Special purpose
consolidated financial statements

VimpelCom Holdings B.V.
(a wholly-owned subsidiary of VEON Ltd.)

As at December 31, 2016 and 2015 and for the two years ended December 31, 2016

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

Report of Independent Auditors

To: the board of directors of VimpelCom Holdings B.V.

We have audited the accompanying special purpose consolidated financial statements of VimpelCom Holdings B.V. and its subsidiaries, which comprise the consolidated statements of financial position as of 31 December 2016 and 31 December 2015 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended.

Board of directors' responsibilities for the special purpose consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the special purpose consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal controls relevant to preparation and fair presentation of the special purpose consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risk of material misstatements of the special purpose consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the special purpose consolidated 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 Company's internal control. Accordingly, we express no such opinion.

An audit also includes evaluation 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 special purpose consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the special purpose consolidated financial statements referred to above present fairly, in all material respects, the financial position of VimpelCom Holdings B.V. and its subsidiaries as of 31 December 2016 and 31 December 2015, and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Amsterdam, the Netherlands, 24 May 2017
PricewaterhouseCoopers Accountants N.V.

Original has been signed by F.P. Izeboud RA CPA

Table of contents

Consolidated income statement
for the years ended December 31

(In millions of U.S. dollars, except amounts per share)	Note	2016	2015
Service revenues**		8,554	6,497
Sale of equipment and accessories		184	174
Other revenues / other income		94	17
Total operating revenues	8	**8,832**	**6,688**
Service costs**		(1,771)	(1,452)
Cost of equipment and accessories		(216)	(211)
Selling, general and administrative expenses*	9	(3,418)	(2,216)
Depreciation	15	(1,436)	(1,066)
Amortization	16	(493)	(211)
Impairment loss	10	(192)	(146)
Loss on disposals of non-current assets		(20)	(31)
Total operating expenses		**(7,546)**	**(5,333)**
Operating profit		**1,286**	**1,355**
Finance costs		(821)	(658)
Finance income		130	44
Other non-operating losses	14	(70)	(17)
Share of (loss) / profit of associates and joint ventures	13	48	18
Impairment of associates and joint ventures	13	(99)	-
Net foreign exchange gain / (loss)		157	(284)
Profit before tax		**631**	**458**
Income tax expense	11	(540)	(73)
Profit for the period from continuing operations		**91**	**385**
Profit for the period from discontinued operations	6	46	-
Profit for the period		**137**	**385**
Attributable to:			
The owners of the parent (continuing operations)		-	309
The owners of the parent (discontinued operations)		46	-
Non-controlling interest	12	91	76
		137	**385**

*Expenses have been presented based on the nature of the expense in the consolidated income statement other than ‘Selling, general and administrative expenses’, which has been presented based on the function of the expense.
** Certain comparative amounts have been reclassified to conform to the current period presentation (Note 8).

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

Consolidated statement of comprehensive income
for the years ended December 31

(In millions of U.S. dollars)	Note	2016	2015
Profit for the period		**137**	**385**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Net movement on cash flow hedges (net of tax of US$5 and US$5 for 2016 and 2015 respectively)	17	(2)	(11)
Foreign currency translation	22	116	(1,138)
Other		10	-
Other comprehensive gain / (loss) for the period, net of tax		**124**	**(1,149)**
Total comprehensive profit / (loss) for the period		**261**	**(764)**
Attributable to:			
The owners of the parent		182	(691)
Non-controlling interests		79	(73)
		261	**(764)**

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

Consolidated statement of financial position
as at December 31

	Note	2016	2015
(In millions of U.S. dollars)			
Assets			
Non-current assets			
Property and equipment	15	6,713	6,231
Intangible assets	16	2,225	2,208
Goodwill	10	4,696	4,223
Investments in associates and joint ventures	13	2,179	201
Deferred tax assets	11	343	57
Non-current income tax advance	11	25	28
Other financial assets	17	917	1,370
Other assets	18	29	16
Total non-current assets		**17,127**	**14,334**
Current assets			
Inventories	19	125	104
Trade and other receivables	20	787	694
Other assets	18	425	320
Current income tax assets	11	169	213
Other financial assets	17	323	997
Cash and cash equivalents	21	2,312	1,606
Total current assets		**4,141**	**3,934**
Assets classified as held for sale	6	-	2
Total assets		**21,268**	**18,270**
Equity and liabilities			
Equity			
Equity attributable to equity owners of the parent	22,23	7,479	4,425
Non-controlling interests	12	82	107
Total equity		**7,561**	**4,532**
Non-current liabilities			
Financial liabilities	17	7,625	8,540
Provisions	24	101	277
Other liabilities	18	44	95
Deferred tax liabilities	11	331	404
Total non-current liabilities		**8,101**	**9,316**
Current liabilities			
Trade and other payables		1,999	1,593
Other liabilities	18	1,195	1,007
Other financial liabilities	17	1,915	1,623
Current income tax payables	11	55	8
Provisions	24	442	191
Total current liabilities		**5,606**	**4,422**
Total equity and liabilities		**21,268**	**18,270**

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

Consolidated statement of changes in equity
for the years ended December 31

(In millions of U.S. dollars, except for share amounts)	Attributable to equity owners of the parent: Number of shares outstanding	Issued capital	Capital Surplus*	Other capital reserves*	Retained earnings	Foreign currency translation*	Total	Non-controlling interests	Total equity
As at January 1, 2016	**30,099,998**	**39**	**12,794**	**180**	**(3,542)**	**(5,046)**	**4,425**	**107**	**4,532**
Profit / (loss) for the period		-	-	-	46	-	46	91	137
Other comprehensive income		-	-	5	-	131	136	(12)	124
Total comprehensive income		-	-	5	46	131	182	79	261
Capital contribution from VimpelCom Amsterdam B.V.		-	811	-	-	-	811	-	811
Contribution of Wind Telecom by VimpelCom Amsterdam B.V.		-	1,976	-	-	-	1,976	-	1,976
Dividends declared (Note 23)		-	-	-	-	-	-	(106)	(106)
Disposal of VC ESOP B.V.		-	-	94	-	-	94	-	94
Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control (Note 6)		-	-	(9)	-	-	(9)	2	(7)
As at December 31, 2016	**30,099,998**	**39**	**15,581**	**270**	**(3,496)**	**(4,915)**	**7,479**	**82**	**7,561**

*Please refer to Note 22 for further description of the nature of the account

(In millions of U.S. dollars)	Attributable to equity owners of the parent: Number of shares outstanding	Issued capital	Capital Surplus*	Other capital reserves*	Retained earnings	Foreign currency translation*	Total	Non-controlling interests	Total equity
As of January 1, 2015	**30,099,998**	**39**	**8,713**	**210**	**(3,851)**	**(4,057)**	**1,054**	**217**	**1,271**
Profit for the period		-	-	-	309	-	309	76	385
Other comprehensive income		-	-	(11)	-	(989)	(1,000)	(149)	(1,149)
Total comprehensive income		-	-	(11)	309	(989)	(691)	(73)	(764)
Contribution of Weather Capital (Note 6)		-	3,371	-	-	-	3,371	(186)	3,185
Capital contribution (Note 22)		-	710	-	-	-	710	-	710
Dividends declared		-	-	-	-	-	-	(131)	(131)
Restructuring of the Company's ownership in LLC "Sky Mobile" and LLP "KaR-Tel" (Note 6)		-	-	(19)	-	-	(19)	280	261
As of December 31, 2015	**30,099,998**	**39**	**12,794**	**180**	**(3,542)**	**(5,046)**	**4,425**	**107**	**4,532**

*Please refer to Note 22 for further description of the nature of the account

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

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Consolidated statement of cash flows

for the years ended December 31

(In millions of U.S. dollars)	Note	2016	2015
Operating activities			
Profit for the year from continuing operations		91	385
Add income tax expense	11	540	73
Profit before tax from continuing operations		**631**	**458**
Non-cash adjustment to reconcile profit before tax to net cash flows:			
Depreciation	15	1,436	1,066
Amortization	16	493	211
Impairment loss	10	192	146
Loss on disposals of non-current assets		20	31
Finance costs		821	658
Finance income		(130)	(44)
Other non-operating losses	14	70	17
Share of loss / (profit) of associates and joint ventures	13	(48)	(18)
Impairment of associates and joint ventures		99	-
Net foreign exchange (gain) / loss		(157)	284
Movements in provisions		176	26
Working capital adjustments:			
Changes in trade and other receivables and prepayments		(229)	(175)
Changes in inventories		(13)	(46)
Changes in trade and other payables		228	46
Interest paid		(792)	(650)
Interest received		69	166
Income tax paid		(415)	(297)
Net cash flows from operating activities		**2,451**	**1,879**
Investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		15	11
Purchase of property, plant and equipment and intangible assets		(1,631)	(1,437)
Loans granted		(316)	(1,763)
Repayment of loans granted		1,517	5,011
Receipts from / (payments on) deposits		19	(296)
(Payments for) / receipts from investments in financial assets		(82)	77
Acquisition of subsidiaries, net of cash acquired	6	7	(13)
Proceeds from sale of shares in subsidiaries, net of cash disposed	6	20	-
Other		-	(4)
Net cash flows used in investing activities		**(451)**	**1,586**
Financing activities			
Acquisition of non-controlling interest		(7)	(4)
Proceeds from borrowings, net of fees paid*		1,863	1,000
Repayment of borrowings		(3,802)	(4,852)
Capital contribution from shareholder		811	625
Proceeds from sale of non-controlling interest, net of fees paid		1	-
Dividends paid to non-controlling interests	23	(106)	(131)
Net cash flows generated from / (used in) financing activities		**(1,240)**	**(3,362)**
Net increase in cash and cash equivalents		760	103
Net foreign exchange difference		(54)	(201)
Cash and cash equivalents at beginning of period	21	1,606	1,704
Cash and cash equivalents at end of period**	21	**2,312**	**1,606**

* Fees paid for borrowings were equal to US$22 (2015: US$6)
** Refer to Note 21 for details regarding restricted cash balances.

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

1 General information

VimpelCom Holdings B.V. ("**VimpelCom**", the "**Company**", and together with its consolidated subsidiaries, the "**Group**" or "**we**") was established as a private company with limited liability under the laws of the Netherlands on June 29, 2009. The registered office and principal place of business of VimpelCom is located at Claude Debussylaan 88, 1082 MD Amsterdam, the Netherlands. The Company is an indirectly wholly-owned subsidiary of VEON Ltd. ("**VEON**").

The special purpose consolidated financial statements are presented in United States dollars ("**U.S. dollar**" or "**US$**"). In these notes, U.S. dollar amounts are presented in millions, except for share and per share amounts and as otherwise indicated.

The immediate parent of the Company is VimpelCom Amsterdam B.V.. The ultimate parent of the Company is VEON Ltd.

Nature of operations and principal activities

VimpelCom earns revenues by providing telecommunication services through a range of traditional and broadband mobile and fixed-line technologies.

As at December 31, 2016, the Company operated telecommunications services in Russia, Pakistan, Algeria, Bangladesh, Ukraine, Uzbekistan, Kazakhstan, Armenia, Tajikistan, Georgia, Kyrgyzstan and Laos, and in Italy through a 50/50 joint venture.

On October 28, 2016, VimpelCom Amsterdam B.V., the Company's immediate parent company, contributed to the Company an investment in Wind Telecom S.p.A, including an investment in WIND Acquisition Holdings Finance S.p.A. (**"WAHF"**), which holds telecommunication operations in Italy. For more details please refer to Note 6.

On November 5, 2016, VimpelCom finalized the transaction of combining its operations in Italy held through WAHF into a new 50/50 joint venture with 3 Italia S.p.A. ("**3 Italia**"). Please refer to Note 6 for further details in respect of this transaction, as well as significant transactions affecting Pakistan and Zimbabwe.

During 2016, several local currencies demonstrated significant volatility against the U.S. dollar, which impacted the Group's financial position and results of operations upon the translation of non-U.S. currency amounts into U.S. dollars for consolidation purposes. In particular, in U.S. dollar terms, the devaluation of local currencies caused an 8% decrease in total revenue for the Group during 2016 as compared with 2015. Please refer to Note 5 for further details regarding foreign currency sensitivities.

In addition, the foreign exchange rate used to translate the local currency in Uzbekistan into U.S. dollars for consolidation purposes is an official rate published by the Central Bank of the Republic of Uzbekistan. However, this exchange rate is not achievable in expatriating funds out of the country due to restrictions imposed by the local government. The net assets of our business in Uzbekistan represented US$910 of the net assets in the Company's statement of financial position as at December 31, 2016 (US$891 as at December 31, 2015). However, if the Company applied the exchange rate implied by market transactions, rather than the exchange rate used to translate the local currency into U.S. dollars, the assets held in Uzbekistan would decrease significantly in U.S. dollar terms.

2 Basis of preparation of the special purpose consolidated financial statements

Basis of preparation

These special purpose consolidated financial statements have been prepared to comply with reporting requirements to the bond and note holders of the Company (see Note 17).

These special purpose 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 special purpose consolidated financial statements and applied by VimpelCom. The special purpose consolidated financial statements have been prepared on a historical cost basis, unless disclosed otherwise.

The preparation of these special purpose consolidated financial statements has required management to apply accounting policies and methodologies based on complex and subjective judgments, estimates based on past experience and assumptions determined to be reasonable and realistic based on the related circumstances (Note 3 and Note 4). The use of these judgments, estimates and assumptions affects the amounts reported in the statement of financial position, the income statement, statement of cash flows, statement of changes in equity, as well as the notes. The final amounts for items for which estimates and assumptions were made in the special purpose 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.

Certain comparative amounts have been reclassified to conform to the current period presentation.

Basis of consolidation

The special purpose consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Company has control. Please refer to Note 12 for a list of significant subsidiaries.

Intercompany transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

When the Group ceases to consolidate a subsidiary due to loss of control, the related subsidiary's assets (including goodwill), liabilities, non-controlling interest and other components of equity are de-recognized. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss. Any consideration received is recognized at fair value, and any investment retained is re-measured to its fair value, and this fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest. Any resultant gain or loss is recognized in the income statement.

Foreign currency translation

The special purpose consolidated financial statements of the Group are presented in U.S. 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.

Upon consolidation, the assets and liabilities measured in the functional currency are translated into U.S. dollars at exchange rates prevailing on the balance sheet date; whereas revenue, expenses, gains and losses are translated into U.S. dollars at historical exchange rates prevailing on the transaction dates. The income statement amounts are translated using the average exchange rates for the period. Translation adjustments resulting from the process of translating financial statements into U.S. dollars are reported in other comprehensive income, a separate component of equity (i.e. cumulative translation adjustment).

3 Significant accounting policies that relate to the special purpose consolidated financial statements as a whole

Accounting policies are included in the relevant notes to these special purpose consolidated financial statements.

New accounting pronouncements not yet adopted by the Company

The following are significant and relevant new 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:

- IFRS 15, '*Revenue from contracts with customers*' replaces IAS 18 '*Revenue'* and IAS 11 '*Construction contracts'* and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018. The primary impact on revenue reporting will be that when the Group sells subsidized devices together with airtime service agreements to customers, revenue allocated to equipment and recognized when control of the device passes to the customer will increase and revenue recognized as services are delivered will reduce. In addition, certain incremental costs incurred in acquiring a contract with a customer will be deferred in the consolidated statement of financial position and amortized as revenue is recognized under the related contract; this will generally lead to the later recognition of charges for some commissions payable to third party dealers and employees. The Group is continuing to assess the impact of IFRS 15, however, based on the analysis performed so far, the Company does not expect any material impact on revenue recognition due to currently existing product offering (i.e. pre-paid service offering). However, the Company does expect potential impact stemming from capitalization of costs incurred in acquiring a contract with a customer.

- IFRS 9, '*Financial instruments*' replaces the guidance in IAS 39 '*Financial Instruments: Recognition and Measurement'* regarding the classification and measurement of financial instruments. The standard is effective for accounting periods beginning on or after January 1, 2018. The Group has yet to assess the impact of IFRS 9, which may be material impact to the consolidated income statement and consolidated financial position upon adoption in 2018.
- IFRS 16, *'Leases'* replaces the guidance in IAS 17 *'Leases'* whereby the most material impact will be the elimination of the distinction between "operating" and "finance" leases and the requirement to report all leases within the statement of financial position. The standard is effective for accounting periods beginning on or after January 1, 2019. The Group has yet to assess the impact of IFRS 16, which may be material to the consolidated income statement and consolidated financial position upon adoption in 2019.

4 Significant accounting judgments, estimates and assumptions

Revenue recognition

The Group's revenue consists primarily of revenue from sale of telecommunications services and periodic subscriptions. The Group offers customers, via multiple element agreements ('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 third party 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 thereafter recognized in the income statement over a future period, for example, revenue from 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, and the extent of latitude in establishing prices.

See Note 8 for further information regarding revenue recognized by the Company.

Impairment of non-current assets

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

Estimating recoverable amounts of assets and cash generating units ("**CGUs**") must, in part, be based on management's evaluations, including the determination of the appropriate CGUs, the relevant discount rate, estimation of future performance, the revenue-generating capacity of assets, timing and amount of future purchases of property and equipment, assumptions of future market conditions and the long-term growth rate into perpetuity (terminal value). In doing this, management needs to assume a market participant perspective. 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 operating margins. The future development of operating margins is important in the Group's impairment assessments, and the long-term estimates of these margins are highly uncertain. In particular, this is the case for emerging markets that are still not in a mature phase.

See Note 10 for further information regarding the results of impairment testing for goodwill and other non-current assets.

Investment in Italy Joint Venture

On August 6, 2015, the parent of the Company, VEON Ltd. entered into an agreement with CK Hutchison Holdings Ltd to establish a joint venture under which they would jointly own and operate the 3 Italia and WIND businesses in Italy. The completion of the transaction resulted in the Company contributing the entire WAHF Group into VIP-CKH Luxembourg S.à.r.l in exchange for:

- 50% of the issued share capital of VIP-CKH Luxembourg S.à.r.l and its subsidiaries (which hold the combined businesses of WIND and 3 Italia and includes a EUR 5,114 million Shareholder Loan payable); and
- a 50% investment in newly incorporated financing entity, VIP-CKH Ireland Limited (which includes the EUR 5,114 million Shareholder Loan receivable).

  (together, the "**Italy Joint Venture**").

Both joint arrangements are classified as joint ventures in accordance with IFRS 11 *'Joint Arrangements'*, based on the following:

- The legal structure of the arrangement and the legal rights and obligations arise from the limited liability company, which grant equal shareholdings and profit rights to the shareholders;
- The activities relevant for the purposes of determining control require unanimous consent from both shareholders, and the decisions to be made by the Board are deemed to be operational in nature to ensure smooth daily decisions.

In this context, it was also concluded that the investment in the two joint ventures shall be considered to be accounted for in the aggregate, rather than as two separate joint ventures. A key consideration in this determination was the shareholder agreement which stipulates that decisions about the activities of the joint ventures (including dividend distributions and shareholder loan repayments) require unanimous consent from both shareholders. This conclusion required substantial judgment as to the application of accounting guidance. Refer Note 6 and Note 13 for more details regarding the Company's investment in the Italy Joint Venture.

Control over subsidiaries

Subsidiaries, which are those entities over which the Company is deemed to have control, are consolidated. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In certain circumstances, significant judgment is required to assess if the Company is deemed to have control over entities where the Company's ownership interest does not exceed 50%. See Note 12 for further information regarding the Company's subsidiaries.

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 new technologies. Significant estimates in the evaluation 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.

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 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, historical and expected replacements or transfer of assets and quality of components used. The actual economic lives of intangible assets may be different than estimated useful lives, thereby resulting in a different carrying value of 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 15 and Note 16 for further information regarding property and equipment and intangible assets respectively.

Deferred tax assets and uncertain tax positions

Deferred tax assets are recognized to the extent that it is probable that the assets will be realized. 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. Estimates made 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 the current 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 judgments due to uncertainty concerning the interpretation of the rules and any transitional rules.

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 management's 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 Note 11 and Note 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 17 for further information regarding financial assets and liabilities.

Provisions

The Group is involved in various legal proceedings, disputes and claims, including regulatory discussions related to the Group's business, licenses, tax positions and investments, and the outcomes of these are subject to significant uncertainty. Management evaluates, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Unanticipated events or changes in these factors may require the Group to increase or decrease the amount 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 various regulatory discussions. Management's estimates relating to regulatory discussions in these countries involve a high level of uncertainty. See Note 24 and Note 26 for further information.

5 Financial risk management

The Group's principal financial liabilities, other than derivatives, consist 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 trade and other receivables, and cash and short-term deposits that are derived 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 Management Board oversees the management of these risks. The Company's Management Board is supported by the treasury department who advises on financial risks and the appropriate financial risk governance framework for the Company. The Finance and Strategy Committee provides assurance to the Company's Management Board 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 the Group's risk appetite. All derivative activities for risk management purposes are carried out by specialist teams with appropriate skills, experience and supervision.

The Group Chief Executive Officer, the Group Chief Financial Officer ("**CFO**") and other senior management of the Company review and agree on policies for managing each of these risks, which are summarized below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk and foreign currency risk.

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's long-term debt obligations with floating interest rates. The Company manages its interest rate risk exposure by having a balanced portfolio of fixed and variable rate loans and borrowings and through hedging activities.

At December 31, 2016, after taking into account the effect of interest rate swaps, approximately 81% of the Company's borrowings are at a fixed rate of interest (2015: 77%).

Interest rate sensitivity

The following table demonstrates the sensitivity to possible changes in interest rates on variable interest 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 while the Company's equity is affected through the impact of a parallel shift of the yield curve on the fair value of derivatives to which cash flow hedge accounting is applied as follows:

	Increase / decrease in basis points	**Effect on profit / (loss) before tax**	**Effect on other components of equity**
2016			
U.S. Dollar	+100	14	-
Algerian Dinar (**"DZD"**)	+100	(1)	-
Uzbek Som	+100	7	-
Pakistani Rupee (**"PKR"**)	+100	-	2
Ukrainian Hryvnia	+100	1	-
Other currencies	+100	2	-
U.S. Dollar	-100	(13)	-
Algerian Dinar	-100	1	-
Uzbek Som	-100	(7)	-
Pakistani Rupee	-100	-	(2)
Ukrainian Hryvnia	-100	(1)	-
Other currencies	-100	(2)	-

2015	Increase / decrease in basis points	Effect on profit / (loss) before tax	Effect on other components of equity
U.S. Dollar	+100	11	-
Algerian Dinar	+100	(1)	-
Uzbek Som	+100	8	-
Pakistani Rupee	+100	(1)	3
Other currencies	+100	1	-
U.S. Dollar	-100	(11)	-
Algerian Dinar	-100	1	-
Uzbek Som	-100	(8)	-
Pakistani Rupee	-100	1	(3)
Other currencies	-100	(1)	-

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 at subsidiary level denominated in currencies other than their functional currency, the Company's operating activities (predominantly capital expenditures at subsidiary level denominated in a different currency from the subsidiary's 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 U.S. dollars 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 possible change in exchange rates against the US dollar with all other variables held constant. Additional sensitivity changes to the indicated currencies are expected to be approximately proportionate. 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 (due to the effect on the cash flow hedge reserve and/or effect on currency translation reserve for quasi equity loans). The Company's exposure to foreign currency changes for all other currencies is not material.

2016	Change in foreign exchange rate against US$	Effect on profit / (loss) before tax	Effect on other components of equity
Russian Ruble (**"RUB"**)	10% depreciation	(80)	30
Bangladeshi Taka	10% depreciation	(68)	-
Pakistani Rupee	10% depreciation	(30)	-
Kazakh Tenge (**"KZT"**)	10% depreciation	5	-
Uzbek Som	10% depreciation	(4)	(27)
Georgian Lari (**"GEL"**)	10% depreciation	(30)	-
Armenian dram	10% depreciation	18	-
Euro (**"EUR"**)	10% depreciation	(9)	-
Algerian Dinar	10% depreciation	(3)	-
Other currencies	10% depreciation	(5)	-
Russian Ruble	10% appreciation	84	(33)
Bangladeshi Taka	10% appreciation	75	-
Pakistani Rupee	10% appreciation	33	-
Kazakh Tenge	10% appreciation	(5)	-
Uzbek Som	10% appreciation	4	30
Georgian Lari	10% appreciation	33	-
Armenian dram	10% appreciation	(20)	-
Euro	10% appreciation	10	-
Algerian Dinar	10% appreciation	4	-
Other currencies	10% appreciation	5	-

2015	Change in foreign exchange rate against US$	Effect on profit / (loss) before tax	Effect on other components of equity
Russian Ruble	10% depreciation	(60)	27
Bangladeshi Taka	10% depreciation	(66)	-
Kazakh Tenge	10% depreciation	17	-
Uzbek Som	10% depreciation	(0)	(27)
Georgian Lari	10% depreciation	(26)	-
Armenian Dram	10% depreciation	16	-
Ukrainian Hryvnia	10% depreciation	(12)	-
Kyrgyz Som	10% depreciation	10	-
Other currencies	10% depreciation	(6)	-
Russian Ruble	10% appreciation	66	(30)
Bangladeshi Taka	10% appreciation	72	-
Kazakh Tenge	10% appreciation	(19)	-
Uzbek Som	10% appreciation	0	30
Georgian Lari	10% appreciation	29	-
Armenian Dram	10% appreciation	(18)	-
Ukrainian Hryvnia	10% appreciation	13	-
Kyrgyz Som	10% appreciation	(10)	-
Other currencies	10% appreciation	6	-

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 from trade receivables), and from its treasury activities, including deposits with banks and financial institutions, derivative financial instruments and other financial instruments. See Note 21 for further information on restrictions on cash balances.

Trade receivables 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 and equipment sales are typically paid in advance of delivery, except for equipment sold to dealers on credit terms. VimpelCom's credit risk arising from the services the company provides to customers is mitigated to a large extent due to no less than 87.9% of its active customers being subscribed to a prepaid service as of December 31, 2016 (2015: 94%) and, accordingly, not giving rise to credit risk.

VimpelCom's credit risk arising from its trade receivables from dealers is mitigated due to the risk being spread across a 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 helps to mitigate credit risk in this regard.

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. In respect of financial instruments used by the Company's treasury function, the aggregate credit risk the Group may have with one counterparty is limited by reference to, amongst others, the long-term credit ratings assigned for that counterparty by Moody's, Fitch Ratings and Standard & Poor's and CDS spreads of that counterparty. Counterparty credit limits are reviewed and approved by the Company's CFO. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

Value Added Tax ("**VAT**") is recoverable from tax authorities by offsetting it against VAT payable to the tax authorities on VimpelCom's revenue or direct cash receipts from the tax authorities. Management periodically reviews the recoverability of the balance of input value added tax and believes it is fully recoverable.

VimpelCom issues advances to a variety of its vendors of property and equipment for its network development. The contractual arrangements with the most significant vendors provide for equipment financing in respect of certain deliveries of equipment. VimpelCom periodically reviews the financial position of vendors and their compliance with the contract terms.

The Company's maximum exposure to credit risk for the components of the statement of financial position at December 31, 2016 and 2015 is the carrying amount as illustrated in Note 17 and Note 20.

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. As at December 31, 2016 21% (2015: 16%) of the Company's debt will mature in less than one year 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 based on liquidity in the markets the Company has access to, and recent history of refinancing. The Company believes that access to sources of funding is sufficiently available and the Company's policy is to diversify the funding sources where possible.

The Company had the following available Facilities as at the dates indicated below:

At December 31, 2016		**Amounts in millions of transaction currency**			**US$ equivalent amounts**		
Facility	**Final availability period**	**Facility amount**	**Utilized**	**Available**	**Facility amount**	**Utilized**	**Available**
VimpelCom Holdings B.V. – Vendor Financing Facility China Development Bank	September 2018	RMB 700 million	RMB 149 million	RMB 551 million	101	21	80
PJSC Vimpel-Communications (**"PJSC VimpelCom"**) – Revolving Credit Facility Sberbank	May 2017	RUB 15,000 million	-	RUB 15,000 million	247	-	247
Optimum Telecom Algérie SpA – Term Loan Facility	December 2017	DZD 32,000 million	-	DZD 32,000 million	290	-	290
Total					**638**	**21**	**617**

VimpelCom Holdings B.V. has signed a new revolving credit facility subsequent to the reporting date. Refer to Note 27.

At December 31, 2015		**Amounts in millions of transaction currency**			**US$ equivalent amounts**		
Facility	**Final availability period**	**Facility amount**	**Utilized**	**Available**	**Facility amount**	**Utilized**	**Available**
VimpelCom Holdings B.V. – Vendor Financing Facility China Development Bank	2018	RMB 700 million	-	RMB 700 million	108	-	108
PJSC VimpelCom – Revolving Credit Facility Sberbank	May 2017	RUB 15,000 million	-	RUB 15,000 million	206	-	206
PJSC VimpelCom –Credit Facility Sberbank	March 2016	RUB 30,000 million	-	RUB 30,000 million	412	-	412
Pakistan Mobile Communications Limited- Islamic financing facility	December 2016	PKR 16,000 million	PKR 1,000 million	PKR 15,000 million	153	10	143
Pakistan Mobile Communications Limited - Credit facility Habib Bank Limited	June 2016	PKR 4,000 million	PKR 500 million	PKR 3,500 million	38	5	33
Optimum Telecom Algérie SpA – Term Loan Facility	December 2017	DZD 32,000 million	-	DZD 32,000 million	299	-	299
Total					**1,216**	**15**	**1,201**

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments. Payments related to variable interest rate financial liabilities and derivatives are included based on the interest rates applicable as at December 31, 2016 and December 31, 2015, respectively. The total amounts in the table differ from the carrying amounts as stated in Note 17 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.

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
At December 31, 2016					
Bank loans and bonds	2,315	3,578	1,821	3,255	10,969
Equipment financing	54	42	21	-	117
Loans from others	1	2	2	11	16
Derivative financial instruments- liabilities					
- Gross cash inflows	(451)	-	-	-	(451)
- Gross cash outflows	495	2	-	-	497
Trade and other payables and dividend payables	1,999	-	-	-	1,999
Other financial liabilities	29	44	-	-	73
Warid Non-controlling interest put option liability	-	-	290	-	290
Total financial liabilities	4,442	3,668	2,134	3,266	13,510
Related derivatives financial instruments-assets					
-Gross cash inflows	(29)	-	-	-	(29)
-Gross cash outflows	27	-	-	-	27
Related derivative financial instruments-assets	(2)	-	-	-	(2)
Total financial liabilities, net of derivative assets	**4,440**	**3,668**	**2,134**	**3,266**	**13,508**

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
At December 31, 2015					
Bank loans and bonds	1,933	3,228	1,520	3,254	9,935
Equipment financing	72	63	7		141
Loans from others	55	1,366	-	781	2,202
Derivative financial instruments- liabilities					
- Gross cash inflows	-	-	-	-	-
- Gross cash outflows	3	3	2	-	8
Trade and other payables and dividend payables	1,593	-	-	-	1,593
Total financial liabilities	**3,656**	**4,660**	**1,529**	**4,035**	**13,880**
Related derivatives financial instruments-assets					
-Gross cash inflows	(558)	(23)	-	-	(581)
-Gross cash outflows	531	22	-	-	553
Related derivative financial instruments-assets	(27)	(1)	-	-	(28)
Total financial liabilities, net of derivative assets	**3,629**	**4,659**	**1,529**	**4,035**	**13,852**

Capital management

The primary objective of the Company's capital management is to ensure that it maintains at least a BB- / Ba3 credit rating, with an aim to improve this further, and to maintain healthy capital ratios in order to secure access to debt and capital markets at all times and maximize shareholder value. 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 December 31, 2016 and December 31, 2015. In February 2017, our Supervisory Board approved a dividend policy pursuant to which from 2016 the Company aims to pay a sustainable and progressive dividend based on the evolution of the Company's equity free cash flow, which is defined as net cash flow from operating activities less net cash used in investing activities, as reported in the special purpose consolidated financial statements.

The Net Debt to Adjusted EBITDA ratio is an important measure used by the Company to assess its capital structure in light of maintaining a strong credit rating. Further, this ratio is included as a financial covenant in the credit facilities of the Company and VimpelCom Amsterdam B.V.. 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 adjusted for derivatives designated as hedges. Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortization and impairment, loss on disposals of non-current assets, other non-operating losses and share of profit / (loss) of joint ventures. For reconciliation of Adjusted EBITDA to Profit before tax please refer to Note 7.

For most facilities entered into by VimpelCom Amsterdam B.V. and VimpelCom Holdings B.V., Net Debt will be calculated as Total Debt of VEON Ltd., VimpelCom Amsterdam B.V. and VimpelCom Holdings B.V. and its consolidated subsidiaries minus Cash and Cash Equivalent Investments of VimpelCom Holdings B.V. on a consolidated basis.

Adjusted EBITDA will be calculated at the VimpelCom Holdings B.V. on a consolidated basis and “pro-forma” adjusted for acquisitions and divestments of any business bought or sold during the relevant period. The required Net Debt to Adjusted EBITDA ratio is 3.5x. As at December 31, 2016 and 2015 the Net Debt to Adjusted EBITDA ratio was 2.1x and 1.4x, respectively.

For a discussion on how the Net Debt to Adjusted EBITDA ratio is calculated under the new multi-currency term and revolving facilities of up to US$2,250, entered into subsequent to the reporting date, please refer to Note 27.

Certain of the credit facilities of VimpelCom Amsterdam B.V. and VimpelCom Holdings B.V. also contain financial covenants with respect to the Net Debt to Adjusted EBITDA ratio relevant to the Company’s Russian subsidiary PJSC VimpelCom, which holds and/or guarantees a major part of the debt of the Company. The required ratio for PJSC VimpelCom is <3.5x (2015: <3.5x) in the relevant financings of VimpelCom Amsterdam B.V. and VimpelCom Holdings B.V.. As at December 31, 2016 and 2015 the Net Debt to Adjusted EBITDA ratio for PJSC VimpelCom was 3.1x and 2.6x, respectively. The ratio is calculated based on the consolidated financial statements of PJSC VimpelCom prepared under IFRS in Russian rubles as translated into U.S. Dollars.

Collateral

The Company provides collateral for some lenders which are further described in Note 15 and Note 17.

6 Significant transactions

Accounting policies

Business combinations

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured as the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued by the Group.

The acquiree’s identifiable assets and liabilities are recognized at their fair values at the acquisition date. Determining the fair value of assets acquired and liabilities assumed requires the use of significant estimates and assumptions, among other items, including assumptions with respect to future cash inflows and outflows, discount rates and other characteristics of the asset or liability that a market participant would take into account when pricing the asset or liability at measurement date. The results of operations of acquired businesses are included in the special purpose 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.

Goodwill is measured as 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 net amounts of identifiable assets acquired and liabilities assumed at the acquisition date.

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.

Business combinations under common control

Business combinations under common control are accounted for using the carry-over accounting method. Accordingly, all assets and liabilities of the business acquired are recognized at the carrying value of those assets and liabilities as identified and measured in the consolidated financial statements of the parent company. The related assets and liabilities are recognized on the date of the business combination under common control. The difference between the net book value of the net asset acquired and the purchase consideration paid is recognized directly in equity as a contribution-in-kind from or a dividend to the parent company, and any related cash balances are presented within financing activities in the Consolidated statement of cash flows. No goodwill or bargain purchase is recognized. The results of operations of acquired businesses are included in the consolidated financial statements of the acquiring entity from the date of acquisition (i.e. no retrospective restatements).

Subsidiaries acquired exclusively with a view to resale

The net assets of a subsidiary acquired exclusively with a view to resale is accounted for at fair value less cost of disposal upon initial recognition. Liabilities of the subsidiary acquired with the purpose of resale are recognized at fair value upon initial recognition, while assets of the subsidiary acquired with the purpose of resale are recognized at initial recognition at the fair value less cost to sell of the subsidiary plus the fair value of the financial liabilities. Subsequently the results of the subsidiary, are recognized in the Consolidated income statement and Consolidated statement of comprehensive income as part of discontinued operations, with the assets and liabilities of the subsidiary acquired with a view to resale presented as a disposal group held for sale.

Transactions with non-controlling interests that do not result in loss of control

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

Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction or loss of control rather than through continuing use, and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Assets and liabilities of a disposal group classified as held for sale are presented separately from the other assets and liabilities in the statement of financial position.

A discontinued operation is a component that is classified as held for sale and that represents a separate major line of business or geographical area of operations.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount in the income statement. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

Transactions during 2016

Contribution of WIND Telecom S.p.A.

On October 28, 2016 VimpelCom Amsterdam B.V., the Company's parent company, contributed to the Company an investment in Wind Telecom S.p.A., including an investment in WAHF, which has telecommunication operations in Italy. This contribution represents a business combination under common control.

On August 6, 2015, VEON Ltd. signed an agreement with Hutchison Europe Telecommunications Sarl, a wholly-owned subsidiary of CK Hutchison Holdings Ltd (**"HET"**), which indirectly owns 100% of Italian mobile operator 3 Italia, to combine its operations in Italy with 3 Italia in a 50/50 joint venture. As a result of the expected loss of control from the agreement, WAHF represents a subsidiary acquired exclusively with a view to resale. The Company classified its investment in WAHF as a 'Subsidiary acquired exclusively with a view to resale' and 'Discontinued operation' in the consolidated financial statements.

The Company has accounted for this business combination under common control in accordance with the carry-over method upon initial recognition. The liabilities of WHAF have been accounted for at fair value upon initial recognition, while the assets of WAHF are recognized at the fair value of liabilities plus the fair value less cost of disposal of WAHF, given that WAHF has been identified as a subsidiary acquired exclusively with a view to resale, as a result of the agreement between VEON Ltd. and HET. The consolidated assets and liabilities of the Wind Telecom S.p.A. group have been included in the consolidated financial position of the Company from the date of acquisition.

The carrying values of the assets and liabilities of Wind TeleCom S.p.A and WAHF as at the date of acquisition after the elimination of intercompany balances were:

	Balance recognized on common control business combination
Current assets	
Trade and other receivables	2
Current income tax assets	18
Cash and cash equivalents	1
Assets classified as held for sale	17,931
Non-current liabilities	
Financial liabilities	(11)
Current liabilities	
Trade and other payables	(66)
Other non-financial liabilities	(7)
Other financial liabilities	(55)
Liabilities associated with assets classified as held for sale	(15,837)
Net assets / Capital contribution received	**1,976**

Formation of joint venture in Italy

The transaction between VEON Ltd. and HET to combine their respective businesses in Italy was successfully completed on November 5, 2016, following satisfaction of the necessary conditions precedent, which included receipt of approvals from the European Commission and the Italian Ministry of Economic Development. In connection with these approvals, the Italy Joint Venture and its shareholders signed agreements with Iliad SA (**"Iliad"**) for the sale of spectrum and sites and an undertaking to provide other services including national roaming, to enable the French telecommunication operator to enter the Italian market.

Under the transaction, the Company contributed its entire shareholding in the operations in Italy, in exchange for a 50% interest in the newly-formed Italy Joint Venture and subject to customary working capital and net cash adjustments. As a result, the Company has lost control of the WAHF Group.

On completion of the transaction, the assets and liabilities of WAHF were deconsolidated and an investment in joint venture, in which the Company has joint control, was recorded at fair value of EUR 1,897 million (US$2,113). The initial investment in the joint venture is based on a Level 3 fair value derived from a discounted cash flow model, incorporating the expected realization of synergies adjusted for market expectations and the impact of agreements entered into with Iliad, as described above. The key assumption used in the discounted cash flow model are as follows:

	November 5, 2016
Discount rate (functional currency)	6.88%
Average annual revenue growth rate during forecast period (functional currency)	(2.3)%
Terminal growth rate	0.5%
Average operating (EBITDA) margin during forecast period	35.7%
Average capital expenditure as a percentage of revenue	21%

The investment in the Italy Joint Venture is accounted for using the equity method from November 5, 2016, refer to Note 13 for further details regarding investments in joint ventures and associates.

The effect of the disposal of Italy for the current year is detailed below:

	2016
Fair value of investment in joint venture	2,113
Cash consideration receivable *	28
Total consideration on disposal	**2,141**
Derecognition of assets classified as held for sale	(17,899)
Derecognition of liabilities classified as held for sale	15,837
Gain on disposal of discontinued operations, net of tax	**79**

* Cash consideration receivable relates to a Final Adjustment payable by HET to the Company based on contributed Working Capital and Net Cash.

Transactions between the Group and the WAHF Group are disclosed as Related Party transactions and balances (see Note 25).

Total profit for the period from discontinued operations is shown below.

	2016
Loss after tax for the period from discontinued operations	(33)
Gain on disposal of discontinued operations, net of tax	79
Profit for the period from discontinued operations	**46**

Acquisition in Pakistan

On November 26, 2015, International Wireless Communications Pakistan Limited and Pakistan Mobile Communications Ltd ("**PMCL**"), each indirect subsidiaries of the Company, signed an agreement with Warid Telecom Pakistan LLC and Bank Alfalah Limited, to combine their operations in Pakistan. On July 1, 2016, the transaction was closed and PMCL acquired 100% of the voting shares in Warid Telecom (Pvt) Limited ("**Warid"**) for a consideration of 15% of the shares in PMCL. As a result, the Company gained control over Warid.

VimpelCom elected to measure the non-controlling interest in the acquiree at fair value.

The fair values of the identifiable assets and liabilities of Warid at the date of acquisition were:

	Fair value recognized on acquisition
Non-current assets	
Property and equipment	199
Intangible assets	201
Deferred tax assets	308
Other financial assets	2
Current assets	
Inventories	1
Trade and other receivables	26
Other non-financial assets	23
Current income tax assets	17
Cash and cash equivalents	7
Non-current liabilities	
Financial liabilities	(402)
Provisions	(6)
Other non-financial liabilities	(15)
Current liabilities	
Trade and other payables	(113)
Other non-financial liabilities	(83)
Other financial liabilities	(45)
Total identifiable net assets at fair value	**120**
Purchase consideration	**321**

Goodwill resulting from the acquisition	**201**
Purchase consideration	
Share issued by PMCL	274
Contingent consideration liability	47
Total consideration	**321**
Analysis of cash flows on acquisition	
Net cash acquired with the subsidiary (included in cash flows from investing activities)	7
Net cash flow on acquisition	7

There have been no period adjustments to the provisional fair values of the assets acquired, liabilities assumed and consideration to date.

The goodwill of US$201 comprises the value of expected synergies arising from the acquisition. The goodwill recognized is deductible for income tax purposes.

The fair value of the trade receivables amounts to US$26. The gross amount of trade receivables is US$33, of which US$7 is expected not to be collected.

From the date of acquisition, Warid contributed US$161 of revenue and a loss of US$6 to Loss before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, the contribution to revenue from continuing operations would have been US$313, and the contribution to the results before tax from continuing operations for the Group would have been a loss of US$37.

PMCL issued 679,604,049 ordinary shares as consideration for the 100% interest in Warid. The fair value of the shares is based on a Level 3 fair value derived from a discounted cash flow model, incorporating the expected realization of synergies adjusted for market expectations. The discount rate applied was 14.1% with a 4% terminal growth rate.

As part of the share purchase agreement, an earn-out payment has been agreed in the event that a tower transaction is effected by PMCL within four years from the acquisition date. The earn-out also applies if another telecommunications operator in Pakistan effects a tower transaction, provided the transaction meets certain parameters, in the same timeframe. The contingent consideration will be settled with a share transfer of PMCL shares. At the acquisition date, the fair value of the contingent consideration was estimated to be US$47 using a discounted cash flow technique.

There were no changes to the fair value of the contingent consideration since the acquisition date, other than the unwinding of discount.

The fair value of the non-controlling interest in PMCL related to the Warid acquisition has been estimated by applying a discounted cash flow technique.

As part of the acquisition agreement, the Company also agreed put-call options over the entire non-controlling interest, whereby the Company has the ability to call, and the non-controlling interest has the ability to put the entire non-controlling interest of PMCL. The options are exercisable four years from the acquisition date at the fair market value of the PMCL shares.

The put-call options over the non-controlling interest of PMCL are accounted for as a put-option redemption liability which is classified as a financial liability in the Company's special purpose consolidated financial statements (Note 17). The put-option redemption liability is measured at the discounted redemption amount with a value of US$274 at the acquisition date. Interest over the put-option redemption liability will accrue until the options have been exercised or are expired. As a result, no non-controlling interest will be recognized over the non-controlling interest in PMCL in the Company's special purpose consolidated financial statements.

Interest expense and foreign exchange loss over the option's redemption liability amounted to US$21 and US$1, respectively, for the period ended December 31, 2016. In addition, PMCL declared dividends of US$7 attributable to the non-controlling interest of PMCL (Note 23), which has reduced the put-option redemption liability. As at December 31, 2016 the resulting carrying value of put-option redemption liability was US$290 (Note 17).

Following the acquisition of Warid, the legal merger of Mobilink and Warid occurred by way of a scheme of arrangement under Pakistani law as approved by a merger order of the Islamabad High Court dated December 15, 2016, whereby Warid merged into PMCL and (the former) ceased to exist. The court order provides for a merger effective date of July 1, 2016.

Acquisition of additional interest in 2Day Telecom LLP and KazEuroMobile LLP

On September 30, 2016 the Company acquired an additional interest of 16% in 2Day Telecom LLP, increasing its interest to 75%, for cash consideration of US$7. On the same date, the Company acquired an additional 24% interest in KazEuroMobile LLP for KZT 1, increasing its interest to 75%. The purpose of these transactions is to streamline the ownership structure of the Group. The transactions were accounted for through equity by increasing other capital reserves.

The transactions resulted in a decrease in equity attributable to the shareholders of the parent of US$9 and US$1 respectively.

Sale of operations in Zimbabwe

On November 18, 2015, the Company, together with its subsidiary Global Telecom Holding S.A.E. ("**GTH**"), entered into an agreement with ZARNet (Private) Limited to sell its stake in Telecel International Limited for US$40. Telecel International Limited owns 60% of Telecel Zimbabwe (Pvt) Ltd. ZARNet is wholly owned by the Government of the Republic of Zimbabwe through the Ministry of Information & Communication Technology, Postal and Courier Services.

Due to constraints in ZARNet's ability to pay the full US$40 outside of Zimbabwe, it was agreed that ZARNet will satisfy the purchase price consideration with US$21 cash (of which US$10 was received in 2015 and US$11 was received in 2016), and a US$19 Vendor Note payable in three years to Global Telecom Netherlands B.V., a subsidiary of GTH. Due to the currency restrictions in Zimbabwe, management have not included the Vendor Note in determining the result of the sale, as it is currently uncertain whether it will be recoverable.

The transaction closed on November 30, 2016, resulting in a gain of US$21.

Transactions of 2015

Business combination under common control

On December 18, 2015 VEON Ltd., the Company's ultimate parent company, contributed to the Company an investment in Weather Capital S.a.r.l., including an investment in Global Telecom Holding S.A.E. Global Telecom Holding S.A.E has telecommunication operations in Algeria, Bangladesh and Pakistan. This contribution represents a business combination under common control. The Company has accounted for this business combination under common control in accordance with the carry-over accounting (Note 3). Accordingly, the comparative amounts of the Global Telecom Holding S.A.E group have not been restated. As a result, the consolidated assets and liabilities of the Global Telecom Holding S.A.E group have been included in the consolidated financial position of the Company. The results of the operations of the Weather Capital S.a.r.l. together with its subsidiaries for the period after the combination were not material.

The carrying values of the assets and liabilities of Global Telecom Holding S.A.E group as at the date of acquisition after elimination of intercompany balances were:

	Carrying value recognized on acquisition
Non-current assets	
Property and equipment	2,126
Intangible assets	1,358
Goodwill	2,654
Investments in associates and joint ventures	1
Deferred tax assets	21
Non-current income tax advance	13
Other financial assets	9
Other non-financial assets	8
Current assets	
Inventories	14
Trade and other receivables	251
Other non-financial assets	202
Current income tax assets	95
Other financial assets	669
Cash and cash equivalents	560

	Carrying value recognized on acquisition
Non-current liabilities	
Financial liabilities	(2,501)
Provisions	(227)
Other non-financial liabilities	(77)
Deferred tax liabilities	(91)
Current liabilities	
Trade and other payables	(781)
Other non-financial liabilities	(600)
Other financial liabilities	(367)
Current income tax payables	(5)
Provisions	(147)
Total net assets	**3,185**
of which:	
Non-controlling interest	(186)
Total capital contribution received	3,371
Total	**3,185**

Restructuring of the Company's ownership in LLC "Sky Mobile" (Kyrgyzstan) and LLP "KaR-Tel" (Kazakhstan)

During Q2 2015 the Company completed the process of restructuring its ownership in LLC "Sky Mobile" ("**Sky Mobile**") and LLP "KaR-Tel" ("**KaR-Tel**"). Key changes as a result of the restructuring included:

- moving the ownership from Cyprus to Swiss holding companies;
- increasing the Company's ownership in KaR-Tel from 71.5% to 75% and decreasing the Company's ownership in Sky Mobile from 71.5% to 50.2%;
- termination of an existing put option liability of US$271, which was held by the non-controlling interest holder and call option (value nil) held by the Company; and

No cash consideration was exchanged in connection with the above restructuring and the Company continues to control KaR-Tel and Sky Mobile subsequent to the transaction. The changes in ownership and termination of the put option were treated as an equity transaction with a non-controlling interest holder since VimpelCom did not lose control of the subsidiaries, and resulted in a net decrease to parent equity of US$98 and increase to non-controlling interest of US$358. Following the completion of the restructuring, the portion of the deferred tax liabilities amounting to US$75 was credited to the income tax expense for the period.

7 Segment information

Management analyzes the Company's operating segments separately due to the different economic environments and stages of development in different geographical areas, requiring different investment and marketing strategies. Management does not analyze assets or liabilities by operating segments.

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 ("**Adjusted EBITDA**").

In the second quarter of 2016, management decided to no longer include Kazakhstan as a separate reportable segment due to the decreasing impact of operations in Kazakhstan on the overall business. As a result, the activities in Kazakhstan have been integrated into Other. The comparative figures for the 2015 set out in the tables below have been re-presented to reflect this change.

Reportable segments

Financial information by reportable segment for the two years ended December 31, 2016, is presented in the following tables. Inter-segment revenues are on an arm's length basis in a manner similar to transactions with third parties. The segment data for acquired operations are reflected herein from the date of their respective acquisition.

Year ended December 31, 2016

	Russia	Algeria	Pakistan	Bangladesh	Ukraine	Uzbekistan	HQ and Other	Total Segments
Revenue								
External customers	4,059	1,040	1,293	621	566	662	591	8,832
Inter-segment	38	-	2	-	20	1	(61)	-
Total revenue	**4,097**	**1,040**	**1,295**	**621**	**586**	**663**	**530**	**8,832**
Adjusted EBITDA	**1,574**	**547**	**507**	**267**	**306**	**395**	**(169)**	**3,427**
Other disclosures								
Capital expenditures	663	201	215	137	106	174	224	1,720

Year ended December 31, 2015

	Russia	Ukraine	Kazakhstan	Uzbekistan	HQ and Other	Total Segments
Revenue						
External customers*	4,548	602	579	710	249	6,688
Inter-segment	54	20	19	1	(94)	-
Total revenue*	**4,602**	**622**	**598**	**711**	**155**	**6,688**
Adjusted EBITDA	**1,825**	**292**	**276**	**437**	**(21)**	**2,809**
Other disclosures						
Capital expenditures	910	299	73	55	124	1,461

* Amounts have been re-presented to confirm with current year presentation, refer Note 8.

The following table provides the reconciliation of consolidated Adjusted EBITDA to consolidated income statement before tax for the two years ended December 31:

	2016	2015
Total Segments Adjusted EBITDA	**3,427**	**2,809**
Depreciation	(1,436)	(1,066)
Amortization	(493)	(211)
Impairment loss	(192)	(146)
Loss on disposals of non-current assets	(20)	(31)
Finance costs	(821)	(658)
Finance income	130	44
Other non-operating losses	(70)	(17)
Share of (loss) / profit of associates and joint ventures	48	18
Impairment of associates and joint ventures	(99)	-
Net foreign exchange gain / (loss)	157	(284)
Profit before tax	**631**	**458**

Geographical information of non-current assets

The total of non-current assets (other than financial instruments and deferred tax assets, which are included in Other, along with consolidation eliminations), broken down by location of the assets, is shown in the following tables:

December 31, 2016

	Russia	Algeria	Pakistan	Bangladesh	Ukraine	Uzbekistan	HQ and Other	Total Segments
Non-current assets	7,717	2,324	2,169	1,104	556	509	2,748	**17,127**

December 31, 2015

	Russia	Algeria	Pakistan	Bangladesh	Ukraine	Uzbekistan	HQ and Other	Total
Non-current assets	6,971	2,456	1,624	1,153	710	472	948	**14,334**

8 Revenue

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

	2016	2015
Mobile services	8,037	5,925
Fixed line services	795	763
Total revenue	**8,832**	**6,688**

Revenue recognition (accounting policy)

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.

Generally, revenue for products is recorded when the equipment is sold or upon transfer of the associated risks and rewards, and revenue for services is recorded when the services are rendered. Revenue for bundled packages is recorded based on the relative fair value allocation of each component in the bundle.

Mobile services

Service revenue includes 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, multimedia messages, caller number identification, call waiting, data transmission, mobile internet, downloadable content, mobile finance services, machine-to-machine 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.

In 2016, the Group has aligned its practices for content revenue across the group, and re-presented the comparative period of 2015 reducing revenue and operating costs for the periods. The impact of this refinement in policy was not material for any periods presented, and reduced the revenue and the operating costs by US$20 in 2016 and US$19 in 2015. The net results, financial position and operating cash flows for these periods remained unaffected. The Company concluded that net presentation of the content revenue better reflected the actual nature and substance of the arrangements with content providers.

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.

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.

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

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.

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, whichever is shorter. The Company also defers direct incremental costs related to connection fees for fixed line customers, in an amount not exceeding the revenue deferred.

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.

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.

9 Selling, general and administrative expenses

Selling, general and administrative expenses consist of the following:

	2016	2015
Network and IT costs	1,042	637
Personnel cost	645	567
Customer associated costs	822	498
Losses on receivables	56	32
Taxes, other than income taxes	243	225
Other	610	257
Total	**3,418**	**2,216**

Dealer commissions

Dealer commissions are expensed in the consolidated income statement when the services are provided unless they meet the definition of an asset. Dealer commissions are part of customer associated costs.

Operating lease expenses

The rental payable under operating leases is recognized as an 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.

Total operating lease expense recognized in the consolidated income statement amounted to US$408 (2015: US$272). Please refer to Note 26 for details regarding operating lease commitments.

Accounting policies (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, or when the terms of the agreement are modified.

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 an 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.

10 Impairment

Accounting policies

Goodwill

Goodwill is recognized for the future economic benefits arising from net assets acquired that are not individually identified and separately recognized.

Goodwill is not amortized but is tested for impairment annually and as necessary when circumstances indicate that the carrying value may be impaired.

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 prepared for a period of five years. For longer periods, a long-term growth rate is applied in order to project future cash flows after the fifth year.

Impairment of assets

Property and equipment, and intangible assets are tested for impairment. 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 (i.e. asset becoming idle, damaged or no longer in use), the Company estimates the recoverable amount of the asset.

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

The impairment charge relates to the following:

	Note	2016	2015
Property and equipment	10,15	100	77
Intangible assets	10,16	14	-
Goodwill	10	78	69
		192	**146**

Carrying amount of goodwill and cash-generating units

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

Year ended December 31, 2016

CGU	2016	Impairment	Acquisition	Translation adjustment	2015
Russia	2,312	-	-	388	1,924
Algeria	1,393	-	-	(42)	1,435
Pakistan	497	-	201	1	295
Kazakhstan	176	-	-	3	173
Kyrgyzstan	145	(49)	-	17	177
Uzbekistan	114	-	-	(17)	131
Armenia	59	-	-	-	59
Tajikistan	-	(21)	-	-	21
Others	-	(8)	-	-	8
Total	**4,696**	**(78)**	**201**	**350**	**4,223**

Year ended December 31, 2015

CGU	2015	Contribution by shareholder (Note 6)	Acquisition	Impairment	Translation adjustment	2014
Russia	1,924	716	2	-	(354)	1,560
Ukraine	-	-	-	(51)	(24)	75
Algeria	1,435	1,435	-	-	-	-
Pakistan	295	295	-	-	-	-
Kazakhstan	173	100	-	-	(63)	136
Kyrgyzstan	177	26	-	-	(44)	195
Uzbekistan	131	66	-	-	16	49
Armenia	59	-	-	(18)	(1)	78
Tajikistan	21	8	-	-	-	13
Others	8	8	-	-	-	-
Total	**4,223**	**2,654**	**2**	**(69)**	**(470)**	**2,106**

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

The Company performed its annual goodwill impairment test as at October 1, 2016. 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 on a quarterly basis. As at the impairment test date, the market capitalization of the Group was not below the book value of its equity. The Company further performed an assessment for the period between October 1, and December 31, 2016 for any adverse developments that could have negatively impacted the valuations.

The recoverable amounts of CGUs have been determined based on fair value less costs of disposal calculations, using cash flow projections from business plans approved in the first quarter of 2016 by the Group's senior management. These plans were updated for subsequent changes in the actual performances as well as any changes in the existing networks, renewal of the telecom licenses, any restructurings and other business initiatives. To the extent the business initiatives would not be valued by the market due to their early stages, they were not included in the cash flow projections. The business plans cover a period of five years. The key assumptions and outcomes of the impairment test are discussed separately below.

Impairment losses

2016

During the 2016 annual impairment test, the Company concluded impairments for the CGUs Georgia and Kyrgyzstan in amounts of US$29 and US$49, respectively. The impairments were concluded largely due to lower operating performances in those countries. The recoverable amounts of US$53 and US$219, respectively, were determined based on a fair value less costs of disposal calculation using the latest cash flow projections (Level 3 fair value). The Company applied a post-tax discount of 10.3% and 14.5%, respectively.

For Georgia CGU, the carrying amount of goodwill was already nil prior to the impairment test. As such, the total amount of the impairment loss was allocated to the carrying amounts of property and equipment and intangible assets based on relative carrying value before the impairment as follows:

Account	**Impairment loss**
Property and equipment	16
Intangible assets	13
Total	**29**

In Q4 2016, the Company also concluded an impairment for CGU Tajikistan in an amount of US$88 due to negative cash flow outlook primarily driven by excessive tax levies. The impairment was allocated to all non-current and current assets, including goodwill:

Account	**Impairment loss**
Property and equipment	54
Intangible assets	1
Goodwill	21
Other assets*	12
Total	**88**

* Other assets includes trade and other receivables and deferred tax assets. The impairments on these assets have been recognized on the income statement accounts relating to these assets, i.e. Selling, general and administrative expenses and Income tax expense.

Additionally, in connection with the rollout of the Company's transformation strategy and commitment to network modernization, the Company has re-evaluated the plans for its existing network, including equipment purchased but not installed, and consequently recorded an impairment loss of US$30.

2015

In the first quarter of 2015, due to higher weighted average cost of capital for Ukraine by 1.0% as compared to October 1, 2014, the Company concluded an impairment of US$ 51 in its Ukraine CGU. The recoverable amount was determined based on a fair value less costs of disposal calculation using the latest cash flow projections (Level 3 fair value). Due to current macroeconomic and geopolitical situation in the country, the Company applied higher post-tax discount factors for the first two years in the explicit period of 27.1% in 2015 and 20.4% 2016 followed by normalized post-tax discount rate of 17.8% as of March 31, 2015.

Also, due to higher weighted average costs of capital for the CGU Armenia, an impairment was concluded in the first quarter of 2015 in the amount of US$ 18. The recoverable amount was determined based on a fair value less costs of disposal calculation using the latest cash flow projections (Level 3 fair value). The Company applied post-tax discount rate of 12.1% as of March 31, 2015.

Based on the annual goodwill impairment test as of October 1, 2015, there were no impairments concluded for these and other CGUs.

There were several countries that exhibited very limited headroom, and are discussed in more details later in this Note.

Additionally, in connection with the rollout of the Company's transformation strategy and commitment to network modernization, the Company has re-evaluated the plans for its existing network, including equipment purchased but not installed and recorded an impairment of US$ 77.

Key assumptions

The key assumptions and inputs used by the Company in determining the recoverable amount 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.

The Company estimates operating margin calculated based on Adjusted EBITDA divided by Total Operating Revenue for each CGU and each future year.

Capital expenditure is defined as purchases of 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 5.5% (2015: 5.5%). The systematic risk, beta, represents the median of the raw betas of the entities comparable in size and geographic footprint with the ones of the Company ("**Peer Group**").

The debt risk premium is based on the median of Standard & Poor's long-term credit rating of the Peer Group.

The weighted average cost of capital is determined based on target 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 of a CGU is adjusted for the long-term inflation forecast of the respective country in which the business operates, as well as the applicable country risk premium. Due to the current macroeconomic situation in Russia and Ukraine, the Company applied higher discount rates for the last quarter of 2016 and the year 2017.

Discount rate (functional currency)	**2016**	**2015**
Russia*	9.7%	11.2%
Ukraine*	17.2%	18.2%
Algeria	9.8%	11.4%
Pakistan	14.3%	15.7%
Bangladesh	11.9%	13.4%
Kazakhstan	12.4%	12.3%
Kyrgyzstan	14.5%	14.2%
Uzbekistan	15.4%	18.4%
Armenia	12.0%	12.9%
Georgia	10.3%	12.6%
Tajikistan	n.a.	13.5%

* Due to the current macroeconomic situation in Russia and Ukraine, the Company applied higher discount rates for the last quarter of 2016 and the year 2017 as follows:

Russia: 12.7% (2016) and 10.7% (2017)

Ukraine: 26.9% (2016) and 23.0% (2017)

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.

Average annual revenue growth rate during forecast period (functional currency)	2016	2015
Russia	2.4%	2.4%
Ukraine	3.6%	3.9%
Algeria	(0.8)%	(0.9%)
Pakistan	7.6%	4.8%
Bangladesh	6.4%	6.5%
Kazakhstan	4.4%	3.5%
Kyrgyzstan	(1.8)%	2.4%
Uzbekistan	1.7%	1.7%
Armenia	(2.8)%	(0.7%)
Georgia	6.4%	6.5%
Tajikistan	n.a.	(4.2%)

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

Terminal growth rate	2016	2015
Russia	1.0%	1.0%
Ukraine	1.0%	3.0%
Algeria	3.0%	4.0%
Pakistan	4.0%	5.0%
Bangladesh	4.7%	5.9%
Kazakhstan	2.0%	3.0%
Kyrgyzstan	2.5%	2.5%
Uzbekistan	1.0%	2.0%
Armenia	1.0%	2.0%
Georgia	1.0%	3.0%
Tajikistan	n.a.	2.0%

The forecasted operating 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.

Average operating (EBITDA) margin	2016	2015
Russia	38.6%	44.1%
Ukraine	44.9%	44.9%
Algeria	50.8%	48.7%
Pakistan	33.3%	39.2%
Bangladesh	44.9%	41.2%
Kazakhstan	43.6%	52.3%
Kyrgyzstan	43.9%	54.1%
Uzbekistan	58.2%	61.2%
Armenia	37.8%	35.5%
Georgia	25.7%	32.2%
Tajikistan	n.a.	42.4%

Average capital expenditure as a percentage of revenue	2016	2015
Russia	15.9%	16.5%
Ukraine	17.0%	19.1%
Algeria	15.8%	16.3%
Pakistan	14.3%	14.1%
Bangladesh	14.6%	15.8%
Kazakhstan	18.8%	20.3%
Kyrgyzstan	17.0%	12.3%
Uzbekistan	18.2%	16.3%
Armenia	14.1%	11.8%
Georgia	17.3%	16.4%
Tajikistan	n.a.	13.6%

Sensitivity to changes in assumptions

The following table illustrates the CGUs with limited headroom and potential impairments that would need to be recorded if certain key parameters would adversely change by one percentage point. Any additional adverse changes in the key parameters by more than one percentage point would increase the amount of impairment exposure approximately proportionally.

		Potential impairment if an assumption changes by 1%				
CGU	**Headroom in USD**	**Discount Rate**	**Avg. growth rate**	**Avg. operating margin**	**Avg. CAPEX / Revenue**	**Terminal growth rate**
Armenia	-	12	7	6	4	9

11 Income taxes

Accounting policies

Income taxes

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

In cases where 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.

Uncertain tax positions

The Group's policy is to comply with the applicable tax regulations in the jurisdictions in which its operations are subject to income taxes. The Group's estimates of current income tax expense and liabilities are calculated assuming that all tax computations filed by the Company's subsidiaries will be subject to a review or audit by the relevant tax authorities. The Company and the relevant tax authorities may have different interpretations of how regulations should be applied to actual transactions (refer Note 24 and Note 26, respectively, for further details regarding provisions recognized and risks and uncertainties). 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.

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.

Income tax expense

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

	2016	**2015**
Current tax		
Current year	615	215
Adjustments in respect of previous years	(3)	8
	612	**223**
Deferred tax		
Origination / (reversal) of temporary difference	(218)	(224)
Changes in tax rates	(7)	22
Current year tax losses unrecognized	172	52
(De)recognition and utilization of previously unrecognized tax loss / tax credit	(15)	-
Expiration of tax losses	2	-
Derecognition of previously recognized tax losses	-	7
Write off / (reversal of write off) of deferred tax asset temporary differences	-	-
Adjustments of previous years	-	(6)
(Un)recognized other carry forwards	(7)	-
Other deferred tax effects	1	(1)
	(72)	**(150)**

Income tax expense	**540**	**73**

Any penalties or interest relating to income tax claims or litigations are included in the income tax line item.

The table below outlines the reconciliation between the statutory tax rate in the Netherlands (25%) and effective corporate income tax rates for the Group, together with the corresponding amounts, for the years ended December 31:

Reconciliation between statutory and effective income tax:	**2016**	**2015**
Profit / (loss) before tax from continued operations	631	458
Income tax expense / (benefit) computed on profit before taxes at statutory tax rate	158	115
Difference due to the effects of:		
Different tax rates in different jurisdictions	152	(67)
Non-deductible expenses	89	79
Non-taxable income	(81)	(6)
Prior year adjustments	(3)	2
Change in recognition of deferred tax assets	81	63
Withholding taxes	62	(118)
Tax claims	59	(14)
Change in Income tax rate	(7)	18
Other	30	1
Income tax charge for the period	**540**	**73**

The effective tax rate amounts to 85.6% in 2016 (2015: 15.9%).

Explanatory notes to the effective tax rate

Different tax rates

US$152 adjustment is due to different tax rates of countries that are higher compared to the Dutch statutory tax rate of 25%. The US$152 mainly relates to Uzbekistan which has a profit before tax of US$339 and a statutory tax rate of 50%.

Permanent differences

The non-deductible expenses have an increasing effect on the effective tax rate (US$89).

The 2016 non-deductible expenses mainly relate to GTH (US$24), Pakistan (US$20) and Tajikistan (US$18). The main item of GTH non-deductible expenses in the amount of US$24 represents a legal provision due to the Iraqna case (refer to Note 24). The non-deductible expenses of US$20 within Pakistan mainly relate to permanent differences due to Final Tax Regime ("**FTR**") on mobile financial services and site sharing expenses. The FTR is a final tax liability on source income arising from sales, contracts and import of goods and services. Therefore, expenses incurred in deriving such income are treated as non-deductible. For Tajikistan, the non-deductible expenses mainly relate to on charged intercompany expenses.

The 2015 non-deductible expenses mainly relate to the provision recognized regarding the Uzbekistan investigations (Note 24) being non-tax deductible (US$199 tax impact), non-deductible interest expenses recorded in Egypt and non-deductible impairment losses.

Change in recognition of deferred tax assets

In 2016, the effective tax rate was impacted by a US$81 change in recognition of deferred tax assets resulting mainly from tax losses for which no deferred tax asset was recognized in the Netherlands. At the same time, Bangladesh starts to be profit making and utilizing its tax losses. During 2016, the (positive) results of Bangladesh have been monitored closely. As there were sufficient arguments to start recognizing some of the deferred tax assets on losses, an amount of US$21 was recognized as at December 31, 2016.

In 2015, the effective tax rate was impacted by a US$220 change in recognition of deferred tax assets resulting mainly from tax losses for which no deferred tax asset was recognized in Georgia, Egypt and the Netherlands and a re-measurement of deferred tax asset on previous year tax losses in Luxembourg.

Withholding taxes

In 2016, the expense related to withholding taxes amounted to US$62. US$25 of such withholding taxes relate to amounts due as a result of a dividend from Russia of US$500 to be paid in 2017. The withholding tax on dividends at CIS level mainly relates to withholding taxes on a dividend from Kyrgyzstan that increased due to expected future dividend distributions during 2017. Furthermore, it is expected that Algeria and Pakistan will distribute dividends being subject to withholding tax in the foreseeable future resulting in an increase in accruals in 2016.

In 2015, the effect of withholding taxes on undistributed earnings resulted in a tax benefit of US$179. The amount includes a tax benefit of US$61 relating to a release of accrued Russian withholding taxes on dividends that will be distributed and a release of accrued withholding taxes for the Algerian capital gain taxes and distributed dividends (US$59).

Furthermore, the Company released the accrued withholding taxes on distribution of dividends from the former CIS region after the restructuring of Kar-tel and Sky-Mobile (US$75). The Company also accrued for withholding taxes on future distributions resulting in a net impact of US$58.

Prior year adjustments

The effect of prior year adjustments of US$3 decreased the effective tax rate and mainly relate to Luxembourg for an amount of US$3 due to adjustment in carry forward losses arising due to filing to annual tax return.

Tax claims

The tax claims relate to provisions for uncertain income tax positions (see Note 24).

Changes in income tax rates

Changes in income tax rates of US$7 decreased the effective tax rate. The nominal tax rate decreased in Pakistan (from 32% to 31% in 2016).

In 2015, the increase of the effective tax rate was mainly caused by the nominal tax rate increase in Uzbekistan (from 7.5% to 53% as from 2016).

Minimum taxes and other

US$30 mainly relates to recorded alternative minimum taxes (US$11) and tax credits (US$14) for Pakistan.

Deferred taxes

As at December 31, 2016 and December 31, 2015, the Group reported the following deferred tax assets and liabilities in the statement of financial position:

	December 31, **2016**	December 31, **2015**
Deferred tax assets	343	57
Deferred tax liabilities	(331)	(404)
Net deferred tax position	**12**	**(347)**

The following table shows the movements of the deferred tax assets and liabilities in 2016:

		Movements in deferred taxes					
	Opening balance	Net income statement movement	Changes in composition of the group	Other comprehensive income & Other	Currency translation	Tax rate changes	Ending balance
Property, plant and equipment, net	(499)	32	74	26	(54)	1	(420)
Intangible assets, net	(226)	32	(3)	35	(3)	(1)	(166)
Trade accounts receivable	24	13	-	(4)	(3)	-	30
Other assets	(6)	3	-	1	(1)	-	(3)
Provisions	10	3	3	12	1	-	29
Long-term debt	16	9	-	(8)	8	-	25
Accounts payable	71	8	-	1	14	-	94
Other liabilities	45	9	1	(3)	2	-	54
Other movements and temporary differences	20	-	-	-	1	-	21
Deferred subnational income taxes and other	-	1	(2)	-	-	-	(1)
Withholding tax on undistributed earnings	(45)	(26)	-	-	(1)	-	(72)
	(590)	**84**	**73**	**60**	**(36)**	**-**	**(409)**
Tax losses and other carry forwards	2,168	4	351	(13)	(442)	(156)	1,912
Non recognized deferred tax assets on losses and credits	(1,911)	-	(118)	(40)	449	156	(1,464)
Non recognized deferred tax assets on temporary differences	(14)	(16)	-	-	3	-	(27)
Net deferred tax position	**(347)**	**(72)**	**306**	**7**	**(26)**	**-**	**12**

The movement in net deferred tax position mainly relates to recognition of losses for Pakistan due to the acquisition of Warid Telecom.

As at December 31, 2016, the amount of deductible temporary differences for which no deferred tax asset is recognized amounts to US$27 for Georgia.

The following table shows the movements of the deferred tax assets and liabilities in 2015:

		Movements in deferred taxes					
	Opening balance	Net income statement movement	Changes in composition of the group	Other comprehensive income & Other	Currency translation	Tax rate changes	Ending balance
Property, plant and equipment, net	(354)	4	(206)	-	86	(29)	(499)
Other intangible assets, net	(66)	2	(177)	-	18	(3)	(226)
Trade accounts receivable	(5)	(5)	23	-	2	9	24
Other assets	(22)	14	2	-	2	(2)	(6)
Provisions	14	(2)	1	-	(4)	1	10
Long-term debt	9	4	7	-	(4)	-	16
Accounts payable	72	12	3	-	(20)	4	71
Other liabilities	34	(19)	34	-	(6)	2	45
Other movements and temporary differences	3	1	-	18	(2)	-	20
Deferred subnational income taxes and other	1	(1)	-	-	-	-	-
Withholding tax on undistributed earnings	(207)	158	(7)	-	11	-	(45)
	(521)	**168**	**(320)**	**18**	**83**	**(18)**	**(590)**
Tax losses and other carry forwards	122	60	1,989	-	(3)	-	2,168
Non recognized deferred tax assets on losses and credits	(113)	(58)	(1,738)	-	(2)	-	(1,911)
Non recognized deferred tax assets on temporary differences	(14)	(3)	-	-	3	-	(14)
Net deferred tax position	**(526)**	**167**	**(69)**	**18**	**81**	**(18)**	**(347)**

VimpelCom recognizes a deferred tax asset for the carry forward of unused tax losses and other carry forwards to the extent that it is probable that the deferred tax asset will be utilized.

The amount and expiry date of deductible temporary differences, unused tax losses and other carry forwards for which no deferred tax asset is recognized are as follows as at December 31, 2016:

Tax losses year of expiration	Recognized losses	Recognized DTA	Non-recognized losses	Non-recognized DTA
0 - 5 years	(47)	-	(1,016)	237
6 - 10 years	-	9	(715)	179
> 10 years	-	-	-	
Indefinitely	(1,223)	402	(5,137)	1,003
Total	**(1,270)**	**411**	**(6,868)**	**1,419**

Other carry forwards year of expiration	Recognized credits	Recognized DTA	Non-recognized other carry forwards	Non-recognized DTA
0 - 5 years	(37)	37	-	-
6 - 10 years	-	-	-	-
> 10 years	-	-	-	-
Indefinitely	-	-	(187)	45
Total	**(37)**	**37**	**(187)**	**45**

The losses mainly relate to Luxembourg (US$5,137) and Dutch holdings entities (US$715) of which US$80 of losses is recognized.

The following tables show the recognized and not recognized deferred income tax assets as at December 31, 2015 for comparison purposes:

Tax losses year of expiration	Recognized credits	Recognized DTA	Non-recognized credits	Non-recognized DTA
0 - 5 years	-	-	1,999	494
6 - 10 years	32	6	309	77
> 10 years	-	-	-	-
Indefinitely	573	216	5,672	1,340
Total	**604**	**222**	**7,980**	**1,911**

Other carry forwards year of expiration	Recognized credits	Recognized DTA	Non-recognized credits	Non-recognized DTA
0 - 5 years	35	35	-	-
6 - 10 years	-	-	-	-
> 10 years	-	-	-	-
Indefinitely	-	-	-	-
Total	**35**	**35**	**-**	**-**

VimpelCom reports the tax effect of the existence of undistributed profits that will be distributed in the foreseeable future. The Company has a deferred tax liability of US$73 relating to the tax effect of the undistributed profits that will be distributed in the foreseeable future, primarily in relation to its Russian, Algerian and Pakistan operations.

At December 31, 2016, undistributed earnings of VimpelCom's foreign subsidiaries (outside the Netherlands) which are indefinitely invested and will not be distributed in the foreseeable future, amounted to US$8,495 (2015: US$8,239). Accordingly, no deferred tax liability is recognized for this amount of undistributed profits.

Taxes recorded outside the income statement

In 2015, the amount of current and deferred taxes reported outside of the income statement amounts to US$348 comprising of US$345 current tax charge and US$(3) deferred tax charge. The current tax charge mainly relates to the Algerian capital gain tax of US$428, out of which US$350 was recognized directly in equity (Note 6).

Non-current income tax assets

The Company reported both current and non-current income tax assets, totaling US$194. This mainly relates to advanced tax payments in Pakistan, Bangladesh and Ukraine which can only be offset against income tax liabilities in fiscal periods subsequent to 2016.

12 Investments in subsidiaries

Information about significant subsidiaries

Name of significant subsidiary	Country of incorporation	Nature of the subsidiary	Ownership held by the Group (%)	
			2016	2015
PJSC VimpelCom	Russia	Operating	100%	100%
"Kyivstar" PJSC	Ukraine	Operating	100%	100%
LLP "KaR-Tel"	Kazakhstan	Operating	75.0%	75.0%
LLC "Tacom"	Tajikistan	Operating	98.0%	98.0%
LLC "Unitel"	Uzbekistan	Operating	100%	100%
LLC "Mobitel"	Georgia	Operating	80.0%	80.0%
CJSC "ArmenTel"	Armenia	Operating	100%	100%
LLC "Sky Mobile" (see Note 6 for transaction description)	Kyrgyzstan	Operating	50.1%	50.1%
VimpelCom Lao Co. Ltd.	Lao PDR	Operating	78.0%	78.0%
Weather Capital S.à r.l.	Luxembourg	Holding	100%	100%
Weather Capital Special Purpose 1 S.A.	Luxembourg	Holding	100%	100%
Global Telecom Holding S.A.E	Egypt	Holding	51.9%	51.9%
Omnium Telecom Algérie S.p.A.*	Algeria	Operating	23.7%	23.7%
Optimum Telecom Algeria S.p.A.*	Algeria	Operating	23.7%	23.7%
Pakistan Mobile Communications Limited (see Note 6 for transaction description)	Pakistan	Operating	44.0%	51.9%
Banglalink Digital Communications Limited	Bangladesh	Operating	51.9%	51.9%
Wind Telecom S.p.A. (see Note 6 for transaction description)	Italy	Holding	100%	-

* The Group has concluded that it controls OmniumTelecom Algérie S.p.A and Optimum Telecom Algeria S.p.A even though its subsidiary, GTH owns less than 50% of the ordinary shares. This is because the Company can exercise operational control through a shareholders' agreement.

The company holds and controls its investments in Omnium Telecom Algérie S.p.A., Optimum Telecom Algeria S.p.A, Pakistan Mobile Communications Limited, Warid Telecom Limited and Banglalink Digital Communications Limited though its subsidiary Global Telecom Holding S.A.E. in which it holds a 51.9% interest as at December 31, 2016. The equity interest presented in the table above represents the economic rights available to the Company.

Material partly-owned subsidiaries

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

Name of significant subsidiaries	Country of operation	Equity interest held by non-controlling interest in %	
		2016	2015
LLP "KaR-Tel"	Kazakhstan	25.0%	25.0%
LLC "Sky Mobile"	Kyrgyzstan	49.8%	49.8%
Global Telecom Holding S.A.E. (comprising Pakistan, Bangladesh and Algeria)	Egypt	48.1%	48.1%
Omnium Telecom Algérie S.p.A.**	Algeria	76.3%	76.3%
Book values of material non-controlling interests			
LLP "KaR-Tel"	Kazakhstan	253	241
LLC "Sky Mobile"	Kyrgyzstan	164	225
Global Telecom Holding S.A.E.	Egypt	(219)	(224)
Omnium Telecom Algérie S.p.A.**	Algeria	1,332	1,404
Profit / (loss) allocated to material non-controlling interests			
LLP "KaR-Tel"	Kazakhstan	10	44
LLC "Sky Mobile"	Kyrgyzstan	(21)	40
Global Telecom Holding S.A.E.	Egypt	116	26
Omnium Telecom Algérie S.p.A.**	Algeria	141	132

** The amount of non-controlling interests presented for Omnium Telecom Algérie S.p.A. of 76.3% represents the non-controlling interests in Algeria of 54.5% and the non-controlling interests in the intermediate parent company in Egypt Global Telecom Holding S.A.E of 48.1%.

The summarized financial information of these subsidiaries, before intercompany eliminations, is as follows:

Summarized income statement:

Year ended December 31, 2016	LLP "KaR-Tel"	LLC "Sky Mobile"	Global Telecom Holding S.A.E.	Omnium Telecom Algérie S.p.A.
Operating revenue	308	136	2,955	1,040
Operating expenses	(255)	(162)	(2,463)	(753)
Other costs / income	2	(12)	(213)	(33)
Profit / (loss) before tax	55	(38)	279	254
Income tax expense	(14)	(5)	(144)	(69)
Profit / (loss) for the year	**41**	**(43)**	**135**	**185**
Total comprehensive income	**41**	**(43)**	**135**	**185**
Attributed to non-controlling interest	10	(21)	116	141
Dividends paid to non-controlling interest	-	-	-	-

Year ended December 31, 2015	LLP "KaR-Tel"	LLC "Sky Mobile"	Global Telecom Holding S.A.E.	Omnium Telecom Algérie S.p.A.
Operating revenue	534	164	2,894	1,273
Operating expenses	(410)	(93)	(2,462)	(922)
Other costs / income	97	29	(364)	(72)
Profit / (loss) before tax	221	100	68	279
Income tax expense	(51)	(10)	(115)	(106)
Profit / (loss) for the year	**170**	**90**	**(47)**	**173**
Total comprehensive income	**170**	**90**	**(47)**	**173**
Attributed to non-controlling interest	44	40	26	132
Dividends paid to non-controlling interest	-	-	-	(57)

Summarized statement of financial position:

As at December 31, 2016	LLP "KaR-Tel"	LLC "Sky Mobile"	Global Telecom Holding S.A.E.	Omnium Telecom Algérie S.p.A.
Property and equipment	203	80	2,314	531
Intangible assets	91	14	1,356	394
Other non-current assets	205	147	2,268	1,417
Trade and other receivables	16	6	222	44
Cash and cash equivalents	29	33	606	309
Other current assets	64	3	337	84
Financial liabilities	-	-	(2,903)	(343)
Provisions	(7)	(15)	(396)	(28)
Other liabilities	(94)	(29)	(1,787)	(492)
Total equity	**507**	**239**	**2,017**	**1,916**
Attributed to equity holders of parent	254	75	2,236	584
Non-controlling interest	253	164	(219)	1,332

As at December 31, 2015	LLP "KaR-Tel"	LLC "Sky Mobile"	Global Telecom Holding S.A.E.	Omnium Telecom Algérie S.p.A.
Property and equipment	199	67	2,125	522
Intangible assets	11	11	1,358	493
Other non-current assets	183	178	1,770	1,538
Trade and other receivables	20	15	253	135
Cash and cash equivalents	136	45	508	402
Other current assets	79	75	406	76
Financial liabilities	(13)	-	(2,490)	(539)
Provisions	(7)	-	(374)	(31)
Other liabilities	(84)	(29)	(1,548)	(585)
Total equity	**524**	**362**	**2,008**	**2,011**
Attributed to equity holders of parent	283	137	2,232	607
Non-controlling interest	241	225	(224)	1,404

Summarized cash flow statement:

Year ended December 31, 2016	LLP "KaR-Tel"	LLC "Sky Mobile"	Global Telecom Holding S.A.E.	Omnium Telecom Algérie S.p.A.
Operating	99	58	1,077	446
Investing	(124)	45	(473)	(238)
Financing	(83)	(115)	(492)	(288)
Effect of exchange rate changes on cash and cash equivalents	1	(1)	(14)	(14)
Net increase / (decrease) in cash equivalents	**(107)**	**(12)**	**98**	**(93)**

Year ended December 31, 2015	LLP "KaR-Tel"	LLC "Sky Mobile"	Global Telecom Holding S.A.E.	Omnium Telecom Algérie S.p.A.
Operating	137	81	(339)	(706)
Investing	(363)	(65)	(823)	(201)
Financing	(110)	(88)	(1,032)	(1,270)
Effect of exchange rate changes on cash and cash equivalents	(5)	(3)	(151)	(153)
Net increase / (decrease) in cash equivalents	**(341)**	**(75)**	**(2,345)**	**(2,330)**

13 Investments in associates and joint ventures

Accounting policies

The Company's investments in its associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net profit after tax, other comprehensive income and equity of the associate or joint venture since the acquisition date.

The Company assesses, at the end of each reporting period, whether there are any indicators that an investment in a Joint Venture may be impaired. If there are such indicators (i.e. Joint Venture making losses), the Company estimates the recoverable amount of the joint venture after applying the equity method.

Significant joint ventures	Country of incorporation	Nature of entity	Ownership held by the Group (%)	
			2016	**2015**
VIP-CKH Luxembourg S.à.r.l.*	Luxembourg	Holding	50%	-
VIP-CKH Ireland Limited*	Ireland	Financing	50%	-
Euroset Holding N.V. (**"Euroset"**)	Russia	Operating	50%	50%

* Together, the Italy Joint Venture (see Note 4).

Investments in associates and joint ventures	2016	2015
Italy Joint Venture	2,053	-
Euroset	126	199
Other investments in associates and joint ventures	-	2
	2,179	**201**

Share of profit / (loss) of associates and joint ventures	2016	2015
Italy Joint Venture	59	-
Euroset	(10)	18
Other associates and joint ventures	(1)	-
	48	**18**

Italy Joint Venture

The Italy Joint Venture includes VIP-CKH Luxembourg S.à.r.l and its subsidiaries, which hold the combined businesses of Wind and 3 Italia, and the financing company VIP-CKH Ireland Limited.

On November 5, 2016, the Company completed the transaction with CK Hutchison to form a joint venture in Italy, combining their respective businesses. Refer to Note 4 for significant judgments made and Note 6 for further details regarding this transaction.

The information of the Italy Joint Venture disclosed below reflects the amounts presented in the financial statements of the relevant joint ventures and not the Group's share of those amounts. The information presented below has been amended to reflect adjustments made by the Company when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

Income statement	**2016 ***
Revenue	1,250
Operating expenses	(1,058)
Other (expenses) / income	(20)
Income tax expense	(54)
Profit for the period	**118**
Other comprehensive income	-
Total comprehensive income	**118**

* Results are included from November 5, 2016, being the date the joint venture was formed.

Statement of financial position	**December 31, 2016**
Current assets	2,579
Non-current assets	17,469
Assets held for sale	53
Total assets	**20,101**
Current liabilities	(3,322)
Non-current liabilities	(12,673)
Total liabilities	**(15,995)**
Net assets	**4,106**
Reconciliation to carrying amounts	
Company's share (%)	50%
Company's share of JV net assets	2,053
Carrying amount	**2,053**
Included in the balances reposted above are the following:	
Cash and cash equivalents	666
Current financial liabilities *	186
Non-current financial liabilities *	12,409

* Financial liabilities exclude trade and other payables and provisions.

Included within Operating expenses is US$290 of depreciation and amortization expense. Included within Other (expenses) / income is US$68 of interest expense.

There were no dividends received from the Italy Joint Venture in 2016.

The Italy Joint Venture is restricted from making dividend distributions and certain other payments to VimpelCom as a result of existing covenants in the financing documents, which govern the secured debt of the Italy Joint Venture.

Impairment of Euroset

In Q4 2016, due to operational underperformance of Euroset, the Company recorded an impairment of US$99. The recoverable amount of Euroset has been determined based on fair value less costs of disposal calculations, using the most recent cash flow projections.

Key assumptions	**December 31, 2016**
Discount rate (functional currency)	16.0%
Average annual revenue growth rate during forecast period (functional currency)	4.5%
Terminal growth rate	1.0%
Average operating (EBITDA) margin during forecast period	3.7%
Average capital expenditure as a percentage of revenue	0.4%

14 Other non-operating losses

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

	2016	**2015**
Net loss from change of fair value of other derivatives	104	14
Ineffective portion of cash flow hedges	-	6
Less other gains		
Gain on sale of financial assets (Note 6)	(21)	-
Net gain from change of fair value of embedded derivative	(12)	-
Other gains	(1)	(3)
Other non-operating losses	**70**	**17**

The Net loss from change in fair value of other derivatives mainly relates to derivatives in Russia (refer to Note 17).

15 Property and equipment

Property and equipment consisted of the following:

	Tele-communications equipment	Land, buildings and constructions	Office and measuring equipment	Other Equipment	Equipment not installed and assets under construction	Total
Cost						
At January 1, 2015	**8,643**	**484**	**921**	**364**	**817**	**11,229**
Acquisition of subsidiary (Note 6)	4,968	92	250	9	328	5,647
Additions	99	3	4	1	935	1,042
Disposals	(332)	(7)	(118)	(6)	(7)	(470)
Transfer	926	14	120	26	(1,086)	-
Translation adjustment	(2,106)	(131)	(241)	(102)	(175)	(2,755)
At December 31, 2015	**12,198**	**455**	**936**	**292**	**812**	**14,693**
Acquisition of subsidiary (Note 6)	116	10	39	-	34	**199**
Additions	60	7	19	2	1,322	**1,410**
Disposals	(444)	(9)	(30)	(3)	(22)	**(508)**
Transfer	1,154	9	32	(16)	(1,180)	**0**
Translation adjustment	834	21	88	54	22	**1,019**
At December 31, 2016	**13,918**	**493**	**1,084**	**329**	**988**	**16,812**
Depreciation and impairment						
At January 1, 2015	**(4,724)**	**(157)**	**(598)**	**(232)**	**(1)**	**(5,712)**
Acquisition of subsidiary (Note 6)	(3,224)	(73)	(193)	(7)	(24)	(3,521)
Depreciation charge for the year	(924)	(26)	(87)	(29)	-	(1,066)
Disposals	309	5	114	4	(1)	431
Impairment (Note 10)	(4)	(7)	-	(1)	(65)	(77)
Translation adjustment	1,214	41	159	67	2	1,483
At December 31, 2015	**(7,353)**	**(217)**	**(605)**	**(198)**	**(89)**	**(8,462)**
Depreciation charge for the year	(1,266)	(30)	(116)	(24)	-	**(1,436)**
Disposals	415	6	27	2	14	**464**
Impairment (Note 10)	(65)	(2)	(4)	(2)	(27)	**(100)**
Transfer	(17)	(1)	22	33	(37)	**(0)**
Translation adjustment	(469)	(8)	(51)	(43)	5	**(566)**
At December 31, 2016s	**(8,755)**	**(252)**	**(727)**	**(232)**	**(135)**	**(10,101)**
Net book value						
At January 1, 2015	**3,919**	**327**	**323**	**132**	**816**	**5,517**
At December 31, 2015	**4,845**	**238**	**331**	**94**	**723**	**6,231**
At December 31, 2016	**5,163**	**241**	**357**	**97**	**855**	**6,713**

Property and equipment pledged as security for bank borrowings amounts to US$1,029 as of December 31, 2016 (US$955 as of December 31, 2015) and primarily relate to securities for borrowings of PMCL (please refer to Note 17 for the details of borrowing).

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

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

- Telecommunication equipment 3-20 years;
- Buildings and constructions 10-50 years;
- Office and measuring equipment 3-10 years; and
- Other equipment 3-10 years.

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.

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 qualifying assets. All other borrowing costs are expensed in the period incurred.

During 2016, VimpelCom capitalized interest in the cost of property and equipment in the amount of US$5 (2015: US$9). In 2016, the capitalization rate was 10.3% (2015: 9.7%).

Change in estimate

During 2016 there were no other material change in estimates related to property and equipment other than the impairment described in Note 10 of US$100 (2015: US$77), and accelerated depreciation in Bangladesh, Pakistan and Ukraine pertaining to network modernization activities US$153 (2015: nil).

Non-cash investing activities

In 2016, VimpelCom acquired property and equipment in the amount of US$699 (2015: US$560), which was not paid for as at respective year end.

16 Intangible assets

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

	Telecommunications licenses, frequencies and permissions	Software	Brands and trademarks	Customer relation-ships	Telephone line capacity	Other intangible assets	Total
Cost							
At January 1, 2015	**830**	**967**	**105**	**777**	**104**	**165**	**2,948**
Acquisitions of subsidiary (Note 6)	1,452	305	493	1,201	-	66	3,517
Other acquisitions	1	-	-	-	-	13	14
Additions	235	160	-	-	-	24	419
Disposals	(86)	(253)	(1)	-	-	(30)	(370)
Transfer	3	1	-	-	-	(4)	-
Translation adjustment	(240)	(247)	(33)	(226)	(21)	(38)	(805)
At December 31, 2015	**2,195**	**933**	**564**	**1,752**	**83**	**196**	**5,723**
Acquisitions of subsidiary (Note 6)	71	1	30	100	(0)	0	**202**
Additions	163	157	-	-	-	(11)	**309**
Disposals	(16)	(63)	(20)	(6)	(13)	(38)	**(156)**
Transfer	-	11	-	-	(1)	(10)	**-**
Translation adjustment	0	37	(16)	(5)	6	5	**27**
At December 31, 2016	**2,413**	**1,076**	**558**	**1,841**	**75**	**142**	**6,105**
Amortization and impairment							
At January 1, 2015	**(611)**	**(708)**	**(44)**	**(476)**	**(88)**	**(139)**	**(2,066)**
Acquisitions of subsidiary (Note 6)	(741)	(191)	(155)	(1,040)	-	(32)	(2,159)
Amortization charge for the year	(47)	(109)	(4)	(39)	(5)	(7)	(211)
Disposals	85	248	1	-	-	30	364
Translation adjustment	176	179	13	140	17	32	557
At December 31, 2015	**(1,138)**	**(581)**	**(189)**	**(1,415)**	**(76)**	**(116)**	**(3,515)**
Amortization charge for the year	(161)	(183)	(37)	(97)	(4)	(11)	**(493)**
Impairment (Note 10)	(12)	(2)	-	-	-	(0)	**(14)**
Disposals	14	60	20	6	15	36	**151**
Translation adjustment	12	(22)	7	2	(5)	(3)	**(9)**
At December 31, 2016	**(1,285)**	**(728)**	**(199)**	**(1,504)**	**(70)**	**(94)**	**(3,880)**
Net book value							
At January 1, 2015	**219**	**259**	**61**	**301**	**16**	**26**	**882**
At December 31, 2015	**1,057**	**352**	**375**	**337**	**7**	**80**	**2,208**
At December 31, 2016	**1,128**	**349**	**358**	**337**	**4**	**50**	**2,225**

Intangible assets acquired separately are measured initially at cost, and are subsequently measured at cost less accumulated amortization and impairment losses.

Intangible assets with a finite useful life are generally amortized with the straight-line method over the estimated useful life of the intangible asset.

The amortization period and the amortization method for intangible assets with finite useful lives are reviewed at least annually.

Additional information

As at December 31, 2016, no intangible assets were pledged as collateral and no assets have restrictions on title.

During 2016 and 2015, VimpelCom did not capitalize any interest within the cost of intangible assets.

Non-cash investing activities

During 2016, VimpelCom acquired intangible assets in the amount of US$194 (2015: US$105), which was not paid for as at respective year end.

17 Financial assets and liabilities

Financial assets

The Company holds the following financial assets as at December 31:

	2016	2015
Financial instruments at fair value through profit or loss		
Derivatives not designated as hedges		
Cross-currency interest rate exchange contracts	-	1
Foreign exchange contracts	2	13
Embedded derivatives in notes	12	-
Financial instruments at fair value		
Derivatives designated as cash flow hedges		
Foreign exchange contracts	-	17
Available for sale financial instruments	71	70
Total financial instruments at fair value	**85**	**101**
Loans granted, deposits and other financial assets at amortized cost		
Loans granted and interest accrued	746	1,765
Bank deposits and interest accrued	385	433
Other investment	24	68
Total loans granted, deposits and other financial assets	**1,155**	**2,266**
Total other financial assets	**1,240**	**2,367**
Total non-current	917	1,370
Total current	323	997

Financial liabilities

The Company has the following financial liabilities as at December 31:

	2016	2015
Financial instruments at fair value		
Derivatives not designated as hedges		
Foreign exchange contracts	27	-
Derivatives designated as cash flow hedges		
Foreign exchange contracts	4	-
Interest rate exchange contracts	3	3
Contingent consideration	47	-
Total financial instruments at fair value	**81**	**3**
Other financial liabilities at amortized cost		
Bank loans and bonds		
Bank loans and bonds, principal	8,797	9,835
Interest accrued	169	172
Discounts, unamortized fees	68	92
Equipment financing		
Equipment financing principal	102	71
Discounts, unamortized fees on equipment financing	(9)	(10)
Interest accrued on equipment financing	1	-
Put-option liability over non-controlling interest	290	-
Other financial liabilities	41	-
Total other financial liabilities at amortized cost	**9,459**	**10,160**
Total other financial liabilities	**9,540**	**10,163**
Total non-current	7,625	8,540
Total current	1,915	1,623

Bank loans and bonds

The Company has the following principal amounts outstanding for interest-bearing loans and bonds as at December 31:

Borrower	Type of Debt	Interest rate	Maturity	Currency	2016	2015	Guarantor
VIP Finance Ireland	Eurobonds	6.5-9.1%	2016-2021	US$	1,150	1,680	None
PJSC VimpelCom	Sberbank	12.75%	2017-2018	RUB	1,021	831	None
PJSC VimpelCom	Ruble Bonds	10.0-11.9%	2017	RUB	660	550	None
VimpelCom Holdings B.V.	Notes	5.2-7.5%	2017-2023	US$	3,183	3,183	PJSC VimpelCom
VimpelCom Holdings B.V.	Notes	9.0%	2018	RUB	198	165	PJSC VimpelCom
GTH Finance B.V.	Notes	6.25%-7,25%	2020-2023	US$	1,200	-	VimpelCom Holdings B.V.
Banglalink Digital Communications Ltd.	Senior Notes	8.6%	2019	US$	300	300	None
Omnium Telecom Algeria SpA	Syndicated loan (Algeria)	Bank of Algeria re-discount rate + 2.0%	2019	DZD	340	467	None
Pakistan Mobile Communication Limited	Syndicated loan	6m KIBOR+1.25%	2019	PKR	48	69	None
Pakistan Mobile Communication Limited	Sukuk Certificates	3m KIBOR+0.88%	2019	PKR	66	66	None
Global Telecom Holding S.A.E	Shareholder loan II	12.5%	2017	US$	-	1,164	None
Weather Capital Special Purpose I S.A*	Profit participating Securities	12.41%	2073	US$	-	781	None
	Other loans				631	579	
Total bank loans and bonds					**8,797**	**9,835**	
Less current portion					(1,683)	(1,423)	
Long-term portion of bank loans and bonds					**7,114**	**8,412**	

* On December 28, 2016, Profit participating securities were transferred to the Company (see Note 22).

Treasury events during 2016

Draw down credit facility agreement with Sberbank of Russia

On December 30, 2015, PJSC VimpelCom entered into a credit facility agreement with Sberbank of Russia for the amount of RUB 30 billion (US$414) with an availability period until March 31, 2016. This facility bears interest at a rate of 11.55% per annum and matures on June 29, 2018.

The facility was fully drawn on March 31, 2016. The total outstanding amount as at December 31, 2016 is RUB 30 billion (US$495).

Senior Notes issued by GTH Finance B.V., guaranteed by the Company

On April 26, 2016, GTH Finance B.V., a wholly owned subsidiary of the Company, issued US$500 6.25% Senior Notes due 2020 and US$700 7.25% Senior Notes due 2023, guaranteed by the Company. The proceeds of the offering were loaned to and used by GTH to repay, in part, the shareholder loan from VimpelCom Amsterdam B.V.

The total outstanding amount as at December 31, 2016 is US$1,200.

Pakistan Mobile Communications Ltd. financing

On June 30, 2016, PMCL drew down PKR 4 billion (US$38) under the syndicated facility with several banks entered into on December 3, 2015 for the amount of PKR 16 billion (US$152 as at December 3, 2015). This facility bears interest at 6 month Karachi Inter Bank Offer Rates ("**KIBOR**") plus 0.8% per annum. Repayment will take place through periodic instalments between June 23, 2018 and December 23, 2020. The total outstanding amount as at December 31, 2016 is PKR 5 billion (US$48).

On June 29, 2016, PMCL drew down PKR 1.5 billion (US$14 as at June 29, 2016) under the credit facility with Habib Bank Limited entered into on December 7, 2015 for the total amount of PKR 4 billion (US$38 as at December 7, 2015). This facility bears interest at 6 month KIBOR plus 0.9% per annum. Repayment will take place through periodic instalments between June 22, 2018 and December 23, 2020. The total outstanding amount as at December 31, 2016 is PKR 2 billion (US$19).

On June 30, 2016 PMCL provided a loan to Warid Telecom Private Limited in the amount of PKR 8,545 million (US$82) to repay its external debt as part of the acquisition in Pakistan (Note 6). This facility bears interest at 6 month KIBOR plus 0.7% per annum. As at July 1, 2016 the loan became the intercompany and was eliminated upon consolidation of Warid (Note 6).

Warid debt

On July 1, 2016, the Group assumed the following debt facilities resulting from the acquisition of Warid (Note 6):

Lender	Type of Debt	Interest rate	Maturity	Currency	July 1, 2016	December 31, 2016
ING Bank N.V.	EKN vendor financing	6m Libor+1.9%	2020	US$	250	231
Habib Bank Limited	Syndicated term facilities	6.0%, 6m Kibor+1.0%	2023	PKR	110	107
					360	**338**

Hedging activities and derivatives

Financial instruments and hedging policy

The Company applies cash flow hedge accounting using financial instruments (usually derivatives) to mitigate some or all of the risk of a hedged item. Any gains or losses on the hedging instrument (generally a derivative) are initially recorded in other comprehensive income. The amount included in other comprehensive income is the lesser of the fair value of the hedging instrument and the hedged item. Where the hedging instrument has a fair value greater than the hedged item, the excess is recorded in profit or loss as ineffectiveness. Gains or losses deferred in other comprehensive income are reclassified to the income statement when the hedged item affects the income statement.

Any derivative instruments for which no hedge accounting is applied are recorded at fair value with any fair value changes recognized directly in profit or loss.

Derivative financial instruments

VimpelCom uses derivative instruments, including swaps, forward contracts and options to manage certain foreign currency and interest rate exposures. The Company has designated a portion of its derivative contracts, which mainly relate to hedging the interest and foreign exchange risk of external debt, as formal hedges and applies hedge accounting on these derivative contracts.

All derivatives are accounted for at fair value through profit or loss, except for derivative instruments for which hedge accounting is applied. Cash flows from derivative instruments are reported in the statement of cash flows in the same line where the underlying cash flows of the hedged item are recorded.

Put options over non-controlling interest of a subsidiary are accounted for as financial liabilities in the Company's special purpose consolidated financial statements. The put-option redemption liability is measured at the discounted redemption amount. Interest over the put-option redemption liability will accrue in line with the effective interest rate method, until the options have been exercised or are expired.

Embedded derivatives in notes

The Notes issued by the Company's Bangladesh subsidiary, Banglalink Digital Communications Ltd. ("**Banglalink**"), include early repayment options. Accordingly, Banglalink can repay the debt at certain dates prior to the maturity date at agreed redemption prices. These embedded derivatives are accounted for as financial assets at fair value through profit or loss.

Foreign exchange contracts

VimpelCom enters into short-term forward agreements with several banks in order to protect cash flows of its short-term financial and non-financial obligations denominated in US$ from adverse US$-RUB movements. As at December 31, 2016, the notional amount outstanding of these derivative contracts was US$451 (2015: US$490) with an average FX rate 66.11 (2015: 69.02).

Cross currency interest rate exchange contracts

The Company's Pakistan subsidiary, PMCL, entered into several Cross-Currency Interest Rate Swap Agreements to reduce the volatility of cash flows on US$ denominated debt with current outstanding balances of US$7 (2015: US$14) to PKR 697 (2015: PKR 1,455), and related interest with maturities until December 15, 2017. Pursuant to these agreements, the Company's Pakistan subsidiary pays floating interest rate of 6 month KIBOR minus 0.32%-2.60%.

Interest rate swap contracts

The Company's Pakistan subsidiary, PMCL, entered into several Interest Rate Swap Agreements to reduce the cash flow volatility due to variable debt interest payments. Pursuant to these agreements, Pakistan Mobile Communications Limited pays a fixed rate of 8.15% - 8.72% and receives KIBOR three- or six-month floating rate on an outstanding notional amount of PKR 16,483 as at December 31, 2016 (2015: PKR 19,400) , which will amortize until maturity along with the principal of the underlying debt. The swaps expire between May 16, 2019 and December 23, 2019.

Derivatives not designated as hedging instruments

The Company uses foreign currency denominated borrowings, foreign exchange swaps, options and forward currency contracts to manage its transaction exposures. These currency forward contracts are not designated as cash flow, fair value or net investment hedges and are entered into for periods consistent with currency transaction exposures, generally from one to six months. Although the derivatives have not been designated in a hedge relationship, they act as a commercial hedge and offset the underlying transaction when they occur.

Derivatives under hedge accounting

The Company uses cross currency interest rate swaps, interest rate swaps, foreign exchange forwards / swaps, options and zero cost collars to manage its exposure to variability in cash flows that is attributable to foreign exchange and interest rate risk to loans and borrowings. Most of these derivative contracts are either designated as cash flow or fair value hedges and are entered into for periods up to the maturity date of the hedged loans and borrowings.

The company applies cash flow hedge accounting to hedge the risk on future foreign currency cash flows and floating interest rate cash flows.

The Company's hedge accounting is summarized below:

		At December 31, 2016			At December 31, 2015		
	Risk being hedged	**Nominal value**	**Fair value assets**	**Fair value liabilities**	**Nominal value**	**Fair value assets**	**Fair value liabilities**
Cash flow hedge accounting							
Cross currency interest rate exchange contracts	Currency	-	-	-	-	-	-
Interest rate exchange contracts	Interest	158	-	3	185	-	3
Foreign exchange contracts	Currency	73		4	298	17	-
No hedge accounting							
Cross currency interest rate exchange contracts	Currency	7	-	-	14	1	-
Foreign exchange contracts	Currency	407	2	29	266	13	-

The following table shows the periods in which the cash flows of the derivatives, to which cash flow hedge accounting applies, are expected to occur:

	Less than 1 year	**1-3 years**	**3-5 years**	**More than 5 years**	**Total**
At December 31, 2016					
Cash flows	(9)	(2)	-	-	(11)
Cash flow hedge reserve*					(-)

* Cash flow hedge reserve approximates US$300 thousand.

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
At December 31, 2015					
Cash flows	13	(4)	(1)	-	8
Cash flow hedge reserve					2

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 recognized in the special purpose consolidated financial statements as at December 31 (based on future cash flows discounted at current market rates), other than those with carrying amounts that are reasonable approximations of fair values:

	Carrying value		Fair value	
	2016	**2015**	**2016**	**2015**
Financial assets				
Financial instruments at fair value through profit or loss				
Derivatives not designated as hedges				
Cross-currency interest rate exchange contracts	-	1	-	1
Foreign exchange contracts	2	13	2	13
Embedded derivatives in notes	12	-	12	-
Financial instruments at fair value				
Derivatives designated as cash-flow hedges				
Foreign exchange contracts	-	17	-	17
Available for sale financial instruments	71	70	71	70
Total financial assets at fair value	**85**	**101**	**85**	**101**
Loans granted, deposits and other financial assets				
Loans granted and interest accrued	746	1,765	855	1,614
Bank deposits and interest accrued	385	433	385	433
Other investment	24	68	24	68
Total loans granted, deposits and other financial assets	**1,155**	**2,266**	**1,246**	**2,115**
Total financial assets	**1,240**	**2,367**	**1,349**	**2,216**
Financial instruments at fair value				
Derivatives not designated as hedges				
Foreign exchange contracts	27	-	27	-
Derivatives designated as cash flow hedges				
Foreign exchange contracts	4	-	4	-
Interest rate exchange contracts	3	3	3	3
Contingent consideration	47	-	47	-
Total financial liabilities at fair value	**81**	**3**	**81**	**3**
Total other financial liabilities at amortized cost	**9,459**	**10,160**	**9,856**	**9,937**
Total financial liabilities	**9,540**	**10,163**	**9,937**	**9,940**

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 for 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 carrying amount of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their respective fair values.

The fair value of derivative financial instruments is determined using present value techniques such as discounted cash flow techniques, Monte Carlo simulation and/or the Black-Scholes model. These valuation techniques are commonly used for valuation of derivative. Observable inputs (Level 2) used in the valuation techniques includes LIBOR, EURIBOR, swap curves, basis swap spreads, foreign exchange rates and credit default spreads of both counterparties and our own entities.

The fair value of Available for Sale financial instruments are determined through comparison of various multiples and reference to market valuation of similar entities quoted in an active market. If information is not available, a discounted cash flow method is used.

Fair value measurements for financial liabilities at amortized cost are based on quoted market prices, where available. If the quoted market price is not available, the fair value measurement is based on discounted expected future cash flows using a market interest rate curve, credit spreads and maturities.

Fair value hierarchy

As at December 31, 2016 and 2015, the Company recognized financial instruments at fair value in the statement of financial position.

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

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

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

As at December 31, 2016	**(Level 1)**	**(Level 2)**	**(Level 3)**	**Total**
Financial assets at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	-	2	-	2
Embedded derivatives in notes	-	12	-	12
Financial instruments at fair value			-	
Available for sale financial instruments	-	42	29	71
Total financial assets at fair value	**-**	**56**	**29**	**85**
Assets for which fair values are disclosed				
Loans granted, deposits and other financial assets				
Loans granted and interest accrued	-	137	718	855
Bank deposits and interest accrued	-	385	-	385
Other investment	-	24	-	24
Total assets for which fair values are disclosed	**-**	**546**	**718**	**1,264**
Financial liabilities at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	-	29	-	29
Financial liabilities at fair value				
Derivatives designated as cash flow hedges				
Foreign exchange contract	-	4	-	4
Interest rate exchange contracts	-	3	-	3
Contingent consideration	-	-	47	47
Total financial liabilities at fair value	**-**	**36**	**47**	**83**
Liabilities for which fair values are disclosed				
Financial liabilities at amortized cost	7,264	2,260	332	9,856
Total liabilities for which fair values are disclosed	**7,264**	**2,260**	**332**	**9,856**

As of December 31, 2015	**(Level 1)**	**(Level 2)**	**(Level 3)**	**Total**
Financial instruments at fair value through profit or loss				
Derivatives not designated as hedges				
Cross-currency and Interest rate exchange contracts	-	1	-	1
Foreign exchange contracts	-	13	-	13
Financial instruments at fair value				
Derivatives designated as cash flow hedges				
Foreign exchange contracts	-	17	-	17
Available for sale financial instruments	25	18	27	70
Total financial assets at fair value	**25**	**49**	**27**	**101**
Assets for which fair values are disclosed				
Loans granted, deposits and other financial assets				
Loans granted and interest accrued	-	1,204	410	1, 614
Bank deposits and interest accrued	-	433	-	433

Other investments and loans granted	-	68	-	68
Total assets for which fair values are disclosed	**-**	**1,705**	**410**	**2,115**
Financial instruments at fair value				
Derivatives designated as cash flow hedges				
Interest rate exchange contracts	-	3	-	3
Total financial liabilities at fair value	**-**	**3**	**-**	**3**
Liabilities for which fair values are disclosed				
Financial liabilities at amortized cost	5,658	3.665	614	9,937
Total liabilities for which fair values are disclosed	**5,658**	**3,665**	**614**	**9,937**

The reconciliation of movements relating to financial instruments classified in level 3 of the fair value hierarchy:

	As at Dec.31, 2015	**Currency translation adjustment**	**Change in fair value reported in earnings**	**Change in fair value reported in other comprehensive income**	**Purchased /incurred**	**As at Dec.31, 2016**
Financial instruments at fair value						
Available for sale financial instruments	27	(3)	-	5	-	29
Total financial assets at fair value	**27**	**(3)**	**-**	**5**	**-**	**29**
Financial instruments at fair value						
Contingent consideration	-	-	-	-	47	47
Total financial liabilities at fair value	**-**	**-**	**-**	**-**	**47**	**47**

	As at Dec.31, 2014	**Currency translation adjustment**	**Change in fair value reported in earnings**	**Change in fair value reported in equity**	**Transferred to Level 2**	**As at Dec.31, 2015**
Financial instruments at fair value						
Available for sale financial instruments	**22**	**(2)**	**-**	**7**	**-**	**27**
Total financial assets at fair value	**22**	**(2)**	**-**	**7**	**-**	**27**

Transfers into and out of fair value hierarchy levels are recognized at the end of the reporting period (or the date of the event or change in circumstances that caused the transfer). On a quarterly basis, the Company reviews if there are any indicators for a possible transfer between the Level 2 and Level 3. This depends on how the Company is able to obtain the underlying input parameters when assessing the fair valuations.

During the year ended December 31, 2016, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

During the year ended December 31, 2015, embedded derivative fair value measurements were transferred from Level 3 to Level 2 as the primary calculations used in the valuation of these instruments are based on market observable inputs such as forward curve data, discount factors, swaption volatilities and credit spreads.

There were no other movements for financial instruments measured at the fair value using unobservable inputs (Level 3) other than change of fair value and currency translation adjustment.

Any changes in fair values of financial instruments are unrealized and recorded in “Other non-operating losses” in the Statement of comprehensive income.

Offsetting financial assets and liabilities

For the financial assets and liabilities subject to netting arrangements, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities are settled on a gross basis.

The major arrangements applicable for the Group are agreements with national and international interconnect operators and agreements with roaming partners.

Several entities of the Group have entered into International Swaps and Derivatives Association, Inc. (“**ISDA**”) Master Agreements or equivalent documents with their counterparties, governing the derivative transactions entered into between these entities and their counterparties. Based on these documents, only in case of an Event of Default of either the entity or the counterparty, is it allowed to offset any derivative positions outstanding.

				Related amounts not set off in the consolidated statement of financial position		
As at December 31, 2016	**Gross amounts recognized**	**Gross amounts set off in the consolidated statement of financial position**	**Net amounts presented in the consolidated statement of financial position**	**Financial instruments**	**Cash collateral received**	**Net amount**
Other financial assets (non-current)	917	-	**917**	-	-	**917**
Other financial liabilities (non-current)	7,625	-	**7,625**	-	-	**7,625**
Other financial assets (current)	323	-	**323**	-	-	**323**
Other financial liabilities (current)	1,916	(1)	**1,915**	-	-	**1,915**
Trade and other receivables	885	(98)	**787**	-	-	**787**
Trade and other payables	2,098	(99)	**1,999**	-	-	**1,999**

				Related amounts not set off in the consolidated statement of financial position		
As at December, 31 2015	**Gross amounts recognized**	**Gross amounts set off in the consolidated statement of financial position**	**Net amounts presented in the consolidated statement of financial position**	**Financial instruments**	**Cash collateral received**	**Net amount**
Other financial assets (non-current)	1,370	-	**1,370**	-	-	**1,370**
Other financial liabilities (non-current)	8,540	-	**8,540**	-	-	**8,540**
Other financial assets (current)	997	-	**997**	-	-	**997**
Other financial liabilities (current)	1,623	-	**1,623**	-	-	**1,623**
Trade and other receivables	737	(43)	**694**	-	-	**694**
Trade and other payables	1,636	(43)	**1,593**	-	-	**1,593**

18 Other assets and liabilities

Other assets consisted of the following as at December 31:

	2016	**2015**
Advances to suppliers	21	-
Deferred costs related to connection fees	8	10
Indemnification assets	-	6
Other assets, non-current	**29**	**16**

	2016	**2015**
Advances to suppliers	191	159
Input value added tax	178	116
Prepaid taxes	26	21
Deferred costs related to connection fees	12	8
Other assets	18	16
Other assets, current	**425**	**320**

Other liabilities consisted of the following as at December 31:

	2016	**2015**
Long-term deferred revenue	14	15

Provision for pensions and other post-employment benefits	17	33
Other liabilities	13	47
Other liabilities, non-current	**44**	**95**

	2016	2015
Customer advances	234	231
Short-term deferred revenue	163	146
Customer deposits	156	80
Other taxes payable	359	262
Other payments to authorities	84	45
Due to employees	100	136
Other liabilities	99	107
Other liabilities, current	**1,195**	**1,007**

19 Inventories

Inventory is measured at the lower of cost and net-realizable value and carried at the weighted average cost basis.

Inventories consisted of the following as at December 31:

	2016	2015
Telephone handsets and accessories for sale	117	96
SIM-Cards	16	11
Other inventory	18	20
Inventory write-offs	(26)	(23)
Total	**125**	**104**

20 Trade and other receivables

Trade and other receivables are measured at amortized cost and include invoiced amounts less appropriate allowances for estimated uncollectible amounts.

Estimated uncollectible amounts are calculated 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.

Trade and other receivables consisted of the following as at December 31:

	2016	2015
Trade accounts receivable, gross	778	726
Allowance for doubtful accounts	(160)	(183)
Trade accounts receivable, net	618	543
Other receivables	169	151
	787	**694**

As at December 31, 2016, trade receivables with a value of US$160 (2015: US$182) were impaired and, thus, fully provided for. See below the movements in the allowance for the impairment of receivables:

	2016	2015
Balance as at January 1,	183	55
Acquisition of a subsidiary	9	137
Divestment of a subsidiary	(57)	-
Classified as held for sale	71	14
Allowance for doubtful debts	-	(5)
Recoveries	(42)	(4)
Accounts receivable written off	(5)	-
Foreign currency translation adjustment	3	(14)
Balance as at December 31,	**160**	**183**

As at December 31, 2016, the aging analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired < 30 days	Past due but not impaired 30–120 days	Past due but not impaired > 120 days
2016	618	380	86	81	71
2015	543	338	99	68	38

21 Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents are comprised of cash at bank 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 three months.

Cash and cash equivalents consisted of the following items as at December 31:

	2016	2015
Cash at bank and on hand	1,386	1,267
Short-term deposits with original maturity of less than three months	926	339
Total cash and cash equivalents	**2,312**	**1,606**

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

The cash balances as at December 31, 2016 in Uzbekistan of US$347 (2015: US$495) and in Ukraine of US$3 (2015: US$4) are restricted due to local government or central bank regulations and therefore cannot currently be repatriated. In addition, US$372 (2015: US$255) of short and long terms deposit at financial institutions in Uzbekistan are also subject to the same restrictions.

Cash balances as at December 31, 2016 include investments in money market funds of US$578 (2015: US$1,174).

22 Issued capital and reserves

As of December 31, 2016, the Company had 70,000,000 authorized common shares (2015: 70,000,000) with a nominal value of US$ 1 per share, of which 30,099,998 shares were issued, outstanding and are fully paid-up (2015: 30,099,998).

Capital contribution

On December 22, 2016, the Company's immediate parent, VimpelCom Amsterdam B.V., made a cash capital contribution amounting to US$ 811 to the Company.

On October 28, 2016, VimpelCom Amsterdam B.V., the Company's immediate parent, contributed to the Company an investment in Wind Telecom S.p.A, including an investment in WAHF, which has telecommunication operations in Italy. For more information please refer to Note 6.

On December 17, 2015, the Company's immediate parent, VimpelCom Amsterdam B.V. made a capital contribution of US$710 to the Company. Under the terms of the contribution, VimpelCom Amsterdam B.V. injected cash of US$65 and surrendered its rights to the outstanding shareholder loan receivable of US$645.

Nature and purpose of reserves

Other capital reserves

Other capital reserves are mainly 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), to record the accumulated impact of derivatives designated as cash flow hedges (Note 17) and recognize the results of transactions that do not result in a change of control with non-controlling interest (Note 6).

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. The decrease in the foreign currency reserve relates mainly to the strengthening of the US Dollar and the depreciation of emerging markets currencies in which VimpelCom operates.

23 Dividends declared to non-controlling interests

On June 22, 2016, Omnium Telecom Algeria S.p.A, a subsidiary of the Company, declared dividends to its shareholders which were paid on September 1, on September 2 and on September 6, 2016. The portion of dividends paid to the minority shareholders amounted to US$69.

On July 28, 2016, VimpelCom Kazakhstan Holding AG, a subsidiary of the Company, declared dividends to its shareholders which were paid on August 2, 2016. The portion of dividends paid to the minority shareholder amounted to US$18.

On September 1, 2016, TNS Plus LLP, a subsidiary of the Company, declared dividends to its shareholders which were paid on September 2, 2016. The portion of dividends paid to the minority shareholder amounted to US$18.

On November 18, 2016, PMCL, a subsidiary of the Company, declared divides to its shareholders. The portion of dividends paid to the minority shareholder amounted to US$7. At December 31, 2016, the dividends payable to minority interest is included in Trade and Other Payables.

On July 17, 2015 and August 17, 2015, VimpelCom Kazakhstan Holding AG and VimpelCom Kyrgyzstan Holding AG paid dividends to its shareholders whereby the portions paid to the minority shareholder amounted to US$104 and US$23 respectfully.

24 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are discounted using a current pre-tax rate if the time value of money is significant.

The following table summarizes the movement in provisions for the years ended December 31, 2016 and 2015:

	Income taxes provisions	Tax provisions other than for income tax	Provision for decommi ssioning	Legal provisions	Other provisions	Total provisions
At January 1, 2015	**56**	**13**	**97**	**8**	**1**	**175**
Acquisitions of subsidiary	249	53	37	15	20	**374**
Arising during the year	42	10	10	24	5	**91**
Utilized	-	-	(1)	-	(1)	**(2)**
Reclassification	-	-	-	(4)	4	**-**
Unused amounts reversed	(52)	(14)	(42)	(22)	(1)	**(131)**
Discount rate adjustment and imputed interest (change in estimates)	-	-	4	-	-	**4**
Translation adjustments and other	(16)	3	(18)	(2)	(10)	**(43)**
At December 31, 2015	**279**	**65**	**87**	**19**	**18**	**468**
Total current	118	36	-	19	18	**191**
Total non-current	161	29	87	-	-	**277**
At January 1, 2016	**279**	**65**	**87**	**19**	**18**	**468**
Acquisitions	-	-	5	1	-	6
Divestments	-	(3)	-	-	(1)	(4)
Arising during the year	67	63	1	75	35	241
Utilized	(21)	(24)	-	(3)	(30)	(78)
Unused amounts reversed	(13)	(5)	(1)	-	1	(18)
Discount rate adjustment and imputed interest (change in estimates)	-	-	1	-	-	1
Translation adjustments and other	(71)	-	5	(1)	(6)	(73)
At December 31, 2016	**241**	**96**	**98**	**91**	**17**	**543**
Total non-current	-	-	98	1	2	101
Total current	241	96	-	90	15	442

At December 31, 2016, legal provisions include the provision of US$66 relating to GTH - Iraqna Litigation, as further discussed below.

During 2016, the Company also recorded provisions for a number of tax disputes in Pakistan and Bangladesh, including disputes relating to the supply of SIM cards.

The timing of payments in respect of non-current provisions is, with few exceptions, not contractually fixed and cannot be estimated with certainty. Key assumptions and sources of uncertainty are discussed in Note 4.

Significant tax and legal proceedings are discussed in Note 26. Given the uncertainties inherent in such proceedings, there can be no guarantee that the ultimate outcome will be in line with VimpelCom's current view.

The Group has recognized a provision for decommissioning obligations associated with future dismantling of its towers in various jurisdictions.

GTH - Iraqna Litigation

On November 19, 2012, Atheer Telecom Iraq Limited ("**Atheer**", an affiliate of the Zain Group) initiated English High Court proceedings in London against Orascom Telecom Iraq Ltd. ("**OTIL**") (a Maltese subsidiary of GTH) and GTH in relation to a dispute arising out of the sale by OTIL of its Iraqi mobile subsidiary, Iraqna, in 2007 to Atheer. Atheer's claim is founded on the tax covenants in the underlying share purchase agreement ("**Iraqna SPA**") between the parties. In particular, Atheer is seeking declarations from the Court that OTIL and GTH are liable to indemnify it in respect of three alleged tax liabilities: (i) a capital gains tax liability in the sum of Iraqi dinar (**"IQD"**) 219 billion (US$198), which Atheer claims is in respect of the transaction that formed the subject-matter of the Iraqna SPA; (ii) an income tax liability in the sum of IQD 96 billion (US$87) in respect of the years 2004-2007; and (iii) a withholding tax liability in the sum of IQD 7 billion (US$6). OTIL and GTH dispute these claims and are vigorously defending them.

The dispute was listed for trial on July 20, 2015. As a result of delays by Atheer in providing disclosure, occasioning the parties to amend their respective statements of case, the trial was adjourned to the week commencing November 14, 2016. Atheer's amendments included withdrawing its claim for unjust enrichment in the amount of IQD 219 billion (US$198) and conceding that its contractual claims are capped at a total possible recovery of US$60.

The trial was heard November 14-18, 2016. On February 17, 2017, the court found GTH liable. Following a hearing on March 1, 2017, GTH and OTIL were ordered to pay Atheer the amounts of US$60, plus approximately US$8 in accrued interest, and an interim payment of GBP 1.25 million (US$2) for legal costs pending submission of a detailed schedule of costs by Atheer. The trial court judge denied GTH's and OTIL's request for leave to appeal and did not stay enforcement pending appeal. An application for Leave to Appeal the trial decision at the Court of Appeal was filed by GTH and OTIL on March 22, 2017, to which Atheer responded on April 4, 2017, and remains pending. The Company provided for the Court's judgment including the related legal fees.

25 Related parties

As at December 31, 2016, the Company is a wholly-owned subsidiary of VEON Ltd. which is in turn owned by two major shareholders: LetterOne Holding S.A. ("**LetterOne**") and Telenor East Holding II AS ("**Telenor**").

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 periods:

	December 31, 2016	December 31, 2015
Revenue from LetterOne	-	2
Revenue from Telenor	60	1
Revenue from associates and joint ventures	19	6
Revenue from VEON Ltd. or its subsidiaries	30	36
Revenue from other related parties	-	6
Finance income from VEON Ltd. or its subsidiaries	75	7
Finance income from related parties	-	1
	184	**59**
Services from LetterOne	4	2
Services from Telenor	64	2
Services from associates and joint ventures	19	20
Services from VEON Ltd. or its subsidiaries	162	29
Services from other related parties	1	5
Finance costs due to VEON Ltd. or its subsidiaries	82	51
Finance costs to other related parties	-	1
	332	**110**

	December 31, 2016	December 31, 2015
Accounts receivable from Telenor	13	10
Accounts receivable from associates and joint ventures	24	8
Accounts receivable from VEON Ltd. or its subsidiaries	112	105
Financial asset receivable from VEON Ltd. or its subsidiaries	745	1,786
Other assets due from RP	1	-
	895	**1,909**
Accounts payable to Telenor	9	8
Accounts payable to associates and joint ventures	5	2
Accounts payable due to VEON Ltd. or its subsidiaries	329	115
Financial liabilities due to VEON Ltd. or its subsidiaries	15	1,999
Other liabilities due to RP	-	3
	358	**2,127**

Loans granted to VEON Ltd. or its subsidiaries

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

Borrower	**Maturity**	**Interest rate**	**Currency**	**December 31, 2016**	**December 31, 2015**
VEON Ltd.	2070	Libor + 7.5%	US$	561	**561**
VimpelCom Amsterdam Finance B.V.	2017	7.5%	US$	-	**-**
VimpelCom Amsterdam B.V.	2018	Libor+4.0%	US$	-	**620**
VimpelCom Amsterdam B.V.	2016	0.18%	US$	-	**519**
Vimpelcom Cyprus Holding Limited	2016	9.359%	US$	-	**54**
Golden Telecom Limited	2016	5%	US$	-	**6**
VC ESOP N.V.	2016-2017	11%	US$	133	-
Total				**694**	**1,760**

Loans received from VEON Ltd. or its subsidiaries

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

Lender	Maturity	Interest rate	Currency	December 31, 2016	December 31, 2015
Weather Capital Special Purpose I S.A	2020-2021	5.4-6.1%	US$	-	-
Weather Capital Special Purpose I S.A	2015-2017	3.8-11.0%	US$	-	-
VimpelCom Amsterdam B.V.	2015	3.5%	US$	-	-
VimpelCom Amsterdam B.V.	2017	12.5%	US$	-	1,164
VimpelCom Amsterdam B.V.	2073	12.41%	US$	-	781
Vimpelcom Cyprus Finance Limited	2016	9.8%	US$	-	54
VimpelCom Amsterdam B.V.	2022	9.5%	EUR	11	-
Total				**11**	**1,999**

Related Party Transactions with Major Shareholders and their Affiliates

Related Party Transactions with Telenor and its Affiliates

Service Agreements

The ultimate parent of the Company, VEON Ltd., is a party to a service agreement with Telenor, dated March 8, 2011, under which Telenor renders to VimpelCom or its affiliates services related to telecommunication operations, including management advisory services, training, technical assistance and network maintenance, industry information research and consulting, implementation support for special projects and other services as mutually agreed by Telenor and VimpelCom. VimpelCom pays Telenor annually US$1.5 for the services.

A number of our operating companies have roaming agreements with the following mobile operators that are Telenor affiliates: Grameenphone Limited (Bangladesh), Telenor Norge AS (Denmark), Telenor Magyarorszag Zrt. (Hungary), DiGi Telecommunications Sdn. Bhd. (Malaysia), Telenor (Montenegro), Telenor Pakistan (Pvt) Ltd. (Pakistan), Telekom d.o.o. (Serbia), Telenor Sverige AB (Sweden) and Total Access Communication Public Company Limited (dtac) (Thailand).

Related Party Transactions with LetterOne and its Affiliates

Service Agreements

VimpelCom is a party to a General Services Agreement with LetterOne Corporate Advisor Limited, dated December 1, 2010, under which LetterOne Corporate Advisor Limited renders to VimpelCom and its affiliates services related to telecommunication operations, including management advisory services, training, technical assistance and network maintenance, industry information research and consulting, implementation support for special projects and other services as mutually agreed by LetterOne Corporate Advisor Limited and VimpelCom. VimpelCom pays LetterOne Corporate Advisor Limited annually US$1.5 for the services. VimpelCom is also party to a Consultancy Deed with LetterOne Corporate Advisor Limited, dated August 21, 2013, under which LetterOne Corporate Advisor Limited provides additional consultancy services to VimpelCom for which VimpelCom pays annually US$3.5. The General Services Agreement and Consultancy Deed were originally entered into by VimpelCom and Altimo Management Services Ltd., but the latter was replaced first by LetterOne Corporate Advisor Limited pursuant to a Deed of Assignment and Novation dated June 3, 2014, and later by LIHS Corporate Advisor Limited pursuant to a Deed of Novation and Amendment dated January 14, 2016.

Related Party Transactions with Joint Ventures

Italy Joint Venture

VimpelCom has commercial contracts with the newly established joint venture in Italy, largely relating to roaming and interconnect which are transacted at arm's length and presented in the table above.

Euroset

PJSC VimpelCom has commercial contracts with Euroset, which became an associate in October 2008. In 2016 PJSC VimpelCom recognized US$4 (2015: US$5) of revenue from Euroset primarily for mobile and fixed line services and from the sale of equipment and accessories. PJSC VimpelCom accrued to Euroset certain expenses totaling US$19 in 2016 (2015: US$20), primarily dealer commissions and bonuses for services for acquisition of new customers, customer care and receipt of customers' payments.

Balances and transactions from discontinued operations (Note 6)

Following the reclassification of the operations in Italy as an asset held for sale and discontinued operation, the intercompany positions between the continued and discontinued portions of the Group were are treated as Related Party mainly representing regular business activities, i.e. roaming and interconnect.

Compensation of key management personnel of the Company

The Company is part of VEON Ltd. group and its operations are managed by the Members of the Supervisory Board and Management Board of VEON Ltd. (i.e. the ultimate parent company). Consequently, the Company considers the Supervisory Board and Management Board of VEON Ltd. together with the directors of the Company to be the key management personnel, and finds it appropriate to disclose the compensation of the key management of the entire VimpelCom group. VimpelCom Holdings B.V. has no separate stock and other executive compensation plans itself, however the Company discloses the various stock and other executive compensation plans that are eligible to key management of the VimpelCom group. These plans are to be read from the perspective of VEON Ltd. The amounts disclosed below are not recorded in the consolidated income statement of the Company but are largely borne and accounted for by VEON Ltd.

Under the VEON Ltd.'s bye-laws, the Supervisory Board of the Company established the Compensation Committee (the "**Compensation Committee**"), which has the overall responsibility for approving and evaluating the compensation and benefit plans, policies and programs of the Company's directors, officers and employees and for supervising the administration of the Company's equity incentive plans and other compensation and incentive programs.

The Compensation Committee's rules and competences are set forth in the Company's Compensation Committee Charter, which forms part of the Company's bye-laws adopted on April 20, 2010, as amended and restated on September 2, 2013.

The Compensation Committee adheres to the following objectives in setting out compensation policies for the group:

1. To incentivize and reward individual and collective performance in a balanced and fair manner throughout the group;
2. To set and communicate clear targets based on the group's strategic priorities; and
3. To unify and standardize the rules for incentives across the group's headquarters in Amsterdam and its offices in London, Regional headquarters and Operational Companies (the "**OpCos**").

The aim of the group's compensation and benefit policies and incentive plans is to stimulate and reward leadership efforts that result in sustainable success, improve our local and global performance, build increased trust and sponsorship and support long-term value creation. The group's compensation includes base salary, as well as short and long-term incentive schemes.

To ensure the overall competitiveness of the Company's and the group's pay levels, these levels are benchmarked against a peer group which consists of companies that are comparable in terms of size and scope, as listed on the NASDAQ stock exchange. The Compensation Committee regularly reviews the peer group to ensure that its composition is still appropriate. The composition of the peer group might be adjusted as a result of mergers or other corporate activities. The relative size of the Company and the group it belongs to is taken into account when determining whether the pay levels within the group are in line with the market-median levels.

Each year, the Compensation Committee conducts a scenario analysis, which includes the calculation and composition of the remuneration under different scenarios. The Compensation Committee concluded that the current policy has proven to function well in terms of a relationship between the strategic objectives and the chosen performance criteria and believes that the short and long-term incentive plans support this relationship.

The Company's Short Term Incentive Scheme (the "**STI Scheme**") provides cash pay-outs to participating employees based on the achievement of established Key Performance Indicators ("**KPI**") over the period of one calendar year. KPIs are set every year at the beginning of the year and evaluated in the first quarter of the next year. The KPIs are partially based on the performance of the Company (or the affiliated entity employing the employee) and partially based on the performance of the individual. The target pay range is between 15% and 100% of the participant's annual gross base salary.

To stimulate and reward leadership efforts that result in sustainable success, the Value-Growth Cash Based Long-Term Incentive Plan (the "**LTI Plan**") has been designed for members of our recognized leadership community. The participants in the LTI Plan may receive cash payouts after the LTI Plan cycle, which is currently 42 months (e.g. January 1, 2014 to June 30, 2017 with a potential payout by Q4 of 2017 at the latest). The target pay aims at 50% to 100% of a participant's annual gross base salary and since 2016 is based on the Total Shareholder Return ("**TSR**") of the Company compared to peer companies in the markets in which we operate. The KPIs are based on the TSR evolution compared to peer companies in the markets in which we operate. This pay structure enables the Company to attract, incentivize and retain highly skilled senior management with highly valuable experience and backgrounds.

The Company furthermore considers from time to time new long term incentive plans, which may result in additional payouts not described above.

Executives of the Company may also be invited to participate in the Company's Executive Investment Plan (the "**Executive Investment Plan**"), which provides for payment of a matching investment subject to satisfaction of KPIs determined by the Committee. Currently, there are no such plans active and the last plan expired in 2016 without matching investments being due.

Members of the Supervisory Board and Management Board of the Company are the key management personnel. The following table sets forth the total compensation paid to key management personnel:

	2016	2015
Short-term employee benefits	39	39
Long-term employee benefits	34	27
Share-based payment transactions	-	3
Termination benefits	4	2
Total compensation paid to key management personnel	**77**	**71**

Each of our unaffiliated directors currently receives an annual retainer of EUR 150,000 (US$163 thousand). Each affiliated director receives an annual retainer of EUR 40,000 (US$43 thousand), and our current chairman of the Supervisory Board receives an additional annual retainer of EUR 4,000 (US$4 thousand). In addition, each unaffiliated director who serves on any official committees of our Supervisory Board receives additional annual compensation of EUR 30,000 (US$33 thousand) per committee (for serving as the head of any such committee) or EUR 25,000 (US$27 thousand) committee (for serving as a member of any such committee). In 2016 the chairman of the Nominating and Corporate Governance Committee was awarded an additional one-off discretionary compensation of EUR 345,000 (US$372 thousand). All of our directors are reimbursed for expenses incurred in connection with service as a member of our Supervisory Board. Currently, five of the Company's directors are considered "affiliated directors" (as defined in the Company's bye-laws) because they are affiliated with LetterOne or Telenor (or their affiliates). The remaining four directors are considered "unaffiliated directors".

Members of our senior Management and Supervisory Board are eligible to participate in cash based long term incentive plans discussed below.

The following table sets forth the total compensation paid to the key management board members in 2016 (gross amounts in EUR and US$ equivalent):

	Group CEO Jean-Yves Charlier		Group CFO Andrew Davies		Group General Counsel Scott Dresser	
	EUR	**US$**	**EUR**	**US$**	**EUR**	**US$**
Base salary (incl. holiday pay)	2,500,000	2,750,000	1,100,000	1,210,000	750,000	825,000
Bonus 2015 (STI)	2,130,000	2,343,000	850,000	935,000	460,000	506,000
Other	26,000	28,600			20,000	22,000
Total gross remuneration	**4,656,000**	**5,121,600**	**1,950,000**	**2,145,000**	**1,230,000**	**1,353,000**

2013-2015 Cash-based Long Term Incentive Plan

In 2013, a cash based long term incentive plan ("**LTI Plan 2013**") was adopted for members of our recognized leadership team. Under the LTI Plan 2013, the target amount that can be earned during the three year performance period (2013-2015) was determined at the time of the grant. The actual amount that can be earned is subject to the attainment of KPIs, which KPIs were set at the grant date for the duration of the three year performance period and looked at business and strategic objectives such as EBITDA market share and revenue market share. The award vested in three annual tranches (2013, 2014 and 2015), assuming a full time participation in the plan as of January 1, 2013 up to and including 2015. All unvested tranches lapsed if the employment was terminated before the end of the performance period.

In 2015, EUR 3.6 million (US$4) was banked/paid in relation to amounts vested under the 2014 tranche. The total of target bonus amounts for the 2015 tranches was US$ nil, as the 2013-2015 Cash Based Long Term Incentive Plan was discontinued from January 1, 2015 and replaced by the Value Growth Cash Based Long Term Incentive Plan discussed below.

2014-2016 and 2015 – 2017 Value Growth Cash Based Long Term Incentive Plan

The 2014 – 2016 LTI award

In January 2015, a new cash based long term incentive plan was adopted for senior management, replacing the LTI Plan 2013. The first award that was launched under this new plan was the 2014 LTI award. Under the new LTI Plan, the 2014 awards are granted annually, the vesting of which is subject to the attainment of KPIs over a three and a half year (42 months) performance period (January 1, 2014 to June 30, 2017). The maximum target amount that may be earned under an award is determined at the time of the grant. The vesting of an award is subject to continued employment (except in limited "good leaver" circumstances) and to the Committee's determination of the attainment of set KPIs after the relevant performance period (in the third quarter of 2017). The award was initially subject to the attainment of KPIs, generally with an equal or comparable weight, subject to individual discrepancies, that were business and strategy related, such as EBITDA market share and revenue market share and the TSR evolution compared to peer companies in the markets in which we operate for our OpCos. For our HQ, the amount of the award was based on TSR evolution compared to selected peer companies. In the course of 2016, the plan was modified in such way that also for our OpCos, the amount of the award also entirely depended on TSR. For participants joining after the start of a performance period and for participants leaving during the first three years of the performance period (in the LTI Plan referred to as "**Qualifying Period**"), vested awards will be subject to pro-rata reduction in accordance with the actual period of employment during this Qualifying Period. Awards may vest early upon the occurrence of certain corporate events relating to VEON Ltd., subject to the Committee's determination of the attainment of KPIs at the time of the relevant event and a potential pro-rata reduction to reflect the early vesting.

The 2015 – 2017 LTI award

In January 2015, a new award was launched for senior management under the Value Growth Cash Based Long Term Incentive Plan, the vesting of which is subject to the attainment of KPIs over a three and a half year (42 months) performance period (January 1, 2015 to June 30, 2018 for the first awards). The KPIs are principally based on the TSR evolution compared to peer companies in the markets in which we operate. The Committee regularly reviews the peer group to ensure that its composition is still appropriate. The same principles as for the 2014-2016 LTI Plan apply. The pay-out is based on TSR evolution in the markets in which we operate.

As at December 31, 2016, the total target amount (all unvested) granted under the 2014 and 2015 awards of the 2014-2016 Cash Based Long Term Incentive Plan was US$22.

Director Cash Based Long Term Incentive Plan

In December 2014, our Supervisory Board approved a cash based Long Term Incentive Plan for our unaffiliated directors (the "**Director LTI Plan**"). Under the Director LTI Plan, awards are granted annually, covering a three year performance period (January 1, 2014 to December 31, 2016 for the first awards, with an additional performance measurement over the first six months of 2017 and, January 1, 2015 to June 30, 2018 for the second awards). The actual amount that may be earned under an award is determined on the basis of the annual retainer of the unaffiliated director and the actual payout to headquarters participants in the corresponding tranches of the Cash Based Long Term Incentive Plan (discussed above). For participants leaving before the end, or joining after the start, of a performance period, vested awards will be subject to pro-rata reduction, provided that the participant has served as an unaffiliated director for at least 12 months during the performance period. Awards may vest early upon the occurrence of certain corporate events relating to VEON Ltd., subject to the compensation committee's determination of the attainment of KPIs at the time of the relevant event and a potential pro-rata reduction to reflect the early vesting.

As at December 31, 2016, the total amount granted under the 2014 and 2015 awards of the Director LTI Plan was EUR 0.9 million (US$1).

Short Term Incentive Plan

The Compensation Committee has approved the following key objectives for the STI Plan in 2017:

1. To incentivize and reward individual and collective short-term performance in a balanced and fair manner throughout the Group;
2. To set and communicate clear short-term targets based on the Group's strategic priorities—in particular, execution of the digital agenda, new operating model and cultural transformation; and
3. To unify and standardize the rules for short term incentives across the Group's HQ (Amsterdam and London), Regional HQs and OpCos.

The Company's Short Term Incentive Scheme (the "**STI Scheme**") provides that the participating employees may receive cash payouts based on achievement of set KPIs over the period of one calendar year. KPIs are set every year at the beginning of the year and evaluated in the first quarter of the next year. The KPIs are partially based on the performance of the Company and partially based on the performance by the individual and look at business and strategic objectives of the Company. The KPIs relate to the financial and operational results of the Company (such as EBITDA and total operating revenue) as well as to individual targets that are agreed upon with the participant at the start of the performance period based on his or her specific role and activities. The weight of each KPI is decided on an individual basis. The target pay ranges between 15% and 100% of the annual gross base salary.

Pay-out of the STI award is scheduled in March of the year following the assessment year and is subject to continued active employment during the year of assessment (except in limited "good leaver" circumstances in which case there is a pro-rata reduction) and is also subject to a pro-rata reduction if the participant commenced employment after the start of the year of assessment.

Executive Investment Plan

Executives of the Company may also be invited to participate in the Company's Executive Investment Plan (the "**Executive Investment Plan**"), which provides for payment of a matching investment subject to satisfaction of KPIs determined by the Committee. Currently, there are no such plans active and the last plan expired in 2016 without matching investments being due.

26 Risks, commitments, contingencies and uncertainties

Risks

Investigations by SEC/DOJ/OM

During the first quarter of 2016, VEON Ltd., the indirect parent of the Company, reached resolutions through agreements with the U.S. Securities and Exchange Commission ("**SEC**"), the U.S. Department of Justice ("**DOJ**"), and the Dutch Public Prosecution Service (Openbaar Ministerie) ("**OM**") relating to the previously disclosed investigations under the U.S. Foreign Corrupt Practices Act (the "**FCPA**") and relevant Dutch laws, pertaining to the Company's business in Uzbekistan and prior dealings with Takilant Ltd. Pursuant to these agreements, the Company paid an aggregate amount of US$795 in fines and disgorgements to the SEC, the DOJ and the OM in the first quarter of 2016.

On February 18, 2016, the United States District Court for the Southern District of New York (the "**District Court**") approved the agreements with the DOJ relating to charges that the Company and its subsidiary violated the anti-bribery, books-and-records and internal controls provisions of the FCPA. These agreements consisted of the deferred prosecution agreement (the "**DPA**"), entered into by VEON and the DOJ and a guilty plea by Unitel LLC ("**Unitel**"), a subsidiary of VEON and the Company operating in Uzbekistan. Under the agreements with the DOJ, VEON agreed to pay a total criminal penalty of US$230 to the United States, including US$40 in forfeiture.

In connection with the investigation by the OM, VEON and Silkway Holding BV, a wholly owned subsidiary of VEON and the Company, entered into a settlement agreement (the "**Dutch Settlement Agreement**") related to anti-bribery and false books-and-records provisions of Dutch law. Pursuant to the Dutch Settlement Agreement, VEON agreed to pay criminal fines of US$230 and to disgorge a total of US$375, which was satisfied by the forfeiture to the DOJ of US$40, a disgorgement to the SEC of US$167.5 and a further payment to the OM of US$167.5 beyond the criminal fines.

VEON also consented to the entry of a judgment and incorporated consent (the "**SEC Judgment**"), which was approved by the District Court on February 22, 2016, relating to the SEC's complaint against VEON, which charged violations of the anti-bribery, books-and-records and internal controls provisions of the FCPA. Pursuant to the SEC Judgment, VEON agreed to a judgment ordering disgorgement of US$375, to be satisfied by the forfeiture to the DOJ of US$40, the disgorgement to the OM of US$167.5, and a payment to the SEC of US$167.5, and imposing a permanent injunction against future violations of the U.S. federal securities laws.

The DPA, the guilty plea, the Dutch Settlement Agreement and the SEC Judgment comprise the terms of the resolution of the VEON's potential liabilities in the previously disclosed DOJ, SEC and OM investigations regarding VEON and Unitel.

All amounts to be paid under the DPA, the guilty plea, the Dutch Settlement Agreement and the SEC Judgment were paid by VEON in the first quarter of 2016 and were included in the provision made by VEON in its financial statements for the year ended December 31, 2015.

The Company has considered previously the need to record the provision associated with the aforementioned investigations. Based on the final settlement terms, VimpelCom Holdings B.V. and its subsidiaries (including Unitel) would not be separately accountable for payment of any penalties. Instead, the fines and disgorgement that were paid by VEON Ltd. would cover all penalties potentially attributable to subsidiaries, and no fines will be imposed on the Company. Accordingly, no provision was considered necessary in the Company's financial statements.

Currency control risks

The imposition of currency exchange controls or other similar restrictions on currency convertibility in the countries in which VimpelCom operates, including Ukraine and 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. Refer to Note 21 for further information regarding restricted cash.

Domestic and global economy risks

The Company has significant operations in Russia and Ukraine, which represent 52% and 36% of the Group's revenues and assets excluding intercompany transactions and balances, respectively. Both countries are currently experiencing a period of significant political and macroeconomic volatility, the outcome of which cannot be predicted and could negatively affect the Company's financial position, results of operations and business prospects.

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.

Change in law and compliance 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, including the U.S. Foreign Corrupt Practices Act ("**FCPA**"). Non-compliance with such rules and laws may cause VimpelCom to be subject to claims, some 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.

Tax risks

The tax legislation in the markets in which VimpelCom operates is unpredictable and gives 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.

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, Controlled Foreign Operation ("**CFC**") legislation and more strict tax residency rules).

Management believes that VimpelCom 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.

Commitments

Capital commitments for the future purchase of equipment and intangible assets are as follows as at December 31:

	2016	2015
Property, plant and equipment		
Less than 1 year	689	382
Between 1 and 3 years	448	463
Between 3 and 5 years	-	224
Intangible assets		
Less than 1 year	32	1
Between 1 and 3 years	18	11
Total	**1,187**	**1,081**

Telecom Licenses Capital Commitments

VimpelCom'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 and "3G" (UMTS / WCDMA) mobile radiotelephony communications services and "4G" (LTE). 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. 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.

In July 2012, PJSC VimpelCom was awarded a mobile license, a data transmission license, a voice transmission license and a telematic license for the provision of LTE services in Russia. The roll-out of the LTE network will occur through a phased approach based on a pre-defined schedule pursuant to the requirements of the license. The LTE services were launched in the middle of 2013 and offered in six regions in Russia by the end of the year. The services must be extended to a specific number of additional regions each year through to December 1, 2019 by when services must cover all of Russia. PJSC VimpelCom is required to comply with the following conditions among others under the terms of the license: (i) invest at least RUB 15 billion (US$224) in each calendar year, for which the Company continues to comply with to date in the construction of its federal LTE network until the network is completed, which must occur before December 1, 2019; (ii) provide certain data transmission services in all secondary and higher educational institutions in specified areas with population over 50 thousand; and (iii) provide interconnection capability to telecommunications operators that provide mobile services using virtual networks in any five regions in Russia not later than July 25, 2016. The latter requirement was fulfilled by PJSC VimpelCom within the required time.

Operating lease commitments

Operating lease commitments are as follows as at December 31:

	2016	**2015**
Less than 1 year	121	60
Between 1 and 5 years	368	153
More than 5 years	148	66
Total	**637**	**279**

Operating lease commitments mainly relate to the lease of base station sites and office spaces. Operating leases can be renewed but may be subject to renegotiations with lessors.

Contingencies

GTH - License Fees Tax Litigation

The Egyptian Tax Authority ("**ETA")** conducted a review of GTH's tax filings for the years 2000-2004. Following the review, in May 2010, the Internal Committee of the ETA assessed additional tax liabilities in the amount of approximately Egyptian pound (**"EGP"**) 2 billion (US$256) against GTH for these years. The basis for the assessment was that, according to the ETA, GTH's investments in Algeria, Syria, Iraq, Tunisia and Sub-Saharan Africa during these years were actually license fees paid to foreign governments for which Egyptian withholding tax was due according to Egyptian tax laws.

GTH challenged the Internal Committee's ETA's assessment before the Appellate Committee of the ETA. On May 14, 2012, the Appellate Committee cancelled the Internal Committee's assessment of EGP 2 billion (US$256) in part and reduced the assessed amount to EGP 323 million (US$41).

GTH agreed to pay the assessed amount of EGP 323 million (US$41) in instalments on a without prejudice basis, which it has satisfied, and also appealed the Appellate Committee's decision to the North Cairo Court of First Instance. The ETA also challenged the Appellate Committee's decision and is seeking to reinstitute its original assessment of EGP 2 billion (US$256) plus late payment interest. The proceedings remain ongoing before the court.

Separately, on January 18, 2016, GTH, through its tax advisors, received a demand from the ETA claiming an amount of EGP 429 million (US$55) in late payment interest on the Appellate Committee's assessment of EGP 323 million (US$41). The demand threatened administrative seizure of GTH's assets in the event of non-payment. On February 17, 2016, GTH filed an appeal in the Administrative Court to challenge the demand and intends to vigorously defend itself. On February 24, 2016, GTH received an updated demand from the ETA, which GTH objected to on March 24, 2016. On May 3, 2016, the ETA resent the same demand, which GTH again objected to on May 7, 2016.

GTH - Iraqi Profits and Dividends Tax Litigation

Tax year 2005

In March 2011, the ETA conducted an audit of GTH's tax filings for the year 2005. Following its review, the ETA concluded that income derived by OTIL from Iraqna ("**OTIL-Iraqna Income**") for that year should be included in GTH's tax return and taxed at 20%, and accordingly claimed additional corporate income tax of EGP 235 million (US$30).

GTH challenged the ETA's claim before the Internal Committee of the ETA arguing that the OTIL-Iraqna Income should be fully exempt from Egyptian corporate income tax pursuant to the Iraq-Egypt double taxation treaty.

On October 2, 2011, the Internal Committee ruled that the OTIL-Iraqna Income should be taxed at 20% in the amount of EGP 235 million (US$30) but that credit should be given for taxes paid by OTIL in Iraq. GTH's appeal to the Appellate Committee of the ETA was dismissed on August 1, 2015.

On November 11, 2015, GTH appealed the Appellate Committee's decision to the Administrative Court where proceedings are ongoing.

Separately, on January 18, 2016, GTH, through its tax advisors, received a demand from the ETA claiming an amount of EGP 235 million (US$30) assessed by the Appellate Committee together with late payment interest of EGP 258 million (US$33). The demand threatened administrative seizure of GTH's assets in the event of non-payment. On February 17, 2016, GTH filed an appeal in the Administrative Court to challenge the demand and intends to vigorously defend itself. On February 24, 2016, GTH received an updated demand from the ETA claiming EGP 505 million (EGP 235 million principal plus EGP 270 million interest), which GTH objected to on March 24, 2016. On May 3, 2016, the ETA sent a new demand, which GTH objected to on May 7, 2016.

Tax year 2007

During the audit conducted by the ETA in 2011 in respect GTH's tax filings for the year 2007, the ETA concluded that GTH owed additional corporate income tax of EGP 282 million (US$36) in respect of dividends distributed by Iraqna to OTIL in 2007. After GTH disputed the claim on the basis of the Iraq-Egypt double taxation treaty, the ETA referred the dispute to the Internal Committee, who upheld the ETA's position. GTH appealed the Internal Committee's decision to the Appeal Committee, where proceedings are ongoing.

VAT on Replacement SIMs

On April 1, 2012, the National Board of Revenue ("**NBR**") issued a demand to Banglalink for BDT 7.74 billion (US$98 as of December 31, 2016) for unpaid SIM tax (VAT and supplementary duty). The NBR alleged that Banglalink evaded SIM tax on new SIM cards by issuing them as replacements. On the basis of 5 random SIM card purchases made by the NBR, the NBR concluded that all SIM card replacements issued by Banglalink between June 2009 and December 2011 (7,021,834 in total) were new SIM connections and subject to tax. Similar notices were sent to three other operators in Bangladesh. Banglalink and the other operators filed separate petitions in the High Court, which stayed enforcement of the demands.

In an attempt to assist the NBR in resolving the dispute, the Government ordered the NBR to form a Review Committee comprised of the NBR, the Commissioner of Taxes ("**LTU**"), Bangladesh Telecommunication Regulatory Commission ("**BTRC**"), AMTOB and the operators (including Banglalink). The Review Committee identified a methodology to determine the amount of unpaid SIM tax and, after analyzing 1,200 randomly selected SIM cards issued Banglalink, determined that only 4.83% were incorrectly registered as replacements. The Review Committee's interim report was signed off by all the parties, however, the Convenor of the Review Committee reneged on the interim report and unilaterally published a final report that was not based on the interim report or the findings of the Review Committee. The operators objected to the final report.

The NBR Chairman and operators' representative agreed that the BTRC would prepare further guidelines for verification of SIM users. Although the BTRC submitted its guidelines (under which Bangalink's exposure was determined to be 8.5% of the original demand), the Convenor of the Review Committee submitted a supplementary report which disregarded the BTRC's guidelines and assessed Banglalink's liability for SIM tax to be BDT 7.62 billion (US$ 97 as of December 31, 2016). The operators refused to sign the supplementary report.

On May 18, 2015, Banglalink received an updated demand from the LTU claiming Banglalink had incorrectly issued 6,887,633 SIM cards as replacement SIM cards between June 2009 and December 2011 and required Banglalink to pay BDT 5.32 billion (US$ 67 as of December 31, 2016) in SIM tax. The demand also stated that interest may be payable. Similar demands were sent to the other operators.

On June 25, 2015, Banglalink filed an application to the High Court to stay the updated demand, and a stay was granted. On August 13, 2015, Banglalink filed its appeal against the demand before the Appellate Tribunal and deposited 10% of the amount demanded in order to proceed. The other operators also appealed their demands. On April 26, 2016, Banglalink presented its legal arguments and on September 28, 2016, the appeals of all the operators were heard together. The Appellate Tribunal has yet to make its decision, which decision can be appealed to the High Court. Banglalink and the operators continue to engage in discussions with the government in an attempt to resolve the dispute.

KaR-Tel - Turkish Savings Deposit Insurance Fund Litigation

In 2005, the Savings Deposit Insurance Fund (the "**SDIF**"), a Turkish state agency responsible for collecting state claims arising from bank insolvencies, issued a payment order against KaR-Tel for Turkish Lira (**"TRY"**) 7.55 billion (US$2,588). The Payment Order was based on the SDIF's claim against the Turkish Uzan Group, which the SDIF alleged was a debtor of T. Imar Bankasi, an insolvent Turkish bank. Two entities in the Uzan Group (the "**Former Shareholders**") held a 60% equity interest in KaR-Tel until November 2003 when KaR-Tel redeemed the Former Shareholders' equity interest pursuant to a decision of the Almaty City Court of June 6, 2003, which was confirmed by the Kazakhstan Supreme Court on July 23, 2003 (the "**Kazakh Judgment**").

On October 20, 2009, KaR-Tel filed with the Sisli 3d Court of the First Instance in Istanbul an application for the recognition of the Kazakh Judgment in Turkey. Following a number of hearings and appeals, on January 30, 2013, the Supreme Court upheld earlier court decisions and confirmed the recognition of the Kazakh Judgment in Turkey.

On October 20, 2009, KaR-Tel also filed with the 4th Administrative Court of Istanbul (the "**4th Administrative Court**") a petition asking the court to treat the recognition of the Kazakh Judgment as a court precedent and to suspend the enforcement proceedings in relation to the Order to Pay. On October 25, 2010, the 4th Administrative Court ruled that the Order to Pay was illegal and annulled it. The Court's decision was appealed by the SDIF.

On March 22, 2012, the SDIF's appeal of the decision of the 4th Administrative Court was reviewed by the Prosecution Office of the Council of State and sent to the 13th Chamber of the Council of State (the "**Chamber**") for review on the merits.

On April 10, 2015, the Chamber upheld the decision of the 4th Administrative Court and ruled in KaR-Tel's favor. The SDIF filed a claim for correction of the Chamber's decision on June 8, 2015.

On April 26, 2016, the Chamber rejected the SDIF's claim for correction and ruled in favor of KaR-Tel. No further appellate rights are available so the case is now fully concluded.

Contingent tax liabilities

Multinational groups of the size of VimpelCom are exposed to varying degrees of uncertainty related to tax planning changes in tax law and periodic tax audits. VimpelCom accounts for its income taxes on the basis of its own internal analyses, supported by external advice. VimpelCom continually monitors its global tax position, and whenever uncertainties arise, VimpelCom assesses the potential consequences and either accrues the liability or discloses a contingent liability in its financial statements, depending on the strength of the Company's position and the resulting risk of loss.

Contingencies and uncertainties

In addition to the individual matters mentioned above, the Company is involved in other disputes, litigation and regulatory inquiries and investigations, both pending and threatened, in the ordinary course of its business. The total value of all other individual contingencies above US$5 other than disclosed above amounts to US$29. The Company does not expect any liability arising from these contingencies to have a material effect on the results of operations, liquidity, capital resources or financial position of the Company. Furthermore, the Company believes it has provided for all probable liabilities arising in the ordinary course of its business.

For the ongoing matters described above, where the Company has concluded that the potential loss arising from a negative outcome in the matter cannot be estimated, the Company has not recorded an accrual for the potential loss. However, in the event a loss is incurred, it may have an adverse effect on the results of operations, liquidity, capital resources, or financial position of the Company.

27 Events after the reporting period

GTH share buyback

GTH bought back 524,569,062 ordinary shares from its shareholders for EGP 4.1 billion (US$258), for which the transaction settled on February 21, 2017. VimpelCom did not take part in the share buyback. As a result of the share buyback, the Company's interest in GTH will increase from 51.92% to 57.69% following the cancellation of the shares purchased in the share buyback. The cancellation of the 524,569,062 ordinary shares was approved at an extraordinary general meeting of GTH's shareholders on March 19, 2017 and took effect on April 16, 2017 after ratification by the Egyptian Financial Supervisory Authority of the minutes of the March 19, 2017 extraordinary general meeting. The increase of the Company's interest in GTH will be accounted for directly in equity in the Q1 2017 interim financial statements.

New GTH Loan facility

GTH entered into an unsecured short-term loan agreement with Citi and ING Bank for a principal amount of US$200, on February 5, 2017. The loan agreement has an initial term of six months (the **"Initial Term"**),which is capable of being extended until December 15, 2017, and carries interest at a rate of LIBOR plus 4.00% per annum during the Initial Term (rising to LIBOR plus 5.00% per annum for the period from the expiry of the Initial Term to December 15, 2017 in the event the term of the loan agreement is extended), with two of the GTH's fully owned subsidiaries (International Wireless Communications Pakistan Limited and Telecom Ventures Limited) acting as guarantors. Subject to the terms of the loan agreement, the loan amount will be used for funding the share buyback of GTH.

New multi-currency term and revolving facilities up to US$2,250

VimpelCom Holdings B.V. entered into a new multi-currency term and revolving facilities agreement (the **"TL/RCF"**) of up to US$2,250 on February 16, 2017. The TL/RCF replaces the existing US$1,800 revolving credit `facility signed in 2014. The term facility has a five-year tenor and the revolving credit facility has an initial tenor of three years, with VIP Holdings having the right to request two one-year extensions to the tenor of the revolving credit facility, subject to lender consent. Several international banks have committed to the TL/RCF in an aggregate amount of US$2,108. The TL/RCF includes an option to increase the amount of the facility up to the full amount US$2,250, which would consist of a term facility of US$562.5 and a revolving credit facility of US$1,687.5. VimpelCom Holdings B.V. will have the option to make each drawdown under the facilities in either US Dollars or Euros. Under this facilities agreement, the Net Debt to Adjusted EBITDA covenant ratio will be calculated on the basis of the consolidated financial statements of VEON Ltd. and "pro-forma" adjusted for acquisitions and divestments of any business bought or sold during the relevant period. On April 6, 2017 VimpelCom Holdings B.V. drew down EUR 494 million (US$526) under the Term loan.

Dividends declared and paid to shareholder

The Company declared and paid a dividend of US$113 to its shareholder on April 7, 2017.

Dividends declared to non-controlling interests

On February 13, 2017, VimpelCom Kyrgyzstan Holding AG, a subsidiary of the Company, declared dividends to its shareholders which were paid on February 16, 2017. The portion of dividends paid to the minority shareholder amounted to US$55.

Volatility of local currencies

As at May 19, 2017 the main developments in currencies are appreciation of GEL and RUB against US$ of 9% and 5.3% respectively and depreciation of UZS against US$ of 17.2%

Redemption of Ruble bonds

On March 2, 2017, PJSC VimpelCom announced the reset of the coupon rate on its 10% Ruble bonds with a principal amount of RUB 15,052 million (US$258) maturing on March 8, 2022. The new coupon rate of 7.00% per annum will be applicable for the next six coupon periods (i.e. next three years) and will reset on March 3, 2020. Following the reset of the coupon rate, a number of bondholders exercised their put options with respect to the Ruble bonds in aggregate principal amounts of RUB 14,459 million (US$248) which was repaid on March 17, 2017. Subsequent to the settlement, the total outstanding amount of 7% Ruble bonds was RUB 597 million (US$10).

Sberbank revolving credit facility drawdown

On March 16, 2017 and on April 10, 2017, PJSC VimpelCom drew down RUB 4,000 million and RUB 11,000 million (US$68 and US$193) respectively under its revolving credit facility with Sberbank. The RCF matures on May 29, 2017.

Alfa-Bank credit facilities amendments and extensions

On March 29, 2017, VimpelCom Amsterdam B.V., as original borrower, and VimpelCom Holdings B.V., as the new borrower, entered into an amendment agreement with respect to a US$500 facility agreement with AO “Alfa-Bank,” as the original lender and agent, dated April 2, 2014. Pursuant to the amendment agreement, the maturity date of the facility has been extended to October 17, 2017. Further, VimpelCom Holdings B.V. has replaced VimpelCom Amsterdam B.V. as the borrower, and the guarantee from VimpelCom Holdings B.V. has been terminated. In addition, VimpelCom Holdings B.V. has agreed that AO “Alfa-Bank” may assign certain of the principal amount of the facility (or transfer its obligations) to other specified lenders. On March 29, 2017, VimpelCom Holdings B.V. received confirmation that US$350 of the extended facility had been assigned by AO “Alfa-Bank” to Sberbank.

In addition to the US$500 facility agreement with Alfa Bank dated April 2, 2014 and as amended on March 29, 2017, on April 5, 2017, VimpelCom Amsterdam B.V., as original borrower, and VimpelCom Holdings B.V., as the new borrower, entered into an amendment agreement with respect to a second US$500 facility agreement with AO “Alfa-Bank,” as the original lender and agent, dated April 18, 2014. Pursuant to the amendment agreement, the maturity date of the facility has been extended to October 17, 2017. Further, VimpelCom Holdings B.V. has replaced VimpelCom Amsterdam B.V. as the borrower, and the guarantee from VimpelCom Holdings B.V. has been terminated. In addition, VimpelCom Holdings B.V. has agreed that AO “Alfa-Bank” may assign certain of the principal amount of the facility (or transfer its obligations) to other specified lenders. On April 5, 2017, VimpelCom Holdings B.V. received confirmation that US$300 of the extended facility had been assigned by AO “Alfa-Bank” to Sberbank.

Spectrum reallocation in Uzbekistan

On March 31, 2017, the spectrum council of the Ministry for Development of Information Technologies and Communications of the Republic of Uzbekistan (the "**Council**") published a decision (the "**Decision**") ordering the redistribution of radio frequencies in Uzbekistan which, if it comes into force as planned in September 2017, could result in a reallocation of our subsidiary Unitel LLC's ("**Unitel**") radio frequencies to other cellular communications providers in the market. On April 21, 2017, Unitel filed a claim with the Commercial Court of Tashkent City disputing the Decision. The court has accepted the case for consideration, and the Council has filed an opposition to the claim. A preliminary hearing on Unitel's claim was held on May 10, 2017, where consideration of the matter was adjourned initially to May 23, 2017 and then further adjourned to June 6, 2017.

Separately, a working group involving the regulator and all mobile operators in Uzbekistan has been created to discuss potential terms and conditions for implementation of the Decision. Initial meetings of the group were held on May 6, 2017, and May 18, 2017, and a further meeting date is expected to be set once the mobile operators have presented their implementation proposals.

New RUB 110,000 million Sberbank term facilities agreement

VimpelCom Holdings B.V. have entered into a new Russian Ruble-denominated term facility agreement with Sberbank of Russia ("**Sberbank**") for an amount up to RUB 110,000 million (US$ 1,914) on May 19, 2017 (the "**Facility Agreement**"). Amounts borrowed under the Facility Agreement will be used for general corporate purposes and to refinance existing borrowings of PJSC VimpelCom, including borrowings with Sberbank. The loan has a five-year tenor with an interest rate of 10% per annum. The Facility Agreement provides for financial covenants measured against (i) net debt to EBITDA of VEON Ltd. and, for a designated period, PJSC VimpelCom (each on a consolidated basis) and (ii) EBITDA to finance costs of VEON Ltd. (on a consolidated basis). EBITDA will be "pro-forma" adjusted for acquisitions and disposals of any business bought or sold during the relevant period. On May 22, 2017, VimpelCom Holdings B.V. drew down RUB 79,000 million (US$1,375) under the Facility Agreement.

4G/LTE license commitment Pakistan

In May 2017, Pakistan Mobile Communications Limited, a subsidiary of the Company was awarded, through auction, 10 MHz paired spectrum in the 1800 MHz band for a total consideration of USD 295 million plus withholding tax of 10%.

Amsterdam, May 24, 2017

VimpelCom Holdings B.V.