VimpelCom Holdings B.V.
Consolidated Financial Statements 2014

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

Consolidated income statements
for the years ended 31 December 2014 and 2013

	Note	Years ended 31 December 2014	2013
(In millions of US dollars, except per share amounts)			
Service revenue		9,963	12,069
Sale of equipment and accessories		204	381
Other revenue		20	23
Total operating revenue	**7**	**10,187**	**12,473**
Operating expenses			
Service costs		2,373	2,966
Cost of equipment and accessories		236	425
Selling, general and administrative expenses	8	3,255	3,703
Depreciation	13	1,514	1,681
Amortization	14	284	397
Impairment losses	9	838	2,156
Loss on disposals of non-current assets	13,14	61	81
Total operating expenses		**8,561**	**11,409**
Operating profit		**1,626**	**1,064**
Finance costs		982	1,109
Finance income		(364)	(323)
Other non-operating (gains)/ losses	10	(81)	5
Shares of profit of associates and joint ventures accounted for using the equity method	11	17	20
Net foreign exchange loss/ (gain)		558	(9)
Profit before tax		**514**	**262**
Income tax expense	12	350	845
Profit/ (loss) for the year		**164**	**(583)**
Attributable to:			
The owners of the parent		96	(631)
Non-controlling interest		68	48

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

Consolidated statements of comprehensive income
for the years ended 31 December 2014 and 2013

	Note	Year ended 31 December 2014	2013
(In millions of US dollars)			
Profit/ (loss) for the year		**164**	**(583)**
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Share of foreign currency translation of associates and joint ventures accounted for using the equity method (net of tax in 2014 of USD nil, 2013 of USD nil and 2012 of USD nil)		(169)	(37)
Net movement on cash flow hedges (net of tax in 2014 of USD 5, 2013 of USD 10 and 2012 of USD 15)	15	14	3
Release to currency translation adjustment		(63)	-
Foreign currency translation		(2,970)	(303)
Other comprehensive loss for the year, net of tax		**(3,188)**	**(337)**
Total comprehensive (loss)/ income for the year, net of tax		**(3,024)**	**(920)**
Attributable to:			
The owners of the parent		(3,005)	(953)
Non-controlling interests		(19)	33
		(3,024)	**(920)**

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

Consolidated statements of financial position

As of 31 December 2014 and 2013

	Note	2014	2013*
(In millions of US dollars)			
Assets			
Non-current assets			
Property and equipment	13	5,517	8,816
Intangible assets	14	882	1,669
Goodwill	9	2,106	4,745
Investments in associates and joint ventures	11	237	427
Deferred tax assets	12	22	6
Other financial assets	15	4,356	737
Non-current income tax assets	12	80	52
Other non-financial assets	16	18	17
Total non-current assets		**13,218**	**16,469**
Current assets			
Inventories	17	68	135
Trade and other receivables	15, 18	520	564
Other non-financial assets	16	165	213
Current income tax asset	12	84	186
Other financial assets	15	247	3,623
Cash and cash equivalents	19	1,704	1,284
Total current assets		**2,788**	**6,005**
Assets classified as held for sale		5	-
Total assets		**16,011**	**22,474**
Equity and liabilities			
Equity			
Equity attributable to equity owners of the parent	20, 21	1,054	4,461
Non-controlling interests		217	263
Total equity		**1,271**	**4,724**
Non-current liabilities			
Financial liabilities	15	10,489	12,907
Provisions	22	97	133
Other non-financial liabilities	16	24	40
Deferred tax liability	12	548	724
Total non-current liabilities		**11,158**	**13,804**
Current liabilities			
Trade and other payables	15	1,109	1,639
Other non-financial liabilities	16	546	870
Other financial liabilities	15	1,845	1,289
Current income tax payable	12	4	31
Provisions	22	78	117
Total current liabilities		**3,582**	**3,946**
Liabilities associated with assets held for sale		-	-
Total equity and liabilities		**16,011**	**22,474**

* *Adjusted to reflect the adoption of IAS 32 Offsetting Financial Assets and Financial Liabilities as described in Note 3.*

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

Consolidated statements of changes in equity

for the years ended 31 December 2014 and 2013

(In millions of US dollars)	Note	Number of shares	Issued capital	Capital Surplus	Treasury shares	Other capital reserves	Accumulated deficit	Foreign currency translation	Total	Non-controlling interest	Total equity
As of 1 January 2013		**15,099,998**	**20**	**264**	**-**	**122**	**(2,803)**	**(567)**	**(2,964)**	**(10)**	**(2,974)**
(Loss)/ profit for the period			-	-	-	-	(631)	-	(631)	48	(583)
Total other comprehensive income /(loss)			-	-	-	3	-	(325)	(322)	(15)	(337)
Total comprehensive income /(loss)			-	-	-	3	(631)	(325)	(953)	33	(920)
Issuance of shares		15,000,000	19	11,235	-	-	-	-	11,254	-	11,254
Dividends			-	-	-	-	(470)	-	(470)	-	(470)
Acquisitions	6		-	(7)	-	(12)	(21)	-	(40)	54	14
Divestments	6		-	-	-	-	(25)	-	(25)	25	-
Repayment of share premium			-	(2,421)	-	-	-	-	(2,421)	-	(2,421)
Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control			-	-	-	91	-	(11)	80	161	241
As of 31 December 2013		**30,099,998**	**39**	**9,071**	**-**	**204**	**(3,950)**	**(903)**	**4,461**	**263**	**4,724**

(In millions of US dollars)	Note	Number of shares	Issued capital	Capital Surplus	Treasury shares	Other capital reserves	Accumulated deficit	Foreign currency translation	Total	Non-controlling interest	Total equity
As of 1January2014		**30,099,998**	**39**	**9,071**	**-**	**204**	**(3,950)**	**(903)**	**4,461**	**263**	**4,724**
Profit for the period			-	-	-	-	96	-	96	68	164
Total other comprehensive income/(loss)			-	-	-	14	-	(3,115)	(3,101)	(87)	(3,188)
Total comprehensive income/(loss)			-	-	-	14	96	(3,115)	(3,005)	(19)	(3,024)
Repayment of share premium to the parent company	21		-	(358)	-	-	-	-	(358)	-	(358)
Acquisition of non-controlling interest			-	-	-	-	-	-	-	4	4
Dividend declared			-	-	-	-	-	-	-	(21)	(21)
Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control			-	-	-	(7)	-	(39)	(46)	(10)	(56)
Other movements			-	-	-	(1)	3	-	2	-	2
As of 31 December2014		**30,099,998**	**39**	**8,713**	**-**	**210**	**(3,851)**	**(4,057)**	**1,054**	**217**	**1,271**

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

Consolidated statements of cash flows

For the years ended 31 December 2014and 2013

(In millions of US dollars)	Note	Year ended 31 December 2014	2013
Operating activities			
Profit/ (loss) for the year		164	(583)
Income tax expense	12	350	845
Profit before tax		**514**	**262**
Non-cash adjustment to reconcile profit/(loss) before tax to net cash flows from operating activities:			
Depreciation	13	1,514	1,681
Amortization	14	284	397
Impairment losses	9	838	2,156
Loss on disposals of non-current assets	13, 14	61	81
Finance costs		982	1,109
Finance income		(364)	(323)
Other non-operating (gains)/ losses	10	(81)	5
Shares of loss of associates and joint ventures accounted for using the equity method	11	17	(9)
Net foreign exchange loss/ (gain)		558	20
Movements in provisions and pensions		19	121
Operating profit before working capital adjustments		**4,342**	**5,500**
Working capital adjustments:			
Change in trade and other receivables and prepayments		(85)	59
Change in inventories		25	(46)
Change in trade and other payables		121	(72)
		61	(59)
Interest paid		(992)	(1,435)
Interest received		33	47
Income tax paid		(413)	(799)
Net cash flows from operating activities		**3,031**	**3,254**
Investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		17	35
Purchase of property, plant and equipment and intangible assets		(2,277)	(2,346)
Change in short-term deposits and other financial assets	15	95	(181)
Loans granted to associates		(2)	-
Receipts from associates		40	-
Payments of loans granted		-	724
Proceeds from sale of shares in subsidiaries, net of cash disposed	6	-	33
Other		1	11
Net cash flows used in investing activities		**(2,126)**	**(1,724)**
Financing activities			
Proceeds from borrowings, net of fees paid (1)		1,480	3,967
Repayment of borrowings		(1,319)	(14,170)
Dividends paid to equity holders of the parent		-	(470)
Dividends paid to non-controlling interests		(19)	-
Proceeds from issuance of share capital		-	8,833
Repayment of share premium to the parent company		(358)	-
Acquisition of non-controlling interest		-	(13)
Net cash flows used in/ from financing activities		**(216)**	**(1,853)**
Net increase/(decrease) in cash and cash equivalents		689	(323)
Net foreign exchange difference		(269)	(74)
Cash and cash equivalents at beginning of period	19	1,284	1,681
Cash and cash equivalents at end of period (2)	**19**	**1,704**	**1,284**

(1) Fees paid during 2014 were USD 27 (2013: USD 10)

(2) The cash balances as of 31 December 2014 in Uzbekistan of USD 532 (2013: USD 256) and Ukraine of USD 116 (2013: nil) are restricted due to local government or central bank regulations

Notes to 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 29 June 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 a indirectly owned subsidiary of VimpelCom Ltd.

The consolidated financial statements are presented in United States dollars (“U.S. dollar” or USD). In these notes, U.S. dollar amounts are presented in millions, except for share and per share amounts and as otherwise indicated.

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

2. Basis of preparation of the consolidated financial statements

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union, effective at the time of preparing the consolidated financial statements and applied by VimpelCom. The consolidated financial statements have been prepared on a historical cost basis, unless disclosed otherwise.

The preparation of these consolidated financial statements has required management to apply accounting policies and methodologies based on complex and subjective judgments, estimates based on past experience and assumptions determined to be reasonable and realistic based on the related circumstances. The use of these estimates and assumptions affects the amounts reported in the 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 consolidated financial statements may differ from those reported in these statements due to the uncertainties that characterize the assumptions and conditions on which the estimates are based.

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

Change in basis of presentation of financial statements

Up to and including 2013 the Company applied the exemption to prepare consolidated accounts as offered by article 408, Part 9 of Book 2 of the Dutch Civil Code. Due to changes in Dutch Law effective 1 January 2015, this exemption can no longer be applied. Therefore the Company prepared consolidated financial statements under IFRS as adopted by the European Union.

Basis of consolidation

The 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. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

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

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

3. Significant accounting policies

New accounting pronouncements adopted by the Company in 2014

VimpelCom adopts new IFRSs by following the transitional requirements of each new standard.

The following new IFRS has been adopted by VimpelCom as of 1 January 2014 but had no material impact on the Group's financial position or financial performance :

- Amendment to IAS 32, '*Financial instruments: Presentation*' on offsetting financial assets and financial liabilities. These amendments permit financial assets and liabilities to be offset against each other for balance sheet presentation only where a currently existing, legally enforceable, unconditional right of offset applies to all counterparties of the financial instruments in all situations, including both normal operations and insolvency. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

  VimpelCom enters into interconnect contracts with various counterparties that are settled on a net basis in the normal course of business. However, following Russian legislation net settlement is not possible in the event of bankruptcy of a counterparty. Consequently, the offsetting of the respective financial assets and liabilities relevant for the Russian jurisdiction is not allowed in the light of the amendments to IAS 32. As a result of the retrospective application of the amendments to IAS 32, the outstanding receivables and payables balances under the interconnect contracts included in the 31 December 2013 statement of financial position presented as comparative information in these consolidated financial statements have been presented on a gross basis leading to the increase of the trade and other receivables and trade and other payables by USD 127. No additional statement of financial position as of 1 January 2013 is presented because the application of the amendments to IAS 32 did not result in a change of equity in any of the prior periods.
- Annual Improvements to IFRSs 2012-2014 Cycle (early adoption). Annual improvements set out amendments to IFRS and the related Bases for Conclusions and guidance made during the IASB's Annual Improvements process. The amendments are mandatory for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The main change stemming from this Improvements Cycle early adopted by the Group pertains to disclosures with respect to Offsetting Arrangements as defined in IFRS 7 that are no longer required for the interim periods. There is no impact on the financial position or performance of the Group. Also, no disclosures in the annual IFRS consolidated financial statements are affected by this early adoption.
- Amendment to IAS 39, '*Financial instruments: Recognition and measurement*' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The group has applied the amendment and there has been no impact.
- IFRIC 21, '*Levies*', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 '*Provisions*'. The interpretation addresses what the obligating

event is that gives rise to pay a levy and when a liability should be recognised. The Group verified the accounting for significant levies and no impact was concluded.

Other standards, amendments and interpretations that are effective for the financial year beginning on 1 January 2014 are not relevant to the Group.

New accounting pronouncements not yet adopted by the Company

The following are 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*' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard replaces IAS 18 '*Revenue'* and IAS 11 '*Construction contracts'* and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is in the process of assessing the impact of IFRS 15.
- IFRS 9, '*Financial instruments*', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group has yet to assess IFRS 9's impact.

Future changes in IFRS

IFRSs are undergoing a process of revision, with a view to increasing harmonization of accounting rules internationally. Proposals to issue new or revised IFRSs, as yet unpublished, on financial instruments, revenue recognition, leases and other topics may change standards and may therefore affect the accounting policies applied by VimpelCom in future periods.

Business combinations

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

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

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

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

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

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

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

Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee without control or joint control over those policies, and significant influence is assumed if the Group holds, directly or indirectly, 20% or more but less than 50% of the voting power of the investee, unless it can be clearly demonstrated that it does not have significant influence. The Group has interests in joint ventures as a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

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

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

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

Foreign currency translation

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

In 2014 the functional currency of the Company's operations in Uzbekistan was changed from the US dollar to the Uzbek som. The impact of change in functional currency was not material and accounted for in the Company's 2014 financial statements.

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

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

Revenue recognition

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

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

Wireless services

Service revenue 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 (“**SMS**”), multimedia messages (“**MMS**”), 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. More specifically, the accounting for revenue sharing agreements and delivery of content depends on the analysis of the facts and circumstances surrounding these transactions, which will determine if the revenue is recognized gross or net.

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

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

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

Sales of equipment

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

Interconnect and roaming revenue

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

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

Fixed-line services

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

Connection fees

VimpelCom defers upfront telecommunications connection fees. The deferral of revenue is recognized over the estimated average customer life or the minimum contractual term, 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.

Multiple elements agreements ("MEA")

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

Dealer commissions

Dealer commissions are expensed as customer acquisition costs ("service costs" in the consolidated income statements) when the services are provided.

If dealer commissions meet the definition of an asset, they are capitalized as part of intangible assets, and are amortized over the expected customer life.

Classification of non-operating items

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

Interest income/expense

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

Taxation

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

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

Current income tax

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

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

Uncertain tax positions

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

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

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

Deferred taxation

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

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

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

b) the initial recognition of an asset or liability in a transaction which:

   - is not a business combination; and
   - at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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

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

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

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

Property and equipment

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

The costs of an item of P&E include:

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

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

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

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

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

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

The carrying amount of an item in P&E is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss from derecognition of an item in P&E

is calculated as the difference between the net proceeds from disposal, if any, and the carrying amount of the item, and is included in the income statement when derecognized.

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

Borrowing costs

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

Rental expenses

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

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards associated with ownership of the leased asset to VimpelCom. All other leases are classified as operating leases. The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, 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 operating lease expenses in the income statement on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of VimpelCom's benefit. No asset is capitalized. If the periodic payments or part of the periodic payments has been prepaid, the Company recognizes these prepayments in the statement of financial position as other non-financial assets.

Intangible assets (excluding Goodwill)

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

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

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

Goodwill

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

Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Impairment of assets

Property and equipment, intangible assets and investments in associates and joint ventures 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. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Goodwill is tested for impairment annually as of 1 October and as necessary when circumstances indicate that the carrying value may be impaired. Goodwill impairment is identified by assessing the recoverable amount, being the higher of Value in Use and Fair Value less Cost of Disposal, of each CGU (or group of CGUs). Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized for the difference. Impairment losses relating to goodwill cannot be reversed in future periods.

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

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

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

Financial instruments

Derivative financial instruments and hedge accounting

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

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

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

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

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

Fair values

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

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

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: inputs are unobservable inputs for the asset or liability

Any put options granted to non-controlling interests give rise to a financial liability, which are measured at the present value of the redemption amount. Subsequently, the put option is accounted for with an effective interest method of accounting.

Inventories

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

Net realizable value is the estimated selling price in the ordinary course of business less the estimated selling expenses. The amount of any reversal of any write-down of inventories is recognized in the Income Statement in the period in which the reversal occurs.

Phone sets are often sold for less than cost in connection with promotions to obtain new subscribers with minimum commitment periods. Such loss on the sale of equipment is only recorded when the sale occurs if the normal resale value is higher than the cost of the phone set. If the normal resale value is lower than cost, the difference is recognized as impairment immediately.

Trade and other receivables

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

Cash and cash equivalents

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Convertible preference shares ("CPS")

Both a liability and an equity component are recorded for CPS. The value of the liability is equal to the present value of the redemption amount, which represents the value of USD 0.001 per share. The equity value is the residual amount after deducting the debt value from the fair value of the entire instrument.

Provisions

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

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

The Company discloses for each class of provision, carrying amounts at the beginning and end of the period, additions, amounts used, unused amounts reversed and adjustments due to discount reversal or changes in the discount rate as well as translation adjustments.

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

4. Significant accounting judgments, estimates and assumptions

Accounting judgments

Events after the reporting period

The financial statements present, among other things, the Company's financial position at the end of the reporting period. In certain circumstances, it is appropriate to adjust the financial statements for events that occurred subsequent to the end of the reporting period but prior to the date the financial statements are authorized for issue, where the events offer greater clarity concerning the conditions that existed at the end of the reporting period. Reported amounts in certain cases should be adjusted for 'adjusting events' that provide evidence of conditions that existed at the end of the reporting period, whereas in other cases ('non-adjusting events'), the Company is not required to change reported amounts, but is required to disclose the nature of the non-adjusting events in the financial statements. Judgment is needed to distinguish between adjusting and non-adjusting events. See Note 25 for details of the subsequent events identified by the Company as requiring adjustment or disclosure by the Company.

Critical accounting estimates

A critical accounting estimate is an estimate that is both important to the presentation of the Group's financial position and requires management's most difficult, subjective or complex judgments, often as a result of the need to determine estimates and develop assumptions about the outcome of matters that are inherently uncertain. Management evaluates such estimates on an on-going basis, based upon historical results, historical experience, trends, consultations with experts, forecasts of the future, and other methods which management considers reasonable under the circumstances. Management considers the accounting estimates discussed below to be its critical accounting estimates, and, accordingly, provides an explanation of each.

Revenue Recognition

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

Business combinations

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

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

Impairment of non-current assets

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

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

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

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

There are significant variations between different markets with respect to growth, mobile penetration, ARPU, market share and similar parameters, resulting in differences in operating margins. The future developments of operating margins are 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 9 for further information about the goodwill and other non-current assets impairment test.

Depreciation and amortization of non-current assets

Depreciation and amortization expenses are based on management estimates of useful life, residual value and amortization method of property and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the amortization or depreciation charges. Technological developments are difficult to predict and our views on the trends and pace of development may change over time. Some of the assets and technologies, in which the Group invested several years ago, are still in use and provide the basis for the new technologies. Critical estimates in the evaluations of useful lives for intangible assets include, but are not limited to, the estimated average customer relationship based on churn, the remaining license or concession period and the expected developments in technology and markets. The useful lives of property and equipment and intangible assets are reviewed at least annually, taking into consideration the factors mentioned above and all other important relevant factors. Estimated useful lives for similar types of assets may vary between different entities in the Group due to local factors such as growth rate, maturity of the market, history and expectations for replacements or transfer of assets, climate and quality of components used. The actual economic lives of intangible assets may be different than our estimated useful lives, thereby resulting in a different carrying value of our intangible assets with finite lives. We continue to evaluate the amortization period for intangible assets with finite lives to determine whether events or circumstances warrant revised amortization periods. A change in estimated useful lives is a change in accounting estimate, and depreciation and amortization charges are adjusted prospectively. See Note 13 and 14 for further information.

Deferred tax assets and uncertain tax positions

Deferred tax assets are recognized to the extent that it is probable that the assets will be 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. The estimates relate primarily to losses carried forward in some of the Group's foreign operations. When an entity has a history of recent losses the deferred tax asset arising from unused tax losses is recognized only to the extent that there is convincing evidence that sufficient future taxable profit will be generated. Estimated future taxable profit is not considered such evidence unless that entity has demonstrated the ability by generating significant taxable profit for 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 the judgments due to uncertainty concerning the interpretation of the rules and any transitional rules.

Provisions for uncertain tax positions are recognized when it is probable that a tax position will not be sustained and the amount can be reliably measured. The expected resolution of uncertain tax positions is based upon managements' judgment of the likelihood of sustaining a position taken through tax audits, tax courts and/or arbitration, if necessary. Circumstances and interpretations of the amount or likelihood of sustaining a position may change through the settlement process. Furthermore, the resolution of uncertain tax positions is not always within the control of the Group and it is often dependent on the efficiency of the legal processes in the relevant taxing jurisdictions in which the Group operates. Issues can, and often do, take many years to resolve. See Note 12 and Note 24 for further information.

Fair value of financial instruments

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

Provisions

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

For certain operations in emerging markets, the Group is involved in legal proceedings and regulatory discussions. Management's estimates relating to legal proceedings and regulatory discussions in these countries involve a high level of uncertainty. See Note 22 and 24 for further information.

5. Financial risk management

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

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

The Company's Management Board oversees the management of these risks. The Company's Management Board is supported by the treasury department that 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 Group risk appetite. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision.

The Group Executive Board of the Company reviews and agrees policies for managing each of these risks which are summarized below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk, and credit risk. Financial instruments affected by market risk include loans and borrowings, deposits, and derivative financial instruments. The sensitivity analyses in the following sections relate to the position as of 31 December in 2014 and 2013. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2014 and 2013 respectively. The analyses exclude the impact of movements in market variables on the carrying value of pension and other post-retirement obligations (insignificant for the Group), provisions and the non-financial assets (as disclosure focuses on financial instruments) and the translation risk of liabilities of foreign operations (not intended to be covered in this note based on IFRS rules).

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 by having a balanced portfolio of fixed and variable rate loans and borrowings. To further manage this, the Company enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations.

At 31 December 2014, after taking into account the effect of interest rate swaps, approximately 99% of the Company's borrowings are at a fixed rate of interest (2013: 96%).

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on loans and borrowings, taking into account the related derivative financial instruments, cash and cash equivalents and current deposits. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings and cash and 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 before tax**
2014		
US Dollar	+100	14
Uzbek Sum	+100	6
Other currencies	+100	3
US Dollar	-100	(14)
Uzbek Sum	-100	(6)
Other currencies	-100	(3)
2013		
US Dollar	+100	11
Uzbek Sum	+100	3
Other currencies	+100	2
US Dollar	-100	(11)
Uzbek Sum	-100	(3)
Other currencies	-100	(2)

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 US dollar of its foreign operations by holding net borrowings in foreign currencies and can use foreign currency swaps and forwards for this purpose as well.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in exchange rates against the USD with all other variables held constant. The table shows the effect on the Company's profit before tax (due to changes in the value of monetary assets and liabilities, including non-designated foreign currency derivatives) and equity (due to the effect on the cash flow hedge reserve). The Company's exposure to foreign currency changes for all other currencies is not material.

	Change in foreign exchange rate against USD	**Effect on profit before tax**	**Effect on other components of equity**
2014			
Russian Ruble	10% depreciation		7
Kazakh Tenge	10% depreciation		-
Uzbek Sum	10% depreciation		-
Georgian Lari	10% depreciation		-
Armenian Dram	10% depreciation		-
Kyrgyz Som	10% depreciation		-
Ukrainian Hryvnia	10% depreciation		-
Other currencies	10% depreciation		-
Russian Ruble	10% appreciation		(7)
Kazakh Tenge	10% appreciation		-
Uzbek Sum	10% appreciation		-
Georgian Lari	10% appreciation		-
Armenian Dram	10% appreciation		-
Kyrgyz Som	10% appreciation		-
Ukrainian Hryvnia	10% appreciation		-
Other currencies	10% appreciation		-

	Change in foreign exchange rate against USD	Effect on profit before tax	Effect on other components of equity
2013			
Russian Ruble	10% depreciation		3
Kazakh Tenge	10% depreciation		-
Uzbek Sum	10% depreciation		-
Georgian Lari	10% depreciation		-
Armenian Dram	10% depreciation		-
Kyrgyz Som	10% depreciation		-
Ukrainian Hryvnia	10% depreciation		-
Other currencies	10% depreciation		-
Russian Ruble	10% appreciation		(4)
Kazakh Tenge	10% appreciation		-
Uzbek Sum	10% appreciation		-
Georgian Lari	10% appreciation		-
Armenian Dram	10% appreciation		-
Kyrgyz Som	10% appreciation		-
Ukrainian Hryvnia	10% appreciation		-
Other currencies	10% appreciation		-

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

Credit risk

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

Trade accounts receivable consist of amounts due from customers for airtime usage and amounts due from dealers and customers for equipment sales. In certain circumstances, VimpelCom requires deposits as collateral for airtime usage. In addition, VimpelCom has introduced a prepaid service GSM network. Equipment sales are typically paid in advance of delivery, except for equipment sold to dealers on credit terms. VimpelCom's credit risk arising from its trade accounts receivable from customers is mitigated as a result of 93% of its active customers being subscribed to a prepaid service as of 31 December 2014 (2013: 94%) and, accordingly, not giving rise to credit risk.

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

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.

Trade receivables

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

Financial instruments and cash deposits

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

The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2014 and 2013 is the carrying amount as illustrated in Note 15.

Liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares, financial and operating leases. The Company's policy is that not more than 35% of borrowings should mature in a single year. 14% of the Company's debt will mature in less than one year at 31 December 2014 (2013: 8%) 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 refinancings. 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 has the following Facilities:

At 31 December 2014		Amounts in millions of transaction currency			USD equivalent amounts		
Facility	Maturity	Facility amount	Utilized	Available	Facility amount	Utilized	Available
Vendor Financing Facility China Development Bank / Bank of China	November 2017	USD 1,000	—	USD 1,000	1,000	—	1,000
OJSC VimpelCom—Revolving Credit Facility Sberbank	May 2017	RUB 15,000	—	RUB 15,000	267	—	267
Total					**1,267**	—	**1,267**

At 31 December 2013		Amounts in millions of transaction currency			USD equivalent amounts		
Facility	Maturity	Facility amount	Utilized	Available	Facility amount	Utilized	Available
OJSC VimpelCom—Revolving Credit Facility Sberbank	May 2017	RUB 15,000	—	RUB 15,000	458	—	458
Total					**458**	—	**458**

Furthermore, VimpelCom Amsterdam B.V., the 100% shareholder of VimpelCom Holdings B.V., has Revolving Credit Facilities and Vendor Financing Facilities of which the availability is maturing in the period from December 2014 through March 2015. These facilities are obtained with a guarantee by OJSC VimpelCom and these funds can be made available to the Group through loans:

At 31 December 2014		Amounts in millions of transaction currency			USD equivalent amounts		
Facility	Maturity	Facility amount	Utilized	Available	Facility amount	Utilized	Available
VimpelCom Amsterdam B.V.-Revolving Credit Facility	April 2017	USD 1,800	USD 500	USD 1,300	1,800	500	1,300
Total					**1,800**	**500**	**1,300**

At 31 December 2013		Amounts in millions of transaction currency			USD equivalent amounts		
Facility	Maturity	Facility amount	Utilized	Available	Facility amount	Utilized	Available
VimpelCom Amsterdam B.V.-Revolving Credit Facility	December 2014	USD 225	—	USD 225	225	—	225

At 31 December 2013		Amounts in millions of transaction currency			USD equivalent amounts		
Facility	**Maturity**	**Facility amount**	**Utilized**	**Available**	**Facility amount**	**Utilized**	**Available**
VimpelCom Amsterdam B.V.- Revolving Credit Facility	December 2014	EUR 205	—	EUR 205	281	—	281
VimpelCom Amsterdam B.V.- Vendor Financing Facility China Development Bank	December 2014	USD 500	USD 103	USD 397	500	103	397
VimpelCom Amsterdam B.V.- Vendor Financing Facility HSBC Bank	March 2015	USD 270	USD 87	USD 183	270	87	183
Total					**1,276**	**190**	**1,086**

All facilities at 31 December 2014 are new and/or extended and have replaced facilities existing at 31 December 2013, which have been either terminated or fully utilized.

The table below summarizes the maturity profile of the Company'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 per 31 December 2014 and 31 December 2013 respectively. The total amounts in the table differ from the carrying amounts as stated in Note 15 as the below table includes both notional amounts and interest while the carrying amounts are based on amongst others notional amounts, fair value adjustments and unamortized fees.

	Less than 1 year	**1-3 years**	**3-5 years**	**More than 5 years**	**Total**
At 31 December 2014					
Bank loans and bonds	2,208	3,525	2,588	4,133	12,454
Equipment financing	103	124	27	-	254
Loans from related parties	187	292	216	1,921	2,616
Derivatives over non-controlling interest	-	330	-	-	330
Trade and other payables and dividend payables	1,109	-	-	-	1,109
Total financial liabilities	3,607	4,271	2,831	6,054	16,763
Related derivative financial instruments—assets					
—Gross cash inflows	(604)	-	-	-	(604)
—Gross cash outflows	424	-	-	-	424
Related financial instruments—assets	(180)	-	-	-	(180
Net	3,427	4,271	2,831	6,054	16,583

	Less than 1 year	**1-3 years**	**3-5 years**	**More than 5 years**	**Total**
At 31 December 2013					
Bank loans and bonds	1,790	5,313	3,523	5,024	15,650
Equipment financing	146	211	90	14	461
Loans from related parties	161	217	171	1,599	2,148
Derivatives over non-controlling interest	-	-	330	-	330
Trade and other payables	1,639	-	-	-	1,639
Total financial liabilities	3,736	5,741	4,114	6,637	20,228

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Related derivative financial instruments—assets					
—Gross cash inflows	-	-	-	-	-
—Gross cash outflows	-	-	-	-	-
Related derivative financial instruments—assets	-	-	-	-	-
Net	3,736	5,741	4,114	6,637	20,228

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, and healthy capital ratios in order to secure access to debt and capital markets at all times and maximise 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.

The Net Debt to Adjusted EBITDA ratio is an important measure to assess the capital structure in light of maintaining a strong credit rating. Net Debt represents the amount of interest-bearing debt at amortized costs and guarantees given less cash and cash equivalents and current and non-current bank deposits 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 shares of profit/ (loss) of associates and joint ventures).

The Net Debt to Adjusted EBITDA ratio relevant to the Company's Russian subsidiary OJSC VimpelCom, which holds and/or guarantees a major part of the debt of the Company, at 31 December 2014 and 2013 was 2.4 and 2.8x respectively. The required ratio is <3.5x (2013: <3.5x) for a portion of the debt. The ratio is calculated based on the consolidated financial statements of OJSC VimpelCom prepared under IFRS.

Furthermore, debt issued in 2014 that is not guaranteed by OJSC VimpelCom (refer to Note 15) includes a Net Debt to Adjusted EBITDA covenant ratio on the basis of the consolidated financial statements of VimpelCom Holdings B.V. At 31 December 2014, the Net Debt to Adjusted EBITDA ratio was 2.5x. The required ratio is <3.5x.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 31 December 2013.

Collateral

The Company provides collateral for some lenders which is described for individual loans in Note 24.

6. Business combinations and other significant transactions

There were no significant business combinations during 2014 and 2013. Other significant transactions in 2014 and 2013 are discussed below.

Network Sharing Agreement with MTS

In late 2014 OJSC VimpelCom, a wholly owned indirect subsidiary of the Company, entered into an agreement with MTS for joint planning, development and operation of 4G/LTE networks in 36 regions of Russia. Under the terms of the agreement, between 2014 and 2016 MTS will build and operate 4G/LTE base stations in 19 regions and OJSC VimpelCom will build and operate 4G/LTE base stations in 17 regions of Russia. Within the first seven years of the project, OJSC VimpelCom and MTS plan to share base stations, platforms, infrastructure and resources of the transportation network, with each operator maintaining its own core network.

Other transactions in 2013

Sotelco

In late 2012, the Company decided it would dispose of its entire indirect 90.0% stake in Sotelco Ltd. ("Sotelco"), its Cambodian subsidiary and operator, and formalized a plan to do so. Pursuant to IFRS 5 Non-current assets held for sale and discontinued operations the assets and liabilities of Sotelco were classified as held for sale in the Statement of Financial Position as of 31 December 2012. On 5 April 2013, VimpelCom entered into a sale and purchase agreement ("SPA") for its stake in Sotelco and on 19 April the disposal was completed leading to an immaterial loss on disposal.

Sotelco's (100%) carrying values presented as held for sale were as follows:

	As of 31 December 2012
Property and equipment	17
Intangible assets	26
Other non-current assets	15
Other current assets	6
Total assets	**64**
Non-current liabilities	17
Current liabilities	20
Total liabilities	**37**

Rascom

On 15 July 2013, OJSC VimpelCom, the Russian subsidiary of VimpelCom Ltd., obtained control over CJSC Rascom, an entity which had until then been a joint venture accounted for using the equity method of accounting. The investment and its consolidation is not material for the Group and accounts for 0.1% of the Group revenue.

ION transaction

On 5 December 2013, VimpelCom Holdings B.V. has entered into a legally binding share purchase agreement to acquire 100% of the retail business of ION Group in Russia in the year 2017. The acquisition would be executed in the price range of USD 80—140 based on the financial results of ION Group for the year ended 31 December 2016 and is subject to an extensive list of conditions precedent to be satisfied.

7. Segment information

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

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

Financial information by reportable segment for 2014 and 2013 is presented in the following tables.

Year ended 31 December 2014

	Russia	Ukraine	CIS	Total	HQ, adjustments and other eliminations	Total Segments
Revenue						
External customers	7,371	1,008	1,777	10,156	31	10,187
Inter-segment	88	54	96	238	(238)	-
Total revenue	**7,459**	**1,062**	**1,873**	10,394	(207)	10,187
Adjusted EBITDA	**2,980**	**484**	**912**	**4,376**	**(53)**	**4,323**
Other disclosures						
Capital expenditures	1,559	138	268	1,965	8	1,973

Year ended 31 December 2013

	Russia	Ukraine	CIS	Total	HQ, adjustments and other eliminations	Total Segments
Revenue						
External customers	9,007	1,546	1,863	12,416	57	12,473
Inter-segment	102	64	83	249	(249)	-
Total revenue	**9,109**	**1,610**	**1,946**	12,665	(192)	12,473
Adjusted EBITDA	**3,815**	**781**	**856**	**5,452**	**(73)**	**5,379**
Other disclosures						
Capital expenditures	1,822	211	369	2,402	4	2,406

The following table provides the reconciliation of consolidated Adjusted EBITDA to consolidated profit/(loss) for the years ended 31 December:

	2014	2013
Adjusted EBITDA	4,323	5,379
Depreciation	(1,514)	(1,681)
Amortization	(284)	(397)
Impairment loss	(838)	(2,156)
Loss on disposals of non-current assets	(61)	(81)
Finance costs	(982)	(1,109)
Finance income	364	323
Other non-operating gains/ (losses)	81	(5)
Shares of (loss)/profit of associates and joint ventures accounted for using the equity method	(17)	(20)
Net foreign exchange (loss)/ gain	(558)	9
Profit before tax	514	262

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

	2014	2013
Mobile	8,831	10,794
Fixed line	1,356	1,679
Total	**10,187**	**12,473**

These business activities include the following operations:

- mobile primarily includes providing wireless telecommunication services to the Company's customers and other operators,
- fixed line primarily includes all activities for providing wireline telecommunication services, broadband and consumer internet.

8. Selling, general and administrative expenses

Selling, general and administrative expenses consist of the following:

	2014	2013
Network and IT costs	1,070	1,139
Personnel cost	812	1,015
Customer associated costs	790	839
Losses on receivables	47	40
Taxes	292	316
Other G&A	244	354
Total	**3,255**	**3,703**

The following table sets forth the number of our employees at 31 December:

	2014	2013
Russia	27,935	26,843
Ukraine	4,116	4,510
CIS	7,437	7,729
Other	427	303
Total	**39,915**	**39,385**

The number of employees represents people employed by VimpelCom on a full-time or part-time basis excluding people working under contract agreements with external service providers.

9. Impairment

Carrying amount of goodwill and cash-generating units

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

CGU	2014	Impairment	Translation adjustment	2013
Russia	1,560	—	(1,121)	2,681
Ukraine	75	(767)	(535)	1,377
Kazakhstan	136	—	(26)	162
Kyrgyzstan	195	—	(38)	233
Uzbekistan	49	—	(105)	154
Armenia	78	—	(13)	91
Laos	—	(34)	—	34
Tajikistan	13	—	—	13
Total	**2,106**	**(801)**	**(1,838)**	**4,745**

There were no changes to the methodology of goodwill allocation to CGUs in 2014.

The Company performed its annual goodwill impairment test as of 1 October. The Company considers the relationship between market capitalization and its book value, changes in country risk premiums and significant decreases in the operating results of its CGUs versus budgeted amounts among other factors, when reviewing for indicators of impairment. As of the impairment test date the market capitalization of the Group was not below the book value of its equity. The Company further performed an assessment for the period between 1 October and 31 December for any adverse developments that could have negatively impacted the valuations, and none were identified.

The recoverable amounts of the CGUs have been determined based on fair value less costs of disposal calculation using cash flow projections from business plans including subsequent changes in the existing networks, renewal of the telecom licenses as well as any intended restructurings. The business plans as approved by the Group’s senior management cover the period of three years and are extrapolated for another two years. The key assumptions and outcome of the impairment test is discussed separately below.

Impairment losses

2014

Driven by continued volatile economic and political environment in Ukraine as well as deteriorated operating performance in the country, the Company concluded an impairment of USD 767. The recoverable amount was determined based on a fair value less costs of disposal calculation using the latest cash flow projections including the newly awarded 3G license as well as cost optimization restructurings and necessity to renew 2G licenses in the future (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 26.1% in 2015 and 19.4% 2016 followed by normalized post-tax discount rate of 16.8%. The political and economic environment in Ukraine remains very volatile and unpredictable, as indicated by the events that have occurred in the Ukraine in 2014 and continued in 2015. Depending on the developments in the Ukraine that may occur in the near future, additional impairments may need to be recognized.

Other impairment concluded related to goodwill in Laos of USD 34. The recoverable amounts were determined based on the fair value less costs of disposal using the latest cash flow projections and a post-tax discount rate of 16.2% for Laos and 13.1% for other cash generating units (Level 3 fair values). The impairment recorded is part of “All other” reportable segment.

In addition there were no impairment charges for other long-term assets.

2013
In its assessment of possible impairment triggering events in the fourth quarter, the Company determined that fourth quarter increases in the country risk premium and the increasingly volatile economic and political landscape in Ukraine required an impairment assessment to be made at 31 December 2013 for the Ukraine CGU. As a result of this 31 December 2013 impairment assessment, the Company recorded an impairment of goodwill in the Ukraine Cash generating unit ("**CGU**") in an amount of USD 2,085. The impairment was driven by macro-economic developments and the increases in the country risk premium, as well as weakening operational performance that resulted in the reassessment of the Ukraine CGU's long-term forecast. The recoverable amount was determined based on a value in use calculation using the latest cash flow projections and a pre-tax discount rate of 23.1% (post-tax 19%). These assumptions reflect the increase in the risks inherent in the estimated future cash flows attributable to the current economic and political volatility in the country, which became more pronounced during the fourth quarter of 2013. Given the volatility in Ukraine, particularly approaching 31 December 2013, the Company in determining the appropriate discount rate, considered that the rating downgrades suffered by Ukraine in November, contained negative outlooks and were already likely superseded by then current events. Additionally the Company referred to credit default swap spreads during the fourth quarter. Based on all of the available information the Company concluded that the discount rate of 23.1% appropriately reflects the return an investor would seek from the Ukraine CGU.

The political and economic environment in Ukraine remains very volatile and unpredictable, as indicated by the events that have occurred in the Ukraine after year-end. Depending on the developments in the Ukraine that may occur in the near future, additional impairments may need to be recognized.

Other impairments concluded related to the CGUs Armenia and Laos in an amount of USD 20 and USD 25 respectively due to weakening operational performance. Armenia CGU is part of "CIS" reportable segment while Laos CGU is part of "All other" reportable segment. The recoverable amounts were calculated as value in use using the latest available cash flow projections, and a pre-tax discount rate of 14.37% (post-tax 12.1%) and 18.08% (post-tax 15.3%) respectively. Change in the critical estimates such as weighted average cost of capital ("**WACC**"), operating income margin or revenue growth rate by one p.p. for these CGUs will not result in any additional material impairment.

There were no other goodwill impairments recognized.

In addition the Company recorded an impairment for other long-term assets for the total amount of USD 59.

Key assumptions

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

The discount rates used in the impairment test were initially determined in USD 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% (2013: 6.00%) and the systematic risk, beta, represents the median of the raw betas of the entities comparable in size and geographic footprint with the ones of the Company ("**Peer Group**"). The debt risk premium is based on the median of Standard&Poors 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 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.

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

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

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

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

Discount rate (functional currency)	2014	2013
Russia*	11.2%	12.5 %
Ukraine*	16.8%	19.0 %
Kazakhstan	11.4%	12.4 %
Kyrgyzstan	16.5%	17.0 %
Uzbekistan	10.2%	10.7 %
Armenia	11.7%	12.1 %
Laos	16.2%	15.3 %

* Due to the current macroeconomic and geopolitical situation in Russia and Ukraine, the Company applied higher discount rates for the first two years as follows:
Russia: 18.9% (2015) and 12.1% (2016)
Ukraine: 26.1% (2015) and 19.4% (2016)

Average annual revenue growth rate during forecast period (functional currency)	2014	2013
Russia	1.2%	4.4%
Ukraine	4.6%	0.1%
Kazakhstan	2.9%	3.7%
Kyrgyzstan	2.7%	8.6%
Uzbekistan	(3.6 %)	3.1%
Armenia	2.1%	(1.3%)
Laos	5.6%	9.9%

Terminal growth rate	2014	2013
Russia	1.0%	3.0%
Ukraine	2.0%	3.0%
Kazakhstan	3.0%	3.0%
Kyrgyzstan	3.0%	3.0%
Uzbekistan	2.0%	2.3%
Armenia	4.0%	4.0%
Laos	3.0%	4.0%

Average operating margin	2014	2013
Russia	21.1%	28.5%
Ukraine	25.8%	32.0%
Kazakhstan	34.8%	36.0%
Kyrgyzstan	36.9%	38.9%
Uzbekistan	22.0%	25.8%
Armenia	13.7%	15.7%
Laos	5.1%	10.1%

Average capital expenditure as a percentage of revenue	2014	2013
Russia	17.5%	18.2%
Ukraine	22.6%	12.8%
Kazakhstan	13.0%	12.9%
Kyrgyzstan	14.1%	12.7%
Uzbekistan	20.0%	20.1%
Armenia	15.7%	13.6%
Laos	18.3%	14.4%

Sensitivity to changes in assumptions

Other than as disclosed below, there is no reasonably possible change in any of the above key assumptions which would cause the carrying value of any CGU to exceed its recoverable amount.

The carrying value of the Armenia CGU is equal to its estimated recoverable amount. Any adverse change in key assumptions would, in isolation, cause an impairment loss to be recognized. An increase of WACC by one p.p. or deterioration of operating margin by one p.p. or decrease in revenue growth by one p.p. or decrease in terminal growth rate by two p.p. would result in additional impairments of: USD 32, USD 15, USD 14 or USD 48, respectively.

The impairment amount for the CGU Ukraine of USD 767 would increase following an increase of WACC by one p.p., or decrease in operating margin by one p.p. or decrease in revenue growth by one p.p. or decrease in terminal growth rate by one p.p. by USD 66, USD 56, USD 50 or USD 58, respectively.

10. Other non-operating (gains)/ losses

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

	2014	2013
Change of fair value of other derivatives (Note 15)	(150)	-
Change of fair value of derivatives over non-controlling interest (Note 15)	35	46
Ineffective portion of hedges	(6)	(13)
Re-measurement of previously held investment in Rascom (Note 6)	-	(18)
Impairment of loans	-	-
Gain from sale of interest in subsidiaries	-	-
Other losses/ (gains)	40	(10)
	(81)	**5**

11. Investments

11.1 Information about subsidiaries

The consolidated financial statements of the Group include the following subsidiaries for the years ended 31 December:

Name of significant subsidiaries	Country of incorporation	Nature of the subsidiary	Equity interest in %	
			2014	2013
OJSC VimpelCom	Russia	Operating	100%	100%
"Kyivstar" PJSC	Ukraine	Operating	100%	100%
Limnotex Developments Limited	Cyprus	Holding	71.5%	71.5%
LLP "KaR-Tel"	Kazakhstan	Operating	71.5%	71.5%
LLP "TNS-Plus"	Kazakhstan	Operating	49.0%	49.0%
LLC "Tacom"	Tajikistan	Operating	98.0%	98.0%
LLC "Golden Telecom"	Ukraine	Operating	100%	100%
LLC "Unitel"	Uzbekistan	Operating	100%	100%
LLC "Mobitel"	Georgia	Operating	80.0%	80.0%
CJSC "ArmenTel"	Armenia	Operating	100%	100%
LLC "Sky Mobile"	Kyrgyzstan	Operating	71.5%	71.5%
VimpelCom Lao Co. Ltd.	Lao PDR	Operating	78.0%	78.0%

11.2 Material partly-owned subsidiaries

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

Name of significant subsidiaries	Country of operation	Equity interest held by non-controlling interest in %	
		2014	2013
LLP "KaR-Tel"	Kazakhstan	28.5%	28.5%
LLC "Sky Mobile"	Kyrgyzstan	28.5%	28.5%
Book values of material non-controlling interests			
LLP "KaR-Tel"		164	141
LLC "Sky Mobile"		62	57
Profit/(loss) allocated to material non-controlling interests			
LLP "KaR-Tel"		49	39
LLC "Sky Mobile"		23	19

LLP "KaR-tel" and LLC "Sky Mobile" are 100% owned by Limnotex Development Limited ("**Limnotex**"). The Company indirectly owns 71.5% of Limnotex. The non-controlling shareholder of Limnotex holds one put option for 15% of Limnotex shares which is accounted for as a financial liability (Note 15). During 2014 Limnotex paid approximately USD 19 of dividends to the non-controlling shareholder as its portion of dividends paid.

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

Summarized income statement for 2014:

	LLP "KaR-Tel"	LLC "Sky Mobile"
Operating revenue	690	178
Operating expenses	(513)	(109)
Other costs/income	25	22
Profit/(loss) before tax	202	91
Income tax expense	(49)	(10)
Profit/(loss) for the year	153	81
Attributed to non-controlling interest	49	23
Dividends paid to non-controlling interest	—	—

Summarized income statement for 2013:

	LLP "KaR-Tel"	LLC "Sky Mobile"
Operating revenue	776	192
Operating expenses	(586)	(120)
Other costs/income	21	2
Profit/(loss) before tax	211	74
Income tax expense	(58)	(7)
Profit/(loss) for the year	153	67
Attributed to non-controlling interest	(39)	19
Dividends paid to non-controlling interest	—	—

Summarized statement of financial position 2014:

	LLP "KaR-Tel"	LLC "Sky Mobile"
Property and equipment	414	86
Intangible assets	21	8
Other non-current assets	421	228
Trade and other receivables	24	14
Cash and cash equivalents	477	120
Other current assets	33	32
Financial liabilities	—	—
Provisions	9	—
Other liabilities	167	28
Total equity	**1,214**	**460**
Attributed to equity holders of parent	1,050	398

	LLP “KaR-Tel”	LLC “Sky Mobile”
Non-controlling interest	164	62

Summarized statement of financial position 2013:

	LLP “KaR-Tel”	LLC “Sky Mobile”
Property and equipment	515	94
Intangible assets	161	244
Other non-current assets	123	1
Trade and other receivables	27	5
Cash and cash equivalents	263	18
Other current assets	200	79
Financial liabilities	59	—
Provisions	9	—
Other liabilities	177	21
Total equity	**1,044**	**421**
Attributed to equity holders of parent	903	365
Non-controlling interest	141	57

Summarized cash flow statement 2014:

	LLP “KaR-Tel”	LLC “Sky Mobile”
Cash flow from operating activity	255	82
Cash flow from investing activity	45	21
Cash flow used in financing activity	(72)	—
Effect of exchange rate changes on cash and cash equivalents	(14)	(2)
Net increase/(decrease) in cash equivalents	214	101

Summarized cash flow statement 2013:

	LLP “KaR-Tel”	LLC “Sky Mobile”
Cash flow from operating activity	274	92
Cash flow used in investing activity	(227)	(103)
Cash flow from financing activity	—	—
Effect of exchange rate changes on cash and cash equivalents	2	—
Cash included as held for sale	—	—
Net increase/(decrease) in cash equivalents	**49**	**(11)**

11.3 Investments in Associates

The Company does not have any material investments in Associates.

11.4 Investments in Joint Ventures

The Company has no significant operations in joint ventures. The aggregate carrying value of the investments is as follows:

Joint ventures	2014	2013
Joint ventures	237	414

The following is the aggregate financial information of the investment:

	2014	2013
(Loss)/ profit before tax	**(15)**	**(18)**
Income tax expense	(1)	(42)
(Loss)/ profit for the year	**(16)**	**(60)**
Other comprehensive income	—	—
Total comprehensive (loss)/ profit	**(16)**	**(60)**
Elimination of intercompany transactions	**—**	**(24)**
Group's share of (loss)/ profit for the year	**(8)**	**(42)**
Less Group's share of profit for the year	**—**	**—**
Group's share of (loss)/ profit for the year from investment in Joint Ventures	**(8)**	**(42)**

12. Income taxes

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

Current tax	**2014**	**2013**
Current year	281	749
Adjustments of previous years	3	7
	284	756
Deferred tax		
Origination of temporary difference	18	18
Changes in tax rates	(8)	9
Current year tax losses unrecognized	68	80
Recognition and utilization of previously unrecognized tax loss/ tax credit	(10)	(31)
Expiration of tax losses	3	12
Derecognition of previously recognized tax losses	0	3
Write off / (reversal of write off) of deferred tax asset temporary differences	5	5
Adjustments of previous years	(11)	-
Unrecognized other carry forwards	1	(7)
Other deferred tax effects	-	-
	66	89
Income tax expense	350	845

Any penalties or interests relating to income tax claims or litigations are included in the 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:

Reconciliation between statutory and effective income tax:	Year ended 31 December 2014	Year ended 31 December 2013
Profit/(loss) before taxes	514	262
Income tax expense (benefit) computed on profit before taxes at statutory tax rate	129	65
Difference due to the effects of:		
Different tax rates in different jurisdictions	(104)	(22)
Non-deductible expenses	246	504
Non-taxable income	(56)	(19)
Prior year adjustments	(6)	7
Change in recognition of deferred tax assets	66	60
Withholding taxes	67	237
Tax claims	15	1
Change in Income tax rate	(8)	9
Other	1	3
Income tax charge for the period	**350**	**845**

The effective tax rate amounts to 68.1% in 2014 (2013: 322.5%).

Explanatory notes to the effective tax rate

Permanent differences

The non-deductible expenses have an increasing effect on the effective tax rate (USD 250). These mainly relate to the impairment of intangible assets in the Ukraine, Georgia and Laos being non-deductible for tax purposes. The effective tax rate increased due to this non deductibility by USD 209.

The non-taxable income reduced the effective tax rate by USD 56. The amount increased in 2014 compared to previous year due to non-taxable functional currency translation result, non-taxable interest and dividend income.

Change in recognition of deferred tax assets

The effective tax rate increased by USD 66 due to the change of recognition of deferred tax assets.

The effective tax rate increased as a result of tax losses in the Netherlands and in Russia for which no deferred tax asset is recognized.

Withholding taxes

The effect of withholding taxes on undistributed earnings resulted in a tax charge of USD 67. The company accrued for the withholding taxes on distribution of dividends from Russia and the CIS.

Prior year adjustments

The effect of prior year adjustments of USD (6) decreased the effective tax rate and mainly relate to Uzbekistan and Russia.

Tax claims

The tax claims are reserves for uncertain income tax positions. See Note 4 ‘Significant accounting judgments, estimates and assumptions – Deferred tax assets and uncertain tax positions’ for further discussion.

Other

Other includes foreign currency translation result being non-taxable. The amount increased in 2014 compared to 2013 due to the change of functional currency of Unitel (Uzbekistan) resulting in a non-taxable translation result.

Deferred taxes

As per 31 December 2014 and 31 December 2013, the Group reported the following deferred tax assets and liabilities on the balance sheet:

	31 December 2014	31 December 2013
Deferred tax assets	22	6
Deferred tax liabilities	(547)	(724)

The following table shows the movements of the deferred tax assets and liabilities in 2014:

Movements in Deferred taxes

	Opening balance	P/L movement	OCI movement	Acquisition/ Divestment	Other comprehensive income & Other	Currency translatio n	Tax rate changes	Ending balance
Property, plant and equipment, net	(566)	(9)	-	-	-	221	-	(354)
Other intangible assets, net	(169)	24	1	-	-	78	-	(66)
Trade accounts receivable	19	(14)	-	-	-	(10)	-	(5)
Other assets	464	(181)	-	-	-	(305)	-	(22)
Provisions	30	(3)	-	-	-	(13)	-	14
Long-term liabilities	(260)	101	-	-	-	168	-	9
Short-term payables	(100)	83	-	-	-	89	-	72
Other short-term liabilities.	48	4	-	-	-	(18)	-	34
Other movements and temporary differences	12	0	1	-	-	(2)	(8)	3
Deferred subnational income taxes and other	(6)	7	-	-	-	-	-	1
Withholding tax on undistributed earnings	(193)	(67)	-	-	-	53	-	(207)
	(721)	(55)	2	-	-	261	(8)	(521)
Tax losses and other carry forwards	228	(102)	-	-	-	(4)	-	122
Non recognized deferred tax assets on losses and credits	(215)	103	(1)	-	-	-	-	(113)
Non recognized deferred tax assets on temporary differences	(9)	(5)	-	-	-	-	-	(14)
Net deferred tax position	(718)	(59)	1	-	-	257	(8)	(526)

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

Movements in Deferred taxes

	Opening balance	P/L movement	OCI movement	Acquisition/ Divestment	Other comprehensive income& Other	Currency translation	Tax rate changes	Ending balance
Property, plant and equipment, net	(518)	(83)	-	-	-	34	1	(566)
Other intangible assets, net	(195)	15	-	-	-	4	7	(169)
Trade accounts receivable..	6	13	-	-	-	-	-	19
Other assets	(36)	513	-	-	-	(13)	-	464
Provisions..........................	24	8	-	-	-	(2)	-	30
Long-term liabilities............	1	(266)	-	-	-	5	-	(260)
Short-term payables	120	(218)	-	-	-	(2)	-	(100)
Other short-term liabilities...	51	1	-	-	-	(3)	(1)	48
Other movements and temporary differences....	21	-	-	-	-	-	(9)	12
Deferred subnational income taxes and other .	(7)	-	-	-	-	1	-	(6)
Withholding tax on undistributed earnings ...	(120)	(73)	-	-	-	-	-	(193)
	(653)	(90)	-	-	-	24	(2)	(721)
Tax losses and other carry forwards	174	59	-	-	-	-	(5)	228
Non recognized deferred tax assets on losses and credits.....................	(170)	(45)	-	-	-	-	-	(215)
Non recognized deferred tax assets on temporary differences.....................	-	(6)	-	-	-	(4)	-	(10)
Net deferred tax position.....	(649)	(82)	-	-	-	20	(7)	(718)

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 per December 2014:

Tax losses year of expiration	**Recognized losses**	**Recognized DTA**	**Non-recognized losses**	**Non-recognized DTA**
0 - 5 years	-	-	(21)	3
6 - 10 years	(34)	7	(464)	104
> 10 years	-	-	-	-
Indefinitely	(18)	3	(21)	4
Total..	**(52)**	**10**	**(506)**	**111**

Other carry forwards year of expiration	**Recognized credits**	**Recognized DTA**	**Non-recognized credits**	**Non-recognized DTA**
0 - 5 years	-	-	(5)	1
6 - 10 years	-	-	-	-
> 10 years	-	-	-	-
Indefinitely	-	-	-	-
Total..	**-**	**-**	**(5)**	**1**

As of 31 December 2014, the amount of deductible temporary differences for which no deferred tax asset is recognized amounts to USD 511 (with a resulting non-recognized deferred tax asset of USD 112).

The following tables show the recognized and not recognized deferred income tax assets as per December 2013 for comparison purposes:

Tax losses year of expiration	Recognized losses	Recognized DTA	Non recognized losses	Non recognized DTA
0 - 5 years	-	-	(48)	7
6 - 10 years	-	-	(901)	205
> 10 years	-	-	-	-
Indefinitely	(71)	13	(19)	3
Total	**(71)**	**13**	**(968)**	**215**

VimpelCom reports the tax effect of the existence of undistributed profits that will be distributed in the foreseeable future. During 2014, the Company has recorded a deferred tax liability of USD 206 relating to the tax effect of the undistributed profits that will be distributed in the foreseeable future, primarily in relation to its Russia operations. At 31 December 2014, undistributed earnings of VimpelCom's foreign subsidiaries (outside the Netherlands) which are indefinitely invested and that will not be distributed in the foreseeable future, amounted to approximately USD 4,652 (2013: USD 2,458). Accordingly, no deferred tax liability is recognized for this amount of undistributed profits.

As of 31 December 2013, the amount of deductible temporary differences for which no deferred tax asset is recognized amounts to USD 57 (non-recognized deferred tax asset of USD 9)

Taxes recorded outside profit and loss account

The amount of current and deferred taxes reported outside the profit and loss account amounts to USD 74 (USD 73 current tax; USD 1 deferred tax).

As of 31 December 2013, the amount of deductible temporary differences for which no deferred tax asset is recognized amounts to USD 57 (non-recognized deferred tax asset of USD 9)

Non-current income tax assets

The company reported both current and non-current income tax assets. The non-current income tax asset (USD 80) relates to advanced tax payments in the Ukraine that can be offset (or realized) against future tax liabilities. The advanced tax payments that will be offset in 2015 are considered current income tax assets; the amount that will not be offset in 2015, but in onward years are considered non-current income tax asset.

13. Property and equipment

Property and equipment consisted of the following:

	Telecommunications equipment	Land, buildings and constructions	Office and measuring equipment	Other Equipment	Equipment not installed and assets under construction	Total
Cost						
At 1 January 2013	**12,426**	**718**	**1,147**	**509**	**1,935**	**16,735**
Acquisition of a subsidiary	35	3	-	-	-	38
Reclassification to AHFS*	-	-	-	-	5	5
Additions...............................	173	7	1	17	1,992	2,190
Disposals..............................	(492)	(8)	(35)	(24)	(39)	(598)
Transfer................................	2,034	62	196	142	(2,434)	-
Translation adjustment	(640)	(33)	(71)	(33)	(56)	(833)
At 31 December 2013...........	**13,536**	**749**	**1,238**	**611**	**1,403**	**17,537**
Reclassification to AHFS*	(15)	-	(1)	-	(23)	**(39)**
Additions...............................	266	7	5	2	1,462	**1,742**
Disposals..............................	(844)	(20)	(60)	(10)	(12)	**(946)**
Transfer................................	1,289	51	254	(43)	(1,551)	**-**
Translation adjustment	(5,589)	(303)	(515)	(196)	(462)	**(7,065)**
At 31 December 2014...........	**8,643**	**484**	**921**	**364**	**817**	**11,229**
Depreciation and impairment						
At 1 January 2013	**(6,629)**	**(195)**	**(747)**	**(335)**	**(26)**	**(7,932)**
Depreciation charge for the year.................................	(1,436)	(41)	(138)	(66)		(1,681)
Disposals..............................	438	4	32	14		8
Impairment (Note 9)..............	(8)				(2)	(10)
Translation adjustment	337	10	48	21	(2)	414
At 31 December 2013...........	**(7,298)**	**(222)**	**(805)**	**(366)**	**(30)**	**(8,721)**
Reclassification to AHFS*	7	-	1	-	23	**31**
Transfer................................	-	-	(43)	43	-	**-**
Depreciation charge for the year.................................	(1,294)	(37)	(136)	(47)	-	**(1,514)**
Disposals..............................	795	13	55	6	-	**869**
Impairment (Note 9)..............	(34)	-	-	(1)	-	**(35)**
Translation adjustment	3,100	89	330	133	6	**3,658**
At 31 December 2014...........	**(4,724)**	**(157)**	**(598)**	**(232)**	**(1)**	**(5,712)**
Net book value						
At 1 January 2013	**5,797**	**523**	**400**	**174**	**1,909**	**8,803**
At 31 December 2013...........	**6,238**	**527**	**433**	**245**	**1,373**	**8,816**
At 31 December 2014...........	**3,919**	**327**	**323**	**132**	**816**	**5,517**

* *AHFS – Asset held for sale*

None of the assets were pledged as collateral and no assets have restrictions on title. The Company is not party to significant finance leases.

Change in estimate

During 2014 there were no material change in estimates related to property and equipment.

Capitalized borrowing costs

During 2014 VimpelCom capitalized interest in the cost of property and equipment in the amount of USD 24 (2013: USD 48). During 2014 the capitalization rate was 2.4% (2013: 4.1%).

14. 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 1 January 2013	**1,641**	**1,473**	**202**	**1,519**	**179**	**237**	**5,251**
Acquisition of a subsidiary	-	-	-	23	-	-	23
Additions	61	140	-	-	6	10	217
Disposals	(27)	(25)	-	(5)	-	-	(57)
Translation adjustment	(55)	(165)	(3)	(93)	(8)	(12)	(336)
At 31 December 2013	**1,620**	**1,423**	**199**	**1,444**	**177**	**235**	**5,098**
Additions	62	159	-	-	1	9	**231**
Disposals	(264)	(28)	(2)	(2)	-	(2)	**(298)**
Transfer	-	10	-	-	-	(10)	**-**
Translation adjustment	(588)	(597)	(92)	(665)	(74)	(67)	**(2,083)**
At 31 December 2014	**830**	**967**	**105**	**777**	**104**	**165**	**2,948**
Amortization and impairment							
At 1 January 2013	**(1,206)**	**(1,021)**	**(50)**	**(689)**	**(130)**	**(205)**	**(3,301)**
Amortization charge for the year	(91)	(147)	(14)	(121)	(16)	(8)	(397)
Disposals	25	22	-	5	-	-	52
Impairment (Note 9)	(31)	-	-	-	-	-	(31)
Translation adjustment	64	122	-	37	6	19	248
At 31 December, 2013	**(1,239)**	**(1,024)**	**(64)**	**(768)**	**(140)**	**(194)**	**(3,429)**
Amortization charge for the year	(46)	(136)	(11)	(82)	(1)	(8)	**(284)**
Disposals	263	20	2	2	-	2	**289**

	Telecommunications licenses, frequencies and permissions	Software	Brands and trademarks	Customer relation-ships	Telephone line capacity	Other intangible assets	Total
Impairment (Note 9)....................	(1)	(2)	-	-	-	-	**(3)**
Translation adjustment.......	412	434	29	372	53	61	**1,361**
At 31 December, 2014................	**(611)**	**(708)**	**(44)**	**(476)**	**(88)**	**(139)**	**(2,066)**
Net book value							
At 1 January 2013................	**435**	**452**	**152**	**830**	**49**	**32**	**1,950**
At 31 December 2013................	**381**	**399**	**135**	**676**	**37**	**41**	**1,669**
At 31 December 2014................	**219**	**259**	**61**	**301**	**16**	**26**	**882**

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

During 2014 and 2013, VimpelCom did not capitalize any interest in the cost of intangible assets.

15. Financial assets and liabilities

Financial assets

The Company has the following financial assets as of 31 December:

	2014	2013
Financial instruments at fair value through profit or loss		
Derivatives not designated as hedges		
Foreign exchange contracts..	93	-
Derivatives over non-controlling interest...	-	35
Financial instruments at fair value		
Derivatives designated as cash flow hedges		
Foreign exchange contracts..	37	-
Available for sale financial instruments..	**56**	**130**
Total financial Instruments at fair value...	**186**	**165**
Loans granted, deposits and other financial assets at amortized cost		
Loans granted...	4,292	3,971
Bank deposits..	110	209
Interest receivable	2	2
Other loans granted..	13	13
Total loans granted, deposits and other financial assets	**4,417**	**4,195**
Total other financial assets...	**4,603**	**4,360**
Total current	247	3,623
Total non-current	4,356	737

Financial liabilities

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

	2014	2013
Other financial liabilities at amortised cost		
Bank loans and bonds		
Bank loans and bonds, principle	11,544	13,193
Interest accrued	194	248
Discounts, unamortized fees	145	153
Equipment financing		
Equipment financing principle	207	398
Discounts, unamortized fees on equipment financing	(15)	-
Derivative over non-controlling interest via equity	259	204
Total other financial liabilities at amortised cost	**12,334**	**14,196**
Total other financial liabilities	**12,334**	**14,196**
Total current	1,845	1,289
Total non-current	10,489	12,907

Description of derivative financial instruments

VimpelCom uses derivative instruments, including swaps, forward contracts and options to manage certain foreign currency and interest rate exposures. The Company views derivative instruments as risk management tools and does not use them for trading or speculative purposes. The Company has designated the majority 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 on a fair value basis and the changes in fair value are recorded in profit or loss, except for put options over non-controlling interests not providing a present ownership interest in the outstanding shares, and derivative instruments which are accounted for using cash flow hedge accounting. Cash flows from derivative instruments are reported in the statement of cash flows in the same line where the underlying cash flows of the hedged item are recorded.

Foreign exchange contracts

OJSC VimpelCom enters into short-term forward and zero-cost collar agreements with several banks in order to protect cash flows of its short-term financial and non-financial obligations denominated in USD from adverse USD-RUB movements. As of 31 December 2014, the notional amount outstanding of these derivative contracts (only zero-cost collars) was USD 603 (2013: USD 130) with an average cap rate of 48.72 (2013: 33.79) and an average floor rate of 39.95 (2013: 31.74).

Derivatives over non-controlling interest – Put and call options

Limnotex

On 24 August 2011, the Company entered into put and call agreements representing up to 28.5% of the shares in its indirect subsidiary Limnotex, which owns 100% of LLP “KaR-Tel”, the Company’s Kazakhstan operator and 100% of LLC “Sky Mobile”, the Company’s Kyrgyzstan operator. As of 31 December 2014, the non-controlling shareholder of Limnotex, holds one put option for 15% of Limnotex shares exercisable during 2017 at a fixed price of USD 330. The call options allow the Company to acquire the total of 28.5% of Limnotex shares held by non-controlling shareholder at a multiple of Adjusted EBITDA. The call option is exercisable until May 2018.

The put option gives rise to a financial liability at the present value of the redemption amount with the value accretion recorded in the non-controlling interest. The value accretion is based on an annual effective interest of 7.41%. The financial liability as of 31 December 2014 amounted to USD 259.

During 2014, the Company wrote off the call option due to a change in the expected exercise date, and recorded a charge of USD 35 in "Other non-operating losses".

Interest-bearing bank loans and bonds

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

Lender	**Interest rate**	**Maturity**	**Currency**	**2014**	**2013**
Eurobonds	6.5-9.1	2016-2021	USD	3,100	3,100
Sberbank	8.8-10.8	2015-2018	RUB	1,583	2,304
Ruble Bonds	8.3-8.9	2015	RUB	978	1,986
Notes	5.2-9.0	2017-2023	USD/RUB	3,813	4,167
Weather Capital Special Purpose I S.A.	5.4-6.1	2020-2021	USD	1,870	1,465
Weather Capital Special Purpose I S.A.	3.8-11.0	2015-2017	USD	101	76
Other loans				99	95
Total bank loans and bonds				**11,544**	**13,193**
Less current portion				1,570	927
Long-term portion of bank loans and bonds				**9,974**	**12,266**

Hedging activities and derivatives

Derivatives under hedge accounting

The Company uses cross currency interest rate swaps, interest rate swaps, foreign exchange forwards/swaps and zero cost collars to manage its transaction exposures and/or interest exposure related to loans and borrowings. Most of these derivative contracts are designated as cash flow hedges and are entered into for periods up to the maturity date of the hedged loans and borrowings. Cash flow hedge accounting used to hedge the risk on future foreign currency cash flows and floating interest rate cash flows;

The Company's hedge accounting is summarized below:

	Risk being hedged	**Nominal value**	**Fair value assets**	**Fair value liabilities**
At 31 December 2014				
Cash flow hedge accounting				
Foreign exchange contracts	Currency	191	37	-
No hedge accounting				
Foreign exchange contracts	Currency	412	93	-

	Risk being hedged	**Nominal value**	**Fair value assets**	**Fair value liabilities**
At 31 December 2013				
Cash flow hedge accounting				
Foreign exchange contracts	Currency	55	-	-
No hedge accounting				
Foreign exchange contracts	Currency	75	-	-

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 31 December 2014					
Cash flows	191	-	-	-	191
Cash flow hedge reserve	-	-	-	-	14

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
At 31 December 2013					
Cash flows	-	-	-	-	-
Cash flow hedge reserve	-	-	-	-	-

Derivatives not designated as hedging instruments

The Company uses foreign currency denominated borrowings 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.

Fair values

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

	Carrying value		Fair value	
	2014	**2013**	**2014**	**2013**
Financial assets				
Financial instruments at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	93	-	93	-
Derivatives over non-controlling interest	-	35	-	35
Derivatives designated as cash flow hedges				
Foreign exchange contracts	37	-	37	-
Available for sale financial instruments	56	130	56	130
Total financial Instruments at fair value, assets	186	165	186	165
Loans granted, deposits and other financial assets				
Loans granted	4,292	3,971	3,482	4,387
Bank deposits	110	209	110	209
Interest receivable	2	2	2	2
Other loans granted	13	13	13	13
Total loans granted, deposits and other financial assets	4,417	4,195	3,606	4,611
Total financial assets	**4,603**	**4,360**	**3,792**	**4,776**
Total other financial liabilities at amortised cost	12,334	14,196	10,523	14,579
Total financial liabilities	**12,334**	**14,196**	**10,523**	**14,579**

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

Total financial assets as of 31 December 2014 consist of non-current and current other financial assets of USD 4,356 and USD 247, respectively (31 December 2013: USD 737 and USD 3,623 respectively).

Total financial liabilities as of 31 December 2014 consist of non-current financial liabilities and current other financial liabilities of USD 10,489 and USD 1,845, respectively (31 December 2013: USD 12,907 and USD 1,289, respectively).

Fair value hierarchy

As of 31 December 2014 and 2013 the Company held financial instruments carried at fair value on the statement of financial position.

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

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

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

As of 31 December 2014 **Description**	**(Level 1)**	**(Level 2)**	**(Level 3)**
Financial instruments at fair value through profit or loss			
Derivatives not designated as hedges			
Foreign exchange contracts	-	93	-
Derivatives over non-controlling interest	-	-	-
Financial instruments at fair value			
Derivatives designated as cash-flow hedges			
Foreign exchange contracts	-	37	-
Available for sale financial instruments	56	-	-
Total financial Instruments at fair value, assets	56	130	-
Assets for which fair values are disclosed			
Loans granted, deposits and other financial assets			
Loans granted	-	3,482	-
Bank deposits	-	110	-
Interest receivable	-	2	-
Other loans granted	-	13	-
Trade and other receivables	-	540	-
Cash and cash equivalents	-	1,704	-
Total assets for which fair values are disclosed	-	5,851	-
Liabilities for which fair values are disclosed			
Financial liabilities at amortized cost	2,983	7,540	-
Trade and other payables	-	1,109	-

As of 31 December 2014 Description	(Level 1)	(Level 2)	(Level 3)
Total liabilities for which fair values are disclosed	2,983	8,649	-

As of 31 December 2013 Description	(Level 1)	(Level 2)	(Level 3)
Financial instruments at fair value through profit or loss			
Derivatives not designated as hedges			
Foreign exchange contracts	-	-	-
Derivatives over non-controlling interest	-	-	35
Financial instruments at fair value			
Derivatives designated as cash-flow hedges			
Cross-currency interest rate exchange contracts	-	-	-
Interest rate exchange contracts	-	-	-
Available for sale financial instruments	130	-	-
Total financial Instruments at fair value, assets	130	-	35
Assets for which fair values are disclosed			
Loans granted, deposits and other financial assets			
Loans granted	-	4,387	-
Bank deposits	-	209	-
Interest receivable	-	2	-
Other loans granted	-	13	-
Trade and other receivables	-	564	-
Cash and cash equivalents	-	1,284	-
Total assets for which fair values are disclosed	-	6,459	-
Liabilities for which fair values are disclosed			
Financial liabilities at amortized cost	9,886	4,693	-
Trade and other payables	-	1,639	-
Total liabilities for which fair values are disclosed	9,886	6,332	-

* Derivatives over non-controlling interests are valued at the net present value of the redemption amount with the value movements recorded in the other comprehensive income.

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

	As of 31 Dec. 2013	Currency translation adjustment	Change in fair value reported in earnings	Change in fair value reported in equity	Purchased	Sold/ Settled/ Expired	As of 31 Dec., 2014
Financial instruments at fair value through profit or loss							
Derivatives over non-controlling interest	35	-	(35)	-	-	-	-
Total financial Instruments at fair value, assets	35	-	(35)	-	-	-	-

The changes in fair value are unrealized and recorded in “Other non-operating losses” in the Statement of comprehensive income.

Offsetting arrangements

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, it is allowed to offset any derivative positions outstanding.

				Related amounts not set off in the consolidated statement of financial position		
As at 31 December 2014	**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)	4,356	-	4,356	-	-	4,356
Other financial liabilities (non-current)	10,489	-	10,489	-	-	10,489
Other financial assets (current)	247	-	247	-	-	247
Other financial liabilities (current)	1,845	-	1,845	-	-	1,845
Trade and other receivables	594	74	520	-	-	520
Trade and other payables	1,183	74	1,109	-	-	1,109

As at 31 December 2013	Gross amounts recognized	Gross amounts set off in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		
				Financial instruments	Cash collateral received	Net amount
Other financial assets (non-current)	737	-	737	-	-	737
Other financial liabilities (non-current)	12,907	-	12,907	-	-	12,907
Other financial assets (current)	3,623	-	3,623	-	-	3,623
Other financial liabilities (current)	1,289	-	1,289	-	-	1,289
Trade and other receivables	648	84	564	-	-	564
Trade and other payables	1,723	84	1,639	-	-	1,639

Major treasury events during 2014

OJSC VimpelCom financing

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

On 30 April 2014, OJSC VimpelCom signed a loan facility agreement with CISCO Systems Finance International. The loan was a Russian ruble-denominated export credit facility for a total amount of RUB 1,500 million (approximately USD 42 as of 30 April 2014). The purpose of the facility is to finance equipment purchased by OJSC VimpelCom from CISCO on a reimbursement basis. The facility bears interest at a rate of 8.85%. The facility was drawn on 7 May 2014 and 9 July 2014 in an amount of RUB 1,312 million (approximately USD 37 as of 7 May 2014) and RUB 188 million (approximately USD 5 as of 9 July 2014) respectively.

On 30 May 2014, OJSC VimpelCom entered into a credit facility agreement with OJSC Sberbank for the amount of RUB 25,000 million (approximately USD 722 as of 30 May 2014). The facility bears interest at a rate of 10.75%. On 29 September 2014, 13 October 2014 and 10 November 2014, OJSC VimpelCom drew down RUB 2,500 million (approximately USD 65 as of 29 September 2014), RUB 10,000 million (approximately USD 249 as of 13 October 2014) and RUB 12,500 million (approximately USD 261 as of 10 November 2014) respectively.

On 30 May 2014, OJSC VimpelCom entered into a revolving credit facility with OJSC Sberbank for the amount of RUB 15,000 million (approximately USD 433 as of 30 May 2014). The facility bears interest at a rate of MosPrime plus 2.1% (subject to adjustments in accordance with the terms of the agreement). On 2 July 2014, OJSC VimpelCom drew down under this revolving credit facility an amount of RUB 8,000 million (approximately USD 234 as of 2 July 2014), which was repaid on 29 September 2014. The revolving credit facility with OJSC Sberbank entered into on 1 December 2011 was terminated on 23 June 2014.

VimpelCom Holdings B.V. Facility

On 19 November 2014, the Company entered into an USD 1,000 term loan facility agreement with China Development Bank Corporation and Bank of China Limited as lenders, bearing interest at a rate of LIBOR plus a margin of 3.06%, to finance equipment purchases by subsidiaries of VimpelCom Ltd. from Huawei Technologies Co. Ltd, its subsidiaries and its affiliates. VimpelCom Amsterdam B.V. (a subsidiary of VimpelCom Ltd) has guaranteed the payment obligations under this facility. The facility is available for a period of three years and has a total tenor of eight years.

16. Current and non-current other non-financial assets and liabilities

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

	31 December 2014	31 December 2013
Deferred costs related to connection fees	6	9
Other long-term assets	12	8
	18	17

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

	31 December 2014	31 December 2013
Advances to suppliers	100	96
Input VAT	49	90
Prepaid taxes	5	4
Deferred costs related to connection fees	8	19
Others	3	4
	165	**213**

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

	31 December 2014	31 December 2013
Long-term deferred revenue	23	34
Other non-current liabilities	1	6
	24	**40**

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

	31 December 2014	31 December 2013
Customer advances	299	519
Short-term deferred revenue	23	-
Customer deposits	30	35
Other taxes payable	127	197
Due to employees	59	111
Other liabilities	8	8
	546	**870**

17. Inventories

Inventory consisted of the following as of:

	31 December 2014	31 December 2013
Telephone handsets and accessories for sale	59	118
SIM-Cards	9	18
Other inventory	10	17
Inventory write-offs	(10)	(18)
	68	**135**

18. Trade and other receivables

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

	2014	2013
Trade accounts receivable, gross	499	606
Allowance for doubtful accounts	(55)	(85)
Trade accounts receivable, net	444	521
Other receivables	76	43
	520	564

As of 31 December 2014, trade receivables with an initial value of USD 55 (2013: USD 85) were impaired and, thus, fully provided for. See below the movements in the provision for the impairment of receivables:

	2014	2013
Balance as of 1 January	85	84
Provision for bad debts	48	40
Provision released	(1)	-
Accounts receivable written off	(41)	(41)
Foreign currency translation adjustment	(36)	2
Balance as of 31 December	55	85

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

			Past due but not impaired		
	Total	Neither past due nor impaired	< 30 days	30–120 days	> 120 days
2014	444	344	59	28	13
2013	521	360	84	64	13

19. Cash and cash equivalents

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

	2014	2013
Cash and cash equivalents at banks and on hand	1,472	849
Short-term deposits with an original maturity of less than 90 days	232	435
Total cash and cash equivalents	**1,704**	**1,284**

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

The cash balances as of 31 December 2014 in Uzbekistan of USD 532 (2013: USD 256) and Ukraine USD 116 (31 December 2013: USD nil) are restricted from repatriation due to local government or central bank regulations. There are no other foreign subsidiaries with significant cash balances for which the repatriation of surplus cash would result in a material tax liability.

Cash balances as of 31 December 2014 include investments in Money Market Funds of USD nil (2013: USD 194).

20. Issued capital and reserves

The authorized share capital of the Company consists of 70,000,000 shares of EUR 1 nominal value each. The issued and paid-up capital as at 31 December 2014 consists of 30,099,998 shares (2013: 30,099,998) of EUR 1 nominal value each, all of which are fully paid-up.

Nature and purpose of reserves

Other capital reserves

The other capital reserve is used to recognize the value of equity-settled share-based payment transactions provided to employees, including key management personnel, as part of their remuneration (see Note 23) and to record the accumulated impact of derivatives designated as cash flow hedges (see Note 15).

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

21. Repayment of share premium to the parent company

On 10 January 2014, 22 January 2014 and 19 March 2014 the Company repaid share premium to VimpelCom Amsterdam B.V. in the amount of USD 358.

22. Provisions

The following table summarizes the movement in provisions for the years ended 31 December 2013 and 2014:

	Income taxes provisions	Tax provisions other than for income tax	Provision for decommis-sioning	Legal provisions	Other provisions	Total provisions
At 1 January 2013	**97**	**45**	**144**	**-**	**8**	**294**
Arising during the year	8	7	14	4	3	**36**
Utilized	(3)	-	-	(3)	(2)	**(8)**
Reclassification	-	-	1	6	(7)	**-**
Unused amounts reversed	(6)	(29)	-	-	-	**(35)**
Discount rate adjustment and imputed interest (change in estimates)	-	-	(17)	-	-	**(17)**
Translation adjustments and other	(7)	(4)	(9)	-	-	**(20)**
At 31 December 2013	**89**	**19**	**133**	**7**	**2**	**250**
Current 2013	89	19	-	7	2	**117**
Non-current 2013	-	-	133	-	-	**133**
At 1 January 2014	**89**	**19**	**133**	**7**	**2**	**250**
Arising during the year	28	11	15	2	-	**56**
Utilized	(8)	(3)	(1)	-	(1)	**(13)**
Reclassification	-	1	-	-	(1)	**-**
Unused amounts reversed	(16)	(9)	(1)	(4)	-	**(30)**
Discount rate adjustment and imputed interest (change in estimates)	-	-	9	-	2	**11**
Translation adjustments and other	(37)	(6)	(58)	3	(1)	**(105)**
At 31 December 2014	**56**	**13**	**97**	**8**	**1**	**175**
Total non-current	-	-	97	-	-	**97**
Total current	56	13	-	8	1	**78**

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 24 below. 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.

23. Related parties

Shareholders and other related parties

As of 31 December 2014, the Company is ultimately owned VIpmepCom Amsterdam B.V., which is indirectly owed by two major shareholders: LetterOne Holding S.A. ("**LetterOne**") and Telenor East Holding II AS ("**Telenor**").

Alfa group is no longer a related party to the Company as defined in *IAS 24 Related Party Disclosures* following its internal restructuring and contributing its shares to LetterOne, whereby LetterOne is not part of the Alfa Group.

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

	For the year ended and as of 31 December 2014	**For the year ended and as of 31 December 2013**
Revenue from LetterOne	-	11
Revenue from Telenor	1	4
Revenue from VimpelCom Ltd. or its subsidiaries	41	19
Revenue from associates and joint ventures	11	43
Revenue from other related parties	-	-
Finance income from other related parties	2	-
	55	77
Services from LetterOne	3	11
Services from Telenor	1	6
Services from VimpelCom Ltd. or its subsidiaries	39	29
Services from associates and joint ventures	37	72
Services from other related parties	-	-
	80	118
Interest income from VimpelCom Ltd. or its subsidiaries	329	283
Interest expense Promissory note to VIP Amsterdam B.V.	-	122
Interest expense to VimpelCom Ltd. or its subsidiaries	116	28
Cash and cash equivalent	-	70
Accounts receivable from LetterOne	-	1
Accounts receivable from Telenor	5	7
Accounts receivable from VimpelCom Ltd. or its subsidiaries	59	44
Accounts receivable from associates and JV	9	13
Advances to associates and JV	19	-
Financial and other assets from other related parties	31	-
	123	65
Loans granted to VimpelCom Ltd. or its subsidiaries	4,246	3,970
Interest receivable from VimpelCom Ltd. or its subsidiaries	46	-
	4,292	3,970
Accounts payable to Telenor	3	3
Accounts payable to associates and JV	20	11
Accounts payable to VimpelCom Ltd. or its subsidiaries	34	34
Accounts payable to other related parties	3	-
	60	48

	For the year ended and as of 31 December 2014	For the year ended and as of 31 December 2013	
Promissory note to VIP Amsterdam B.V.	-	-	
Loans from VimpelCom Ltd. or its subsidiaries	1,936	1,541	
Interest payable to VimpelCom Ltd. or its subsidiaries	71	43	
	2,007	1,584	
Liabilities directly associated with assets classified as held for sale:			
Long-term loan from VimpelCom Ltd. or its subsidiaries	-	-	

Loans granted to VimpelCom Ltd. or its subsidiaries

On 15 April 2011, OJSC VimpelCom signed the agreement to grant an unsecured loan to VimpelCom Amsterdam Finance B.V. In June 2014 the maturity date of this loan was extended to 31 May 2017. The interest rate is 7.5% per annum. The loan is denominated in US dollars. As of 31 December 2014 the amount of debt outstanding under this loan agreement was USD 3,685. As a result of several payments as disclosed in Note 26 (Events after the reporting period), the remaining outstanding principal amount is USD 93.

On 7 October 2010, VimpelCom Finance B.V. (currently named B.V. VimpelCom Finance S.a.r.l.) signed the agreement to grant a loan to VimpelCom Ltd., which loan was assigned to VimpelCom B.V., an indirect subsidiary of VimpelCom Holdings B.V., on 24 October 2012. In March 2013 accrued interest on the loan with VimpelCom Ltd. for the year 2012 in amount of USD 45 was added to the loan principal. As of 31 December 2014 the principal amount of debt outstanding under this loan agreement was USD 561. The loan matures on 31 December 2070. The interest rate is LIBOR+7.5% per annum and is only due to the extent that VimpelCom Ltd. has positive Net Income, which was not the case in the years 2013 and 2014. The loan is denominated in US dollars.

Loans from VimpelCom Ltd. or its subsidiaries / promissory note

On September 24, 2010 VimpelCom Ltd. and VimpelCom Holdings B.V. entered into the Share Transfer Agreement through which the shares in OJSC VimpelCom were transferred to VimpelCom Holding B.V. in exchange for the Original promissory note valued approximately USD 16,748. The Original promissory note issued was scheduled to mature and be due and payable on September 24, 2014 and bore interest at a rate per annum based on One-Year USD-LIBOR plus 1% up to 29 June 2011. On 29 June 2011, the Original promissory note was replaced with the Promissory note, with maturity of March 31, 2022 and bearing interest at a rate per annum based on One-Year USD-LIBOR plus 4.5%. On 11 March 2013, VimpelCom Amsterdam B.V. contributed capital to the Company for an amount of USD 11,254. The Company used these proceeds to repay the then outstanding balance of the promissory note with VimpelCom Ltd. and accrued interest for a total amount of USD 11,254.

On 3 May 2012, VimpelCom Amsterdam Finance B.V. granted a promissory note to VimpelCom Holdings B.V. in the total amount of USD 201. On 13 February 2013 the loan and accrued interest were fully repaid for a total amount of USD 216. The interest rate was 8.78% per annum.

On 19 April 2013, Sotelco Ltd., an indirect subsidiary of VimpelCom Holdings B.V., repaid debt to VimpelCom Amsterdam B.V. in the amount of USD 20 granted under the agreement dated 8 June 2012.

On 22 April 2013, OJSC VimpelCom entered into renewable loan facility agreement with Weather Capital Special Purpose 1 S.A. in the total amount of USD 400. On 24 April 2013 OJSC VimpelCom drew down the loan in full amount. As of 31 December 2013 the principal amount of debt outstanding under this loan agreement was USD 400.The loan matures on 25 October 2021. The interest rate is 5.75% per annum. The loan is denominated in US dollars. In January and February 2015 the full outstanding amount under this facility, together with accrued interest, was repaid (see also Note 25).

On 5 August 2013, VimpelCom B.V., an indirect subsidiary of VimpelCom Holdings B.V., transferred certain loans provided to V.C. ESOP N.V., another indirect subsidiary of VimpelCom Holdings B.V., to Weather Capital Special Purpose 1 S.A. for a total amount of USD 131 including accrued interest until that date. On 20 August 2013, USD 22 was interest and principal was repaid. As of 31 December 2013, the principal amount of debt outstanding under these loan agreements was USD 76, of which USD 35 matures on 4 June 2015 and bears interest at a rate of 3.775%. USD 41 matured in April 2014, of which an amount of USD 3 was repaid while the maturity date of the remaining principal amount was extended until 25 April 2017. Accrued interest of 26 was also added to the principal amount of this facility, which bears interest at a rate of 11% per annum. On 31 December 2014, the outstanding principal was increased by USD 2, resulting in a principal amount outstanding as per 31 December 2014 for USD 101. The loans are denominated in US dollars.

On 3 October 2013, OJSC VimpelCom entered into renewable loan facility agreement with Weather Capital Special Purpose 1 S.A. in the total amount of USD 635. On 7 October 2013 OJSC VimpelCom drew down the loan in amount of USD 250 at the interest rate of 5.78% per annum. On 6 November 2013 OJSC VimpelCom drew down the loan in amount of USD 150 at the interest rate of 5.67% per annum. On 15 November 2013 OJSC VimpelCom drew down the loan in amount of USD 235 at the interest rate of 6.07% per annum. The loan matures on 7 February 2020. The loan is denominated in US dollars. In January and February 2015, the full outstanding amount under this facility, together with accrued interest, was repaid (see also Note 25).

On 13 November 2013, OJSC VimpelCom entered into renewable loan facility agreement with Weather Capital Special Purpose 1 S.A. in the total amount of USD 580. The loan is denominated in US dollars and matures on 7 February 2020. On 19 November 2013 OJSC VimpelCom drew down the loan in amount of USD 230 at the interest rate of 5.96% per annum. On 11 December 2013 OJSC VimpelCom drew down the loan in amount of USD 100 at the interest rate of 5.86% per annum. On 19 December 2013 OJSC VimpelCom drew down the loan in amount of USD 100 at the interest rate of 5.68% per annum. On 10 January 2014 OJSC VimpelCom drew down the loan in amount of USD 150 at the interest rate of 5.56% per annum. In January and February 2015, the full outstanding amount under this facility, together with accrued interest, was repaid (see also Note 25).

On 21 January 2014, OJSC VimpelCom entered into renewable loan facility agreement with Weather Capital Special Purpose 1 S.A. in the total amount of USD 255. On 23 January 2014 OJSC VimpelCom drew down the loan in amount of USD 140 at the interest rate of 5.44% per annum. On 6 February 2014 OJSC VimpelCom drew down the loan in amount of USD 115 at the interest rate of 5.80% per annum. The loan matures on 7 February 2020. The loan is denominated in US dollars. In February 2015 the full outstanding amount under this facility, together with accrued interest, was repaid (see also Note 25).

On 17 December 2014, VimpelCom Holdings B.V. entered into a Facility Agreement with VimpelCom Amsterdam B.V. in the total amount of USD 100. On 30 December 2014, VimpelCom Holdings B.V. drew down an amount of USD 25 at the interest rate of 3.5% per annum. The facility matures on 17 December 2015. In March 2015, the Facility amount increased to USD 700 and in March and April 2015, amounts were drawn for USD 490 (see Note 25 for further details).

Other

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

The Company also has contracts to provide telecommunication service to Alfa Group and its subsidiaries.

VimpelCom maintains bank accounts in Alfa Bank (member of the Alfa Group), which are used for payroll and other payments in the ordinary course of business. The balances in these bank accounts as of 31 December 2013 and 2012 were USD 70 and USD 112, respectively.

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

Outstanding balances and transactions with joint ventures and associates relate to operations with VimpelCom's equity investees (Note 11). Euroset transactions mainly represent sales of equipment and accessories, dealer commission and bonus payments for the for services for acquisition of new subscribers, customer care, receipt of subscribers' payments and sale of scratch-cards.

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended 31 December 2014 and 2013, VimpelCom has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel of the Company

Members of the Board of Directors of the Company are the key management personnel. The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel:

	2014	**2013**
Short-term employee benefits	17	15
Long-term employee benefits	-	-
Share-based payment transactions	-	1
Termination benefits	-	-
Total compensation paid to key management personnel	17	16

24. Commitments, contingencies and uncertainties

Risks

Currency control risks

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

Domestic and global economy risks

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

In addition, the Company has significant operations in Russia and Ukraine, which represents 82% and 52% of the Company'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.

Legislation risks

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

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

Tax risks

The tax legislation in the markets VimpelCom operates in are unpredictable and give rise to significant uncertainties, which could complicate the Company's tax planning and business decisions. Tax laws in many of the emerging markets in which the Company operates have been in force for a relatively short period of time as compared to tax laws in more developed market economies. Tax authorities in the Company's 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 and Controlled Foreign Operation ("CFC") legislation).

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

Commitments

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, OJSC 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 will be extended to a specific number of additional regions each year through to 1 December 2019 by when services must cover all of Russia. OJSC VimpelCom is required to comply with the following conditions among others under the terms of the license: (i) invest at least RUB 15 billion (USD 264) in each calendar year, for which the Company complied to date in the construction of its federal LTE network until the network is completed, which must occur before 1 December 2019; (ii) provide certain data transmission services in all secondary and higher educational institutions in specified areas; and (iii) provide interconnection capability to telecommunications operators that provide mobile services using virtual networks in any five regions in Russia not later than 25 July 2016.

Apple

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

Operating lease commitments

Operating lease commitments are as follows:

	2014	2013
Less than 1 year	43	101
Between 1 and 5 years	126	212
More than 5 years	19	105
Total	**188**	**418**

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 and uncertainties

Investigation of the operations in Uzbekistan

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

In June 2007, Takilant purchased from the VimpelCom Group a 7% interest in the VimpelCom Group's business in Uzbekistan for USD 20 and entered into a shareholders agreement with the VimpelCom Group. In September 2009, Takilant exercised its option to put its 7% interest to the VimpelCom Group for USD 57.5, an amount specified in the shareholders agreement. In addition, the VimpelCom Group had agreements with Takilant relating to the acquisition of frequency spectrum (including with respect to 3G and LTE) and channels in Uzbekistan pursuant to which the VimpelCom Group paid Takilant an aggregate of USD 57.

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

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

Following notice of the investigations by the SEC, DOJ and OM, VimpelCom Ltd. established a Special Committee of its Supervisory Board in March 2014 to oversee the internal investigation being conducted by its external counsel and VimpelCom Group's response to the inquiries by various authorities. The Special Committee consists of directors who qualify as independent for purposes of Rule 10A-3 under the U.S. Securities Exchange Act of 1934, as amended. The investigation being conducted by VimpelCom Ltd.'s external counsel has been focused primarily on VimpelCom Ltd.'s Uzbekistan operations, including relations with Takilant, and whether there was any conduct in VimpelCom Ltd. Group's operations in Uzbekistan that may have violated the anti-bribery provisions of the FCPA, the FCPA's books and records and internal controls provisions, applicable local laws and/or VimpelCom Ltd. Group's own internal policies. The investigation is also reviewing VimpelCom Ltd. Group's operations in additional countries.

In 2014, the VimpelCom Group reported revenues and total assets from its Uzbekistan operations of USD 718 and USD 1,116, respectively, which equals 4% and 3% of the Company's revenues and total assets, respectively.

VimpelCom Group expects to continue incurring costs related to the investigations, primarily professional fees and expenses, which may be significant. These costs relate to responding to requests for information and testimony in connection with the investigations and in conducting VimpelCom Group's internal investigation. VimpelCom Group cannot predict at this time the ultimate amount of all such costs, which costs will be expensed as incurred.

The SEC, DOJ and Dutch investigations, as well as VimpelCom Group's own investigations, are continuing, and VimpelCom Group has cooperated, and continues to cooperate, with the authorities in these investigations. VimpelCom Ltd. is also exploring the prospect of resolving its potential liabilities arising from the facts established in the investigations. VimpelCom Ltd. and the VimpelCom Group are unable to predict the duration, scope or results of the ongoing investigations or how the results of these investigations or any resolutions may impact VimpelCom Ltd.'s or the VimpelCom Group's business, results of operations, financial condition or the assessment of VimpelCom Ltd.'s or the VimpelCom Group's internal controls. Further, there can be no assurance that such investigations will not be broader in scope than they currently appear, or that new investigations will not be commenced in these or other jurisdictions, or that there will not be litigation commenced against VimpelCom Ltd. or the VimpelCom Group.

One or more enforcement actions could be instituted in respect of the matters that are the subject of some or all of the investigations. The DOJ and SEC have a broad range of civil and criminal sanctions under the FCPA and other laws and regulations, including, but not limited to, fines, penalties, and disgorgement of profits. The OM and enforcement authorities in other jurisdictions also have a range of sanctions under the relevant laws and regulations. The imposition of any of these sanctions or remedial measures could have a material adverse effect on VimpelCom Ltd.'s or the VimpelCom Group's results of operations or financial condition. At this time, no provision for any such fines, penalties, or disgorgements has been recorded, as there is no legal or constructive present obligation. Additionally, management cannot make a reliable estimate of any future potential losses arising from this matter.

KaR—Tel

Turkish Litigation—Former Shareholders

In 2005, the Savings Deposit Insurance Fund (the "**Fund**"), a Turkish state agency responsible for collecting state claims arising from bank insolvencies, issued a Payment Order against KaR-Tel for TRY 7.55 billion (approximately USD 3,230 as of 31 December 2014). The Payment Order was based on the Fund's claim against the Turkish Uzan Group, which the Fund 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 6 June 2003, which was confirmed by the Kazakhstan Supreme Court on 23 July 2003 (the "**Kazakh Judgment**").

On 20 October 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 30 January 2013, the Supreme Court upheld earlier court decisions and confirmed the recognition of the Kazakh Judgment in Turkey.

On 20 October 2009, KaR-Tel also filed with the 4th Administrative Court of Istanbul 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 25 October 2010, the 4th Administrative Court ruled that the Order to Pay was illegal and annulled it. The Court's decision was appealed by the Fund.

On 22 March 2012, the Fund'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 for review on the merits. The Council State Chamber's decision remains pending.

KaR-Tel maintains that the Fund's claim is without merit.

Competition Investigation—International Incoming Traffic

On 4 September 2014, Kazakhtelecom filed a complaint with the Kazakhstan Competition Authority ("**KCA**") against KaR-Tel and Kcell JSC for allegedly unauthorised restricting international incoming traffic from Kazakhtelecom. The KCA requested information from KaR-Tel which KaR-Tel duly provided. The KCA subsequently initiated a full investigation against KaR-Tel by Order N 92-OD dated 24 November 2014 and is collecting various data. KaR-Tel has filed formal objections against the Order in court. The company is also in the process of collecting internal data to help defend its position.

General

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.

Other contingencies and uncertainties

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

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.

Collateral

B.V. VimpelCom Finance S.à. r.l. has a pledged short term deposits as per 31 December 2014 for USD 20 (2013: 20) with ANZ Bank as security for the loan provided by the same bank to VimpelCom Lao Ltd.

25. Events after the reporting period

VimpelCom Amsterdam B.V. cash tender offer for OJSC VimpelCom and VimpelCom Holdings B.V. U.S. dollar notes

On 2 March 2015, VimpelCom Amsterdam B.V. announced that it commenced a cash tender offer for up to USD 2,100 aggregate principal amount of the outstanding U.S. dollar notes issued by VimpelCom Holdings B.V. and loan participation notes issued by VIP Finance Ireland and UBS (Luxembourg) S.A. The tender offer closed on 30 March 2015 and settlement took place on 2 April 2015. The total aggregated principal accepted for the purchase amounted to USD 1,837 (note 10).

OJSC VimpelCom financing

On 2 March 2015, Sberbank informed OJSC VimpelCom of an increase in fixed interest rates (from between 9.00% and 10.75% to between 14.50% and 16.25% with effect from 1 June 2015) in accordance with the terms of the credit facility agreements between OJSC VimpelCom and Sberbank. The increase in interest rates would apply to three loans from Sberbank with a total principal amount outstanding of RUB 89,060 million (approximately USD 1,454 million as of 2 March 2015). The actual amount of any increase in interest rates is subject to discussion between the parties.

On 5 March 2015, OJSC VimpelCom announced a new coupon rate (annual interest of 10.00%) on its RUB bonds for RUB 25,000 million (approximately USD 404 as of 5 March 2015) maturing on 8 March 2022 (subject to an investor put option at 17 March 2015, which option was exercised for 99% of the outstanding principal amount) and for RUB 10,000 million (approximately USD 162 as of 5 March 2015) maturing on 14 March 2022 (subject to an investor put option at 23 March 2015, which option was exercised for 99% of the outstanding principal amount). The new coupon rate of 10.00% is applicable to next four coupon period (next two years).

In the period from 26 January 2015 to 4 February 2015, VimpelCom Amsterdam Finance B.V. repaid to OJSC VimpelCom an amount of USD 1,850 in several installments in relation to the loan agreement dated 15 April 2011. These funds, together with own cash, were used by OJSC VimpelCom in the period from 27 January 2015 to 5 February 2015 to repay to Weather Capital Special Purpose 1 S.A. principal amounts for a total amount of USD 1,870 and interest for a total amount of USD 9.

In the period between 16 March 2015 and 9 April 2015, VimpelCom Amsterdam Finance B.V. repaid to OJSC VimpelCom a net amount of USD 1,742 plus interest for the amount of USD 44 in several installments in relation to the loan agreement dated 15 April 2011. These funds, together with own cash, were used by OJSC VimpelCom to purchase the USD notes that were tendered, to repay the RUB bonds for which the put options were exercised and to cover some other funding needs of OJSC VimpelCom.

VimpelCom Holdings B.V. financing

VimpelCom Holdings B.V. drew under the Facility Agreement with VimpelCom Amsterdam B.V. dated 17 December 2014 USD 90 on 31 March 2015 for general corporate purposes and USD 400 on 2 April 2015 to settle the purchase of the USD notes.

Kyivstar financing agreement

On 9 February 2015, Kyivstar entered into a Facility Agreement with VimpelCom Cyprus Finance Limited in the total amount of USD 200. On 6 March 2015, Kyivstar drew down an amount of USD 80 at the interest rate of 9.8% per annum. The facility matures on 18 August 2015.

Kyivstar awarded Ukraine 3G license

On 25 February 2015, Kyivstar, an indirect subsidiary of the Company, its wholly owned and market leading subsidiary in Ukraine, has won one of three licenses to provide nationwide 3G services in the 2100 Mhz band. The license was awarded on 1 April 2015 for 15 years for a price of UAH 2.7 billion (approximately USD 120 as of 24 April 2015), which was fully paid.

Conversion agreement in Ukraine

On 23 April 2015 Kyivstar signed a frequency conversion agreement following its award of 3G license. Based on this agreement certain frequency conversion investments are needed amounting to UAH 715 million (approximately USD 26). The first contractual prepayment of UAH 356 million (approximately USD 13) was paid in April 2015, with the other two payments to be made in 2017 and 2018.

KaR-Tel loan to minority shareholder

On 2 March 2015, LLP KaR-Tel signed a Facility Agreement with Aureglia Limited, the minority shareholder of its parent company Limnotex Developments Limited, for a total amount of USD 100. On 10 March 2015, Aureglia Limited drew down the total amount at the interest rate of 2.41% per annum. The facility matures on 24 August 2015. On 24 June 2015 the full outstanding amount of this loan was early repaid.

Mobitel loan

At 31 December 2014 Mobitel, the Company's operator in Georgia, had intercompany debts to the OJSC "VimpelCom". On 26 March 2015, debts of Mobitel in the amount of USD 262 million was sold to VimpelCom Amsterdam B.V. at par. Thereafter these debts were sold to Weather Capital Special Purpose I S.A. with the maturity in March 2032 bearing fixed interest of 6.5%.

KaR-Tel financing

On 4 May 2015, KaR-Tel, an indirect subsidiary of the Company, entered into a KZT 8,300 million (approximately USD 45) term loan facility agreement with Kazkommertsbank JSC as lender, bearing interest at a rate of 19%. KaR-Tel has provided a cash deposit in the amount of USD 50 as a security. The loan enables KaR-Tel to dispose on higher liquidity in local currency. The facility has a total tenor of one year.

Devaluation of local currencies

Since 1 January 2015, the Ukraine hryvnia depreciated against the U.S. dollar by 34%. The Russian ruble depreciation against the US dollar in the first months of 2015 was reversed in the recent weeks. As a result Russian ruble appreciated against US dollar by 6%. See Note 5 for more details on foreign currency sensitivities.

Impairments

Driven by continued volatile economic and political environment in Ukraine in Q1 2015 as well as higher weighted average cost of capital for Ukraine by 0.9% as compared to October 1, 2014, in Q1 2015the Company concluded an impairment of USD 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 materialized in Q1 2015 and not observed as of 31 December 2014, 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%.

Also, due to higher weighted average costs of capital for the CGU Armenia driven by an increase in country risk premium as a result of worsening of macroeconomic situation in Armenia materialized in Q1 2015 and not observed as of 31 December 2014, an impairment was concluded in Q1 2015 in the amount of USD 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%.

Revolving Credit Facility

On 13 April 2015, OJSC "VimpelCom" signed an agreement to grant a Revolving Credit Facility for the amount of one billion USD to VimpelCom Amsterdam B.V. The interest rate under this agreement is LIBOR (1 month) + 4% and it is determined monthly. At the reporting date agreement USD 50 million was utilized.

Ownership interests in Kazakhstan and Kyrgyzstan subsidiaries

In May, 2015, VimpelCom’s indirect ownership interests in Kazakhstan and Kyrgyzstan subsidiaries was changed from 71.5% to 75% in KaR-Tel LLP and 50.1% in Sky Mobile LLC in accordance with the new shareholder agreement with the minority shareholder. Related dividend mandates, as well as put and call options have been cancelled in accordance with the above mentioned agreement too.