible assets		**(2,106,894)**	(1,958,314)
Issue of loans		**(1,339,121)**	(1,122,054)
Repayment of loans issued		**2,537,277**	72,794
Outflows from deposits (net)		**(178,273)**	(12,357)
Proceeds from sale of available-for-sale financial asset		**5,053**	10,160
Investments in associates and joint ventures		**(1,520)**	(2,300)
Disposal of subsidiaries, net of cash disposed / (Divested cash, net of proceeds from sale of shares in subsidiaries)	6	**30,917**	(93,786)
Acquisition of subsidiaries, net of cash acquired		**1,799**	(1,494)
Receipt of dividends		**18,143**	1,155
Net cash flows used in investing activities		**(1,005,836)**	(3,067,298)
Financing activities			
Net proceeds from exercise of share options		**–**	–
Acquisition of non-controlling interest		**(125)**	(8,819)
Proceeds from borrowings net of fees paid		**2,374,375**	1,457,934
Repayment of borrowings		**(1,964,474)**	(1,086,236)
Dividends paid to equity holders of the parent	22	**(2,780,390)**	(612,343)
Dividends paid to non-controlling interests		**(1,012)**	(25,035)
Net cash flows used in financing activities		**(2,371,626)**	(274,499)
Net increase in cash and cash equivalents		**85,539**	335,581
Net foreign exchange difference		**(69,632)**	(6,809)
Cash and cash equivalents at beginning of period		**981,845**	653,461
Cash classified as asset held for sale		**–**	(388)
Cash and cash equivalents at end of period	19	**997,752**	981,845

* Certain amounts shown here do not correspond to the 2012 consolidated financial statements and reflect adjustments made as detailed in Note 3.

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

1. General information

Open Joint Stock Company "Vimpel-Communications" (**OJSC** "**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 closed joint stock company, re-registered as an open joint stock company on 28 July 1993 and began full-scale commercial operations in June 1994.

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

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

VimpelCom earns 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 December 2013, the Company operated telecommunications services in Russia, Kazakhstan, Ukraine, Armenia, Uzbekistan, Georgia, Kyrgyzstan and Laos primarily under the "Beeline" brand name.

The consolidated financial statements of the Company for the year ended 31 December 2013 were authorized for issue by General Director on 23 May 2014.

2. Basis of preparation of the consolidated financial statements

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"), effective at the time of preparing the consolidated financial statements and applied by VimpelCom.

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

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

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

Basis of preparation (continued)

The preparation of these consolidated financial statements have required management to apply accounting policies and methodologies based on complex and subjective judgments, estimates based on past experience and assumptions determined to be reasonable and realistic based on the related circumstances. The use of these estimates and assumptions affects the amounts reported in the statement of financial position and the income statement, as well as the notes. The final amounts for items for which estimates and assumptions were made in the 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.

Application of certain accounting principles requires a higher degree of subjectivity when making judgments and changes in the underlying conditions could significantly affect the consolidated financial statements. Note 4 below includes further discussion of certain critical accounting estimates.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries.

Subsidiaries are fully consolidated from the date of acquisition, which is the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intercompany accounts and transactions within the Group have been eliminated.

Non-controlling interests are reported in the consolidated statement of financial position as a separate component of equity. Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. We refer to Note 15 for the effect of options over non-controlling interests.

3. Significant accounting policies

New accounting pronouncements adopted by the Group in 2013

VimpelCom adopts new IFRSs by following the transitional requirements of each new standard. The following new IFRS has been adopted by VimpelCom as of 1 January 2013 and had a material impact on the Group's financial position or financial performance:

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities ("**JCEs**") using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

3. Significant accounting policies (continued)

New accounting pronouncements adopted by the Group in 2013 (continued)

The restatement of 2012 numbers as a result of IFRS 11 adoption is due to the following: in the fourth quarter of 2012, following the requirements of IAS 28 *Investments in Associates and Joint Ventures*, VimpelCom was required to re-measure its 49.9% stake in Euroset to fair value due to the creation of a 50-50 joint venture with Lefbord Investments Limited, a company owned by OJSC MegaFon, one of our competitors in Russia, and its affiliate Garsdale Services Investment Limited (together "Megafon"). The re-measurement in the fourth quarter of 2012 resulted in a gain of US$ 606,424, which was comprised of the fair value re-measurement of US$ 623,031, offset by the related accumulated translation difference of US$ 16,607. Under IFRS 11, despite the fact that the nature of the investment has changed (i.e., from an investment in associate to a joint venture), there is no re-measurement of the retained shareholding. Consequently, in 2013, the Company has retrospectively adjusted the statement of financial position for 31 December 2012 and the income statement for the year ended 31 December 2012 and the consolidated statement of comprehensive income for the year ended 31 December 2012 (presented as a comparative information in these consolidated financial statements) by reversing the gain previously recognized via a decrease to the value of the investment in Euroset by US$ 623,031 (Investments in associates and joint ventures) and accumulated translation difference on this gain of US$ 7,551 and making corresponding adjustment to retained earnings, and a reclassification within equity of the translation difference of US$ 16,607 from retained earnings to foreign currency translation.

Since there was no impact on the statement of financial position as of 31 December 2011, no additional balances as of 31 December 2011 has been presented in the statement of the financial position. Also, the amounts in the consolidated income statement and statement of comprehensive income for the year ended 31 December 2011 were not affected and did not need to be restated.

IAS 36 Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

Effective for annual periods beginning on or after 1 January 2014. The amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. The Group has early adopted these amendments to IAS 36 in the current period. Accordingly, these amendments have been considered while making disclosures for impairment of non-financial assets in Note 9. These amendments will continue to be considered for future disclosures.

The following new or revised IFRSs have been adopted by VimpelCom as of 1 January 2013 but had no material impact on the Group’s financial position or financial performance:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or ‘recycled’) to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group’s financial position or reported performance.

3. Significant accounting policies (continued)

New accounting pronouncements adopted by the Group in 2013 (continued)

IAS 1 Clarification of the requirement for comparative information – Amendments to IAS 1

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position (as at 1 January 2012 in the case of the Group), presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the Group has not included comparative information in respect of the opening statement of financial position as at 1 January 2012. The amendments affect presentation only and have no impact on the Group's.

IAS 19 Employee Benefits (Revised)

This standard contains numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor approach and the concept of expected returns on plan assets to simple clarifications and re-wording. The amended standard will impact the net benefit expense, as the new standard requires that the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. The changes did not materially impact the Group's financial position or reported performance, as the Company has no material defined benefit obligations.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*, IAS 28 *Investments in Associates*, has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures, in addition to associates. The Group's application of the equity method did not change as a result of this amendment and therefore this standard had no impact on the Group's financial position or reported performance.

IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The amendment had no impact on the Group's financial position or result of operations.

3. Significant accounting policies (continued)

New accounting pronouncements adopted by the Group in 2013 (continued)

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities and defines that control is an investor's ability to use its power over another entity, to affect the variable returns derived from its involvement with that entity. The changes introduced by IFRS 10 require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by VimpelCom, compared with the requirements that were in IAS 27. IFRS 10 had no impact on the Group's financial position or reported performance.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities and are included in the accompanying consolidated financial statements in Note 11.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The new standard had no material impact on how VimpelCom measures fair value or on the resulting fair value amounts included in these consolidated financial statements.

New accounting pronouncements not yet adopted by the Group

The following are the standards that are issued, but not yet effective, up to the date of the issuance of the Group's financial statements, and which have not been early adopted by the Company:

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments permit financial assets and liabilities to be offset against each other for balance sheet presentation only where a currently existing, legally enforceable, unconditional right of offset applies to all counterparties of the financial instruments in all situations, including both normal operations and insolvency. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments become effective for annual periods beginning on or after 1 January 2014. We are currently evaluating the potential change to the presentation of the financial statements, but this standard is not expected to impact the Group's reported performance or financial position.

3. Significant accounting policies (continued)

New accounting pronouncements not yet adopted by the Group (continued)

IFRIC 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have material financial impact on the future financial statements.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 *Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In November 2013 it was decided that a new mandatory effective date for IFRS 9 will be determined by the IASB when IFRS 9 is closer to completion. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

Business combinations

Business combinations are accounted for in accordance with IFRS 3 (revised January 2008), using the acquisition method. Under IFRS 3, the cost of the acquisition, or the total consideration transferred, is measured at the aggregate of the fair values at the date of exchange, of assets given, liabilities incurred or assumed, contingent consideration given and equity instruments issued by the Group in exchange for control of the acquiree and the amount of any non-controlling interest in the acquiree. The aggregate consideration transferred is allocated to the underlying assets acquired, including any intangible assets identified, and liabilities assumed based on their respective estimated fair values. Determining the fair value of assets acquired and liabilities assumed requires the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, licenses and other assets' lives and market multiples, among other items. The results of operations of acquired businesses are included in the consolidated financial statements from the date of acquisition.

For each business combination, VimpelCom elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share in the recognized amounts of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred in the income statement.

3. Significant accounting policies (continued)

Business combinations (continued)

If the business combination is achieved in stages, the acquisition date fair value of the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and the difference is recognized through profit or loss. Furthermore, goodwill is only recognized at the time when the Group obtains control over the entity. Goodwill is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree, if any, over the fair value of the net amounts of identifiable assets acquired and liabilities assumed at the acquisition date. After initial recognition, goodwill is carried at cost less any accumulated impairment losses.

If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Goodwill is not amortised, but is tested for impairment on at least an annual basis or when impairment indicators are observed.

The Group may enter into business combinations which include options (call, put, or a combination of both) over the shares of the non-controlling interest. The Group considers such options to assess possible implications on control, if any.

Once the Group has acquired control of a business, any further transaction that changes the Group's ownership interest, but does not result in the Group losing control, is accounted for as a transaction between shareholders. Any difference between the amount received for the change in ownership interest and the corresponding share of the carrying amount of the net assets is charged or credited to shareholders' equity.

Common-control transactions

For business combinations exercised under common control, VimpelCom measures the net assets of the transaction at the carrying amounts in the accounts of the transferor.

Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee without control or joint control over those policies, and significant influence is assumed if the Group holds, directly or indirectly, 20 percent or more but less than 50 percent of the voting power of the investee, unless it can be clearly demonstrated that it does not have significant influence.

The Group has interests in joint ventures as a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. Significant accounting policies (continued)

Investment in associates and joint ventures (continued)

Investments in associates and joint ventures are incorporated in the financial statements of the Group using the equity method of accounting. Under the equity method, the investment in associate or joint venture is initially recognized at cost and is adjusted in subsequent periods for the post acquisition changes in the Group's share of the net assets of the associate or joint venture less any impairment in the value of the investment. Losses of an associate or joint venture in excess of the Groups' interest in that associate or joint venture are recognized only to the extent that the Group has incurred a legal or constructive obligation or made payments on behalf of the associate or joint venture.

Goodwill upon acquisition is recorded as part of the investment value.

Financial statements of associates or joint ventures are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence, the Group measures and recognizes its remaining investment in an associate at its fair value unless the investment should be accounted for as a joint venture, i.e. equity method of accounting. Any difference between the carrying amount of the retained interest and the fair value thereof and any proceeds from a disposal is recognized in profit or loss.

Foreign currency translation

The consolidated financial statements of the Group are presented in US dollars. Each entity in the Group determines its own functional currency and amounts included in the financial statements of each entity are measured using that functional currency.

Transactions denominated in foreign currencies are initially recognized at the functional currency rate prevailing on the date of the transaction. At period end, monetary assets and liabilities are translated to the functional currency using the closing rate with differences taken to profit and loss. Non-monetary items carried at historical cost that are denominated in foreign currencies are translated to the functional currency at the rate prevailing on the initial transaction dates. Non-monetary items carried at fair value are translated to the functional currency at the date when the fair value was determined.

Upon consolidation, the assets and liabilities of foreign operations are translated into US dollars at the rate of exchange prevailing at the reporting date and their income statements are translated at the weighted average exchange rate for the period. The exchange rate differences arising on consolidation translation are recognized in other comprehensive income. On disposal or loss of control of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit and loss as part of the gain or loss on disposal.

Revenue recognition

VimpelCom generates revenue from providing voice, data and other telecommunication services through a range of wireless, fixed and broadband Internet services, as well as selling equipment and accessories. Products and services may be sold separately or in bundled packages.

3. Significant accounting policies (continued)

Revenue recognition (continued)

Revenue is recognized to the extent the Group has delivered goods or rendered services under an agreement, the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is measured at the fair value of the consideration received, subject to the considerations described below, and is stated net of value-added-tax and sales tax charged to customers.

Wireless services

Service revenue include revenue from airtime charges from contract and prepaid customers, monthly contract fees, interconnect revenue, roaming charges and charges for value added services ("**VAS**"). VAS includes short messages ("**SMS**"), multimedia messages ("**MMS**"), caller number identification, call waiting, data transmission, mobile Internet, downloadable content and other services. The content revenue relating to VAS is presented net of related costs when the Company acts as an agent of the content providers and gross when the Company acts as the primary obligor of the transaction. More specifically, the accounting for revenue sharing agreements and delivery of content depends on the analysis of the facts and circumstances surrounding these transactions, which will determine if the revenue is recognized gross or net.

VimpelCom charges customers a fixed monthly fee for the use of certain services. Such fees are recognized as revenue in the respective month.

Service revenue is generally recognized when the services (including VAS and roaming revenue) are rendered. Sales of prepaid cards, used as a method of cash collection, is accounted for as customer advances for future services and the respective revenue is deferred until the customer uses the airtime. Prepaid cards might not have expiration dates but are subject to statutory expiration periods, and unused prepaid balances are added to service revenue based on an estimate of the expected balance that will expire unused.

Some tariffs include bundle rollovers which effectively allow customers to rollover unused minutes from one month to the following month. For these tariffs, the portion of the access fee representing the fair value of the rolled over minutes is deferred until the service is delivered.

Sales of equipment

Revenue from mobile equipment sales, such as handsets, are recognized in the period in which the equipment is sold to either a network customer or, if sold via an intermediary, when the significant risks and rewards associated with the device have passed to the intermediary and the intermediary has no general right of return or if a right of return exists, when such right has expired.

Interconnect and roaming revenue

Interconnect revenue (transit traffic) is generated when the Group receives traffic from mobile or fixed customers of other operators and that traffic terminates on VimpelCom's network. Revenue is recognized on a gross or net basis depending on the amount of control over the traffic routing and hence exposure to risks and rewards.

3. Significant accounting policies (continued)

Interconnect and roaming revenue (continued)

The Group recognizes mobile usage and roaming service revenue based on minutes of traffic processed or contracted fee schedules when the services are rendered. Roaming revenue include both revenue from VimpelCom customers who roam outside of their home country network and revenue from other wireless carriers for roaming by their customers on VimpelCom’s network. Revenue due from foreign carriers for international roaming calls are recognized in the period in which the call occurs.

Fixed-line services

Revenue from traditional voice services and other service contracts is accounted for when the services are provided. Revenue from Internet services is measured primarily by monthly fees and internet-traffic volume which has not been included in monthly fees. Payments from customers for fixed-line equipment are not recognized as revenue until installation and testing of such equipment are completed and the equipment is accepted by the customer. Domestic Long Distance / International Long Distance ("**DLD/ILD**") and zonal revenue are recorded gross or net depending on the contractual arrangements with the end-users.

Connection fees

VimpelCom defers upfront telecommunications connection fees. The deferral of revenue is recognized over the estimated average customer life or the minimum contractual term. The Company also defers direct incremental costs related to connection fees for fixed line customers, in an amount not exceeding the revenue deferred.

Multiple elements agreements ("MEA")

MEA are agreements under which VimpelCom provides more than one service. Services/products may be provided or "bundled" under different agreements or in groups of agreements which are interrelated to such an extent that, in substance, they are elements of one agreement. In the event of an MEA, each element is accounted for separately if it can be distinguished from the other elements and has a fair value on a standalone basis. The customer’s perspective is important in determining whether the transaction contains multiple elements or is just a single element arrangement. The relative fair value method is applied in determining the value to be allocated to each element of an MEA. Fair value is determined as the selling price of the individual item. If an item has not been sold separately by the Group yet, but is sold by other suppliers, the fair value is the price at which the items are sold by the other suppliers.

Dealer commissions

Dealer commissions are expensed as customer acquisition costs when the services are provided, which is ratably throughout the contract period.

If dealer commission meet the definition of an asset, they are capitalised as part of intangible assets.

3. Significant accounting policies (continued)

Classification of non-operating items

The Company distinguishes results of operations between operating and non-operating depending on the nature of the transaction. Results that directly relate to operations are classified as operating items regardless of whether they involve cash, occur irregularly, infrequently, or are unusual in amount. Results that do not directly relate to operations such as sale of investments, changes in fair value of investments and other financial instruments are classified as non-operating.

Interest income/expense

For financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest rate, which is the rate that discounts the estimated future cash payments or receipts based on the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income or expense is included in finance income/costs in the consolidated income statement.

Taxation

Income tax expense represents the aggregate amount determined on the profit for the period based on current tax and deferred tax.

In cases when the tax relates to items that are charged to other comprehensive income or directly to equity, the tax is also charged respectively to other comprehensive income or directly to equity.

Current income tax

Current tax is the expected tax payable on the taxable income for the year and any adjustments to tax payable in respect of previous years. Current tax, for the current and prior periods, to the extent unpaid, is recognized as a liability. If the amount already paid in respect of current and prior period exceeds the amount due for those periods, the excess is recognized as an asset.

Current tax liabilities (assets) for the current and prior periods is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period.

Uncertain tax positions

VimpelCom's policy is to comply fully with applicable tax regulations in the jurisdictions in which its operations are subject to income taxes. VimpelCom's estimates of current income tax expense and liabilities are calculated assuming that all tax computations filed by VimpelCom's subsidiaries will be subject to a review or audit by the relevant tax authorities. VimpelCom and the relevant tax authorities may have different interpretations of how regulations should be applied to actual transactions. Such uncertain tax positions are accounted for in accordance with IAS 12 *Income Taxes* or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* depending on the type of tax in question.

3. Significant accounting policies (continued)

Uncertain tax positions (continued)

VimpelCom records provisions for income taxes it estimates will ultimately be payable when the review or audits have been completed, including allowances for any interest and penalties which may become payable.

For provisions for taxes other than income tax, the Company follows the general policy on provisions.

Deferred taxation

Deferred taxes are recognized using the liability method and thus are computed as the taxes recoverable or payable in future periods in respect of deductible or taxable temporary differences. A temporary difference arises where the carrying amount of an asset or liability is different from its corresponding tax base.

Deferred tax assets and liabilities are generally recognized for all taxable temporary differences, except to the extent that they arise from:

a) the initial recognition of non-tax deductible goodwill; or

b) the initial recognition of an asset or liability in a transaction which:
   - is not a business combination; and
   - at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets are also recognized for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available to offset unused tax losses and unused tax credits. The carrying amount of deferred tax assets is reviewed at each reporting period date and adjusted to reflect changes in probability that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax is recognized for all taxable temporary differences associated with investments in subsidiaries, branches, associates and interests in joint ventures except where the timing of the reversal of the temporary difference can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when the entity has a legally enforceable right to offset current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority on either the same taxable entity, or different taxable entities which intend either to settle current tax liabilities and assets on a net basis.

3. Significant accounting policies (continued)

Property and equipment

Property and equipment (P&E) are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

The costs of an item of P&E include:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. This includes capitalizing the internal labour cost of technical departments involved in the network development, and when applicable the borrowing costs under IAS 23 *Borrowing Costs*;
- initial cost estimations of dismantling and removing the item and restoring the site to which it is located, with an equal obligation recognized;
- costs of installation and assembly of a connection line between the client and the Company’s network;
- costs of site preparation, e.g. creating a foundation for the installation of connections; and
- professional fees, e.g. for engineers.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Telecommunication equipment	6-10 years
Buildings and constructions	10-20 years
Office and measuring equipment	6-10 years
Other equipment	3-10 years

Equipment acquired under a finance lease arrangement is depreciated on a straight-line basis over its estimated useful life or the lease term, whichever is shorter.

Assets in the course of construction are carried out at cost, less any recognized impairment losses. Depreciation of these assets commences when the assets are ready for their intended use.

Repair and maintenance costs which do not meet capitalization requirements are expensed as incurred.

The carrying amount of an item in P&E is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss from derecognition of an item in P&E is calculated as the difference between the net proceeds from disposal, if any, and the carrying amount of the item, and is included in the income statement when derecognized.

Each asset’s residual value, useful life and method of depreciation is reviewed at the end of each financial year, and adjusted prospectively if necessary.

3. Significant accounting policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, that necessarily takes a substantial period of time (longer than six months) to get ready for its intended use, are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period incurred. Borrowing costs consist of interest and other costs that VimpelCom incurs in connection with the borrowing of funds in order to produce qualifying assets.

Rental expenses

Rental expenses related to the land where network equipment is located are expensed, unless amounts charged under operating leases during the construction period of the network are 'directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards associated with ownership of the leased asset to VimpelCom. All other leases are classified as operating leases. The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date.

Finance leases

At the commencement of a finance lease term, VimpelCom recognizes the assets and liabilities in its statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments as determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. If there is no interest rate in the lease, the Company’s incremental borrowing rate is used. Any initial direct costs of VimpelCom related to the lease are added to the amount recognized as an asset.

Operating leases

The rental payable under operating leases is recognized as operating lease expenses in the income statement on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of VimpelCom’s benefit. No asset is capitalized. If the periodic payments or part of the periodic payments has been prepaid, the Company recognizes these prepayments in the statement of financial position as other non-financial assets.

Intangible assets (excluding Goodwill)

Intangible assets acquired separately are measured initially at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets (excluding eligible development costs) are expensed in the income statement as incurred. The cost basis of intangible assets acquired as part of a business combination is the fair value of the assets at acquisition date.

3. Significant accounting policies (continued)

Intangible assets (excluding Goodwill) (continued)

Intangible assets with a finite useful life are amortized over the assigned life on a systematic basis starting from the date the asset is ready for use. The amortization method reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Group. The useful lives for licenses and other significant intangibles depend on the terms of the license or other agreements. If that pattern cannot be determined reliably, the straight-line method is used. For intangible assets associated with customer relationships, the Company uses a declining balance amortization pattern based on the value contribution brought by customers. For other intangible assets the straight-line method is used. The amortization charge for each period is recognized in profit or loss. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least annually.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement ("Loss on disposals of non-current assets") when the asset is derecognized.

Goodwill

Goodwill is recognized for the future economic benefits arising from net assets acquired that are not individually identified and separately recognized. Goodwill is the difference between the considerations transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the non-controlling interest is measured at its fair value, goodwill includes amounts attributable to the non-controlling interest. If the non-controlling interest is measured at its proportionate share of identifiable net assets, goodwill includes only amounts attributable to VimpelCom.

Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not subject to amortization but is tested for impairment annually as of 1 October and as necessary when circumstances indicate that the carrying value may be impaired. Goodwill impairment is identified by assessing the recoverable amount, being the higher of Value in Use and Fair Value less Cost of Disposal, of each cash generating unit ("CGU") (or group of CGUs) as more fully described below. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized for the difference. Impairment losses relating to goodwill cannot be reversed in future periods.

Impairment of assets

Property and equipment, intangible assets and investments in associates and joint ventures are tested for impairment in accordance with IAS 36 "Impairment of Assets", unless classified as held for sale. Pursuant to IAS 36, the Company assesses, at the end of each reporting period, whether there are any indicators that an asset may be impaired. If there are such indicators, the Company estimates the recoverable amount of the asset. An asset’s recoverable amount is the higher of an asset’s or CGU’s fair value less costs of disposal and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. Significant accounting policies (continued)

Impairment of assets (continued)

In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Unless otherwise disclosed, recoverable amount represents value in use.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGUs. These budgets and forecast calculations are available for a period of five years. For longer periods, a long term growth rate is calculated and applied in order to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the income statement in a separate line item.

For assets other than goodwill, an assessment is made at each reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement in the same line item where impairment was originally recorded unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Financial instruments

Derivative financial instruments and hedge accounting

The Company uses derivative instruments such as forwards, interest rate swaps and forward rate agreements, futures, options and others in line with its Risk Management guidelines. The Company does not enter into any derivative instruments for trading or speculative purposes. Such derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

When a contract is entered into, the instrument is initially recognized at fair value, with subsequent changes in fair value being recognized as a financial component of income. Where a hedge relationship is identified and the derivative financial instrument is designated as a hedge, subsequent changes in fair value are accounted for in accordance with the specific criteria discussed below. The relationship between each derivative qualifying as a hedging instrument and the hedged item is documented to include the risk management objective, the strategy for covering the hedge and the means by which the hedging instrument's effectiveness will be assessed. An assessment of the effectiveness of each hedge is made when each derivative financial instrument becomes active and throughout the hedge term.

3. Significant accounting policies (continued)

Financial instruments (continued)

When the hedge refers to changes in the fair value of a recognized asset or liability, (a fair value hedge), the changes in the fair value of the hedging instrument and those of the hedged item are both recognized in profit or loss. If the hedge is not fully effective, the non-effective portion is treated as finance income or expense for the year in the income statement.

For a cash flow hedge, the fair value changes of the derivative are subsequently recognized, limited to the effective portion, in other comprehensive income ("cash flow hedge reserve"). A hedge is normally considered highly effective if from the beginning and throughout its life the changes in the expected cash flows for the hedged item are substantially offset by the changes in the fair value of the hedging instrument. When the economic effects deriving from the hedged item are realized, the reserve is reclassified to the income statement together with the economic effects of the hedged item. Whenever the hedge is not highly effective, the non-effective portion of the change in fair value of the hedging instrument is immediately recognized as a financial component of the profit or loss for the year. The Company designated cash flow hedges with respect to certain obligations denominated in USD for the entities which functional currency is RUR. These obligations are translated at the year-end exchange rate and any resulting exchange gains and losses are offset in the income statement against the change in the fair value of the hedging instrument.

When hedged forecasted cash flows are no longer considered highly probable during the term of a derivative, the portion of the "cash flow hedge reserve" relating to that instrument is reclassified as a financial component of the profit or loss for the year. If instead the derivative is sold or no longer qualifies as an effective hedging instrument, the "cash flow hedge reserve" recognized to date remains as a component of equity and is reclassified to profit or loss for the year in accordance with the criteria of classification described above when the originally hedged transaction affects profit or loss.

Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management determines fair value based on a hypothetical transaction that would take place in the principal market or, in its absence, the most advantageous market. The principal market is the market with the greatest volume and level of activity for the asset or liability. The most advantageous market is the market that maximises the amount that would be received to sell the asset or minimises the amount that would be paid to transfer the liability, after taking into account transaction costs and transport costs.

Fair value measurement is based on the assumptions of market participants (that is, it is not a Group-specific measurement). Market participants are buyers and sellers in the principal (or most advantageous) market for the asset or liability that are independent, knowledgeable, able and willing to transact in the asset or liability.

3. Significant accounting policies (continued)

Fair values (continued)

The fair value hierarchy ranks fair value measurements based on the type of inputs; 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

Any put options granted to non-controlling interests give rise to a financial liability, which are measured at the present value of the redemption amount. Subsequently, the put option is measured in accordance with IAS 39.

Inventories

Inventories are valued at the lower of cost and net realizable value. The cost of inventories is comprised of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories are expensed by applying the weighted-average cost method.

Trade and other receivables

Trade and other receivables include invoiced amounts less appropriate allowances for estimated uncollectible amounts. Estimated uncollectible amounts are based on the ageing of the receivable balances, payment history and other evidence of collectability. Receivable balances are written off when management deems them not to be collectible.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position is comprised of cash at banks and on hand and highly liquid investments that are readily convertible to known amounts of cash, are subject to only an insignificant risk of changes in value and have an original maturity of less than 92 days.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. In the case of litigation against VimpelCom, no provision is made when the legal procedures are at too early stage to estimate the outcome with any reliability.

The amount recognized as a provision is the best estimate of the expenditure required to settle the obligation at the balance sheet date. Provisions are discounted to their present value if the effect of the time value of money is material. In order to calculate the present value, a pre-tax risk free rate that reflects current market assessments of the time value of money and the risks specific to the liability is used. In some cases, a part or all of the expenditure required to settle a provision is expected to be reimbursed by another party. The reimbursement is recognized only if it is virtually certain that the reimbursement will be received when the obligation is settled. The reimbursement is treated as a separate asset.

Contingent liabilities and assets are not recognized on the statement of financial position.

3. Significant accounting policies (continued)

Share-based payments

Certain of the Group's employees are entitled to equity-settled share-based payments. These payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the grant date. The fair value determined at the grant date is recognized as a compensation expense, and as a corresponding increase in equity. Compensation expense is recorded on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. The income statement expense or credit for a period represents the movement in cumulative expense recognized as of the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions for which vesting are conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

VimpelCom uses the Black-Scholes model and Monte-Carlo simulation for determining the fair value at the grant date.

The Company also has share-based compensation in the form of cash settled stock appreciation rights ("**SARs**") and Phantom plans which it offers to a selected group of directors and senior management. The cost of these instruments is recorded as a liability on the basis that settlement will be cash based. The cost of these share plans is re-measured based on fair value of the instruments on each reporting date and is required to be recognized over the period during which the employees are required to provide services in exchange for the equity-based compensation. Any changes in fair value at the date of settlement are recognized in the income statement.

4. Significant accounting judgments, estimates and assumptions

Critical accounting estimates

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

Management evaluates such estimates on an on-going basis, based upon historical results, historical experience, trends, consultations with experts, forecasts of the future, and other methods which management considers reasonable under the circumstances. Management considers the accounting estimates discussed below to be its critical accounting estimates, and, accordingly, provides an explanation of each.

4. Significant accounting judgments, estimates and assumptions (continued)

Revenue recognition

The Group's revenue primarily consist of revenue from sale of services and periodic subscriptions. The Group offers customers, via multiple element arrangements ("bundles") or otherwise, a number of different services with different price plans, and provides discounts in various types and forms, often in connection with different campaigns, over the contractual or average customer relationship period. Determining the fair value of each deliverable can require complex estimates due to the nature of the goods and services provided. The Group also sells wholesale products to other operators and vendors in different countries and across borders. Management has to make estimates related to revenue recognition, relying to some extent, on information from other operators regarding values of services delivered. Management also makes estimates for the final outcome in instances where the other parties dispute the amounts charged. Furthermore, management has to estimate the average customer relationship for revenue that is initially recognized as deferred revenue in the statement of financial position and is thereafter recognized in the income statement over a future period, e.g. connection fees. Management also applies judgment in evaluating gross or net presentation of revenue and associated fees. In this case, among others, the main factor is whether the Company is considered as the primary obligor in the transactions.

Business combinations

We have entered into certain acquisitions in the past and may make additional acquisitions in the future. For the larger acquisitions, third-party valuation experts are engaged to assist in determining and allocating the fair values of the assets acquired and liabilities assumed. Our financial statements are impacted by the manner in which we allocate the purchase price in a business combination, as assets that are considered to be subject to depreciation will reduce future operating results, whereas goodwill and certain other intangible assets are of a non-amortizing nature, therefore there is no income statement impact. As part of our purchase price allocation, it is necessary to determine the purchase price paid, which includes the fair value of securities issued and an estimate for any contingent consideration.

After the purchase price is established, we allocate it to the underlying assets acquired and liabilities assumed. Therefore assets and liabilities that are not originally reflected in the acquired entity need to be assessed and valued. This process requires significant judgment on our part as to what those assets and liabilities are and how they should be valued. Significant acquired intangible assets that have been recognized by the Group in connection with business combinations include customer bases, customer contracts, brands, licenses, service concession rights, roaming agreements and software. The significant tangible assets primarily include networks. The valuation of the individual assets, in particular intangible assets, such as customer intangibles, brands, and so forth, requires us to make significant assumptions, including, among others, the expected future cash flows, the appropriate interest rate to value those cash flows and expected future customer churn rates. All of these factors, which are generally developed in conjunction with the guidance and input of professional valuation specialists, require judgment and estimates. A change in any of these estimates or judgments could change the amount of the purchase price to be allocated to the particular asset or liability. The resulting change in the purchase price allocation to a non-goodwill asset or liability has a direct impact on the residual amount of the purchase price that cannot be allocated, referred to as "goodwill". See Note 6 for further information about significant business combinations.

4. Significant accounting judgments, estimates and assumptions (continued)

Impairment of non-current assets

The Group has made significant investments in property and equipment, intangible assets, goodwill and other investments.

Pursuant to IAS 36, goodwill and other intangible assets with indefinite useful lives and intangible assets not yet brought into use must be tested for impairment annually or more often if indicators of impairment exist. Other assets are tested for impairment when circumstances indicate there may be a potential impairment.

Estimating recoverable amounts of assets and CGUs must, in part, be based on management's evaluations, including the determination of the appropriate CGUs, the discount rate, estimates of future performance, the revenue generating capacity of the assets, timing and amount of future purchases of property and equipment, assumptions of the future market conditions and the long-term growth rate into perpetuity (terminal value). Changing the assumptions selected by management, in particular, the discount rate and growth rate assumptions used to estimate the recoverable amounts of assets, could significantly impact the Group's impairment evaluation and hence results.

A significant part of the Group's operations is in countries with emerging markets. The political and economic situation in these countries may change rapidly and recession may potentially have a significant impact on these countries. On-going recessionary effects in the world economy, and increased macroeconomic risks, impact our assessment of cash flow forecasts and the discount rates applied.

There are significant variations between different markets with respect to growth, mobile penetration, Average Revenue Per User ("**ARPU**"), market share and similar parameters, resulting in differences in earnings before interest, tax, depreciation and amortization ("**EBITDA**") margins. The future developments of EBITDA margins are important in the Group's impairment assessments, and the long-term estimates of EBITDA margins are highly uncertain. In particular, this is the case for emerging markets that are still not in a mature phase.

See Note 9 for further information about the goodwill and other non-current assets impairment test.

Depreciation and amortization of non-current assets

Depreciation and amortization expenses are based on management estimates of useful life, residual value and amortization method of property and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the amortization or depreciation charges. Technological developments are difficult to predict and our views on the trends and pace of development may change over time. Some of the assets and technologies, in which the Group invested several years ago, are still in use and provide the basis for the new technologies. Critical estimates in the evaluations of useful lives for intangible assets include, but are not limited to, the estimated average customer relationship based on churn, the remaining license or concession period and the expected developments in technology and markets.

4. Significant accounting judgments, estimates and assumptions (continued)

Depreciation and amortization of non-current assets (continued)

The useful lives of property and equipment and intangible assets are reviewed at least annually, taking into consideration the factors mentioned above and all other important relevant factors. Estimated useful lives for similar types of assets may vary between different entities in the Group due to local factors such as growth rate, maturity of the market, history and expectations for replacements or transfer of assets, climate and quality of components used. The actual economic lives of intangible assets may be different than our estimated useful lives, thereby resulting in a different carrying value of our intangible assets with finite lives. We continue to evaluate the amortization period for intangible assets with finite lives to determine whether events or circumstances warrant revised amortization periods. A change in estimated useful lives is a change in accounting estimate, and depreciation and amortization charges are adjusted prospectively. See Note 13 and 14 for further information.

Deferred tax assets and uncertain tax positions

Deferred tax assets are recognized to the extent that it is probable that the assets will be realised. Significant judgment is required to determine the amount that can be recognized and depends foremost on the expected timing, level of taxable profits, tax planning strategies and the existence of taxable temporary differences. The estimates relate primarily to losses carried forward in some of the Group's foreign operations. When an entity has a history of recent losses the deferred tax asset arising from unused tax losses is recognized only to the extent that there is convincing evidence that sufficient future taxable profit will be generated. Estimated future taxable profit is not considered such evidence unless that entity has demonstrated the ability by generating significant taxable profit for this year or there are certain other events providing sufficient evidence of future taxable profit. New transactions and the introduction of new tax rules may also affect the judgments due to uncertainty concerning the interpretation of the rules and any transitional rules.

Provisions for uncertain tax positions are recognized when it is probable that a tax position will not be sustained and the amount can be reliably measured. The expected resolution of uncertain tax positions is based upon managements' judgment of the likelihood of sustaining a position taken through tax audits, tax courts and/or arbitration, if necessary. Circumstances and interpretations of the amount or likelihood of sustaining a position may change through the settlement process. Furthermore, the resolution of uncertain tax positions is not always within the control of the Group and it is often dependent on the efficiency of the legal processes in the relevant taxing jurisdictions in which the Group operates. Issues can, and often do, take many years to resolve. See Notes 24 and 26 for further information.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques, including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but when this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 15 for further information.

4. Significant accounting judgments, estimates and assumptions (continued)

Provisions

The Group is subject to various legal proceedings, disputes and claims, including regulatory discussions related to the Group's business, licenses, tax positions and investments, and the outcomes are subject to significant uncertainty. Management evaluates, among other factors, the degree of probability of an unfavourable outcome and the ability to make a reasonable estimate of the amount of loss. Unanticipated events or changes in these factors may require the Group to increase or decrease the amount recorded or to be recorded for a matter that has not been previously recorded because it was not considered probable.

For certain operations in emerging markets, the Group is involved in legal proceedings, and regulatory discussions. Management's estimates relating to legal proceedings and regulatory discussions in these countries involve a high level of uncertainty. See Note 26 for further information.

5. Financial risk management

The Group's principal financial liabilities, other than derivatives, comprise of loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has loans given and other receivables, trade and other receivables, and cash and short-term deposits that derive directly from its operations. The Company views derivative instruments as risk management tools and does not use them for trading or speculative purposes.

The Group is exposed to market risk, credit risk and liquidity risk.

The Company's senior management oversees the management of these risks. The Company's senior management is supported by the treasury department that advises on financial risks and the appropriate financial risk governance framework for the Company. The Financial Committee provides assurance to the Company's senior management that the Group's financial risk-management activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and Group risk appetite. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

Management reviews and agrees policies for managing each of these risks which are summarized below.

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

5. Financial risk management (continued)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and credit risk. Financial instruments affected by market risk include loans and borrowings, deposits, and derivative financial instruments. The sensitivity analyses in the following sections relate to the position as of 31 December in 2013 and 2012. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2013 and 2012 respectively. The analyses exclude the impact of movements in market variables on the carrying value of pension and other post-retirement obligations (insignificant for the Group), provisions and on the non-financial assets and the translation risk of liabilities of foreign operations. The analyses of sensitivity with respect to the derivatives over non-controlling interests in subsidiaries are described in Note 15.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company long-term debt obligations with floating interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

At 31 December 2013 approximately 96% of the Company's borrowings are at a fixed rate of interest (2012: 96%).

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on loans and borrowings, taking into account the related derivative financial instruments, cash and cash equivalents and current deposits. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, cash and issued loans as follows:

Interest rate sensitivity	**Increase/ decrease in basis points**	**Effect on profit before tax**
2013		
US Dollar	+100	10,394
UZS	+100	2,562
KZT	+100	660
RUB	+100	443
Other currencies	+100	375
US Dollar	-100	(10,394)
UZS	-100	(2,562)
KZT	-100	(660)
RUB	-100	(443)
Other currencies	-100	(375)

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

5. Financial risk management (continued)

Interest rate sensitivity (continued)

Interest rate sensitivity	Increase/ decrease in basis points	Effect on profit before tax
2012		
US dollar	+100	8,104
RUB	+100	1,538
Euro	+100	1,051
Other currencies	+100	21
US dollar	-100	(8,104)
RUB	-100	(1,538)
Euro	-100	(1,051)
Other currencies	-100	(21)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the debt denominated in currencies other than the functional currency, the Company's operating activities (predominantly capital expenditures denominated in a different currency from the functional currency) and the Company's net investments in foreign subsidiaries.

The Company manages its foreign currency risk by selectively hedging cash flow exposures that are expected to occur within a maximum 18-month period.

The Company hedges part of its exposure to fluctuations on the translation into US dollar of its foreign operations by holding net borrowings in foreign currencies and can use foreign currency swaps and forwards for this purpose as well.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the RUB (Russian ruble), GE (Georgian Lari), AMD (Armenian Dram) and KZT (Kazakhstan Tenge) exchange rates against the USD with all other variables held constant. The table shows the effect on the Company's profit before tax (due to changes in the value of monetary assets and liabilities, including non-designated foreign currency derivatives) and equity. The Company's exposure to foreign currency changes for all other currencies is not material.

	Change in foreign exchange rate	Effect on profit before tax	Effect on equity
2013	10% depreciation currencies against USD	(88,544)	3,471
	10% appreciation currencies against USD	97,817	(3,526)
2012	10% depreciation currencies against USD	104,422	32,959
	10% appreciation currencies against USD	(120,143)	(79,538)

5. Financial risk management (continued)

Foreign currency sensitivity (continued)

The movement on the profit/(loss) before tax is a result of a change in monetary assets and liabilities denominated in currencies other than the functional currency of the entity and the fair value of foreign currency derivative financial instruments not designated in a hedging relationship. Although the derivatives have not been designated in a hedge relationship, they act as a commercial hedge and will partly offset the underlying transactions when they occur. The impact on the Company's equity is due to changes in the fair value of derivative instruments designated as cash flow hedges.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. See Note 19 for further information on restrictions on cash balances.

Trade accounts receivable consist of amounts due from customers for airtime usage and amounts due from dealers and customers for equipment sales. In certain circumstances, VimpelCom requires deposits as collateral for airtime usage. In addition, VimpelCom has introduced a prepaid service GSM network. Equipment sales are typically paid in advance of delivery, except for equipment sold to dealers on credit terms. VimpelCom's credit risk arising from its trade accounts receivable from customers is mitigated as a result of 95% its active customers being subscribed to a prepaid service as of 31 December 2013 (2012: 95%) and, accordingly, not giving rise to credit risk.

VimpelCom's credit risk arising from its trade accounts receivable from dealers is mitigated due to the large number of dealers. Management periodically reviews the history of payments and credit worthiness of the dealers. The Company also has receivables from other local and international operators from interconnect and roaming services provided to their customers, as well as receivables from customers using fixed-line services, such as business services, wholesale services and services to residents. Receivables from other operators for roaming services are settled through clearing houses which mitigates credit risk.

VimpelCom holds available cash in bank accounts as well as other financial assets with financial institutions in countries where it operates. To manage credit risk associated with such asset holdings, VimpelCom allocates its available cash to a variety of local banks and local affiliates of international banks within the limits set forth by its treasury policy. Management periodically reviews the credit worthiness of the banks with which it holds assets.

Trade receivables

Concentrations of credit risk with respect to trade receivables are limited given that the Group's customer base is large and unrelated. Due to this management believes there is no further credit risk provision required in excess of the normal provision for bad and doubtful receivables.

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

5. Financial risk management (continued)

Financial instruments and cash deposits

Credit risk from financial assets held with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty, which have been set as a function of the current banking relationship, the credit rating of the counterparty and the legal group it belongs to and the statement of financial position total of the counterparty. Counterparty credit limits are reviewed and approved by the Company's CFO. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2013 and 2012 is the carrying amounts as illustrated in Note 15.

Liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares, financial and operating leases. The Company's policy is that not more than 35% of borrowings should mature in a single year. 9% of the Company's debt will mature in less than one year at 31 December 2013 (2012: 19%) based on the carrying value of bank loans, equipment financing and loans from others reflected in the financial statements. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and the Company's policy is to diversify the funding sources where possible.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments. The total amounts in the table differ from the carrying amounts as stated in Note 15 as the below table includes both notional amounts and interest while the carrying amounts are based on amongst others notional amounts, fair value adjustments and unamortized fees.

At 31 December 2013	**Less than 1 year 2014**	**1-3 years 2015-2016**	**3-5 years 2017-2018**	**More than 5 years > 2018**	**Total**
Bank loans and bonds	1,291,227	4,742,603	2,154,263	1,193,700	**9,381,793**
Loans from related parties	193,731	282,479	560,439	1,598,735	**2,635,384**
Equipment financing	145,526	210,847	89,518	14,346	**460,237**
Finance lease	26,988	35,033	30,075	52,965	**145,061**
Derivatives over non-controlling interest	–	–	330,000	–	**330,000**
Trade and other payables	1,585,394	–	–	–	**1,585,394**
Total	**3,242,866**	**5,270,962**	**3,164,295**	**2,859,746**	**14,537,869**

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

5. Financial risk management (continued)

Liquidity risk (continued)

At 31 December 2012	Less than 1 year 2013	1-3 years 2014-2015	3-5 years 2016-2017	More than 5 years >2017	Total
Bank loans and bonds	2,203,253	4,347,009	2,795,760	2,613,557	**11,959,579**
Equipment financing	161,729	238,198	140,164	48,286	**588,377**
Finance lease	17,896	29,578	24,010	78,408	**149,892**
Derivatives over non-controlling interest	297,000	–	330,000	–	**627,000**
Derivative financial instruments gross cash outflows	21,752	–	–	–	**21,752**
Trade and other payables	1,431,872	–	–	–	**1,431,872**
Total	**4,133,502**	**4,614,785**	**3,289,934**	**2,740,251**	**14,778,472**

Capital management

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 31 December 2012.

The Net debt to EBITDA ratio is an important measure to assess the capital structure in light of maintaining a strong credit rating. Net Debt represents the amount of interest-bearing debt at amortized costs and guarantees given less cash and cash equivalents and current and non-current bank deposits. EBITDA is defined as earnings before interest, tax, depreciation, amortization and impairment, loss on disposals of non-current assets, other non-operating losses and shares of profit/(loss) of associates and joint ventures.

The Net debt to EBITDA ratio relevant to VimpelCom per 31 December 2013 and 2012 was 2.88 and 2.4 respectively. The required ratio is < 3.5 for a portion of the debt. The ratio is calculated based on the consolidated financial statements of OJSC VimpelCom prepared under IFRS.

Collateral

The Company provides security for some lenders of the funds which is described for individual loans in Note 26.

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

6. Business combinations and other significant transactions

Sotelco

In late 2012, the Company decided it would dispose of its entire indirect 90.0% stake in Sotelco Ltd. ("**Sotelco**"), its Cambodian subsidiary and operator, and formalized a plan to do so. Pursuant to IFRS 5 *Non-current Assets Held for Sale and Discontinued OPERATIONS* the assets and liabilities of Sotelco were classified as held for sale in the Consolidated Statement of Financial Position as of 31 December 2012. The company "Sotelco" was presented in the "All other" reportable segment. On 5 April 2013, VimpelCom entered into a sale and purchase agreement for its stake in Sotelco and on 19 April 2013 the disposal was completed. Sale of Sotelco did not have a material impact on the Company's results of operations.

According to the requirements of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* net assets of Sotelco were remeasured to their fair value less cost to sell resulting in recognition of impairment loss in the amount of US$ 30,885 in 2013.

As of 19 April 2013 and 31 December 2012 Sotelco's (100%) carrying values were as follows:

	19 April 2013	**31 December 2012**
Assets		
Property and equipment	**15,288**	29,367
Intangible assets	**13,887**	25,654
Other non-current non-financial assets	**8,486**	15,575
Trade accounts receivable	**1,395**	2,546
Inventory	**853**	864
Other current non-financial assets	**1,451**	1,972
Cash and cash equivalents	**4,429**	388
Total assets	**45,789**	76,366
Liabilities		
Non-current financial liabilities	**–**	34,743
Provisions, non-current	**3,009**	2,979
Trade and other payables	**6,007**	6,723
Other current non-financial liabilities	**4,273**	7,924
Current financial liabilities	**–**	5,279
Total liabilities	**13,289**	57,648
Total net assets	**32,500**	18,718

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

6. Business combinations and other significant transactions (continued)

Rascom

On 15 July 2013 VimpelCom obtained control over CJSC Rascom ("**Rascom**") after an update of its corporate documentation which resulted in obtaining the ability to unilaterally direct financial and operating activities of Rascom. Before that date, the investment in Rascom qualified as a joint venture and was accounted for following the equity method of accounting.

According to the valuation performed by independent appraisal in accordance with IFRS 3, the Company recognized the identifiable assets and liabilities in Rascom at fair values at the date when control was obtained:

	As of 15 July 2013
Cash and cash equivalents	1,799
Other current non-financial assets	23
Property and equipment	37,667
Intangible assets	23,085
Accounts receivable	7,195
Total assets acquired	**69,769**
Current liabilities	(1,935)
Non-current liabilities	(8,444)
Total liabilities assumed	**(10,379)**
Non-controlling interest	**(30,345)**
Cash consideration transferred	**–**
Settlement of pre-existing relationship	**(6,578)**
Fair value of equity interest in Rascom held before the business combination	**54,146**
Goodwill	**18,523**

The non-controlling interest ("**NCI**") in Rascom is 46%. Following this business combination the Company elected to measure the NCI as proportionate share of net assets acquired. Accordingly, the NCI of US$ 30,345 was recognized.

The excess of the investments over the fair value of the identifiable net assets of Rascom amounted to US$ 18,523 and was recorded as goodwill. The goodwill consists largely of the synergies and economies of scale expected from combining the operations of Rascom and VimpelCom.

The Company also recognized a gain of US$ 21,772 as a result of the re-measurement of its 54% equity interest in Rascom held before the business combination. The gain is included in other income in the consolidated income statement for the year ended 31 December 2013.

The revenue included in the consolidated income statement for the year ended 31 December 2013 since acquisition date contributed by Rascom was US$ 9,652. The Company also contributed loss of US$ 3,518 over the same period.

Unaudited consolidated pro forma revenue and profit attributable to the owners of the parent (before elimination of intercompany transactions) for the year ended 31 December 2013 as though Rascom had been consolidated from 1 January 2013 is US$ 11,008,998 and US$ 1,542,222, respectively.

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

6. Business combinations and other significant transactions (continued)

Teta Telecom

On 29 August 2013 as part of the restructuring plan 99.99% stake in Teta Telecom (Kazakhstan operator) and its subsidiaries was transferred from the Group to one of the subsidiaries of VimpelCom Ltd.

As of 29 August 2013 the major classes of assets and liabilities of Teta Telecom and its subsidiaries were as follows:

	29 August 2013
Assets:	
Property and equipment	129,152
Intangible assets	7,282
Trade accounts receivable	60,444
Other current non-financial assets	5,723
Other current financial assets	48
Cash and cash equivalents	3,086
Total assets	**205,735**
Liabilities:	
Non-current financial liabilities	88,560
Deferred income tax liabilities	14,332
Trade and other payables	27,250
Other current non-financial liabilities	263
Other current financial liabilities	1,594
Total liabilities	**131,999**
Total net assets	**73,736**

Other transactions in 2012

Ukrainian Radiosystems

On 21 September 2012 VimpelCom signed an agreement to sell its entire indirect 100% stake in PJSC "Ukrainian Radiosystems", a subsidiary operated in Ukraine, to a related party Kyivstar for cash consideration of US$ 0.005. The sale was completed on 1 October 2012.

Tacom

On 21 December 2012, Silkway Holding B.V., a wholly owned subsidiary of VimpelCom, signed an agreement to transfer its entire 100% stake in VimpelCom BVI Ltd., 98% owner of our operating subsidiary Tacom LLC in Tajikistan, to VimpelCom Holdings B.V., an immediate parent of VimpelCom.

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

7. Segment information

Management analyses 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 analyse 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, tax, depreciation, amortization, impairment loss, loss on disposals of non-current assets, other non-operating losses and shares of profit/(loss) of associates and joint ventures ("**EBITDA**").

VimpelCom defined Russia, CIS (including Georgia), Ukraine as operating segments based on the business activities in different geographical areas. "All other" category includes Asia and headquarter expenses and other unallocated adjustments and eliminations.

Financial information by reportable segment for the years ended 31 December 2013 and 31 December 2012 is presented in the following tables.

Information by reportable segments for year ended 31 December 2013

	Russia	CIS	Ukraine	Total	All other	Group
Revenue						
External customers	9,052,632	1,820,161	49,101	**10,921,894**	72,682	**10,994,576**
Inter-segment	56,284	59,148	2,145	**117,577**	(117,577)	–
Total operating revenue	**9,108,916**	**1,879,309**	**51,246**	**11,039,471**	**(44,895)**	**10,994,576**
EBITDA	**3,815,314**	**840,247**	**6,276**	**4,661,837**	**(149,551)**	**4,512,286**
Other disclosures						
Capital expenditures	1,821,637	350,335	6,955	**2,178,927**	5,105	**2,184,032**
Impairment loss (Note 6,9)	–	(48,565)	(1,483)	**(50,048)**	(55,897)	**(105,945)**

Information by reportable segments for year ended 31 December 2012

	Russia	CIS	Ukraine	Total	All other	Group
Revenue						
External customers	9,131,348	1,664,165	81,228	**10,876,741**	70,908	**10,947,649**
Inter-segment	58,417	91,164	8,513	**158,094**	(158,094)	**–**
Total operating revenue	**9,189,765**	**1,755,329**	**89,741**	**11,034,835**	**(87,186)**	**10,947,649**
EBITDA	**3,878,056**	**812,481**	**6,032**	**4,696,569**	**(47,760)**	**4,648,809**
Other disclosures						
Capital expenditures	1,630,969	383,671	8,143	**2,022,783**	235,194	**2,257,977**
Impairment loss (Note 9)	(17,168)	–	–	**(17,168)**	(9,000)	**(26,168)**

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

7. Segment information (continued)

The following table provides the breakdown of operating revenue from external customers by mobile and fixed line services for the years ended 31 December:

	2013	2012
Mobile line	9,340,938	9,282,446
Fixed line	1,653,638	1,665,203
Total	**10,994,576**	10,947,649

These business activities include the following operations: mobile primarily includes providing wireless telecommunication services to the Company's customers and other operators, fixed line primarily includes all activities for providing wireline telecommunication services, broadband and consumer internet. VimpelCom provides both mobile and fixed line services in Russia and CIS.

The following table provides the reconciliation of consolidated EBITDA to consolidated profit for the years ended 31 December:

	2013	2012
EBITDA	**4,512,286**	4,648,809
Depreciation	**(1,469,786)**	(1,464,270)
Amortization	**(276,712)**	(370,847)
Impairment loss	**(105,945)**	(26,168)
Loss on disposals of non-current assets	**(66,085)**	(162,359)
Finance costs	**(775,276)**	(836,983)
Finance income	**333,310**	365,559
Other non-operating losses (net)	**(8,619)**	(22,454)
Shares of profit of associates and joint ventures accounted for using the equity method	**(13,402)**	62,075
Net foreign exchange gain	**24,436**	31,792
Income tax expense	**(573,231)**	(495,571)
Profit for the year	**1,580,976**	1,729,583

8. Selling, general and administrative expenses

Selling, general and administrative expenses include the following amounts of employee benefits for the years, ended 31 December:

	2013	2012
Salaries and wages including bonus payments	**879,212**	824,686
Share-based payments	**526**	480
Other employee benefits	**78**	872
Employee benefits	**879,816**	826,038

The following chart sets forth the number of our employees as of 31 December:

	2013	2012
Russia	**26,843**	24,400
CIS	**7,257**	8,073
Ukraine	**386**	605
Other	**303**	659
Total	**34,789**	33,737

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

9. Impairment

Carrying amount of goodwill

Goodwill acquired through business combinations has been allocated to CGUs for impairment testing as follows:

CGU's	**31 December 2013**	**31 December 2012**
Russia	**2,684,052**	2,872,390
Kyrgyzstan	**232,650**	244,546
Kazakhstan	**161,711**	164,259
Uzbekistan	**154,061**	154,061
Armenia	**90,849**	109,960
Laos	**33,898**	58,706
Total	**3,357,221**	3,603,922

There were no changes to the methodology of goodwill allocation to CGUs in 2013.

The Company performed its annual goodwill impairment test as of 1 October. The Company considers the relationship between market capitalization and its book value, changes in country risk premiums and significant decreases in the operating results of its CGUs versus budgeted amounts among other factors, when reviewing for indicators of impairment. As of the impairment test date the market capitalization of the Group was not below the book value of its equity.

The recoverable amounts of the CGUs have been determined based on a value in use calculation using cash flow projections from business plans covering three years and extrapolated for another two years, all as approved by the Group’s senior management. The key assumptions and outcome of the impairment test is discussed separately below.

Key assumptions

The key assumptions and inputs used by the Company in undertaking the impairment test are the discount rate, average revenue growth rate (excluding perpetuity period), terminal growth rate, average operating margin and average capital expenditure as a percentage of revenue. Operating margin is defined as the ratio of operating profit to revenue. Capital expenditure is defined as additions to property and equipment and intangible assets other than goodwill.

The discount rates used in the impairment test were initially determined in US$ based on the risk free rate for 20-year maturity bonds of the United States Treasury adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific CGU relative to the market as a whole. The equity market risk premium used was 6.00% (2012: 6.75%) and the systematic risk, beta, represents the median of the raw betas of the entities comparable in size and geographic footprint with the ones of VimpelCom Ltd. ("**Peer Group**") since the Company is part of VimpelCom Ltd. group. The debt risk premium is the median of Standard & Poors long-term credit rating of the Peer Group. The weighted average cost of capital is determined based on forward-looking debt-to-equity ratios representing the median historical five-year capital structure for each entity from the Peer Group. The discount rate in functional currency is adjusted for the long-term inflation forecast of the respective country in which the business operates.

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

9. Impairment (continued)

Key assumptions (continued)

The Company estimates revenue growth rates and operating margin calculated based on EBITDA less Amortization, Depreciation and Impairment divided by Total Operating Revenue for each reporting unit and each future year.

The revenue growth rates vary based on numerous factors, including size of market, GDP (Gross Domestic Product), foreign currency projections, traffic growth, market share and others.

Terminal growth rate is estimated based on an amount that is lower than or equal to the country long-term inflation forecast, depending on the CGU.

The forecast of operating income margin is based on the budget of the following year and assumes cost optimization initiatives which are part of on-going operations, as well as, regulatory and technological changes known to date, such as telecommunication license issues and price regulation among others. Similarly, the capital expenditures are based on the budget of the following year and network roll-out plans.

CGU's	**2013**	**2012**
Discount rate (functional currency)		
Russia	**15.0%**	12.1%
Kyrgyzstan	**18.6%**	16.0%
Kazakhstan	**14.8%**	14.5%
Uzbekistan	**12.3%**	11.4%
Armenia	**14.4%**	14.0%
Average revenue growth rate during forecasted period		
Russia	**4.4%**	4.9%
Kyrgyzstan	**8.6%**	10.0%
Kazakhstan	**3.7%**	4.4%
Uzbekistan	**3.1%**	1.9%
Armenia	**-1.3%**	-0.8%
Terminal growth rate		
Russia	**3.0%**	4.4%
Kyrgyzstan	**3.0%**	3.0%
Kazakhstan	**3.0%**	3.0%
Uzbekistan	**2.3%**	2.0%
Armenia	**4.0%**	4.0%
Average operating income margin		
Russia	**28.5%**	25.5%
Kyrgyzstan	**38.9%**	37.4%
Kazakhstan	**36.0%**	29.9%
Uzbekistan	**25.8%**	14.8%
Armenia	**15.7%**	7.5%
Average capital expenditure in relation to revenue		
Russia	**18.2%**	20.0%
Kyrgyzstan	**12.7%**	18.9%
Kazakhstan	**12.9%**	12.8%
Uzbekistan	**20.1%**	27.2%
Armenia	**13.6%**	12.6%

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

9. Impairment (continued)

Sensitivity to changes in assumptions

There is no reasonably possible change in any of the above key assumptions, which would cause the carrying value of any CGU to exceed its recoverable amount.

Impairment losses

2013

We identified impairment at our Laos and Armenia CGUs due to weakening operational performance. Accordingly, we recognized goodwill impairment in the amount of US$ 25,012 in Laos and US$ 18,565 in Armenia. The Armenia CGU is part of the "CIS" reportable segment while the Laos CGU is part of the "All other" reportable segment. The recoverable amounts were calculated as value in use using the latest available cash flow projections, and a pre-tax discount rate of 14.4% and 18.1%, respectively. Changes in the critical estimates such as WACC, operating margin or revenue growth rate by one p.p. for these CGUs would not result in any additional material impairment.

We identified impairment indicators of the Uzbekistan LTE telecommunication license. Accordingly, we recognized the asset's impairment in the amount of US$ 30,000 in Uzbekistan during 2013. The Uzbekistan CGU is part of the "CIS" reportable segment.

2012

The results of the impairment test in 2012 indicated an impairment in Laos CGU's belonging to "All other" operating segment and goodwill impairment was recorded in amount of US$ 9,000.

The remaining US$ 17,168 recognized in profit and loss for the year ended 31 December 2012 relates to the warehouse building in the centre of Moscow owned by LLC Investment consulting agency "Center of Commercial Property", a subsidiary of OJSC VimpelCom. The company decided to offer the building for sale in the third quarter of 2012 year. According to the requirements of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* the building was remeasured at its fair value resulting on recognition of impairment loss. The recoverable amount of the building is its fair value less costs to sell determined by reference to an active market.

10. Other non-operating losses (net)

Other non-operating losses (net) consisted of the following for the years ended 31 December:

	Note	2013	2012
Gain from remeasurement of previously held investment in Rascom	6	**21,772**	–
Write off of loans		**–**	(10,527)
Disposal of subsidiaries (net)		**(3,709)**	(2,651)
Change of fair value of hedge derivatives (ineffective portion)		**13,186**	(15,430)
Reversal of impairment in GTEL-Mobile		**–**	7,271
Dividend income		**13,453**	7,320
Change of fair value of non-hedge derivatives		**1,720**	(3,841)
Change in fair value of derivatives over non-controlling interests	15	**(46,218)**	8,351
Other losses (net)		**(8,823)**	(12,947)
Total other non-operating losses		**(8,619)**	(22,454)

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

11. Investments

11.1 Information about subsidiaries

The consolidated financial statements of the Group include the following subsidiaries:

Name of significant subsidiaries	Country of operation	Nature of the subsidiary	Note	% of ownership interest held by the group As of 31 December 2013	 As of 31 December 2012
KaR-Tel, LLP	Kazakhstan	Operating	15	**71.50%**	71.50%
2Day Telecom	Kazakhstan	Operating		**59.00%**	59.00%
Unitel, LLC	Uzbekistan	Operating		**100.00%**	100.00%
Buzton JV	Uzbekistan	Operating		**54.00%**	54.00%
Sky Mobile, LLC	Kyrgyzstan	Operating		**71.50%**	71.50%
Mobitel, LLC	Georgia	Operating		**51.00%**	51.00%
ArmenTel, CJSC	Armenia	Operating		**100.00%**	100.00%
Golden Telecom, LLC	Ukraine	Operating		**100.00%**	100.00%
VimpelCom Lao Co., Ltd.	Laos	Operating		**78.00%**	78.00%
Rascom, CJSC	Russia	Operating	6	**54.00%**	54.00%
Vimpelcom Finance, LLC	Russia	Holding		**100.00%**	100.00%
Vimpelcom-Invest, LLC	Russia	Holding		**100.00%**	100.00%
Ararima Enterprises Limited	Cyprus	Holding		**100.00%**	100.00%
Limnotex Developments Ltd.	Cyprus	Holding	15	**71.50%**	71.50%
Menacrest Limited	Cyprus	Holding		**71.50%**	71.50%
VC ESOP N.V.	Belgium	Holding		**99.90%**	99.90%
B.V. VimpelCom Finance S.a.r.l	Netherlands, Luxemburg	Holding		**100.00%**	100.00%
VimpelCom Holding Laos B.V.	Netherlands	Holding		**100.00%**	100.00%
Silkway Holding B.V.	Netherlands	Holding		**100.00%**	100.00%
Golden Telecom, Inc.	USA (Delaware)	Holding		**100.00%**	100.00%
Freevale Enterprises	BVI	Holding		**100.00%**	100.00%
Atlas Trade Limited	BVI	Holding		**–**	90.00%
Aridus Corporation	Seychelles	Holding		**–**	71.50%
Teta-Telecom	Kazakhstan	Operating	6	**–**	71.50%
Sotelco Ltd.	Cambodia	Operating	6	**–**	90.00%

11.2. Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests are provided below:

Name of subsidiaries	Country of operation	Interest held by non-controlling interest in % 2013	 2012	Book values of non-controlling interests 2013	 2012	Profit/(loss) allocated to non-controlling interests 2013	 2012
KaR-Tel, LLP	Kazakhstan	28.50%	28.50%	141,192	–	43,657	47,419
Sky Mobile, LLC	Kyrgistan	28.50%	28.50%	56,894	–	18,980	16,586
Mobitel, LLC	Georgia	49.00%	49.00%	(48,026)	(37,643)	(13,146)	(6,491)

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

11. Investments (continued)

11.2 Material partly-owned subsidiaries (continued)

The summarised financial information of these subsidiaries before inter-company eliminations is as follows:

Summarised income statements for 2013:

	KaR-Tel, LLP	Sky Mobile, LLC	Mobitel, LLC
Operating revenue	776,181	192,262	88,164
Operating expenses	(586,018)	(120,448)	(88,852)
Other (costs)/income	20,533	2,217	(21,525)
Profit before tax	**210,696**	**74,031**	**(22,213)**
Income tax expense	(57,514)	(7,433)	(4,615)
Profit for the year	**153,182**	**66,598**	**(26,828)**
Attributed to non-controlling interest	43,657	18,980	(13,146)

Summarised income statements for 2012:

	KaR-Tel, LLP	Sky Mobile, LLC	Mobitel, LLC
Operating revenue	789,894	161,264	78,328
Operating expenses	(601,192)	(95,170)	(83,671)
Other (costs)/income	17,011	(1,069)	(9,512)
Profit before tax	**205,713**	**65,025**	**(14,855)**
Income tax expense	(39,332)	(6,828)	1,609
Profit for the year	**166,381**	**58,197**	**(13,246)**
Attributed to non-controlling interest	47,419	16,586	(6,491)

Summarised statement of financial position 2013:

	KaR-Tel, LLP	Sky Mobile, LLC	Mobitel, LLC
Property and equipment	515,392	94,448	81,978
Intangible assets	160,772	244,344	21,871
Other non-current assets	123,323	756	–
Trade and other receivables	26,861	5,475	4,553
Cash and cash equivalents	262,705	18,341	7,295
Other current assets	200,319	79,046	2,807
Financial liabilities	(59,099)	–	(234,050)
Provisions	(8,614)	(120)	–
Other liabilities	(177,250)	(20,853)	(12,986)
Total equity	**1,044,409**	**421,437**	**(128,532)**
Attributed to:			
The owners of the parent	903,217	364,543	(80,506)
Non-controlling interests	141,192	56,894	(48,026)

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

11. Investments (continued)

11.2 Material partly-owned subsidiaries (continued)

Summarised statement of financial position 2012:

	KaR-Tel, LLP	Sky Mobile, LLC	Mobitel, LLC
Property and equipment	484,761	98,700	99,023
Intangible assets	197,464	258,501	19,690
Other non-current assets	133,403	582	–
Trade and other receivables	39,884	4,694	2,973
Cash and cash equivalents	217,920	29,574	13,913
Other current assets	86,738	5,045	9,445
Financial liabilities	(72,691)	–	(240,358)
Provisions	(7,503)	–	–
Other liabilities	(170,257)	(24,255)	(11,660)
Total equity	**909,719**	**372,841**	**106,974**
Attributed to:			
The owners of the parent	909,719	372,841	69,331
Non-controlling interests	–	–	37,643

Summarised cash flow statement 2013:

	KaR-Tel, LLP	Sky Mobile, LLC	Mobitel, LLC
Operating	276,370	92,051	28,962
Investing	(227,513)	(102,807)	(17,740)
Financing	–	–	(17,466)
Effect of exchange rate changes on cash and cash equivalents	(4,072)	(477)	(374)
Net increase/(decrease) in cash and cash equivalents	**44,785**	**(11,233)**	**(6,618)**

Summarised cash flow statement 2012:

	KaR-Tel, LLP	Sky Mobile, LLC	Mobitel, LLC
Operating	349,288	81,656	24,296
Investing	(137,297)	(41,301)	(14,723)
Financing	(30,010)	(63,508)	–
Effect of exchange rate changes on cash and cash equivalents	(284)	(268)	13
Net increase/(decrease) in cash and cash equivalents	**181,697**	**(23,421)**	**9,586**

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

11. Investments (continued)

11.3 Investments in joint ventures and associates

The Company does not have any material investments in joint ventures and associates. The aggregate carrying value of the investments in joint ventures and associates as of 31 December is as follows:

	31 December 2013	31 December 2012
Joint ventures		
Euroset	**413,904**	448,637
Others	–	35,171
	413,904	483,808
Associates		
Others	**13,020**	17
Total investments in joint ventures and associates	**426,924**	483,825

The following table is the aggregate financial information of the investments in joint ventures and associates which are held by the Company as of and for the years ended 31 December 2013 and 2012:

	2013	2012
Profit before tax	**43,901**	185,828
Income tax expense	**(47,866)**	(48,416)
Profit/(Loss) for the year	**(3,965)**	137,412
Other comprehensive income	**–**	–
Total other comprehensive income	**(3,965)**	137,412
Elimination of intercompany transactions	**(22,662)**	(13,645)
Group's share of profit/(loss) for the year from investments in joint ventures and associates	**(13,402)**	62,075

12. Income taxes

Income tax expense consisted of the following for the years ended 31 December:

	2013	2012
Consolidated income statement:		
Current income tax		
Current income tax charge	**487,099**	506,689
Adjustments in respect of current income tax of previous year	**4,390**	(17,295)
	491,489	489,394
Deferred tax		
Relating to origination and reversal of temporary differences	**81,742**	6,177
Income tax expense reported in the income statement	**573,231**	495,571
Consolidated statement of comprehensive income:		
Income tax effect of foreign currency translation related to permanently invested loans	**(6,888)**	6,153
Income tax charged directly to other comprehensive income	**(6,888)**	6,153

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

12. Income taxes (continued)

The table below outlines the reconciliation between the statutory tax rate in the Russian Federation and effective corporate income tax rates for the Group, together with the corresponding amounts:

	31 December 2013	**%**	**31 December 2012**	**%**
Profit before tax	**2,154,207**		2,225,154	
Income tax expense computed on income before taxes at statutory tax rate	**430,841**	**20.0%**	445,031	20.0%
Difference due to the effects of:				
Goodwill impairment	**11,179**	**0.5%**	1,800	0.1%
Changes in recognition of deferred tax assets	**16,276**	**0.8%**	14,797	0.7%
Non-deductible expenses (non-taxable income)	**93,135**	**4.3%**	(889)	0.0%
Tax effect of intragroup dividends	**45,497**	**2.1%**	30,865	1.4%
Refiling of tax returns	**4,390**	**0.2%**	(17,295)	-0.8%
Tax claims	**(8,862)**	**-0.4%**	28,534	1.3%
Different tax rates in different jurisdictions	**(11,534)**	**-0.5%**	(7,214)	-0.3%
Other	**(7,691)**	**-0.4%**	(58)	0.0%
Income tax expense reported in the income statement	**573,231**	**26.6%**	495,571	22.3%

The effective tax rate amounts to 26.6% in 2013 (2012: 22.3%). The increase of the tax rate is primarily due to effect of non-deductible expenses (4.3% or US$ 93,135), incuding the revaluation of option over NCI (Note 10) and losses from impairment of Cambodia and LTE license in Uzbekistan (Note 6 and Note 9).

Deferred tax

Deferred corporate income tax assets in respect of deductible temporary differences, for tax losses and other tax credits carried forward (mainly carry forward of non-deductible interest) are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable.

Management's projections support the assumption that it is probable that the results of future operations will generate sufficient taxable income to utilize these deferred tax assets. Deferred tax assets (and liabilities) are measured based on the expected manner of recovery or settlement and the tax rate expected to apply when the underlying asset (liability) is recovered based on rates that are enacted or substantively enacted at the reporting date.

VimpelCom has the following amounts of unused tax losses and other carry forwards for which no deferred tax asset is recognized as of 31 December 2013:

Year of expiration	**Recognized losses**	**Recognized DTA**	**Non recognized losses**	**Non recognized DTA**
0-5 years	–	–	48,245	7,455
6-10 years	–	–	415,996	83,199
>10 years	–	–	–	–
Indefinitely	2,225	355	19,056	3,074
Total	**2,225**	**355**	**483,297**	**93,728**

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

12. Income taxes (continued)

As of 31 December 2013, the amount of deductible temporary differences for which no deferred tax asset has been recognized in the statement of financial position of VimpelCom amounts to US$ 56,779 (2012: US$ 39,545). The reported non recognized deferred income tax on temporary differences amounts to US$ 8,516 (2012: 7,909).

Deferred tax balances were calculated by applying the presently enacted statutory tax rate effective to the period in which the temporary differences between the carrying amounts and tax base of assets and liabilities are expected to reverse.

As of 31 December 2013 and 2012, the Group reported the following deferred tax assets and liabilities on the consolidated statements of financial position:

	2013	**2012**
Deferred income tax asset	5,609	10,281
Deferred income tax liabilities	(532,364)	(488,702)
Net deferred tax position	**(526,755)**	**(478,421)**

The following table shows the movements of the deferred tax assets and liabilities in 2013:

	31 December 2012	**Acquisition (Note 6)**	**Divestments (Note 6)**	**Charge to profit and loss**	**Currency translation adjustment**	**31 December 2013**
Property and equipment	**(510,229)**	(7,810)	15,399	(77,909)	34,244	**(546,305)**
Intangible assets	**(60,776)**	–	1,549	(69)	5,545	**(53,751)**
Other non-current assets	**(23,706)**	–	–	294,716	(6,316)	**264,694**
Trade accounts receivable	**4,798**	–	(1)	13,922	(260)	**18,459**
Other current assets	**(9,407)**	–	–	214,732	(5,108)	**200,217**
Undistributed retained earnings of subsidiaries	**(57,505)**	–	–	(45,497)	–	**(103,002)**
Provisions	**24,360**	–	86	6,879	(1,816)	**29,509**
Financial liabilities (non-current)	**(6,999)**	–	–	(266,724)	7,685	**(266,038)**
Other non-financial liabilities (non-current)	**9,980**	–	–	(1,159)	(3,339)	**5,482**
Trade accounts payable and other	**108,048**	–	(2,309)	(10,315)	(9,116)	**86,308**
Other current non-financial liabilities	**39,460**	–	2	3,204	(2,897)	**39,769**
Other current financial liabilities	**6,522**	–	–	(210,342)	5,338	**(198,482)**
Other movements and temporary differences	**(6,857)**	–	–	(39)	2,926	**(3,970)**
Tax losses and other carry forwards	**138,948**	–	(39,022)	528	(6,371)	**94,083**
Non recognized deferred tax assets on losses and other carry forwards	**(135,058)**	–	38,628	(3,669)	6,371	**(93,728)**
Net deferred tax position	**(478,421)**	**(7,810)**	**14,332**	**(81,742)**	**26,886**	**(526,755)**

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

12. Income taxes (continued)

The following table shows the movements of the deferred tax assets and liabilities in 2012:

	31 December 2011	Divestments (Note 6)	Charge to profit and loss	Currency translation adjustment	31 December 2012
Property and equipment	**(444,677)**	5,214	(42,917)	(27,849)	**(510,229)**
Intangible assets	**(157,924)**	(539)	103,928	(6,241)	**(60,776)**
Other non-current assets	**8,191**	–	(30,814)	(1,083)	**(23,706)**
Trade accounts receivable	**7,691**	(337)	(2,052)	(504)	**4,798**
Other current assets	**(5,113)**	7	(4,170)	(131)	**(9,407)**
Undistributed retained earnings of subsidiaries	**(35,202)**	–	(22,303)	–	**(57,505)**
Provisions	**10**	–	23,795	555	**24,360**
Financial liabilities (non-current)	**2,583**	–	(9,467)	(115)	**(6,999)**
Other non-financial liabilities (non-current)	**17,702**	–	(8,237)	515	**9,980**
Trade accounts payable and other	**107,586**	(2,811)	(1,685)	4,958	**108,048**
Other current non-financial liabilities	**45,270**	(82)	(7,880)	2,152	**39,460**
Other current financial liabilities	**3,938**	(11,005)	13,411	178	**6,522**
Other movements and temporary differences	**(1,400)**	153	(6,367)	757	**(6,857)**
Tax losses and other carry forwards	**163,266**	(33,222)	8,900	4	**138,948**
Non recognized deferred tax assets on losses and other carry forwards	**(162,007)**	47,268	(20,319)	–	**(135,058)**
Net deferred tax position	**(450,086)**	**4,646**	**(6,177)**	**(26,804)**	**(478,421)**

13. Property and equipment

Property and equipment, at cost, consisted of the following:

	Telecommu-nications equipment	Land, buildings and constructions	Office and measuring equipment	Other equipment	Equipment not installed and assets under construction	Total
Cost						
At 31 December 2011	**9,913,566**	**408,883**	**946,734**	**589,507**	**1,725,112**	**13,583,802**
Additions	559,389	41,292	2,087	5,764	1,412,280	**2,020,812**
Divestment of a subsidiary (Note 6)	(208,115)	(57,082)	(27,935)	(61,918)	(25,631)	**(380,681)**
Disposals	(345,457)	(5,094)	(53,505)	(61,887)	(75,468)	**(541,411)**
Reclassification to asset held for sale (Note 6)	(112,969)	(2,771)	(4,669)	(15,491)	(1,996)	**(137,896)**
Transfer	1,149,364	24,087	124,595	12,268	(1,310,314)	**–**
Translation adjustment	307,912	27,625	65,412	24,308	100,517	**525,774**
At 31 December 2012	**11,263,690**	**436,940**	**1,052,719**	**492,551**	**1,824,500**	**15,070,400**
Additions	173,570	6,798	1,471	15,784	1,793,003	**1,990,626**
Acquisition of a subsidiary (Note 6)	34,468	2,617	–	582	–	**37,667**
Disposals	(438,211)	(5,576)	(33,565)	(23,030)	(39,749)	**(540,131)**
Divestment of a subsidiary (Note 6)	(144,383)	–	(675)	(8,574)	(11,639)	**(165,271)**
Transfer	1,853,374	53,606	179,824	141,588	(2,228,392)	**–**
Translation adjustment	(659,428)	(25,036)	(71,507)	(33,649)	(56,452)	**(846,072)**
At 31 December 2013	**12,083,080**	**469,349**	**1,128,267**	**585,252**	**1,281,271**	**15,547,219**
Depreciation and impairment						
At 31 December 2011	**(5,248,396)**	(149,231)	**(580,547)**	**(332,100)**	**(28,167)**	**(6,338,441)**
Depreciation charge for the year	(1,243,038)	(25,268)	(129,864)	(63,741)	(2,359)	**(1,464,270)**
Divestment of a subsidiary (Note 6)	157,806	33,236	19,649	22,323	23,816	**256,830**
Disposals	322,099	61	2,079	40,289	–	**364,528**
Reclassification to asset held for sale (Note 6)	90,425	2,753	3,437	11,914	–	**108,529**
Impairment (Note 9)	–	–	–	–	(17,168)	**(17,168)**
Translation adjustment	(192,716)	(6,116)	(10,170)	(8,942)	723	**(217,221)**
At 31 December 2012	**(6,113,820)**	**(144,565)**	**(695,416)**	**(330,257)**	**(23,155)**	**(7,307,213)**
Depreciation charge for the year	(1,250,734)	(28,768)	(127,779)	(62,505)	–	**(1,469,786)**
Disposals	396,169	2,575	30,813	13,185	405	**443,147**
Divestment of a subsidiary (Note 6)	37,747	–	492	2,803	–	**41,042**
Translation adjustment	348,074	8,030	48,067	22,392	865	**427,428**
At 31 December 2013	**(6,582,564)**	**(162,728)**	**(743,823)**	**(354,382)**	**(21,885)**	**(7,865,382)**
Net book value						
At 31 December 2012	**5,149,870**	**292,375**	**357,303**	**162,294**	**1,801,345**	**7,763,187**
At 31 December 2013	**5,500,516**	**306,621**	**384,444**	**230,870**	**1,259,386**	**7,681,837**

13. Property and equipment (continued)

None of the assets were used as collateral and no assets have restrictions on title.

Capitalized borrowing costs

During 2013 and 2012 VimpelCom capitalized interest in the cost of property and equipment in the amount of US$ 48,069, US$ 69,525, respectively. The rate used to determine the amount of interest eligible for capitalization is 8.5% and 8.3% for the years ended 31 December 2013 and 2012, respectively.

Finance lease

The carrying value of property and equipment held under finance leases as of 31 December 2013 and 2012 was US$ 91,860 and US$ 92,699, respectively. Additions during the year include US$ 51,501 in 2013 and US$ 75,402 in 2012 of property and equipment under finance lease.

Revision to amounts capitalized

The Company has identified approximately US$ 72,000 of expenditures, which had been improperly capitalized in prior periods by its business in Uzbekistan. These items were expensed in the 2013 consolidated income statement.

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

14. Intangible assets

The total gross carrying value and accumulated amortization of VimpelCom's intangible assets consisted of the following:

	Telecommu-nications licenses, frequencies and permissions	Goodwill	Software	Brands and trademarks	Customer relation-ships	Telephone line capacity	Other intangible assets	Total
Cost								
At 31 December 2011	**1,665,821**	**3,605,674**	**994,593**	**19,225**	**581,054**	**138,074**	**302,396**	**7,306,837**
Additions	50,041	–	169,591	2,558	–	623	14,352	**237,165**
Divestment of a subsidiary (Note 6)	(152,442)	(139,272)	(16,199)	–	–	(4,005)	(36)	**(311,954)**
Disposals	(101,474)	–	(24,699)	15	–	(12,906)	(83,972)	**(223,036)**
Reclassification	–	(7,513)	–	–	–	–	–	**(7,513)**
Reclassification to asset held for sale (Note 6)	(42,451)	–	(5,011)	–	–	(287)	–	**(47,749)**
Translation adjustment	40,070	154,033	62,911	5,076	76,413	53,318	7,470	**399,291**
At 31 December 2012	**1,459,565**	**3,612,922**	**1,181,186**	**26,874**	**657,467**	**174,817**	**240,210**	**7,353,041**
Additions	59,782	–	117,710	–	–	6,125	9,789	**193,406**
Acquisition of a subsidiary (Note 6)	–	18,523	–	–	23,085	–	–	**41,608**
Disposals	(22,287)	–	(14,942)	–	(918)	–	–	**(38,147)**
Divestment of a subsidiary (Note 6)	(9,318)	–	(588)	–	–	–	–	**(9,906)**
Translation adjustment	(73,570)	(222,155)	(163,679)	(3,501)	(45,332)	(7,300)	(14,190)	**(529,727)**
At 31 December 2013	**1,414,172**	**3,409,290**	**1,119,687**	**23,373**	**634,302**	**173,642**	**235,809**	**7,010,275**
Amortization and impairment								
At 31 December 2011	**(1,155,205)**	**(126,210)**	**(725,610)**	**(19,225)**	**(274,412)**	**(89,844)**	**(219,709)**	**(2,610,215)**
Amortization charge for the year	(149,471)	–	(134,463)	(714)	(65,063)	(17,987)	(3,149)	**(370,847)**
Divestment of subsidiary	148,943	126,210	13,907	–	–	2,262	27	**291,349**
Impairment (Note 9)	–	(9,000)	–	–	–	–	–	**(9,000)**
Disposals	72,648	–	77,757	1,466	–	3,297	29,731	**184,899**
Reclassification to asset held for sale	19,396	–	2,452	–	–	247	–	**22,095**
Translation adjustment	(23,793)	–	(98,416)	(206)	(37,023)	(26,446)	(4,352)	**(190,236)**
At 31 December 2012	**(1,087,482)**	**(9,000)**	**(864,373)**	**(18,679)**	**(376,498)**	**(128,471)**	**(197,452)**	**(2,681,955)**
Amortization charge for the year	(74,458)	–	(122,983)	(2,822)	(53,037)	(15,458)	(7,954)	**(276,712)**
Impairment (Note 9)	(30,681)	(43,577)						**(74,258)**
Disposals	21,646	–	14,039	–	918	–	–	**36,603**
Divestment of a subsidiary	2,383	–	241	–		–	–	**2,624**
Translation adjustment	56,614	508	120,848	588	27,143	5,838	10,332	**221,871**
At 31 December 2013	**(1,111,978)**	**(52,069)**	**(852,228)**	**(20,913)**	**(401,474)**	**(138,091)**	**(195,074)**	**(2,771,827)**
Net book value								
At 31 December 2012	**372,083**	**3,603,922**	**316,813**	**8,195**	**280,969**	**46,346**	**42,758**	**4,671,086**
At 31 December 2013	**302,194**	**3,357,221**	**267,459**	**2,460**	**232,828**	**35,551**	**40,735**	**4,238,448**

As of 31 December 2013 other intangible assets include LTE telecommunication licenses, for which the business operations have not yet commenced, in the amount of US$ 1,251 (2012: US$ 57,886). None of the assets were used as collateral and no assets have restrictions on title. During 2013 and 2012 VimpelCom did not capitalize interest in the cost of intangible assets.

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

15. Financial assets and liabilities

Financial assets

The Company has the following financial assets at:

	Note	31 December 2013	31 December 2012
Financial assets at fair value through profit or loss			
Derivatives over non-controlling interest	10	**34,874**	81,092
Foreign exchange contracts		**301**	4,340
Financial assets at fair value through other comprehensive income			
Available for sale financial assets		**109,827**	94,285
Total financial assets at fair value		**145,002**	179,717
Loans granted, deposits and other financial assets at amortised cost			
Loans granted to related parties	25	**4,077,478**	4,859,337
Bank deposits		**209,066**	33,237
Interest receivable		**4,890**	95,425
Other financial assets		**10,425**	29,908
Total loans granted, deposits and other financial assets at amortised cost		**4,301,859**	5,017,907
Total other financial assets		**4,446,861**	5,197,624
Total current		**3,655,102**	431,042
Total non-current		**791,759**	4,766,582

Available-for-sale financial assets

Available-for sale financial assets include investment in shares of VimpelCom Ltd. The fair value of the quoted equity shares is determined by reference to published price quotations in an active market. As part of stock-based compensation program of VimpelCom Ltd. (Note 23), VC ESOP N.V., a subsidiary of the Company, holds shares of VimpelCom Ltd. The number of shares were 8,487,396 shares as of 31 December 2013 and 8,996,457 shares as of 31 December 2012.

Financial liabilities

The Company has the following financial liabilities at:

	31 December 2013	31 December 2012
Financial liabilities at fair value through profit or loss or equity		
Derivatives over non-controlling interest via equity	**204,469**	441,704
Foreign exchange contracts	–	31,798
Total financial liabilities at fair value through profit or loss or equity	**204,469**	473,502
Financial liabilities at amortised cost		
Short-term bank loans, bonds and equipment financing	**838,978**	1,600,604
Long-term bank loans, bonds and equipment financing	**8,874,310**	8,086,715
Bank loans, bonds and equipment financing, principal	**9,713,288**	**9,687,319**
Finance lease	**76,046**	84,567
Unamortised fees	**(44,761)**	(65,084)
Interest payable	**166,297**	138,950
Total other financial liabilities at amortised cost	**9,910,870**	9,845,752
Total other financial liabilities	**10,115,339**	10,319,254
Total current	**1,005,686**	2,040,749
Total non-current	**9,109,653**	8,278,505

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

15. Financial assets and liabilities (continued)

Financial liabilities (continued)

The Company has the following borrowings, interest-bearing bank loans, bonds and equipment financing:

Interest-bearing loans and borrowings, bonds and equipment financing	**Interest rate**	**Maturity**	**Currency**	**31 December 2013**	**31 December 2012**
Eurobonds 2021	7.748%	2021	USD	**1,000,000**	1,000,000
Eurobonds 2018	9.125%	2018	USD	**1,000,000**	1,000,000
Eurobonds 2016	6.493%-8.25%	2016	USD	**1,100,000**	1,100,000
Eurobonds 2013	8.375%	2013	USD	**–**	800,647
Sberbank	8.75%	2013-2018	RUR	**2,303,920**	2,805,188
Ruble Bonds 2015	8.300%	2015	RUR	**611,075**	658,486
Ruble Bonds 2014	7.400%	2014	RUR	**305,538**	329,243
Ruble Bonds 2013	9.250%	2013	RUR	**–**	329,507
Ruble Bonds 2022	8.850%	2022	RUR	**1,069,381**	1,152,351
Weather Capital	5.75%	2021	USD	**400,000**	–
Weather Capital	5.67%-6.07%	2020	USD	**635,000**	–
VC Holdings	9.6%	2018	RUR	**366,645**	–
Weather Capital	3.775%-6.472%	2014-2015	USD	**76,200**	–
Weather Capital	5.68%-5.96%	2020	USD	**430,000**	–
Unicredit – HVB	AB SEK Rate + 0.75%	2016	USD	**53,976**	77,305
HSBC	6 month MOSPRIME + 0.08%	2014	RUR	**4,655**	15,049
HSBC	3 month MOSPRIME + 1.00%	2019	RUR	**153,139**	195,024
Huawei	8.0%	2014	USD	**6,217**	6,217
HSBC	3M MOSPRIME + 1.05%	2017	RUR	**100,814**	135,794
Cisco	7.35%	2014	RUR	**7,515**	23,437
Cisco	7.95%	2015	RUR	**21,099**	39,381
Cisco	8.85%	2016	RUR	**48,886**	–
Others			USD/RUR	**19,228**	19,690
Total bank loans, bonds and equipment financing, principal				**9,713,288**	9,687,319
Total current				**838,978**	1,600,604
Total non-current				**8,874,310**	8,086,715

Description of derivative financial instruments

VimpelCom uses derivative instruments, including swaps, forward contracts and options to manage certain foreign currency and interest rate exposures. The Company views derivative instruments as risk management tools and does not use them for trading or speculative purposes.

All derivatives are accounted for on a fair value basis and the changes in fair value are recorded in the income statement, except for put options over non-controlling interests not providing a present ownership interest in the outstanding shares, and derivative instruments which are accounted for using cash flow hedge accounting. Cash flows from derivative instruments are reported in the statement of cash flows in the same line where the underlying cash flows are recorded.

15. Financial assets and liabilities (continued)

Foreign exchange contracts

VimpelCom enters into short-term forward and zero-cost collar agreements with several banks in order to protect cash flows of its short-term financial and non-financial obligations denominated in USD from adverse USD-RUB movements. As of 31 December 2013 the notional amount outstanding of these derivative contracts (only zero-cost collars) was USD 129,972 (31 December 2012: USD 1,105,396) with an average cap rate of 33.79 (2012: 34.52) and an average floor rate of 31.74 (2012: 31.08).

Derivatives over non-controlling interest – Put and call options

Limnotex

On 24 August 2011 the Company entered into put and call agreements representing up to 28.5% of the shares in its indirect subsidiary Limnotex Developments Ltd. ("**Limnotex**"), which owns 100% of KaR-Tel, the Company's Kazakhstan operator and 100% of Sky Mobile, the Company's Kyrgyzstan operator. Based on the agreement, Crowell Investments Limited ("**Crowell**"), the non-controlling shareholder of Limnotex, holds two put options for Limnotex shares: the first put option for 13.5% at a fixed price of US$ 297,000 expired on 31 December 2013 and the second put option for 15% is exercisable during 2017 at a fixed price of US$ 330,000. The put options granted to Crowell give rise to a financial liability which is initially measured at the present value of the redemption amount. Due to the expiration of the first put option, the related liability of US$ 297,000 has been reclassified into non-controlling interest. The Company continues to account for the remaining put option of US$ 204,469 as a liability as of 31 December 2013, classified as non-current financial liabilities. The liability for these arrangements in the prior year amounted to US$ 441,704. The fair value of the liability represents the underlying redemption amount. The change in fair value of the put option is recorded in equity since VimpelCom does not have present access to benefits over the shares held by Crowell. The outcome of the fair value measurement is dependent on the discount rate at the time of measurement – in case the rate increases by 1 pp the liability will decrease by US$ 10,018, in case the rate decreases for 1 pp the liability will increase by US$ 10,480. The discount rate used at 31 December 2013 was 12.7% (2012: 13.0%).

The call options allow the Company to acquire the total of 28.5% of Limnotex shares held by Crowell at a multiple of EBITDA. Both options are exercisable until May 2018. The call options do not give the Company present ownership rights. Therefore the options are accounted for as a financial asset at fair value through profit or loss and were recorded in other financial assets in the amount of US$ 34,874 and US$ 81,092 as of 31 December 2013 and 2012, respectively. The fair value of the options was determined based on the expected exercise period in May 2018, an estimated exercise price of US$ 1,453,000 and dividend yield of 7.3%. The outcome is influenced by changes in exercise period, exercise price and dividend yield, but variations in these variables are not expected to have a material impact on the results of operations of the Company.

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

15. Financial assets and liabilities (continued)

Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the consolidated financial statements as of 31 December (based on future cash flows discounted at current market rates):

	Carrying value		Fair value	
	31 December 2013	**31 December 2012**	**31 December 2013**	**31 December 2012**
Financial assets				
Derivatives over non-controlling interest	**34,874**	81,092	**34,874**	81,092
Foreign exchange contracts	**301**	4,340	**301**	4,340
Available-for-sale financial assets	**109,827**	94,285	**109,827**	94,285
Total financial assets at fair value through profit or loss and other comprehensive income	**145,002**	179,717	**145,002**	179,717
Loans to related parties	**4,077,478**	4,859,337	**4,484,501**	5,102,798
Bank deposits	**209,066**	33,237	**209,066**	33,237
Interest receivable	**4,890**	95,425	**4,890**	95,425
Other financial asset	**10,425**	29,908	**10,425**	29,908
Total loans granted, deposits and other financial assets at amortized cost	**4,301,859**	5,017,907	**4,708,882**	5,261,368
Trade and other receivables	**509,677**	641,448	**509,677**	641,448
Cash and cash equivalents	**997,752**	981,845	**997,752**	981,845
Total financial assets	**5,954,290**	6,820,917	**6,361,313**	7,064,378
Financial liabilities				
Derivatives over non-controlling interest	**204,469**	441,704	**204,469**	441,704
Foreign exchange contracts	**–**	31,798	**–**	31,798
Total financial liabilities at fair value through profit or loss or equity	**204,469**	473,502	**204,469**	473,502
Trade and other payables	**1,585,394**	1,431,872	**1,585,394**	1,431,872
Dividends payable	**461,299**	–	**461,299**	–
Other financial liabilities	**9,910,870**	9,845,752	**10,374,549**	10,302,998
Total financial liabilities at amortised cost	**11,957,563**	11,277,624	**12,421,242**	11,734,870
Total financial liabilities	**12,162,032**	11,751,126	**12,625,711**	12,208,372

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair values were estimated based on quoted market prices of our bonds, derived from market prices or by using discounted cash flows under the agreement at the rate applicable for the instruments with similar maturity and risk profile. The fair value for loans to related parties is estimated by using discounted cash flows under the agreement at the applicable rate for the instruments with similar maturity and risk profile.

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

15. Financial assets and liabilities (continued)

Fair value hierarchy

As of 31 December 2013 and 2012 the Company held financial instruments carried at fair value on the statement of financial position in accordance with IAS 39.

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

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

	As of 31 December 2013		
	(Level 1)	(Level 2)	(Level 3)
Financial assets at fair value through profit or loss			
Derivatives over non-controlling interest	–	–	34,874
Foreign exchange contracts	–	301	–
Financial assets at fair value through other comprehensive income			
Available-for-sale financial assets	109,827	–	–
Total financial assets at fair value	**109,827**	**301**	**34,874**
Assets for which fair values are disclosed			
Loans to related parties	–	4,484,501	–
Bank deposits	–	209,066	–
Interest receivable	–	4,890	–
Other financial assets	–	10,425	–
Trade and other receivables	–	509,677	–
Cash and cash equivalents	–	997,752	–
Total assets for which fair values are disclosed	**–**	**6,216,311**	**–**
Financial liabilities at fair value through profit or loss			
Derivatives over non-controlling interest	–	–	204,469
Total financial liabilities at fair value	**–**	**–**	**204,469**
Liabilities for which fair values are disclosed			
Trade and other payables	–	1,585,394	–
Dividends payable	–	461,299	–
Other financial liabilities at amortised cost	5,560,202	4,814,347	–
Total liabilities for which fair values are disclosed	**5,560,202**	**6,861,040**	**–**

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

15. Financial assets and liabilities (continued)

Fair value hierarchy (continued)

	As of 31 December 2012		
	(Level 1)	**(Level 2)**	**(Level 3)**
Financial assets at fair value through profit or loss			
Derivatives over non-controlling interest	–	–	81,092
Foreign exchange contracts	–	4,340	–
Financial assets at fair value through other comprehensive income			
Available-for-sale financial asset	94,285	–	–
Total financial assets at fair value	**94,285**	**4,340**	**81,092**
Assets for which fair values are disclosed			
Loans to related parties	–	5,102,798	–
Bank deposits	–	33,237	–
Interest receivable	–	95,425	–
Other financial asset	–	29,908	–
Trade and other receivables	–	641,448	–
Cash and cash equivalents	–	981,845	–
Total assets for which fair values are disclosed	**–**	**6,884,661**	**–**
Financial liabilities at fair value through profit or loss			
Derivatives over non-controlling interest	–	–	441,704
Foreign exchange contracts	–	31,798	–
Total financial liabilities at fair value	**–**	**31,798**	**441,704**
Liabilities for which fair values are disclosed			
Trade and other payables	–	1,431,872	–
Dividends payable	–	–	–
Other financial liabilities at amortised cost	5,521,855	4,781,143	–
Total liabilities for which fair values are disclosed	**5,521,855**	**6,213,015**	**–**

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

	As of 31 December 2013	**Change in fair value reported in earnings**	**Change in fair value reported in equity**	**As of 31 December 2012**
Financial assets at fair value through profit or loss				
Derivatives over non-controlling interest (Note 10)	34,874	(46,218)	–	81,092
Total financial assets	**34,874**	**(46,218)**	–	**81,092**
Financial liabilities at fair value through profit or loss or equity				
Derivatives over non-controlling interest	204,469	–	(237,234)	441,704
Total financial liabilities at fair value	**204,469**	**–**	**(237,234)**	**441,704**

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

15. Financial assets and liabilities (continued)

Fair value hierarchy (continued)

	As of 31 December 2012	Change in fair value reported in earnings	Change in fair value reported in equity	As of 31 December 2011
Financial assets at fair value through profit or loss				
Derivatives over non-controlling interest (Note 10)	81,092	8,351	–	72,741
Total financial assets	**81,092**	**8,351**	**–**	**72,741**
Financial liabilities at fair value through profit or loss or equity				
Derivatives over non-controlling interest	441,704	–	51,007	390,697
Total financial liabilities at fair value	**441,704**	**–**	**51,007**	**390,697**

Description of significant unobservable inputs to valuation:

	Valuation technique	Significant unobservable input	Range	Sensitivity of the input
Derivatives over non-controlling interest	Black-Scholes option model	Volatility based on peer group	Volatility +/- 10 p. p.	Every p. p. increase in volatility results in US$ 4,000 higher fair value

16. Other non-financial assets and liabilities

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

	31 December 2013	31 December 2012
Deferred costs related to connection fees	**8,960**	10,750
Other long-term assets	**7,839**	7,481
Other non-current non-financial assets	**16,799**	18,231

Other current non-financial assets consisted of the following:

	31 December 2013	31 December 2012
Advances to suppliers	**89,767**	73,211
Input value added tax	**85,228**	122,287
Deferred costs related to connection fees	**7,072**	11,404
Prepaid taxes	**932**	2,024
Others	**4,229**	3,504
Other current non-financial assets	**187,228**	212,430

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

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

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

	31 December 2013	31 December 2012
Long-term deferred revenue	**33,871**	40,199
Other non-current liabilities	**2,532**	195
Other non-current non-financial liabilities	**36,403**	40,394

Other current non-financial liabilities consisted of the following:

	31 December 2013	31 December 2012
Customer advances, net of VAT	**361,318**	393,463
Other taxes payable	**167,398**	208,161
Amounts due to employees	**85,190**	110,338
Short-term deferred revenue	**41,032**	52,783
Customer deposits	**34,603**	35,404
Other liabilities	**7,637**	9,104
Other current non-financial liabilities	**697,178**	809,253

17. Inventories

Inventory consisted of the following:

	31 December 2013	31 December 2012
Telephone handsets and accessories for sale	**103,790**	69,806
SIM-Cards	**16,752**	14,463
Scratch cards	**1,311**	1,251
Equipment for sale	**79**	37
Other inventory	**7,686**	11,544
Total	**129,618**	97,101

The cost of inventories recognized as an expense is mainly accounted for in the consolidated income statements line "Cost of equipment and accessories". Other expenses and write down of inventories amounted for US$ 69,196 and US$ 73,528 for the years ended 31 December 2013 and 2012, respectively.

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

18. Trade and other receivables

Trade and other receivables consisted of the following:

	31 December 2013	31 December 2012
Trade accounts receivable, gross	**512,252**	648,511
Allowance for doubtful accounts	**(75,207)**	(77,166)
Trade accounts receivable, net	**437,045**	571,345
Roaming discounts receivable	**59,042**	63,834
Dividends receivable	**13,590**	6,269
	509,677	641,448

As of 31 December 2013 trade receivables with an initial value of US$ 75,207 (2012: US$ 77,166) were impaired and, thus, fully provided for. See below the movements in the allowance for the impairment of receivables:

	2013	2012
Balance as of 1 January	**77,166**	70,693
Divestment of subsidiary	**–**	(1,971)
Charge for the year	**48,547**	60,586
Accounts receivable written off	**(44,959)**	(55,099)
Foreign currency translation adjustment	**(5,547)**	2,957
Balance as of 31 December	**75,207**	77,166

As of 31 December the ageing analysis of trade receivables is as follows:

			Past due but not impaired				
	Total	Neither past due nor impaired	< 30 days	30-60 days	61-90 days	91-120 days	> 120 days
31 December 2013	**437,045**	**301,557**	**83,665**	**18,661**	**11,348**	**9,459**	**12,355**
31 December 2012	571,345	96,261	311,111	74,587	29,306	22,637	37,443

19. Cash and cash equivalents

Cash and cash equivalents consisted of the following items:

	31 December 2013	31 December 2012
Cash and cash equivalents at banks and on hand	**825,595**	946,285
Short-term deposits with an original maturity of less than 92 days	**172,157**	35,560
Total cash and cash equivalents	**997,752**	981,845

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.

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

19. Cash and cash equivalents (continued)

The cash balances as of 31 December 2013 in Uzbekistan of US$ 256,212 (31 December 2012: US$ 105,113) are restricted due to local government, or central bank regulations. The regulations have effect on international payments only, while such cash can be used for transactions within the country.

As of 31 December 2013, the Company has Revolving Credit Facility available maturing in November 2014 for the amount of RUB 15 billion (the equivalent to US$ 458,306 as of 31 December 2013). As of 31 December 2013 and 31 December 2012 no draw downs have been made under this Revolving Facility.

20. Trade and other payables

	31 December 2013	31 December 2012
Trade payables	**1,540,140**	1,403,004
Other payables	**45,254**	28,868
Trade and other payables	**1,585,394**	1,431,872

For explanations on the Group's credit risk management processes, refer to Note 5.

21. Issued capital and reserves

Common shares

As of 31 December 2013 the Company has 51,281,022 issued and outstanding, fully paid registered common shares at a nominal value of 0.5 kopecks each. In addition to the issued and outstanding shares, the Company shall have the right to issue an additional 38,718,978 common registered shares having a nominal value of 0.5 kopecks each (authorized shares).

Convertible preference shares

In 1996, VimpelCom issued 6,426,600 preferred shares. As of 31 December 2013 all of the shares of preferred stock (6,426,600 shares) were owned by of VimpelCom's parent VimpelCom Holdings B.V., the subsidiary of VimpelCom Ltd. Each share of preferred stock entitles its holder (i) to participate in Shareholders' General Meetings with the right to vote on all issues (each preferred share shall have one vote at a Shareholders' General Meeting); (ii) to receive annually a fixed dividend of 0.1 of a kopeck per preferred share and (iii) to receive a fixed liquidation value of 0.5 of a kopeck per preferred share in the event of VimpelCom's liquidation, to the extent there are sufficient funds available; (iv) to include issues on the agenda of the Shareholders' General Meeting. Each share of preferred stock is convertible into one share of common stock at any time after 30 June 2016, at the election of the holder upon payment to VimpelCom of a conversion premium equal to 100% of the market value of one share of common stock at the time of conversion.

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

21. Issued capital and reserves (continued)

Nature and purpose of reserves

Share-based payment transactions

The share-based payment transactions reserve is used to recognize the value of equity-settled share-based payment transactions provided to employees, including key management personnel, as part of their remuneration (Note 25).

Cash flow hedge reserve

The cash flow hedge reserve is used to record accumulated impact of derivatives designated as cash flow hedges (Note 15).

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operations.

22. Dividends

Dividends declared to equity holders of the parent:

	2013	**2012**
Interim dividends for the 9 months of 2013	**635,963**	–
Interim dividends for the 1st half of 2013	**1,461,593**	–
Final dividends for 2012	**1,154,366**	–
Final dividends for 2011	**–**	604,419
Total	**3,251,922**	604,419

On 24 May 2013, in the Annual General Meeting of Shareholders the decision was adopted: (i) to pay annual dividends to holders of common registered shares based on financial results for the year ended 31 December 2012 in the amount of RUR 708.433 (the equivalent to US$ 0.0225 as of 24 May 2013) per common share for the total amount of RUR 36,329.17 million (the equivalent to US$ 1,154,366 as of 24 May 2013) for all common registered shares in the aggregate within 60 days from the date this decision is approved; and (ii) to pay annual dividends to holders of preferred registered shares of type "A" based on financial results for the year ended 31 December 2012 in the amount of 0.1 kopecks (the equivalent to US cents 0.003 as of 24 May 2013) per preferred type "A" registered share for a total amount of RUR 6,426.60 (the equivalent to US$ 0.204 as of 24 May 2013) for all preferred type "A" registered shares in the aggregate within 60 days from the date this decision is approved.

During May 2013 VimpelCom paid all dividends to the shareholders based on financial results for the year ended 31 December 2012 in the total amount of RUR 34,512.72 million (the equivalent to US$ 1,097,327 as of payment dates), net of tax withheld. In accordance with Russian tax legislation, VimpelCom withheld and paid to tax authorities tax on dividend payments in the amount of RUR 1,816.46 million (the equivalent to US$ 57,754 as of payment dates).

22. Dividends (continued)

On 27 September 2013, in the Extraordinary General Meeting of Shareholders the decision was adopted: (i) to pay dividends to holders of common registered shares based on financial results for a half of the year ended 30 June 2013 in the amount of RUR 917 (the equivalent to US$ 0.0285 as of 27 September 2013) per common share for the total amount of RUR 47,024.70 million (the equivalent to US$ 1,461,593 as of 27 September 2013) for all common registered shares in the aggregate within 60 days from the date this decision is approved; and (ii) to pay dividends to holders of preferred registered shares of type "A" based on financial results for a half of the year ended 30 June 2013 in the amount of 0.05 kopecks (the equivalent to US cents 0.0016 as of 27 September 2013) per preferred type "A" registered share for a total amount of RUR 3,213.30 (the equivalent to US$ 0.099 as of 27 September 2013) for all preferred type "A" registered shares in the aggregate within 60 days from the date this decision is approved.

On 1 October 2013 VimpelCom paid the first tranche of dividends to the shareholders based on financial results for a half of the year ended 30 June 2013 in the amount of RUR 22,373.29 million (the equivalent to US$ 688,750 as of 1 October 2013), net of tax withheld. In accordance with Russian tax legislation, VimpelCom withheld a tax on dividend payments in the amount of RUR 1,177.54 million (the equivalent to US$ 36,250 as of 1 October 2013).

On 8 November 2013 VimpelCom paid the second tranche of dividends to the shareholders based on financial results for a half of the year ended 30 June 2013 in the amount of RUR 14,919.22 million (the equivalent to US$ 460,750 as of 8 November 2013), net of tax withheld. In accordance with Russian tax legislation, VimpelCom withheld a tax on dividend payments in the amount of RUR 785.22 million (the equivalent to US$ 24,250 as of 8 November 2013).

On 22 November 2013 VimpelCom paid the third tranche of dividends to the shareholders based on financial results for a half of the year ended 30 June 2013 in the amount of RUR 7,380.96 million (the equivalent to US$ 223,544 as of 22 November 2013), net of tax withheld. In accordance with Russian tax legislation, VimpelCom withheld a tax on dividend payments in the amount of RUR 388.47 million (the equivalent to US$ 11,765 as of 22 November 2013).

On 23 December 2013, in the Extraordinary General Meeting of Shareholders the decision was adopted: (i) to pay dividends to holders of common registered shares based on financial results for the nine months ended 30 September 2013 in the amount of RUR 409 (the equivalent to US$ 0.0124 as of 23 December 2013) per common share for the total amount of RUR 20,973.94 million (the equivalent to US$ 635,963.17 as of 23 December 2013) for all common registered shares in the aggregate within 60 days from the date this decision is approved; and (ii) to pay dividends to holders of preferred registered shares of type "A" based on financial results for the nine months ended 30 September 2013 in the amount of 0.025 kopecks (the equivalent to US cents 0.0008 as of 23 December 2013) per preferred type "A" registered share for a total amount of RUR 1,606.65 (the equivalent to US$ 0.0487 as of 23 December 2013) for all preferred type "A" registered shares in the aggregate within 60 days from the date this decision is approved.

On 27 December 2013 VimpelCom paid the first tranche of dividends to the shareholders based on financial results for the nine months ended 30 September 2013 in the amount of RUR 5,586.74 million (the equivalent to US$ 171,000 as of 27 December 2013), net of tax withheld. In accordance with Russian tax legislation, VimpelCom withheld a tax on dividend payments in the amount of RUR 294.04 million (the equivalent to US$ 9,000 as of 27 December 2013).

22. Dividends (continued)

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

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

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

23. Share-based payments

Stock Option Plans

Background

The Company adopted stock option plans, the 2000 Stock Option Plan and the 2010 Stock Option Plan, under which it grants options to certain of its, and its subsidiaries', affiliates, officers, employees, directors and consultants to acquire shares of common stock of VimpelCom Ltd. The Group also grants stock options to certain employees in accordance with their employement agreements.

Options are granted by VC ESOP N.V., a subsidiary of VimpelCom, administrating the Stock Option Plan.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Options granted under both the 2000 and 2010 Stock Option Plans are conditional on the grantee completing a specific period of service (vesting period) and meeting specific pre-defined KPIs, which vary depending on the grantee. The share options granted will not vest if the KPI is not met.

The contractual option terms are different per grantee and vary between 3 to 5 years.

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

23. Share-based payments (continued)

Stock Option Plans

Movements during the year

The following table illustrates the number, weighted average exercise prices and movements during the year of the Company's stock options:

	2013	2012
Options outstanding, beginning of year	**1,564,340**	3,029,340
Weighted-average exercise price of options outstanding, USD per option	**16.54**	16.60
Weighted-average grant-date fair value at the beginning of the year, USD per option	**1.51**	0.90
Options transferred to parent company	**–**	(280,000)
The number of options granted or converted from ESOP	**82,500**	82,500
Weighted-average exercise price of options granted, USD per option	**16.74**	16.74
Weighted-average grant-date fair value of options granted during the year, USD per option	**0.55**	0.37
The number of options exercised	**–**	–
The number of options forfeited/modified/converted to SARs	**(967,420)**	(1,267,500)
Weighted-average exercise price of options forfeited, USD per option	**16.4**	16.70
The number of options outstanding, end of year	**679,420**	1,564,340
Weighted-average exercise price of options outstanding, USD per option	**14.77**	16.54
Weighted-average grant-date fair value at the end of the year, USD per option	**1.49**	1.51
Out of the options outstanding at the end of the year the number of options fully vested and exercisable	**679,420**	1,564,340

Valuation

The fair value of the options has been estimated using a Black Scholes option pricing model. The fair value of each grant is estimated on the date of grant (or date of modification). In estimating the fair value of the options, the Company applied significant assumptions.

The expected term of the options was determined based on an analysis of the historical behaviour of stock option participants. Expected volatility of VimpelCom's shares was estimated based on the historical volatility of the shares on the New York Stock Exchange and since September 2013 – NASDAQ over the period equal to the expected life of the option granted and other factors.

The dividend yield was included into the model based on expected dividend payments. The risk free rate was determined using the rate on the United States Government Bonds, having a remaining term to maturity equal to the expected life of the options, approximated where applicable. Forfeiture rate was determined as an average for the historic experience for all grants.

The following table illustrates the major assumptions of the Black Scholes model for the options for the years ended 31 December:

	2013	2012
Expected volatility	**32%-156%**	33.1%-156%
The weighted-average expected term (in years)	**1.99**	1.75
Expected dividend yield	**1.8%-6.7%**	1.8%-6.7%
Risk free interest rate	**0.26%-11.2%**	0.26%-11.2%
Forfeiture rate	**0.11**	0.49

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

23. Share-based payments (continued)

SAR plan

Background

In 2009 OJSC VimpelCom's Board adopted a SAR plan for members of senior management and employees. Following the completion of the Exchange Offer in 2011, the plan was modified to provide that it will be administered by the Company's CEO and board of directors, which determines the aggregate number of SARs that may be granted. A SAR, upon vesting, entitles the holder to receive a cash amount per SAR equal to any excess of the New York Stock Exchange and since September 2013 – NASDAQ closing price of ADS on the exercise date over the price at which such SAR was granted. The Group also grants SAR's to certain employees in accordance with their employment agreements.

The SAR granted is conditional on the grantee completing a specific period of service (vesting period) and meeting specific pre-defined KPIs, which vary depending on the grantee. The SAR will not vest if the KPI is not met.

The obligation under this plan is classified in other non-financial liabilities in the statement of financial position.

Movements during the year

The following table illustrates the number, weighted average exercise prices and movements during the year:

	2013	2012
The number of SARs outstanding, beginning of year	**1,484,060**	1,288,460
Weighted-average exercise price of SARs outstanding, USD per SAR	**12.54**	13.17
Weighted-average grant-date fair value at the beginning of the year, USD per SAR	**0.82**	11.76
SARs transferred to parent company	**–**	(119,960)
The number of SARs granted or converted from ESOP	**–**	700,000
Weighted-average exercise price of SARs granted, USD per SAR	**–**	11.95
Weighted-average grant-date fair value of SARs granted during the year, USD per SAR	**–**	1.25
The number of SARs forfeited/modified	**(752,860)**	(384,440)
Weighted-average exercise price of SARs forfeited, USD per SAR	**13.06**	13.42
The number of SARs outstanding, end of year	**731,200**	1,484,060
Weighted-average exercise price of SARs outstanding, USD per SAR	**12.00**	12.54
Weighted-average grant-date fair value at the end of the year, USD per SAR	**1.78**	0.82
Out of the SARs outstanding at the end of the year the number of SARs fully vested and exercisable	**497,867**	784,060

Valuation

The valuation principles and assumptions made, incl. sensitivities are the same as discussed above for the Stock Option Plans.

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

23. Share-based payments (continued)

Executive investment plan

In March 2012, VimpelCom Ltd. adopted the Executive Investment Plan ("**EIP**") in which certain members of our senior management may participate. Under the EIP, participants are invited to personally invest in common shares of VimpelCom Ltd. At the same time as their investment, participants will be awarded matching options to acquire a number of matching shares at the end of a specified performance period if, at the end of that performance period, certain performance conditions and other conditions set out in the EIP documents have been met. If all conditions to vesting have been met, the number of matching shares that participants will receive when they exercise their options will be based on a multiple of their initial investment.

The EIP is administered by the Compensation Committee of VimpelCom Ltd.'s Supervisory Board. The compensation committee determines the timing of awards, the performance conditions and performance period for the vesting of the matching options and which members of senior management will receive invitations to participate.

In June 2012, the compensation committee made an offer to certain members of senior management to participate in the EIP. The matching options awarded in connection with this offer will be subject to a two-year performance period and performance conditions set out in the EIP documents, as well as the terms of the EIP.

Movements during the year

	2013	**2012**
The number of options outstanding, beginning of year	**6,617**	–
Weighted-average exercise price of options outstanding, USD per option	**7.6**	–
Weighted-average grant-date fair value at the beginning of year, USD per option	**14.5**	–
The number of options granted or converted from ESOP	**–**	6,617
Weighted-average exercise price of options granted, USD per option	**–**	7.6
Weighted-average grant-date fair value of options granted during the year, USD per option	**–**	14.5
The number of options outstanding, end of year	**6,617**	6,617
Weighted-average exercise price of options outstanding, USD per option	**7.6**	7.6
Weighted-average grant-date fair value at the end of the year, USD per option	**14.5**	14.5
Out of the options outstanding at the end of the year the number of options fully vested and exercisable	**–**	–

Valuation

The fair value of the awards has been estimated using a Monte Carlo simulation model. The fair value of each award is estimated on the date of grant (or date of modification) and represents the expected pay-out. In estimating the fair value, the Company used significant assumptions taking into account the total shareholder return threshold on the VIP share performance (including dividend).

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

23. Share-based payments (continued)

General information

The average share price for the years ended 31 December 2013 and 2012 was USD 11.53 per share and USD 10.24 per share, respectively.

The total expenses recognized in these consolidated financial statement with respect to stock-based compensation were US$ 526 and US$ 480 for the years ended 31 December 2013 and 2012, respectively. The total unrecognized expenses with respect to stock-based compensation were US$ 560 as of 31 December 2013 and US$ 327 as of 31 December 2012.

24. Provisions

The following table summarizes the movement in provisions for the years ended 31 December 2013 and 2012:

	Income taxes provisions	Tax provisions other than income tax	Provision for decommis-sioning	Legal provisions	Other provisions	Total provisions
At 1 January 2013	**97,471**	**44,420**	**137,843**	**5,998**	**11**	**285,743**
Arising during the year	51,423	6,621	28,943	4,174	–	**91,161**
Utilised	(2,990)	–	–	(2,372)	(11)	**(5,373)**
Unused amounts reversed	(51,527)	(28,791)	(30,211)	–	–	**(110,529)**
Translation adjustment	(7,032)	(3,167)	(9,875)	(385)	–	**(20,459)**
At 31 December 2013	**87,345**	**19,083**	**126,700**	**7,415**	–	**240,543**
Total current	86,884	19,083	–	7,415	–	**113,382**
Total non–current	461	–	126,700	–	–	**127,161**
At 1 January 2012	**59,361**	**22,273**	**108,248**	**32,357**	–	**222,239**
Arising during the year	44,089	15,942	30,203	5,725	11	**95,970**
Utilised	–	–	(266)	(13,389)	–	**(13,655)**
Reclassified to asset held for sale	–	–	(2,979)	–	–	**(2,979)**
Reclassification	5,497	4,567	–	–	–	**10,064**
Unused amounts reversed	(15,560)	–	(5,740)	(19,518)	–	**(40,818)**
Translation adjustment	4,084	1,638	8,377	823	–	**14,922**
At 31 December 2012	**97,471**	**44,420**	**137,843**	**5,998**	**11**	**285,743**
Total current	9,066	44,420	–	5,998	–	**59,484**
Total non-current	88,405	–	137,843	–	11	**226,259**

Income tax provision

A provision has been recognized for the uncertainties related to income taxes where it is probable that the Company will have cash outflows. Management is unable to reliably predict the outcome of any tax examinations and the materiality of their impact on VimpelCom's consolidated financial statements, if any.

Non-income tax provisions

A provision has been recognized for the uncertainties related to other taxes where it is probable that the Company will have cash outflows.

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

24. Provisions (continued)

Provision for decommissioning

VimpelCom has certain legal obligations related to rented sites for base stations. These legal obligations include obligations to remediate leased land and other locations on which base stations are located.

Legal provisions

A provision has been recognized for the uncertainties related to legal claims (Note 26) where it is probable that the Company will have cash outflows.

25. Related parties

Shareholders and other related parties

As of 31 December 2013 OJSC VimpelCom is a wholly-owned subsidiary of VimpelCom Ltd. As of 31 December 2013 VimpelCom Ltd. is primarily owned by two major shareholders:
Altimo Coöperatief, a member of the Alfa group of companies (hereafter: Alfa Group), and Telenor East Holding II AS, a member of the Telenor group of companies (hereafter: Telenor).
VimpelCom Ltd. has no ultimate controlling shareholder.

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

	For year ended 31 December 2013	**For year ended 31 December 2012**
Revenue from Alfa Group	**10,148**	9,212
Revenue from Telenor	**1,437**	1,510
Revenue from Kyivstar	**58,461**	43,006
Revenue from associates	**9,958**	80,738
Revenue from joint venture	**33,670**	8,139
Revenue from Teta Telecom	**16,393**	–
Revenue from other related parties	**11,705**	4,012
	141,772	146,617
Services from Alfa Group	**11,106**	11,453
Services from Telenor	**4,523**	3,397
Services from Kyivstar	**116,188**	109,300
Services from associates	**15,746**	180,129
Services from joint ventures	**56,868**	21,178
Services from Teta Telecom	**41,812**	–
Services from VimpelCom Ltd. or its subsidiaries	**132,146**	34,237
Services from other related parties	**17**	1,958
	378,406	361,652
Finance income from VimpelCom Ltd. or its subsidiaries	**311,399**	342,567
Finance costs from VimpelCom Ltd. or its subsidiaries	**57,431**	56,766
Other gain from other related parties	**18,104**	15,876
Other gain from joint ventures	**–**	(3,090)
Other loss from Alfa Group	**–**	3
Other loss from other related parties	**5,804**	5,328

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

25. Related parties (continued)

Shareholders and other related parties (continued)

	31 December 2013	31 December 2012
Accounts receivable from Alfa Group	**3,047**	4,457
Accounts receivable from Telenor	**3,835**	3,685
Accounts receivable from Kyivstar	**9,097**	16,274
Accounts receivable from associates	**7,537**	14,370
Accounts receivable from joint ventures	**12,394**	46,137
Accounts receivable from Teta Telecom	**7,069**	–
Accounts receivable from VimpelCom Ltd. or its subsidiaries	**16,679**	24,296
Accounts receivable from other related parties	**162**	–
	59,820	109,219
Accounts payable to Alfa Group	**18**	1
Accounts payable to Telenor	**513**	773
Accounts payable to Kyivstar	**10,359**	14,142
Accounts payable to associates	**1,026**	4,001
Accounts payable to joint ventures	**9,544**	24,866
Accounts payable to Teta Telecom	**49,700**	–
Accounts payable to VimpelCom Ltd. or its subsidiaries	**44,089**	47,687
Dividends payable to VimpelCom Ltd. or its subsidiaries	**461,159**	–
	576,408	91,470
Loans granted to Vimpelcom Ltd. or its subsidiaries	**4,002,399**	4,859,337
Interest receivable from Vimpelcom Ltd. or its subsidiaries	**3,692**	89,750
Loans received from Vimpelcom Ltd. or its subsidiaries	**1,907,845**	–
Interest payable to Vimpelcom Ltd. or its subsidiaries	**56,378**	–
Finance lease arrangements with joint ventures	**–**	9,936
Loans granted to Teta Telecom	**75,078**	–
Liabilities directly associated with assets classified as held for sale:		
Long-term loan from Vimpelcom Ltd. or its subsidiaries	**–**	20,262
	–	20,262

On 13 May 2011, VimpelCom signed the agreement to grant an unsecured loan to VimpelCom Amsterdam Finance B.V., a subsidiary of VimpelCom Ltd. The loan matures on 31 May 2014. The interest rate is 8.72% per annum. The loan is denominated in US dollars. As of 31 December 2013 the amount of debt outstanding under this loan agreement was US$ 3,129,493. Under the agreement, VimpelCom may grant additional US$ 288,243.

On 10 December 2010, VimpelCom signed the agreement to grant a renewable loan to VimpelCom Ltd. Under the agreement, VimpelCom may grant loan in the maximum amount of US$ 100,000.The interest rate is 6.5% per annum. Maturity date under loan agreement is 13 December 2014. The loan is denominated in US dollars. On 13 February 2013 the loan was fully repaid in the amount of US$ 100,000.

On 7 October 2010, VimpelCom signed the agreement to grant a loan to VimpelCom Ltd. In March 2013 accrued interest on the loan with VimpelCom Ltd. for the year 2012 in amount of US$ 45,289 was added to loan principal. As of 31 December 2013 the principal amount of debt outstanding under this loan agreement was US$ 561,469. The loan matures on 31 December 2070. The interest rate is LIBOR+7.5% per annum. The loan is denominated in US dollars.

25. Related parties (continued)

Shareholders and other related parties (continued)

On 22 August 2011, VimpelCom signed the agreement to grant an unsecured renewable loan to VimpelCom Holdings B.V. Under the agreement, VimpelCom may grant maximum US$ 500,000. For the period ended 30 September 2013 US$ 415,000 was repaid and US$ 200,000 was borrowed under the agreement. In September 2013 the loan was fully repaid. The loan matures on 30 August 2014. The interest rate is 6.5% per annum. The loan is denominated in US dollars.

On 16 March 2011, VimpelCom signed the agreement to grant an unsecured renewable loan to VimpelCom Amsterdam B.V. Under the agreement, VimpelCom may grant loan in the maximum amount of US$ 500,000. The interest rate is 6.5% per annum. On 13 February 2013 the loan was fully repaid in amount of US$ 350,000. The loan is denominated in US dollars.

On 15 and 19 February 2013, VimpelCom granted a loan to VimpelCom Holdings B.V. under the agreement dated 13 February 2013 in amount of US$ 950,000. The loan matures on 31 May 2013. The interest rate is 2% per annum. The loan is denominated in US dollars. As of 31 December 2013 the loan was fully repaid in amount of US$ 950,000.

On 19 February 2013, VimpelCom granted an additional loan to VimpelCom Holdings B.V. under the agreement dated 13 February 2013 in amount of US$ 50,000. The loan matures on 31 May 2013. The interest rate is 2% per annum. The loan is denominated in US dollars. On 30 May 2013 the loan was fully repaid in amount of US$ 50,000.

On 14 February 2013 VimpelCom signed a renewable facility agreement with VimpelCom Holdings B.V. Under the agreement, VimpelCom Holdings B.V. may grant loan in the maximum amount of RUR 12 billion (the equivalent to US$ 399,079 as of 14 February 2013). On 19 February 2013 VimpelCom drew down the loan in amount of RUR 12 billion. As of 31 December 2013 the principal amount of debt outstanding under this loan agreement was RUR 12 billion (the equivalent to US$ 370,999 as of 31 December 2013). The loan matures on 13 February 2018. The interest rate is 9.6% per annum. The loan is denominated in Russian rubles.

On 22 April 2013 VimpelCom entered into renewable loan facility agreement with Weather Capital Special Purpose 1 S.A. in the total amount of US$ 400,000. On 24 April 2013 VimpelCom drew down the loan in full amount. As of 31 December 2013 the principal amount of debt outstanding under this loan agreement was US$ 400,000.The loan matures on 25 October 2021. The interest rate is 5.75% per annum. The loan is denominated in US dollars.

On 19 April 2013, VimpelCom repaid debt to VimpelCom Amsterdam B.V. in the amount of US$ 20,000 granted under the agreement dated 8 June 2012.

On 14 August 2013, VimpelCom granted a loan to Vimpelcom Amsterdam B.V. under the agreement dated 31 July 2013 in amount of US$ 131,000. The loan matures on 14 January 2014. The interest rate is 3.3% per annum. The loan is denominated in US dollars. As of 31 December 2013 the loan was fully repaid.

25. Related parties (continued)

Shareholders and other related parties (continued)

On 3 October 2013 VimpelCom entered into renewable loan facility agreement with Weather Capital Special Purpose 1 S.A. in the total amount of US$ 635,000. On 7 October 2013 VimpelCom drew down the loan in amount of US$ 250,000 at the interest rate of 5.78% per annum. On 6 November 2013 VimpelCom drew down the loan in amount of US$ 150,000 at the interest rate of 5.67% per annum. On 15 November 2013 VimpelCom drew down the loan in amount of US$ 235,000 at the interest rate of 6.07% per annum. The loan matures on 7 February 2020. The loan is denominated in US dollars.

On 13 November 2013 VimpelCom entered into renewable loan facility agreement with Weather Capital Special Purpose 1 S.A. in the total amount of US$ 580,000. On 19 November 2013 VimpelCom drew down the loan in amount of US$ 230,000 at the interest rate of 5.96% per annum. On 11 December 2013 VimpelCom drew down the loan in amount of US$ 100,000 at the interest rate of 5.86% per annum. On 19 December 2013 VimpelCom drew down the loan in amount of US$ 100,000 at the interest rate of 5.68% per annum. On 10 January 2014 VimpelCom drew down the loan in amount of US$ 150,000 at the interest rate of 5.56% per annum. The loan matures on 7 February 2020. The loan is denominated in US dollars.

On 21 January 2014 VimpelCom entered into renewable loan facility agreement with Weather Capital Special Purpose 1 S.A. in the total amount of US$ 255,000. On 23 January 2014 VimpelCom drew down the loan in amount of US$ 140,000 at the interest rate of 5.44% per annum. On 6 February 2014 VimpelCom drew down the loan in amount of US$ 115,000 at the interest rate of 5.80% per annum. The loan matures on 7 February 2020. The loan is denominated in US dollars.

Outstanding balances and transactions with Alfa Group relate to operations with VimpelCom's Ltd. shareholder Altimo Coöperatief (a member of the Alfa Group of companies), its consolidated subsidiaries, its direct owners and their consolidated subsidiaries. In particular, VimpelCom has contracts with Alfa Insurance to provide the Company with medical insurance for employees and property and equipment liability insurance. The Company also has contracts to provide telecommunication service to Alfa Group and its subsidiaries.

VimpelCom maintains bank accounts in Alfa Bank (member of the Alfa Group), which are used for payroll and other payments in the ordinary course of business. The balances in these bank accounts as of 31 December 2013 and 2012 were US$ 48,237 and US$ 64,111, respectively.

Outstanding balances and transactions with Telenor relate to operations with VimpelCom's shareholder Telenor East Holding II AS, its consolidated subsidiaries, its direct owners and their consolidated subsidiaries. VimpelCom has roaming contracts and contracts to provide telecommunication service to Telenor.

Outstanding balances and transactions with joint ventures and associates relate to operations with VimpelCom's equity investees (Note 11.3). Euroset transactions mainly represent sales of equipment and accessories, dealer commission and bonus payments for the for services for acquisition of new subscribers, customer care, receipt of subscribers' payments and sale of scratch-cards. In addition Euroset provided VimpelCom with services for development of retail stores under Beeline brand name and sold different handsets and accessories.

Outstanding balance and transactions with Kyivstar mainly represent telecommunication services.

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

25. Related parties (continued)

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended 31 December 2013 and 2012, VimpelCom has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel of the Company

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel:

	2013	2012
Short-term employee benefits	**12,789**	11,406
Share-based payment transactions	**548**	(383)
Total compensation to key management personnel	**13,337**	11,023

Our management is eligible to participate in our stock option plans and stock appreciation rights (SAR) plan (Note 23).

26. Commitments, contingencies and uncertainties

Risks

Currency control risks

The imposition of currency exchange controls or other similar restrictions on currency convertibility in CIS countries (particularly in Uzbekistan) could limit VimpelCom's ability to convert local currencies or repatriate local cash in a timely manner or at all, as well as, remit dividends from the respective countries. Any such restrictions could have a material adverse effect on VimpelCom's business, financial condition and results of operations. The continued success and stability of the economies of these countries will be significantly impacted by their respective governments' continued actions with regard to supervisory, legal and economic reforms.

Domestic and global economy risks

The economies of countries where VimpelCom operates are vulnerable to market downturns and economic slowdowns elsewhere in the world. The respective governments of these countries continue to take measures to support the economies in order to overcome the consequences of the global financial crisis. Despite some indications of recovery, there continues to be uncertainty regarding further economic growth, access to capital and cost of capital, which could negatively affect the Company's future financial position, results of operations and business prospects.

26. Commitments, contingencies and uncertainties (continued)

Risks (continued)

While management believes it is taking the appropriate measures to support the sustainability of VimpelCom's business in the current circumstances, unexpected further deterioration in the areas could negatively affect the Company's results and financial position in a manner not currently determinable.

Legislation risks

In the ordinary course of business, VimpelCom may be party to various legal and tax proceedings, including as it relates to compliance with the rules of the telecom regulators in the countries in which VimpelCom operates, competition law and anti-bribery and corruption laws. Non-compliance with such rules and laws may cause VimpelCom to be subject to claims, certain of which may relate to the developing markets and evolving fiscal and regulatory environments in which VimpelCom operates. In the opinion of management, VimpelCom's liability, if any, in all pending litigation, other legal proceeding or other matters, other than what is discussed in this Note, will not have a material effect upon the financial condition, results of operations or liquidity of VimpelCom.

VimpelCom's operations and financial position will continue to be affected by political developments in the countries in which VimpelCom operates including the application of existing and future legislation, and telecom and tax regulations. These developments could have a significant impact on VimpelCom's ability to continue operations. VimpelCom does not believe that these contingencies, as related to its operations, are any more significant than those of similar enterprises in such countries.

Tax risks

The tax legislation in the markets VimpelCom operates in are unpredictable and give rise to significant uncertainties, which could complicate our tax planning and business decisions. Tax laws in many of the emerging markets in which we operate have been in force for a relatively short period of time as compared to tax laws in more developed market economies. Tax authorities in our markets are often somewhat less advanced in their interpretation of tax laws, as well as in their enforcement and tax collection methods.

In the Russian Federation, VimpelCom's predominant market, there were many tax laws and related regulations introduced in previous periods as well as in 2013, which were not always clearly written, and their interpretation is subject to the opinions of the local tax inspectors and officials of the Ministry of Finance. Instances of inconsistent opinions between local, regional and federal tax authorities and Ministry of Finance are not unusual.

Any sudden and unforeseen amendments of tax laws or changes in the tax authorities' interpretations of the respective tax laws and/or double tax treaties, could have a material adverse effect on our future results of operations, cash flows or the amounts of dividends available for distribution to shareholders in a particular period (e.g. introduction of transfer pricing rules and Controlled Foreign Operation (CFC) legislation).

Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, VimpelCom has accrued tax liabilities based on management's best estimate. From time to time, we may also identify tax contingencies for which we have not recorded an accrual. Such unaccrued tax contingencies could materialize and require us to pay additional amounts of tax.

26. Commitments, contingencies and uncertainties (continued)

Commitments

Telecom Licenses Capital Commitments

The Company's ability to generate revenue in the countries it operates is dependent upon the operation of the wireless telecommunications networks authorized under its various licenses under GSM-900/1800, "3G" (IMT-2000 / WCDMA / UMTS) and "4G" (LTE) mobile radiotelephony communications services. Under the license agreements operating companies are subject to certain commitments, such as territory or population coverage, level of capital expenditures, and number of base stations to be fulfilled within a certain timeframe and other commitments. After expiration of the license, our operating companies might be subject to additional payments for renewals, as well as new license capital and other commitments.

On 12 July 2012 OJSC VimpelCom was awarded licenses to provide services over the LTE standard and its further modifications. The licenses allow the Company to provide services using radio-electronic devices via networks that use the LTE standard and its further modifications in the territory of the Russian Federation. The licenses were provided on condition that the Company will invest at least RUR 15 billion into LTE network construction per annum (equivalent to US$ 458,306 at the exchange rate as of 31 December 2013) where the first year is the period from 12 July 2012 till 1 December 2013 – and from this time forth – every calendar year till the technical feasibility of providing services over the LTE standard and its further modifications in the territory of the Russian Federation will be in compliance with the awarded licenses but before 1 December 2019.

Apple

On 31 March 2011, VimpelCom and Apple signed an amendment to an existing agreement regarding VimpelCom's purchase of iPhones from Apple ("the Amendment"). Under the Amendment, specified numbers of iPhone handsets should be ordered by the Company between 1 April 2011 and 31 March 2013. In the first quarter of 2013 VimpelCom and Apple agreed to extend the term of the iPhone agreement to 31 May 2013. The Company believes it has fulfilled its obligations under the agreement as amended.

iPhone Agreement

On 4 October 2013, OJSC VimpelCom and Apple RUS signed an agreement regarding VimpelCom's purchase of iPhones from Apple RUS (the "Agreement"). Under the Agreement, a specified number of iPhones handsets are to be ordered by OJSC VimpelCom each quarter between 4 October 2013 and 30 June 2016 according to a schedule (the "Schedule"). Pursuant to the Agreement, OJSC VimpelCom must acquire a minimum of 600,000 iPhone handsets during the period of the Agreement. If OJSC VimpelCom does not comply with the Schedule and certain other terms of the Agreement, then according to the Agreement, OJSC VimpelCom could become liable for the shortfall in orders of iPhone handsets.

26. Commitments, contingencies and uncertainties (continued)

Contingencies and uncertainties

The Company is involved in several legal proceedings relating to the normal conduct of its business, such as claims for regulatory and employment issues as well as general liability. The Company believes it has provided for all probable liabilities deriving from the normal course of business. The Company does not expect any liability arising from any other of these legal proceedings to have a material effect on its results of operations, liquidity, capital resources or financial position.

LTE frequencies claims

LLC "Summa Telecom" filed a claim with the Moscow City Arbitration Court against the Federal Service for Supervision of Communications, Information Technology, and Mass Media ("Roskomnadzor"), the State Commission for Radio Frequencies ("GKRCH"), and LLC "Scartel" regarding the application of the impact of the invalidity of void transactions, specifically on recognizing the decision of Roskomnadzor to be unlawful as it relates to failure to announce LLC "Summa Telecom" the winner of the competitive tender for the right to receive a license for the provision of communication services in the territory of the Russian Federation with the use of radioelectronic means in communication networks of the LTE standard. Under its decision of 7 June 2013, the Moscow City Arbitration Court brought the Ministry of Communications and Mass Media ("Minkomsvyaz"), OJSC "VimpelCom" and other parties into the proceedings as third parties. On 15 August 2013, the Moscow City Arbitration Court dismissed the claim filed by LLC "Summa Telecom" on all counts. LLC "Summa Telecom"'s subsequent appeal to the Ninth Arbitration Court of Appeals was dismissed on 16 December 2013. On 14 January 2014, LLC "Summa Telecom" filed a cassation appeal. The cassation appeal was heard and dismissed on 25 February 2014 and then an application for a review of the courts' exercise of its supervisory power which was dismissed on 24 April 2014. The appeal process has been completed and the case is closed.

Russian tax claims

On 20 January 2014, OJSC VimpelCom received a final tax audit report from tax authorities in relation to the tax audit that was conducted with respect to OJSC VimpelCom's 2009-2011 Russian tax filings. The claim amounts RUR 373 million (equivalent to approximately US$ 11,410 at the exchange rate as of 31 December 2013). The amount of the claim is accrued in the financial statements.

26. Commitments, contingencies and uncertainties (continued)

Kazakhstan

KaR-Tel litigation with ex-shareholders

On 10 January 2005, KaR-Tel received an "order to pay" ("Order to Pay") issued by The Savings Deposit Insurance Fund, a Turkish state agency responsible for collecting state claims arising from bank insolvencies (the "Fund"), in the amount of approximately US$ 3,740,401 at the exchange rate as of 31 December 2013 (stated as approximately Turkish lira 7.55 quadrillion and issued prior to the introduction of the New Turkish Lira, which became effective as of 1 January 2005). The Order to Pay, dated as of 7 October 2004, was delivered to KaR-Tel by the Bostandykski Regional Court of Almaty. The Order to Pay does not provide any information regarding the nature of, or basis for, the asserted debt, other than to state that it is a debt to the Turkish Treasury and the term for payment was 6 May 2004.

On 17 January 2005, KaR-Tel delivered to the Turkish consulate in Almaty a petition to the Turkish court objecting to the propriety of the order and requesting the Turkish court to cancel the Order to Pay and stay of execution proceedings in Turkey. The petition was assigned to the 4th Administrative Court in Turkey, and it should be reviewed pursuant to applicable law.

On 1 June 2006, KaR-Tel received formal notice of the 4th Administrative Court's ruling that the stay of execution request was denied. KaR-Tel's Turkish counsel has advised KaR-Tel that the stay request is being adjudicated separately from the petition to cancel the Order to Pay. KaR-Tel submitted an appeal of the ruling with respect to the stay application.

On 1 June 2006, KaR-Tel also received the Fund's response to its petition to cancel the order. In its response, the Fund asserts, among other things, that the Order to Pay was issued in furtherance of its collection of approximately Turkish lira 7.55 quadrillion (prior to the introduction of the New Turkish Lira, which became effective as of 1 January 2005) in claims against the Uzan group of companies that were affiliated with the Uzan family in connection with the failure of T. Imar Bankasi, T.A.S. The Fund's response to KaR-Tel's petition claims that the Uzan group of companies includes KaR-Tel, Rumeli Telecom A.S. and Telsim Mobil Telekomunikasyon Hizmetleri A.S. Rumeli Telecom A.S. and Telsim Mobil Telekomunikasyon Hizmetleri A.S are Turkish companies that owned an aggregate 60% of the equity interests in KaR-Tel until their interests were redeemed by KaR-Tel in November 2003 in accordance with a decision of the Review Panel of the Supreme Court of Kazakhstan. In July 2006, KaR-Tel submitted its response, dated 30 June 2006, to the Fund's response via the Kazakh Ministry of Justice, to be forwarded to the 4th Administrative Court of Istanbul. In its response, KaR-Tel denied in material part the factual and legal assertions made by the Fund in support of the Order to Pay.

On 11 December 2008, KaR-Tel received a Decision of Territorial Court of Istanbul dated 12 December 2007, wherein the Court rejected KaR-Tel's appeal with respect to the stay of execution request.

26. Commitments, contingencies and uncertainties (continued)

Kazakhstan (continued)

KaR-Tel litigation with ex-shareholders (continued)

On 20 October 2009, KaR-Tel filed with Sisli 3^{d} Court of the First Instance in Istanbul a claim to recognize in the Republic of Turkey the decision of the Almaty City Court of the Republic of Kazakhstan dated 6 June 2003 regarding, among other things, compulsory redemption of equity interests in KaR-Tel owned by Rumeli Telecom A.S. and Telsim Mobil Telekomunikasyon Hizmetleri A.S., which was confirmed by the Civil Panel of the Supreme Court of the Republic of Kazakhstan on 23 June 2003, as amended by the resolution of the Review Panel of the Supreme Court of the Republic of Kazakhstan dated 30 October 2003 ("Recognition Claim"). On 20 October 2009, KaR-Tel also filed with the 4^{th} Administrative Court of Istanbul a petition asking the Court to treat the recognition of the Kazakhstan court decision as a precedential issue and to stay the proceedings in relation to the order to pay.

On 28 September 2010, Sisli 3^{d} Court of the First Instance in Istanbul reviewed the Recognition Claim and ruled in favor of KaR-Tel recognizing the Kazakhstan Court judgments on the territory of the Republic of Turkey. The court decision is appealable by defendants.

On 25 October 2010, the 4^{th} Administrative Court of Istanbul reviewed KaR-Tel’s petition to annul the Payment Order and has ruled in favor of KaR-Tel. The Court has recognized the Order to Pay as illegal and annulled it. The court decision has been appealed by the Fund. On 18 February 2011 KaR-Tel submitted its responses to the motion on appeal. On 20 April 2011, the Fund submitted its response to KaR-Tel’s reply and appeal petition. The court file was sent by the Court to the Councel of State for the appeal proceedings.

As to the Recognition Claim, the defendants, Rumeli Telecom AS and Telsim Mobil Telekommunikasyon Hizmetleri AS, have appealed the decision of Sisli 3^{d} Court of the First Instance in Istanbul, which has ruled in favor of KaR-Tel recognizing the Kazakhstan Court judgments on the territory of the Republic of Turkey. The Company submitted its responses to such motion on appeal on 20 January 2011. The court file was sent to the Supreme Court for the appeal proceedings. On 11 July 2012, the Supreme Court upheld the ruling of Sisli 3^{d} Court of the First Instance in Istanbul. Rumeli Telekom and Telsim filed a claim for correction of the Supreme Court decision. On 30 January 2013, the Supreme Court rejected the Rumeli Telekom and Telsim’s claim for correction of the Supreme Court decision and upheld the ruling of Sisli 3^{d} Court of the First Instance in Istanbul of 28 September 2010.

As of 22 March 2012 the Fund’s and KaR-Tel’s appeals on the Decision of 4^{th} Administrative Court of Istanbul dated 25 October 2010 has been reviewed by the Prosecution Office of the Council of State and has been sent to the 13^{th} Chamber of the Council of State for review on the merits.

The Company continues to believe that the Fund's claim is without merit, and KaR-Tel will take whatever further actions it deems necessary and appropriate to protect itself against the Fund's claim. No provision has been made in relation to this case.

26. Commitments, contingencies and uncertainties (continued)

Kyrgyzstan

Since November 2006, the Chief Executive Officer and directors of the Company have received several letters from OJSC Mobile TeleSystems ("**MTS**") and its representatives claiming that Sky Mobile's Kyrgyz telecom business and its assets were misappropriated from Bitel, an MTS affiliate, and demanding that the Company not purchase Sky Mobile, directly or indirectly, or participate or assist in the sale of Sky Mobile to any other entities. These letters have suggested that MTS will take any and all legal action necessary against the Company in order to protect MTS's interest in Bitel and Bitel's assets. As of the date hereof, management is not aware of any pending legal action against the Company in connection with this matter except for the litigation against Sky Mobile discussed in the paragraph below.

Sky Mobile is a co-defendant in a litigation in the Isle of Man. The litigation was brought by affiliates of MTS against various companies and individuals directly or indirectly associated with Alfa Group and/or Altimo and Sky Mobile. The claimants allege that the Kyrgyz judgment determining that an Altimo affiliate was the rightful owner of an interest in the equity of Bitel prior to the asset sale between Sky Mobile and Bitel was wrongfully obtained and that Bitel shares and assets were misappropriated.

Parties to the litigation concluded a settlement that was sanctioned by the Court. The litigation has been terminated. In June 2013, the Company agreed to pay US$ 25,500 by way of contribution towards the settlement. The Company believes that with this payment the Company settled and has fully discharged Sky Mobile of all current and potential liabilities arising from this litigation.

Investigation of the operations in Uzbekistan

In June 2007, Takilant Ltd. ("Takilant") purchased from the Company a 7% interest in the Company's business in Uzbekistan for US$ 20,000 and entered into a shareholders agreement with the Company. In September 2009, Takilant exercised its option to put its 7% interest to the Company for USD 57,500, an amount specified in the shareholders agreement. In addition, the Company 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 the Company paid Takilant an aggregate of US$ 57,000.

It has 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 the VimpelCom Ltd.

As a result of concerns arising from press reports regarding Takilant, VimpelCom Ltd. commenced an internal investigation 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.

26. Commitments, contingencies and uncertainties (continued)

Investigation of the operations in Uzbekistan (continued)

In March 2014, VimpelCom Ltd. disclosed that the United States Securities and Exchange Commission ("SEC"), the United States Department of Justice ("DOJ") and the Dutch public prosecutor's office are conducting investigations related to VimpelCom Ltd. Also in March 2014, VimpelCom Ltd.'s headquarters in Amsterdam were visited by representatives of the Dutch authorities, including the Dutch public prosecutor's office, who obtained documents and informed VimpelCom Ltd. that it was the focus of a criminal investigation in The Netherlands. The investigations by these authorities appear to be concerned with VimpelCom Ltd.'s operations in Uzbekistan, including relations with Takilant.

Following notice of the investigations by the SEC, the DOJ and the Dutch public prosecutor's office, VimpelCom Ltd. established a Special Committee of the Supervisory Board of VimpelCom Ltd. in March 2014, consisting of three outside directors, to oversee the internal investigation being conducted by VimpelCom Ltd.'s external counsel and VimpelCom Ltd.'s response to the inquiries by various authorities. While the initial focus of the investigation being conducted by VimpelCom Ltd.'s external counsel was related to VimpelCom Ltd.'s Uzbekistan operations, including relations with Takilant, and whether there was any conduct in the 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 the VimpelCom Ltd.'s own internal policies, the investigation is also reviewing VimpelCom Ltd.'s operations in additional countries.

In the Company's accompanying consolidated financial statements included revenue and total assets of Uzbekistan operations of US$ 673,261 and US$ 1,039,897, respectively, which equals 6% and 6% of the Company's revenues and total assets, respectively.

VimpelCom Ltd. expects that it will incur costs related to the requests for information and testimony in connection with the investigations and in conducting the internal investigation, which costs will be expensed as incurred.

The SEC, DOJ and Dutch investigations, as well as the VimpelCom Ltd.'s own investigation, are continuing, and the Company and VimpelCom Ltd. are presently unable to predict the duration, scope or results of these investigations or how the results of these investigations may impact the Company's and/or VimpelCom Ltd.'s internal controls, business, and the results of operations or financial condition. Further, there can be no assurance that such investigations will not be broader in scope than they currently appear, or that new investigations will not be commenced in these or other jurisdictions, or that there will not be litigation commenced against the Company and/or VimpelCom Ltd.

One or more enforcement actions could be instituted in respect of the matters that are the subject of some or all of the investigations. The DOJ and SEC have a broad range of civil and criminal sanctions under the FCPA and other laws and regulations, including, but not limited to, fines, penalties, and disgorgement of profits. The Dutch public prosecutor's office and enforcement authorities in other jurisdictions also have a range of sanctions under the relevant laws and regulations. The imposition of any of these sanctions or remedial measures could have a material adverse effect on the Company's and/or VimpelCom Ltd.'s results of operations or financial condition. At this time, no provision for any such fines, penalties, or disgorgements has been recorded, as management does not yet have enough information to reasonably estimate such amounts.

26. Commitments, contingencies and uncertainties (continued)

Pledges and guarantees

Colateral

B.V. Vimpelcom Finance S. à r.l. has short term deposits as per 31 December 2013 for US$ 20,000 (2012: US$ 20,000) with ANZ Bank as security for the loan provided by the same bank to VimpelCom Lao Ltd.

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 US$ 2,200,000 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 US$ 2,200,000 under the Bridge Facility Agreement. The three-year US$ 200,000 issue bears interest at an annual rate of three-month LIBOR plus 4.0%, payable quarterly and is due in June 2014. The five-year US$ 500,000 issue bears interest at an annual rate of approximately 6.25% payable semi-annually and is due in March 2017. The ten-year US$ 1,500,000 issue bears interest at an annual rate of approximately 7.50% payable semi-annually and is due in March 2022. VimpelCom has guaranteed the June Bonds. No triggering events under the guarantee occurred. The Company believes that probability of these events is remote.

On 13 February 2013, VimpelCom Holdings B.V. completed an offering of an aggregate principal amount of US$ 1,600,000 notes and notes, denominated in RUR, in the amount of RUR 12 billion (the equivalent to US$ 397,729 as of 13 February 2013), split between five-year, six-year and ten-year tranches. The five-year RUR 12 billion issue bears interest at an annual rate of 9.00%, payable semi-annually and is due in February 2018. The six-year US$ 600,000 issue bears interest at an annual rate of 5.20%, payable semi-annually and is due in February 2019. The ten-year US$ 1,000,000 issue bears interest at an annual rate of 5.95%, payable semi-annually and is due in February 2023. VimpelCom has guaranteed these notes issues. No triggering events under the guarantee occurred. The Company believes that probability of these events is remote.

Guarantees in favour of VimpelCom Amsterdam B.V.

On 12 December 2011, VimpelCom Amsterdam B.V., a subsidiary owned by VimpelCom Ltd., completed a committed revolving credit facility of approximately US$ 495,000. The three years credit facility for VimpelCom Amsterdam B.V. is committed by ten relationship banks. This facility is composed of US$ 225,000 and EUR 205 million and is guaranteed by the Company. No triggering events under the guarantee occurred. The Company believes that probability of these events is remote.

On 20 December 2012, VimpelCom Amsterdam B.V., a subsidiary owned by VimpelCom Ltd., completed a term credit facility of US$ 500,000. The 8 years credit facility for VimpelCom Amsterdam B.V. is committed by China Development Bank Corporation to finance Huawei equipment. The loan bears interest at the rate of LIBOR plus 3.30% per annum. VimpelCom has guaranteed this term credit facility. No triggering events under the guarantee occurred. The Company believes that probability of these events is remote.

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

26. Commitments, contingencies and uncertainties (continued)

Pledges and guarantees (continued)

On 28 March 2013, VimpelCom Amsterdam B.V., a subsidiary owned by VimpelCom Ltd., completed a term credit facility of US$ 500,000. The 8 years credit facility for VimpelCom Amsterdam B.V. is committed by HSBC Bank plc to finance Ericsson equipment. The loan bears interest at the rate of CIRR plus 0.02% per annum. VimpelCom has guaranteed this term credit facility. No triggering events under the guarantee occurred. The Company believes that probability of these events is remote.

Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2013	2012
Less than 1 year	**67,955**	65,098
Between 1 and 5 years	**185,655**	209,700
More than 5 years	**68,450**	188,007
Total	**322,060**	462,805

Operating lease commitments mainly relate to the lease of base station sites and office spaces. Total operating lease expenses amount to US$ 426,094 in 2013 and US$ 439,547 in 2012.

Financial lease

The Group has finance leases and hire purchase contracts for various items of property and equipment. Future minimum lease payments under finance leases and hire purchase contracts together with a present value of the net minimum lease payments are as follows:

	2013		2012	
	Minimum payments	**Present value of payments**	**Minimum payments**	**Present value of payments**
Within one year	**21,465**	**15,518**	17,896	11,964
Between one and five years	**50,666**	**31,102**	53,588	31,268
More than five years	**58,079**	**29,518**	78,408	41,335
Total minimum lease payments	**130,210**	**76,138**	149,892	84,567
Less amounts representing finance charges	**(54,072)**	**–**	(65,325)	–
Total payments	**76,138**	**76,138**	84,567	84,567

27. Events after the reporting period

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

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

Currency devaluations

Since 1 January 2014, the Russian Ruble (RUB) has gradually devalued against the USD and other major currencies by approximately 5%. A 10% change in the RUB to USD exchange rate has a decreasing impact on the Group's Revenue and EBITDA of approximately 8%.

On 11 February 2014, the exchange rate of the Kazakh Tenge to the USD and other major currencies was devalued by the National Bank of the Republic of Kazakhstan by approximately 19%, however the impact on the Group's Revenue and EBITDA is not material for the Group.

Since 1 January 2014, due to an unstable political and macroeconomic situation in Ukraine, the Ukrainian currency has significantly devalued against other major currencies. The impact on the Group's Revenue and EBITDA is not material for the Group.