Consolidated financial statements

Open Joint Stock Company "Vimpel-Communications"

(a wholly-owned subsidiary of VimpelCom Ltd.)

as of 31 December 2014 and
for the year ended 31 December 2014

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Contents

Independent Auditor's Report

To the Board of Directors and Shareholders of OJSC Vimpel-Communications:

We have audited the accompanying consolidated financial statements of Open Joint Stock Company Vimpel-Communications (a wholly-owned subsidiary of VimpelCom Ltd.) and its subsidiaries (hereinafter collectively referred to as **"VimpelCom"**), which comprise the consolidated statement of financial position as of 31 December 2014 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for 2014, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of VimpelCom as of 31 December 2014, and its financial performance and its cash flows for 2014 in accordance with International Financial Reporting Standards.

ЗАО PricewaterhouseCoopers Audit

22 April 2015
Moscow, Russian Federation

E.V. Klimenko, Director (licence no.01-000057), ZAO PricewaterhouseCoopers Audit

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

Consolidated income statement
for the year ended 31 December 2014

	Note	Years ended 31 December 2014	2013
		(All amounts in millions of Rubles unless otherwise stated)	
Service revenue		**346,155**	337,975
Sale of equipment and accessories		**8,133**	11,427
Other revenue		**762**	754
Total operating revenue	7	**355,050**	350,156
Operating expenses			
Service costs		**(96,821)**	(93,969)
Cost of equipment and accessories		**(9,189)**	(12,683)
Selling, general and administrative expenses	8	**(106,572)**	(99,796)
Depreciation	13	**(50,699)**	(46,810)
Amortization	14	**(6,939)**	(8,813)
Impairment loss	9, 13, 14	**(3,329)**	(3,374)
Loss on disposal of non-current assets		**(1,796)**	(2,105)
Total operating expenses		**(275,345)**	(267,550)
Operating profit		**79,705**	82,606
Finance costs		**(29,104)**	(24,691)
Finance income		**13,930**	10,615
Net foreign exchange (loss)/gain		**(21,486)**	778
Other non-operating gains/(losses), net	10	**4,473**	(275)
Share of loss of associates and joint ventures accounted for using the equity method	11	**(518)**	(427)
Profit before tax		**47,000**	68,606
Income tax expense	12	**(9,742)**	(18,256)
Profit for the year		**37,258**	50,350
Profit attributable to:			
The owners of the parent		**36,185**	49,083
Non-controlling interests	11	**1,073**	1,267
		37,258	50,350

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

Consolidated statement of comprehensive income for the year ended 31 December 2014

	Note	Years ended 31 December 2014	2013
		(All amounts in millions of Rubles unless otherwise stated)	
Profit for the year		**37,258**	50,350
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Cash flow hedge reserve		**654**	109
Income tax effect		**–**	–
Net (loss)/gain arising on revaluation of available-for-sale financial assets at fair value through other comprehensive income		**(932)**	644
Income tax effect		**–**	–
Exchange differences arising on net investment in foreign operations		**41,128**	5,615
Income tax effect		**(2,975)**	(219)
Other comprehensive income for the year, net of tax		**37,875**	6,149
Total comprehensive income for the year, net of tax		**75,133**	56,499
Attributable to:			
The owners of the parent		**67,338**	54,626
Non-controlling interests		**7,795**	1,873
		75,133	56,499

Consolidated statement of financial position as of 31 December 2014

	Note	31 December 2014	31 December 2013	1 January 2013
		(All amounts in millions of Rubles unless otherwise stated)		
Assets				
Non-current assets				
Property and equipment	13	**274,549**	251,421	235,789
Intangible assets	14	**29,299**	28,842	32,413
Goodwill	9	**113,557**	109,877	109,461
Investments in associates and joint ventures	11	**13,346**	13,974	14,695
Deferred income tax assets	12	**923**	184	312
Other financial assets	15	**248,934**	25,914	144,774
Other non-current non-financial assets	16	**910**	550	554
Total non-current assets		**681,518**	430,762	537,998
Current assets				
Inventories	17	**3,627**	4,242	2,949
Trade and other receivables	18	**29,097**	20,946	23,337
Other current non-financial assets	16	**8,623**	6,128	6,452
Current income tax assets	12	**3,264**	2,576	3,497
Other current financial assets	15	**15,888**	119,629	13,092
Cash and cash equivalents	19	**87,197**	32,656	29,821
Total current assets		**147,696**	186,177	79,148
Assets classified as held for sale		**308**	–	2,615
Total assets		**829,522**	616,939	619,761
Equity and liabilities				
Equity				
Equity attributable to equity owners of the parent	20	**224,666**	158,604	208,057
Non-controlling interests	11	**8,074**	6,578	(320)
Total equity		**232,740**	165,182	207,737
Non-current liabilities				
Financial liabilities	15	**378,592**	298,152	251,441
Provisions	22	**5,394**	4,162	6,872
Other non-current non-financial liabilities	16	**880**	1,191	1,227
Deferred income tax liabilities	12	**22,971**	17,424	14,843
Total non-current liabilities		**407,837**	320,929	274,383
Current liabilities				
Trade and other payables		**61,146**	56,154	47,344
Dividends payable	21	**7**	15,098	–
Other current non-financial liabilities	16	**25,668**	22,819	24,579
Other financial liabilities	15	**97,686**	32,915	61,983
Current income tax payables	12	**172**	131	177
Provisions	22	**4,266**	3,711	1,807
Total current liabilities		**188,945**	130,828	135,890
Liabilities classified as held for sale		–	–	1,751
Total equity and liabilities		**829,522**	616,939	619,761

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

Consolidated statement of changes in equity
for the year ended 31 December 2014

		Attributable to the owners of the parent									
	Note	**Issued capital**	**Capital surplus**	**Other capital reserves**	**Retained earnings**	**Foreign currency translation reserve**	**Cash flow hedge reserve**	**Available-for-sale reserve**	**Total**	**Non-controlling interests**	**Total equity**
		(All amounts in millions of Rubles unless otherwise stated)									
As of 1 January 2014		**3**	**40,234**	**20,188**	**106,399**	**(9,158)**	**6**	**932**	**158,604**	**6,578**	**165,182**
Profit for the year		–	–	–	36,185	–	–	–	**36,185**	1,073	**37,258**
Other comprehensive income		–	–	–	–	31,431	654	(932)	**31,153**	6,722	**37,875**
Total comprehensive income		**–**	**–**	**–**	**36,185**	**31,431**	**654**	**(932)**	**67,338**	**7,795**	**75,133**
Dividends declared		–	–	–	121	–	–	–	**121**	(980)	**(859)**
Effect of options over non-controlling interests in subsidiaries	15	–	–	1,501	–	(3,894)	–	–	**(2,393)**	(5,512)	**(7,905)**
Share-based payment transactions		–	–	(37)	40	–	–	–	**3**	–	**3**
Disposal of non-controlling interest		–	–	–	–	–	–	–	–	193	**193**
Transactions under common control	6	–	–	1,345	–	(352)	–	–	**993**	–	**993**
As of 31 December 2014		**3**	**40,234**	**22,997**	**142,745**	**18,027**	**660**	**–**	**224,666**	**8,074**	**232,740**

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

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

		Attributable to the owners of the parent									
	Note	**Issued capital**	**Capital surplus**	**Other capital reserves**	**Retained earnings**	**Foreign currency translation reserve**	**Cash flow hedge reserve**	**Available-for-sale reserve**	**Total**	**Non-controlling interests**	**Total equity**
		(All amounts in millions of Rubles unless otherwise stated)									
As of 1 January 2013		**3**	**40,234**	**18,653**	**162,428**	**(13,446)**	**(103)**	**288**	**208,057**	**(320)**	**207,737**
Profit for the year		–	–	–	49,083	–	–	–	**49,083**	1,267	**50,350**
Other comprehensive income		–	–	–	–	4,790	109	644	**5,543**	606	**6,149**
Total comprehensive income		**–**	**–**	**–**	**49,083**	**4,790**	**109**	**644**	**54,626**	**1,873**	**56,499**
Dividends declared		–	–	–	(104,328)	–	–	–	**(104,328)**	–	**(104,328)**
Effect of options over non-controlling interests in subsidiaries	15	–	–	2,885	–	(503)	–	–	**2,382**	4,341	**6,723**
Gain of control over a former joint venture		–	–	–	–	–	–	–	**–**	966	**966**
Divestment of subsidiary		–	–	–	(784)	34	–	–	**(750)**	783	**33**
Share-based payment transactions		–	–	6	–	–	–	–	**6**	–	**6**
Acquisition of non-controlling interest		–	–	2	–		–	–	**2**	(4)	**(2)**
Transactions under common control	6	–	–	(1,358)	–	(33)	–	–	**(1,391)**	(1,061)	**(2,452)**
As of 31 December 2013		**3**	**40,234**	**20,188**	**106,399**	**(9,158)**	**6**	**932**	**158,604**	**6,578**	**165,182**

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

Consolidated statement of cash flows for the year ended 31 December 2014

	Note	Years ended 31 December 2014	2013
		(All amounts in millions of Rubles unless otherwise stated)	
Operating activities			
Profit for the year		**37,258**	50,350
Income tax expense	12	**9,742**	18,256
Profit before tax		**47,000**	68,606
Non-cash adjustments to reconcile profit before tax to net cash flows from operating activities:			
Depreciation	13	**50,699**	46,810
Impairment loss	9	**3,329**	3,374
Amortization	14	**6,939**	8,813
Loss on disposal of non-current assets		**1,796**	2,105
Finance income		**(13,930)**	(10,615)
Finance costs		**29,104**	24,691
Other non-operating (gains)/losses, net	10	**(4,473)**	275
Net foreign exchange loss/(gain)		**21,486**	(778)
Share of loss of associates and joint ventures accounted for using the equity method	11	**518**	427
Movements in provisions		**803**	4,570
Operating profit before working capital adjustments, interest and income taxes		**143,271**	148,278
Working capital adjustments			
Change in trade and other receivables		**(4,933)**	2,901
Change in inventories		**959**	(1,471)
Change in trade and other payables		**4,481**	(3,625)
Interest and income taxes			
Interest paid		**(28,958)**	(24,000)
Interest received		**1,138**	3,115
Income tax paid		**(10,318)**	(14,737)
Net cash flows from operating activities		**105,640**	110,461
Investing activities			
Proceeds from sale of property, equipment and intangible assets		**649**	828
Purchase of property, equipment and intangible assets		**(81,151)**	(67,249)
Issue of loans	23	**(7,302)**	(41,039)
Repayment of loans issued	23	**7,530**	79,168
Inflows/(outflows) from deposits, net		**4,447**	(5,514)
Proceeds from sale of available-for-sale financial assets		**2,157**	160
Proceeds from sale of associates		**–**	(47)
Disposal of subsidiaries, net of cash disposed	6	**(175)**	1,010
Acquisition of subsidiaries, net of cash acquired		**–**	64
Receipt of dividends		**4**	566
Net cash flows used in investing activities		**(73,841)**	(32,053)
Financing activities			
Acquisition of non-controlling interest		**–**	(4)
Proceeds from borrowings, net of fees paid	15	**55,750**	75,730
Repayment of borrowings	15	**(42,393)**	(62,576)
Dividends paid to equity holders	21	**(15,093)**	(89,236)
Dividends paid to non-controlling interests	15	**(909)**	(32)
Net cash flows used in financing activities		**(2,645)**	(76,118)
Net increase in cash and cash equivalents		**29,154**	2,290
Effect of exchange rate changes on cash and cash equivalents, Net		**25,387**	545
Cash and cash equivalents at the beginning of the year		**32,656**	29,821
Cash and cash equivalents at the end of the year		**87,197**	32,656

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

1. General information

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

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

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

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

The consolidated financial statements of the Company as of 31 December 2014 and for the year ended 31 December 2014 were authorized for issue by the General Director on 22 April 2015.

2. Basis of preparation of the consolidated financial statements

Basis of preparation

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

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

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

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 consolidated statement of financial position, income statement, statements of comprehensive income, statement of changes in equity, cash flows 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.

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of OJSC "VimpelCom" and its subsidiaries.

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

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

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

Presentation currency

In 2014, the Group changed its presentation currency from the U.S. Dollar to the Russian Ruble. The Company determined that the presentation currency of its consolidated financial statements shall be the Russian Ruble in accordance with the requirement of Federal Law of Russian Federation No. 208 "On Consolidated Financial Statements".

(All amounts in millions of Rubles unless otherwise stated)

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

Presentation currency (continued)

The table below illustrates the impact on the presentation currency change on the consolidated statement of financial position line items:

	USD thousands as previously reported		Russian Rubles million as reported in these financial statements	
	31 December 2013*	1 January 2013*	31 December 2013	1 January 2013
Assets				
Non-current assets				
Property and equipment	7,681,837	7,763,187	251,421	235,789
Intangible assets	881,227	1,067,164	28,842	32,413
Goodwill	3,357,221	3,603,922	109,877	109,461
Investments in associates and joint ventures	426,924	483,825	13,974	14,695
Deferred income tax assets	5,609	10,281	184	312
Other financial assets	791,759	4,766,582	25,914	144,774
Other non-current non-financial assets	16,799	18,231	550	554
Total non-current assets	13,161,376	17,713,192	430,762	537,998
Current assets				
Inventories	129,618	97,101	4,242	2,949
Trade and other receivables	639,977	768,348	20,946	23,337
Other current non-financial assets	187,228	212,430	6,128	6,452
Current income tax assets	78,715	115,140	2,576	3,497
Other current financial assets	3,655,102	431,042	119,629	13,092
Cash and cash equivalents	997,752	981,845	32,656	29,821
Total current assets	5,688,392	2,605,906	186,177	79,148
Assets classified as held for sale	–	86,089	–	2,615
Total assets	**18,849,768**	**20,405,187**	**616,939**	**619,761**
Equity and liabilities				
Equity				
Equity attributable to equity owners of the parent	4,845,936	6,850,119	158,604	208,057
Non-controlling interests	200,999	(10,524)	6,578	(320)
Total equity	5,046,935	6,839,595	165,182	207,737
Non-current liabilities				
Financial liabilities	9,109,653	8,278,505	298,152	251,441
Provisions	127,161	226,259	4,162	6,872
Other non-current non-financial liabilities	36,403	40,394	1,191	1,227
Deferred tax liabilities	532,364	488,702	17,424	14,843
Total non-current liabilities	9,805,581	9,033,860	320,929	274,383
Current liabilities				
Trade and other payables	1,715,694	1,558,772	56,154	47,344
Dividends payable	461,299	–	15,098	–
Other current non-financial liabilities	697,178	809,253	22,819	24,579
Other financial liabilities	1,005,686	2,040,749	32,915	61,983
Current income tax payables	4,013	5,826	131	177
Provisions	113,382	59,484	3,711	1,807
Total current liabilities	3,997,252	4,474,084	130,828	135,890
Liabilities classified as held for sale	–	57,648	–	1,751
Total equity and liabilities	**18,849,768**	**20,405,187**	**616,939**	**619,761**

* Certain amounts shown here do not correspond to the 2013 consolidated financial statements and reflect adjustments made as described in Note 3.

3. Significant accounting policies

New accounting pronouncements adopted by the Group in 2014

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

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

Financial instruments: Presentation on offsetting financial assets and financial liabilities – Amendments to IAS 32.

The Group has applied, for the first time, the amendments to IAS 32 *"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 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 RUR 4,265.

Several other new standards and amendments and interpretations apply for the first time in 2014, have been adopted but had no impact on these consolidated financial statements, i.e. IFRIC 21 *Levies, Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27* and IAS 39 *"Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39*. 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 early adopted by the Group in 2014

Annual improvements to IFRSs 2012-2014 Cycle

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.

3. Significant accounting policies (continued)

New accounting pronouncements not yet adopted by the Group

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.

Other standards, amendments and interpretations that are effective for the financial years beginning on 1 January 2015 or later are not relevant to the Group.

Business combinations

Business combinations are accounted for 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 amortised, but is tested for impairment on at least an annual basis or when impairment indicators are observed.

3. Significant accounting policies (continued)

Business combinations (continued)

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.

Investments in associates and joint ventures

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

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

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

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

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

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

Foreign currency translation

The consolidated financial statements of the Group are presented in Russian Rubles. 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.

As part of consolidation, the assets and liabilities of foreign operations are first translated into the functional currency of any intermediate parent entity (USD) and then translated from USD into Russian Rubles 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 resulting exchange rate differences arising on translation of foreign operations 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.

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 the change in the functional currency was not material and accounted for in the Company's 2014 financial statements.

3. Significant accounting policies (continued)

Foreign currency translation (continued)

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

As of 31 December 2014, the principal rate of exchange used for translating foreign currency balances was USD 1 = RUR 56.2584 (2013: USD 1 = RUR 32.7292; 2012: USD 1 = RUR 30.3727).

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.

3. Significant accounting policies (continued)

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. 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.

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.

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 is 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. 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 ("selling, general and administrative expenses" in the consolidated income statement) when the services are provided, which is ratably throughout the contract period.

3. Significant accounting policies (continued)

Classification of non-operating items

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

Interest income/expense

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

Taxation

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

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

Current income tax

Current income 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 income 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.

3. Significant accounting policies (continued)

Deferred taxation

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

Deferred income tax assets and liabilities are offset when the entity has a legally enforceable right to offset current income tax assets against current income 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 income 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 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 or site rent costs before launch of a base station; and
- professional fees, e.g. for engineers.

3. Significant accounting policies (continued)

Property and equipment (continued)

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	10-20 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.

Land is not depreciated.

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.

3. Significant accounting policies (continued)

Finance leases (continued)

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 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 disposal of non-current assets") when the asset is derecognized.

Goodwill

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

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

3. Significant accounting policies (continued)

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.

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 calculated and applied in order to project future cash flows after the fifth year.

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

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 the Risk Management guidelines of VimpelCom Ltd. 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.

3. Significant accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

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 RUR. These obligations are translated at the year-end exchange rate and any resulting exchange gains and losses are offset in the income statement against the change in the fair value of the hedging instrument.

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

Fair values

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

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

3. Significant accounting policies (continued)

Fair values (continued)

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

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

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

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

Any put options granted to non-controlling interests give rise to a financial liability, which is measured at the present value of the redemption amount. Subsequently, the put option is accounted for using 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 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.

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.

3. Significant accounting policies (continued)

Provisions(continued)

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

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.

Impairment of non-current assets

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

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

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

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

There are significant variations between different markets with respect to growth, mobile penetration, Average Revenue Per User ("ARPU"), market share and similar parameters, resulting in differences in operating margins. The future developments of operating margins are important in the Group's impairment assessments, and the long-term estimates of these margins are highly uncertain.

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

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

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 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 from 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.

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 and contingencies

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 unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Unanticipated events or changes in these factors may require the Group to increase or decrease the amount recorded or to be recorded for a matter that has not been previously recorded because it was not considered probable.

For certain operations in CIS, 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 Note 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.

5. Financial risk management (continued)

The Company's senior management together with the senior management of its ultimate parent company VimpelCom Ltd. oversee the management of these risks. The Company's senior management is supported by the treasury department that advises on financial risks and the appropriate financial risk governance framework for the Company. Also, the Finance and Strategy Committee at VimpelCom Ltd., provides assurance to the Company's senior management that the Group's financial risk-management activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and Group risk appetite. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision.

Management of the Company as well as the senior management of VimpelCom Ltd. review and agree 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 provisions and 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 portfolio of primarily fixed rate loans and borrowings.

As of 31 December 2014 approximately 98% of the Company's borrowings are at a fixed rate of interest (2013: 96%).

(All amounts in millions of Rubles unless otherwise stated)

5. Financial risk management (continued)

Interest rate sensitivity

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

Interest rate sensitivity	Increase/ decrease in basis points	Effect on profit before tax
2014		
US Dollar	+100	786
Kazakh Tenge	+100	8
Russian Ruble	+100	54
Euro	+100	8
Other currencies	+100	14
US Dollar	-100	(786)
Kazakh Tenge	-100	(8)
Russian Ruble	-100	(54)
Euro	-100	(8)
Other currencies	-100	(14)

Interest rate sensitivity	Increase/ decrease in basis points	Effect on profit before tax
2013		
US Dollar	+100	331
Kazakh Tenge	+100	21
Russian Ruble	+100	14
Other currencies	+100	12
US Dollar	-100	(331)
Kazakh Tenge	-100	(21)
Russian Ruble	-100	(14)
Other currencies	-100	(12)

Foreign currency risk

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

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

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the 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.

(All amounts in millions of Rubles unless otherwise stated)

5. Financial risk management (continued)

Foreign currency sensitivity (continued)

2014	Change in foreign exchange rate against USD	Effect on profit before tax	Effect on other components of equity
Russian Ruble	10% depreciation	(1,889)	389
Kazakh Tenge	10% depreciation	2,411	–
Uzbek Sum	10% depreciation	(1,468)	–
Georgian Lari	10% depreciation	(1,228)	–
Armenian Dram	10% depreciation	780	–
Kyrgyzstani Som	10% depreciation	745	–
Other currencies	10% depreciation	(460)	–
Russian Ruble	10% appreciation	2,204	(404)
Kazakh Tenge	10% appreciation	(2,652)	–
Uzbek Sum	10% appreciation	1,614	–
Georgian Lari	10% appreciation	1,351	–
Armenian Dram	10% appreciation	(858)	–
Kyrgyzstani Som	10% appreciation	(820)	–
Other currencies	10% appreciation	506	–

2013	Change in foreign exchange rate against USD	Effect on profit before tax	Effect on other components of equity
Russian Ruble	10% depreciation	(2,909)	114
Kazakh Tenge	10% depreciation	834	–
Uzbek Sum	10% depreciation	(762)	–
Georgian Lari	10% depreciation	(445)	–
Armenian Dram	10% depreciation	379	–
Kyrgyzstani Som	10% depreciation	264	–
Other currencies	10% depreciation	(258)	–
Russian Ruble	10% appreciation	3,214	(115)
Kazakh Tenge	10% appreciation	(918)	–
Uzbek Sum	10% appreciation	839	–
Georgian Lari	10% appreciation	490	–
Armenian Dram	10% appreciation	(417)	–
Kyrgyzstani Som	10% appreciation	(290)	–
Other currencies	10% appreciation	284	–

The effect on the profit before tax is the 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.

5. Financial risk management (continued)

Credit risk (continued)

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 94% its active customers being subscribed to a prepaid service as of 31 December 2014 (2013: 95%) and, accordingly, not giving rise to credit risk in this regard.

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.

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 statement of financial position total of the counterparty. Counterparty credit limits are set by the Company 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 are the carrying amounts as illustrated in Note 15, the carrying amounts of trade and other receivables and cash and cash equivalents as presented in the statement of financial position and the amounts of the related party loans guaranteed by the Company as disclosed in Note 24.

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. 20% of the Company's debt will mature in less than one year at 31 December 2014 (2013: 9%) 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. 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. Furthermore VimpelCom Ltd. or its subsidiaries can act as a lender of funds (Note 23).

(All amounts in millions of Rubles unless otherwise stated)

5. Financial risk management (continued)

Liquidity risk (continued)

At 31 December 2014, the Company has a Revolving Credit Facility available maturing in May 2017 for the amount of RUR 15,000 (2013: RUR 15,000), which is not utilized at these dates. The facility was renewed and extended during the year 2014.

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

At 31 December 2014	**Less than 1 year 2015**	**1-3 years 2016-2017**	**3-5 years 2018-2019**	**More than 5 years > 2019**	**Total**
Bank loans and bonds	109,967	142,522	77,296	64,315	394,100
Loans from related parties	10,239	18,715	24,722	108,049	161,725
Equipment financing	5,841	6,842	1,509	-	14,192
Derivatives over non-controlling interest	–	18,565	–	–	18,565
Trade and other payables	61,146	–	–	–	61,146
Total financial liabilities	**187,193**	**186,644**	**103,527**	**172,364**	**649,728**
Related derivative financial instruments - assets					
- Gross cash inflows	(33,947)	–	–	–	(33,947)
- Gross cash outflows	23,827	–	–	–	23,827

At 31 December 2013	**Less than 1 year 2014**	**1-3 years 2015-2016**	**3-5 years 2017-2018**	**More than 5 years >2018**	**Total**
Bank loans and bonds	43,144	156,369	71,491	40,803	**311,807**
Loans from related parties	6,341	9,245	18,343	52,325	**86,254**
Equipment financing	4,763	6,901	2,930	470	**15,064**
Derivatives over non-controlling interest	–	–	10,801	–	**10,801**
Trade and other payables	51,889	–	–	–	**51,889**
Total financial liabilities	**106,137**	**172,515**	**103,565**	**93,598**	**475,815**

Capital management

The primary objective of the Company's capital management is maintaining healthy capital ratios in order to meet current debt covenants requirements and 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. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 31 December 2013.

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

The Net debt to EBITDA ratio relevant to VimpelCom as of 31 December 2014 and 2013 was 2.33x and 2.88x, 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.

5. Financial risk management (continued)

Collateral

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

6. Business combinations and other transactions

There were no significant business combinations during 2014.

Other transactions 2014

Golden Telecom (Ukraine)

On 18 August 2014, VimpelCom signed an agreement to sell its entire indirect 100% stake in "Golden Telecom" L.L.C. (Ukraine), a subsidiary operated in Ukraine, to a related party PJSC "Kyivstar", a subsidiary of VimpelCom Ltd., for cash consideration of 96,100,000 UAH (the equivalent of RUR 264 at the exchange rate provided by the Central Bank of Russia as of 21 August 2014). The sale was completed on 21 August 2014. As of 21 August 2014, net liabilities of "Golden Telecom" L.L.C. (Ukraine) were RUR 729.

Network Sharing Agreement with MTS

In late 2014 VimpelCom 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 VimpelCom will build and operate 4G/LTE base stations in 17 regions of Russia. Within the first seven years of the project, 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 2013

Sotelco

On 5 April 2013, VimpelCom entered into a sale and purchase agreement for its entire indirect 90.0% stake in Sotelco Ltd. ("Sotelco"), its Cambodian subsidiary and operator, and on 19 April 2013 the disposal was completed. The sale of Sotelco did not have a material impact on the Company's results of operations.

According to the requirements of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* net assets of Sotelco were remeasured to their fair value less cost to sell resulting in recognition of impairment loss in the amount of RUR 984 in 2013.

Rascom

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

Teta Telecom

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

(All amounts in millions of Rubles unless otherwise stated)

7. Segment information

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

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

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

Financial information by reportable segment for the years ended 31 December 2014 and 31 December 2013 is presented in the following tables.

Information by reportable segments for the year ended 31 December 2014

	Russia	CIS	Ukraine	Total	All other	Group
Revenue						
External customers	280,735	66,895	820	**348,450**	6,600	**355,050**
Inter-segment	1,163	4,031	38	**5,232**	(5,232)	**–**
Total operating revenue	**281,898**	**70,926**	**858**	**353,682**	**1,368**	**355,050**
EBITDA	**111,935**	**34,092**	**253**	**146,280**	**(3,812)**	**142,468**
Other disclosures						
Capital expenditures	61,310	9,972	56	**71,338**	101	**71,439**
Impairment loss (Note 9)	(155)	(467)	–	**(622)**	(2,707)	**(3,329)**

Information by reportable segments for the year ended 31 December 2013

	Russia	CIS	Ukraine	Total	All other	Group
Revenue						
External customers	288,309	57,969	1,563	**347,841**	2,315	**350,156**
Inter-segment	1,793	1,884	68	**3,745**	(3,745)	**–**
Total operating revenue	**290,102**	**59,853**	**1,631**	**351,586**	**(1,430)**	**350,156**
EBITDA	**121,510**	**26,760**	**202**	**148,472**	**(4,764)**	**143,708**
Other disclosures						
Capital expenditures	58,015	11,157	222	**69,394**	164	69,558
Impairment loss (Note 9)	–	(1,547)	(47)	**(1,594)**	(1,780)	(3,374)

(All amounts in millions of Rubles unless otherwise stated)

7. Segment information (continued)

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

	2014	**2013**
EBITDA	**142,468**	143,708
Depreciation	**(50,699)**	(46,810)
Amortization	**(6,939)**	(8,813)
Impairment loss	**(3,329)**	(3,374)
Loss on disposal of non-current assets	**(1,796)**	(2,105)
Finance costs	**(29,104)**	(24,691)
Finance income	**13,930**	10,615
Other non-operating gains/(losses), net	**4,473**	(275)
Share of loss of associates and joint ventures accounted for using the equity method	**(518)**	(427)
Net foreign exchange (loss)/gain	**(21,486)**	778
Income tax expense	**(9,742)**	(18,256)
Profit for the year	**37,258**	50,350

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

	2014	**2013**
Mobile line	**299,211**	297,491
Fixed line	**55,839**	52,665
Total	**355,050**	350,156

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

8. Selling, general and administrative expenses

Selling, general and administrative expenses for the years ended 31 December consist of the following:

	2014	**2013**
Network and IT costs	**33,584**	27,019
Customer associated costs	**27,239**	23,031
Personnel costs	**26,657**	28,020
Taxes	**9,179**	8,464
Consulting and professional service costs	**3,937**	2,216
Losses on receivables	**1,504**	1,546
Other G&A expenses	**4,472**	9,500
Total	**106,572**	99,796

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

	2014	**2013**
Russia	**27,935**	26,843
CIS	**7,338**	7,257
Ukraine	**–**	386
Other	**290**	303
Total	**35,563**	34,789

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.

(All amounts in millions of Rubles unless otherwise stated)

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's	31 December 2014	Impair-ment	Transla-tion	31 December 2013	Impair-ment	Acquisition of a subsidiary	Transla-tion	31 December 2012
Russia	**87,847**	–	–	**87,847**	–	605	–	**87,242**
Kyrgyzstan	**10,946**	–	3,333	**7,613**	–	–	185	**7,428**
Kazakhstan	**7,664**	–	2,371	**5,293**	–	–	304	**4,989**
Armenia	**4,365**	–	1,392	**2,973**	(591)	–	224	**3,340**
Uzbekistan	**2,735**	–	(2,307)	**5,042**	–	–	363	**4,679**
Laos	**–**	(1,866)	757	**1,109**	(797)	–	123	**1,783**
Total	**113,557**	**(1,866)**	**5,546**	**109,877**	**(1,388)**	**605**	**1,199**	**109,461**

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 2014. The Company considers 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. The Company performed an assessment for the period between 1 October and 31 December 2014 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 calculations 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

We identified impairment for our operations in Laos due to sustained adverse economic situation, and lower than expected growth. Accordingly, we recognized an impairment charge in the amount of RUR 2,707 (2013: RUR 797). The Laos CGU is part of the reportable segment "All other". Other impairment concluded related to other cash generating units of RUR 622 (2013: RUR 2,577). The recoverable amount was calculated as fair value less costs of disposal using the latest available cash flow projections, and a post-tax discount rate of 16.2% for Laos and 13.1% for other cash generating units. Changes in the critical estimates such as WACC, operating margin or revenue growth rate by one p.p. for this CGU would not result in any additional material impairment.

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.

(All amounts in millions of Rubles unless otherwise stated)

9. Impairment (continued)

Key assumptions (continued)

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 VimpelCom Ltd. ("Peer Group") since the Company is part of VimpelCom Ltd. 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 EBITDA less Amortization, Depreciation and Impairment divided by Total Operating Revenue for each CGU unit and each future year.

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

Terminal growth rate is estimated based on 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%
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 current macroeconomic situation in Russia, the Company applied higher discount factors for the first two years in the explicit period as follows:
Russia: 18.9% (2015) and 12.1% (2016)

Average annual revenue growth rate during forecasted period (functional currency)	**2014**	**2013**
Russia	1.2%	4.4%
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%
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%

(All amounts in millions of Rubles unless otherwise stated)

9. Impairment (continued)

Key assumptions (continued)

Average operating margin	**2014**	**2013**
Russia	21.1%	28.5%
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%
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

There is no reasonably possible change in any of the above key assumptions which would cause the carrying value of any CGU to significantly exceed its recoverable amount and would result in additional material impairment loss to be recognized.

10. Other non-operating gains/(losses), net

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

	Note	**2014**	**2013**
Changes in the fair value of non-hedge derivatives		**7,410**	55
Impairment of available-for-sale financial asset net of result of disposal	15	**(2,073)**	–
Change of the fair value of derivatives over non-controlling interest	15	**(1,937)**	(1,472)
Net results of disposal of subsidiaries		**255**	(118)
Changes in the fair value of hedge derivatives		**218**	420
Dividend income		**19**	428
Gain from remeasurement of previously held investment in Rascom		**–**	693
Other gains/(losses)		**581**	(281)
Total other non-operating gains/(losses), net		**4,473**	(275)

(All amounts in millions of Rubles unless otherwise stated)

11. Investments

11.1. Information about subsidiaries

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

				% of ownership interest held by the group	
Name of significant subsidiaries	**Note**	**Country of operation**	**Nature of the subsidiary**	**As of 31 December 2014**	**As of 31 December 2013**
KaR-Tel, LLP	15	Kazakhstan	Operating	**71.50%**	71.50%
2Day Telecom		Kazakhstan	Operating	**59.00%**	59.00%
Unitel, LLC		Uzbekistan	Operating	**100.00%**	100.00%
Buzton JV		Uzbekistan	Operating	**54.00%**	54.00%
Sky Mobile, LLC	15	Kyrgyzstan	Operating	**71.50%**	71.50%
Mobitel, LLC		Georgia	Operating	**51.00%**	51.00%
ArmenTel, CJSC		Armenia	Operating	**100.00%**	100.00%
VimpelCom Lao Co. Ltd.		Lao PDR	Operating	**78.00%**	78.00%
Rascom, CJSC		Russia	Operating	**54.00%**	54.00%
Vimpelcom Finance, LLC		Russia	Holding	**100.00%**	100.00%
Vimpelcom-Invest, LLC		Russia	Holding	**100.00%**	100.00%
Ararima Enterprises Limited		Cyprus	Holding	**100.00%**	100.00%
Limnotex Developments Ltd.	15	Cyprus	Holding	**71.50%**	71.50%
Menacrest Limited		Cyprus	Holding	**71.50%**	71.50%
VC ESOP N.V.		Belgium	Holding	**99.90%**	99.90%
B.V. VimpelCom Finance S.a.r.l.		Netherlands, Luxemburg	Holding	**100.00%**	100.00%
VimpelCom Holding Laos B.V.		Netherlands	Holding	**100.00%**	100.00%
Silkway Holding B.V.		Netherlands	Holding	**100.00%**	100.00%
Golden Telecom, Inc.		USA (Delaware)	Holding	**100.00%**	100.00%
Freevale Enterprises		BVI	Holding	**100.00%**	100.00%
Golden Telecom, LLC	6	Ukraine	Operating	**–**	100.00%

11.2. Material partly-owned subsidiaries

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

		Equity interest held by non-controlling interest in %		Book values of non-controlling interests		Profit/(loss) allocated to non-controlling interests	
Name of significant subsidiaries	**Country of operation**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
KaR-Tel, LLP	Kazakhstan	28.50%	28.50%	7,808	4,621	1,606	1,390
Sky Mobile, LLC	Kyrgystan	28.50%	28.50%	3,239	1,862	900	604
Mobitel, LLC	Georgia	49.00%	49.00%	(4,370)	(1,572)	(891)	(419)

"KaR-Tel", LLP and "Sky Mobile", LLC are 100% owned by Limnotex Development Limited ("Limnotex"). VimpelCom 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 18 million (the equivalent of RUR 890 as of the date of transaction at the exchange rate provided by the Central Bank of Russia) of dividends to the non-controlling shareholder as its portion of dividends paid.

(All amounts in millions of Rubles unless otherwise stated)

11. Investments (continued)

11.2 Material partly-owned subsidiaries (continued)

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

Summarised income statements for the year ended 31 December 2014:

	KaR-Tel, LLP	Sky Mobile, LLC	Mobitel, LLC
Operating revenue	26,513	6,836	3,074
Operating expenses	(19,915)	(4,172)	(3,678)
Other income/(costs)	891	880	(1,214)
Profit/(loss) before tax	**7,489**	**3,544**	**(1,818)**
Income tax expense	(1,855)	(385)	-
Profit/(loss) for the year	**5,634**	**3,159**	**(1,818)**
Attributed to non-controlling interest	1,606	900	(891)

Summarised income statements for the year ended 31 December 2013:

	KaR-Tel, LLP	Sky Mobile, LLC	Mobitel, LLC
Operating revenue	24,720	6,123	2,808
Operating expenses	(18,663)	(3,836)	(2,830)
Other income/(costs)	654	71	(686)
Profit/(loss) before tax	**6,711**	**2,358**	**(708)**
Income tax expense	(1,832)	(237)	(147)
Profit/(loss) for the year	**4,879**	**2,121**	**(855)**
Attributed to non-controlling interest	1,390	604	(419)

Summarised statements of financial position as of 31 December 2014:

	KaR-Tel, LLP	Sky Mobile, LLC	Mobitel, LLC
Property and equipment	23,263	4,821	3,816
Intangible assets	7,551	11,376	1,004
Other non-current assets	6,866	56	-
Trade and other receivables	1,363	781	330
Cash and cash equivalents	26,816	6,741	434
Other current assets	1,856	1,828	261
Financial liabilities	–	–	(13,610)
Provisions	(506)	(3)	(23)
Other non-current liabilities	(118)	–	–
Other current liabilities	(9,252)	(1,605)	(1,130)
Total equity	**57,839**	**23,995**	**(8,918)**
Attributed to:			
The owners of the parent	50,031	20,756	(4,548)
Non-controlling interests	7,808	3,239	(4,370)

(All amounts in millions of Rubles unless otherwise stated)

11. Investments (continued)

11.2 Material partly-owned subsidiaries (continued)

Summarised statements of financial position as of 31 December 2013:

	KaR-Tel, LLP	Sky Mobile, LLC	Mobitel, LLC
Property and equipment	16,868	3,091	2,683
Intangible assets	5,262	7,997	716
Other non-current assets	4,036	25	–
Trade and other receivables	879	179	149
Cash and cash equivalents	8,598	600	239
Other current assets	6,556	2,587	92
Financial liabilities	(1,934)	–	(7,660)
Provisions	(282)	(4)	–
Other current liabilities	(5,801)	(682)	(425)
Total equity	**34,182**	**13,793**	**(4,206)**
Attributed to:			
The owners of the parent	29,561	11,931	(2,635)
Non-controlling interests	4,621	1,862	(1,571)

Summarised cash flow statements for the year ended 31 December 2014:

	KaR-Tel, LLP	Sky Mobile, LLC	Mobitel, LLC
Net cash flows from operating activities	9,720	3,192	799
Net cash flows from/(used in) investing activities	2,396	751	(729)
Net cash flows used in financing activities	(3,316)	–	(67)
Effect of exchange rate changes on cash and cash equivalents	9,418	2,198	192
Net increase in cash and cash equivalents	**18,218**	**6,141**	**195**

Summarised cash flow statements for the year ended 31 December 2013:

	KaR-Tel, LLP	Sky Mobile, LLC	Mobitel, LLC
Net cash flows from operating activities	8,802	2,932	922
Net cash flows used in investing activities	(7,246)	(3,274)	(565)
Net cash flows used in financing activities	–	–	(556)
Effect of exchange rate changes on cash and cash equivalents	(130)	(15)	(12)
Net increase/(decrease) in cash and cash equivalents	**1,426**	**(357)**	**(211)**

(All amounts in millions of Rubles unless otherwise stated)

11. Investments (continued)

11.3. Investments in joint ventures and associates

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

	31 December 2014	31 December 2013
Joint ventures		
Others	**13,346**	13,548
Associates		
Others	**–**	426
Total investments in joint ventures and associates	**13,346**	13,974

The following table is the aggregate financial information of the investments in joint ventures and associates which are held by the Company as of and for the years ended 31 December 2014 and 2013:

	2014	2013
(Loss)/profit before tax	**(377)**	1,398
Income tax expense	**(24)**	(1,524)
Loss for the year	**(401)**	(126)
Other comprehensive income	**–**	–
Total comprehensive loss	**(401)**	(126)
Elimination of intercompany transactions	**–**	(728)
Group's share of loss for the year from investments in joint ventures and associates	**(201)**	(427)
Impairment of investments in associates	**(317)**	–
Share of loss of associates and joint ventures accounted for using the equity method	**(518)**	(427)

12. Income taxes

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

	2014	2013
Consolidated income statement:		
Current income tax		
Current income tax charge	**7,713**	15,513
Adjustments in respect of current income tax of previous year	**13**	140
	7,726	15,653
Deferred income tax		
Relating to origination and reversal of temporary differences	**2,016**	2,603
Income tax expense reported in the income statement	**9,742**	18,256
Consolidated statement of comprehensive income:		
Income tax effect of foreign currency gains related to intercompany loans that form part of VimpelCom's net investment in foreign operations	**(2,975)**	(219)
Income tax charged to other comprehensive income	**(2,975)**	(219)

(All amounts in millions of Rubles unless otherwise stated)

12. Income taxes (continued)

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

	2014	%	2013	%
Profit before tax	**47,000**		68,606	
Income tax expense computed on profit before tax at statutory tax rate	**9,400**	**20.0%**	13,721	20.0%
Difference due to the effects of:				
Non-deductible impairment of non-current assets including goodwill	**615**	**1.3%**	356	0.5%
Changes in recognition of deferred tax assets on losses and other carry forwards	**1,120**	**2.4%**	518	0.8%
Other (non-taxable income)/non-deductible expenses	**(1,133)**	**(2.4%)**	2,966	4.3%
Tax effect on future intragroup dividends	**725**	**1.5%**	1,449	2.1%
Refiling of tax returns	**73**	**0.2%**	140	0.2%
Tax claims and provisions	**509**	**1.1%**	(282)	(0.4%)
Different tax rates in different jurisdictions	**(1,019)**	**(2.2%)**	(367)	(0.5%)
Other	**(548)**	**(1.2%)**	(245)	(0.4%)
Income tax expense reported in the income statement	**9,742**	**20.7%**	18,256	26.6%

The effective income tax rate amounts to 20.7% in 2014 (2013: 26.6%). The decrease of the tax rate is a combined effect of the change in non-deductible expenses, including revaluation of the call option over non-controlling interest in 2013, and the change in non-deductible income, including primarily the income from foreign currency exchange differences in Uzbekistan. In addition, more profits were generated in jurisdictions with lower income tax rates compared to the income tax rate in Russia.

Deferred income tax

As of 31 December 2014 and 2013, the Group reported the following deferred income tax assets and liabilities on the consolidated statements of financial position:

	2014	2013
Deferred income tax assets	923	184
Deferred income tax liabilities	(22,971)	(17,424)
Net deferred income tax position	**(22,048)**	(17,240)

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

	31 December 2013	Charge to profit and loss	Currency translation adjustment	31 December 2014
Property and equipment	(17,880)	(1,317)	(305)	(19,502)
Intangible assets	(1,759)	602	124	(1,033)
Other non-current assets	8,663	(8,892)	13	(216)
Trade accounts receivable	604	(848)	(43)	(287)
Other current assets	6,553	(7,534)	39	(942)
Undistributed retained earnings of subsidiaries	(3,371)	(725)	(2,641)	(6,737)
Provisions	966	(156)	(26)	784
Financial liabilities (non-current)	(8,707)	8,962	–	255
Other non-financial liabilities (non-current)	179	(10)	(14)	155
Trade and other payables	2,825	548	117	3,490
Other current non-financial liabilities	1,302	217	164	1,683
Other current financial liabilities	(6,496)	6,376	(54)	(174)
Other movements and temporary differences	(130)	564	(364)	70
Tax losses and other carry forwards	3,079	1,317	56	4,452
Non recognized deferred tax assets on losses and other carry forwards	(3,068)	(1,120)	142	(4,046)
Net deferred tax position	**(17,240)**	**(2,016)**	**(2,792)**	**(22,048)**

(All amounts in millions of Rubles unless otherwise stated)

12. Income taxes (continued)

Deferred income tax (continued)

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

	31 December 2012	Acquisition	Divestments	Charge to profit and loss	Currency translation adjustment	31 December 2013
Property and equipment	(15,497)	(249)	490	(2,481)	(143)	(17,880)
Intangible assets	(1,846)	–	49	(2)	40	(1,759)
Other non-current assets	(720)	–	–	9,386	(3)	8,663
Trade accounts receivable	146	–	–	443	15	604
Other current assets	(286)	–	–	6,839	–	6,553
Undistributed retained earnings of subsidiaries	(1,747)	–	–	(1,449)	(175)	(3,371)
Provisions	740	–	3	219	4	966
Financial liabilities (non-current)	(213)	–	–	(8,495)	1	(8,707)
Other non-financial liabilities (non-current)	303	–	–	(37)	(87)	179
Trade and other payables	3,282	–	(74)	(329)	(54)	2,825
Other current non-financial liabilities	1,199	–	–	102	1	1,302
Other current financial liabilities	198	–	–	(6,698)	4	(6,496)
Other movements and temporary differences	(208)	–	–	(1)	79	(130)
Tax losses and other carry forwards	4,220	–	(1,243)	17	85	3,079
Non recognized deferred tax assets on tax losses and other carry forwards	(4,102)	–	1,230	(117)	(79)	(3,068)
Net deferred income tax position	**(14,531)**	**(249)**	**455**	**(2,603)**	**(312)**	**(17,240)**

VimpelCom has the following amounts of unused tax losses and other carry forwards as of 31 December 2014:

Year of expiration	Recognized losses	Recognized DTA	Non recognized losses	Non recognized DTA
0-5 years	–	–	1,481	241
6-10 years	1,911	406	19,024	3,805
Total	**1,911**	**406**	**20,505**	**4,046**

As of 31 December 2014, the amount of other deductible temporary differences for which no deferred tax asset recognized amounted to RUR 5,457 (2013: RUR 1,808). The reported non recognized deferred income tax assets on such temporary differences amounted to RUR 844 (2013: RUR 271).

VimpelCom reports the tax effect of the existence of undistributed profits of subsidiaries that will be distributed in the foreseeable future. At 31 December 2014, the Company recorded a deferred income tax liability of RUR 6,737 (2013: RUR 3,371) relating to the tax effect of the undistributed profits that will be distributed in the foreseeable future, primarily in relation to its Kazakhstan and Kyrgyzstan operations. At 31 December 2014, undistributed earnings of VimpelCom's foreign subsidiaries (outside the Russian Federation) which are indefinitely invested and that will not be distributed in the foreseeable future, amounted to approximately RUR 71,336 (2013: RUR 13,844). Accordingly, no deferred income tax liability is recognized for this amount of undistributed profits.

(All amounts in millions of Rubles unless otherwise stated)

13. Property and equipment

Property and equipment consisted of the following:

	Telecom-munication equipment	Land, buildings and construc-tions	Office and measuring equipment	Other equipment	Equipment not installed and assets under construction	Total
Cost						
At 31 December 2012	**342,109**	**13,271**	**31,974**	**14,960**	**55,415**	**457,729**
Additions	5,528	217	47	503	57,103	**63,398**
Acquisition of a subsidiary	1,098	83	–	19	–	**1,200**
Disposals	(13,956)	(178)	(1,069)	(733)	(1,266)	**(17,202)**
Divestment of a subsidiary	(4,598)	–	(21)	(273)	(371)	**(5,263)**
Transfer	59,027	1,708	5,727	4,509	(70,971)	**–**
Translation adjustment	6,262	260	269	170	2,025	**8,986**
At 31 December 2013	**395,470**	**15,361**	**36,927**	**19,155**	**41,935**	**508,848**
Additions	9,937	277	198	72	52,728	**63,212**
Disposals	(38,616)	(82)	(2,070)	(384)	(573)	**(41,725)**
Divestment of a subsidiary	(1,808)	(36)	(20)	(3)	(42)	**(1,909)**
Reclassification to assets held for sale	(577)	–	(47)	–	(882)	**(1,506)**
Transfer	46,192	1,636	9,233	(1,769)	(55,292)	**–**
Translation adjustment	21,349	2,046	3,518	2,536	3,974	**33,423**
At 31 December 2014	**431,947**	**19,202**	**47,739**	**19,607**	**41,848**	**560,343**
Depreciation and impairment						
At 31 December 2012	**(185,693)**	**(4,391)**	**(21,122)**	**(10,031)**	**(703)**	**(221,940)**
Depreciation charge for the year	(39,833)	(916)	(4,070)	(1,991)	–	**(46,810)**
Disposals	12,617	82	981	420	13	**14,113**
Divestment of a subsidiary	1,202	–	16	89	–	**1,307**
Translation adjustment	(3,735)	(101)	(149)	(86)	(26)	**(4,097)**
At 31 December 2013	**(215,442)**	**(5,326)**	**(24,344)**	**(11,599)**	**(716)**	**(257,427)**
Depreciation charge for the year	(43,249)	(1,062)	(4,713)	(1,675)	–	**(50,699)**
Disposals	36,975	39	1,909	239	–	**39,162**
Divestment of a subsidiary	1,125	26	17	2	7	**1,177**
Reclassification to assets held for sale	465	–	31	–	702	**1,198**
Impairment	(1,123)	–	–	(155)	–	**(1,278)**
Transfer	(35)	(10)	(1,707)	1,721	31	**–**
Translation adjustment	(13,569)	(930)	(2,347)	(1,045)	(36)	**(17,927)**
At 31 December 2014	**(234,853)**	**(7,263)**	**(31,154)**	**(12,512)**	**(12)**	**(285,794)**
Net book value						
At 31 December 2013	**180,028**	**10,035**	**12,583**	**7,556**	**41,219**	**251,421**
At 31 December 2014	**197,094**	**11,939**	**16,585**	**7,095**	**41,836**	**274,549**

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

Capitalized borrowing costs

During 2014 and 2013 VimpelCom capitalized interest in the cost of property and equipment in the amount of RUR 917 and RUR 1,531, respectively. The rate used to determine the amount of interest eligible for capitalization was 8.2% and 8.5% for the years ended 31 December 2014 and 2013, respectively.

(All amounts in millions of Rubles unless otherwise stated)

13. Property and equipment (continued)

Finance lease

The carrying value of property and equipment held under finance leases as of 31 December 2014 and 2013 was RUR 3,895 and RUR 3,007, respectively. Additions during the year include RUR 1,350 in 2014 and RUR 1,640 in 2013 of property and equipment under finance lease.

14. Intangible assets

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

	Telecommu-nications licenses, frequencies and permissions	Software	Brands and trademarks	Customer relation-ships	Telephone line capacity	Other intangible assets	Total
Cost							
At 31 December 2012	**44,331**	**35,876**	**816**	**19,969**	**5,310**	**7,297**	**113,599**
Additions	1,904	3,749	–	–	195	312	**6,160**
Acquisition of a subsidiary	–	–	–	735	–	–	**735**
Disposals	(710)	(476)	–	(29)	–	–	**(1,215)**
Divestment of a subsidiary	(297)	(19)	–	–	–	–	**(316)**
Translation adjustment	1,057	(2,484)	(51)	85	178	110	**(1,105)**
At 31 December 2013	**46,285**	**36,646**	**765**	**20,760**	**5,683**	**7,719**	**117,858**
Additions	2,292	5,500	–	–	22	413	**8,227**
Disposals	(14,469)	(756)	(64)	–	–	(87)	**(15,376)**
Divestment of a subsidiary	(22)	(52)	–	(552)	–	–	**(626)**
Translation adjustment	6,403	3,195	208	(202)	(46)	1,217	**10,775**
At 31 December 2014	**40,489**	**44,533**	**909**	**20,006**	**5,659**	**9,262**	**120,858**
Amortization and impairment							
At 31 December 2012	**(33,031)**	**(26,254)**	**(567)**	**(11,435)**	**(3,902)**	**(5,997)**	**(81,186)**
Amortization charge for the year	(2,371)	(3,917)	(90)	(1,689)	(493)	(253)	**(8,813)**
Impairment	(977)	–	–	–	–	–	**(977)**
Disposals	689	447	–	29	–	–	**1,165**
Divestment of a subsidiary	76	8	–	–	–	–	**84**
Translation adjustment	(780)	1,823	(27)	(45)	(124)	(136)	**711**
At 31 December 2013	**(36,394)**	**(27,893)**	**(684)**	**(13,140)**	**(4,519)**	**(6,386)**	**(89,016)**
Amortization charge for the year	(943)	(4,431)	(59)	(1,409)	167	(264)	**(6,939)**
Impairment	(100)	(85)	–	–	–	–	**(185)**
Disposals	14,462	719	64	–	–	87	**15,332**
Divestment of a subsidiary	7	26	–	422	–	–	**455**
Translation adjustment	(7,125)	(2,303)	(207)	118	(450)	(1,239)	**(11,206)**
At 31 December 2014	**(30,093)**	**(33,967)**	**(886)**	**(14,009)**	**(4,802)**	(7,802)	**(91,559)**
Net book value							
At 31 December 2013	**9,891**	**8,753**	**81**	**7,620**	**1,164**	**1,333**	**28,842**
At 31 December 2014	**10,396**	**10,566**	**23**	**5,997**	**857**	**1,460**	**29,299**

(All amounts in millions of Rubles unless otherwise stated)

14. Intangible assets (continued)

As of 31 December 2014 other intangible assets include LTE telecommunication licenses, for which the business operations have not yet commenced, in the amount of RUR 38 (2013: RUR 41). 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

Carrying values and fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the consolidated financial statements as of 31 December 2014 and 2013 except for cash and cash equivalents, trade and other receivables and trade and other payables where the carrying amount is a reasonable approximation of fair value (based on future cash flows discounted at current market rates):

	Carrying value		Fair value	
	31 December 2014	**31 December 2013**	**31 December 2014**	**31 December 2013**
Financial assets at fair value through profit or loss				
Derivatives over non–controlling interest	–	1,141	–	1,141
Foreign exchange contracts	**5,243**	10	**5,243**	10
Financial assets at fair value through other comprehensive income				
Foreign exchange contracts	**2,092**	–	**2,092**	–
Available–for–sale financial assets	**1,913**	3,595	**1,913**	3,595
Total financial assets at fair value	**9,248**	4,746	**9,248**	4,746
Loans granted, deposits and other financial assets at amortised cost				
Loans granted to related parties (Note 23)	**244,791**	133,453	**201,844**	146,774
Bank deposits	**6,136**	6,843	**6,136**	6,843
Interest receivable	**3,349**	160	**3,349**	160
Other financial assets	**1,298**	341	**1,298**	341
Total loans granted, deposits and other financial assets at amortised cost	**255,574**	140,797	**212,627**	154,118
Total other financial assets	**264,822**	145,543	**221,875**	158,864

(All amounts in millions of Rubles unless otherwise stated)

15. Financial assets and liabilities (continued)

Carrying values and fair values (continued)

	Carrying value		Fair value	
	31 December 2014	**31 December 2013**	**31 December 2014**	**31 December 2013**
Other financial liabilities at amortised cost				
Interest-bearing loans, bonds and finance lease liabilities, principal	**334,122**	257,955	**303,726**	271,793
Loans payables to related parties, principal (Note 23)	**122,882**	62,442	**98,720**	62,315
Unamortised fees	**(1,613)**	(1,465)	**–**	–
Interest payable	**6,290**	5,443	**6,274**	5,443
Financial liability to non–controlling interest via equity	**14,597**	6,692	**13,004**	6,692
Total other financial liabilities at amortised cost	**476,278**	331,067	**421,724**	346,243
Total other financial liabilities	**476,278**	331,067	**421,724**	346,243

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

Other financial assets	**31 December 2014**	**31 December 2013**
Non-current portion	**248,934**	25,914
Current portion	**15,888**	119,629
Total other financial assets	**264,822**	145,543
Other financial liabilities		
Non-current portion	**378,592**	298,152
Current portion	**97,686**	32,915
Total other financial liabilities	**476,278**	331,067

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

Fair value hierarchy

The Company measures the fair value of quoted equity instruments by reference to published price quotations in an active market (Level 1).

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

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

(All amounts in millions of Rubles unless otherwise stated)

15. Financial assets and liabilities (continued)

Fair value hierarchy (continued)

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

	As of 31 December 2014		
	(Level 1)	**(Level 2)**	**(Level 3)**
Financial assets at fair value through profit or loss			
Foreign exchange contracts	–	5,243	–
Financial assets at fair value through other comprehensive income			
Foreign exchange contracts		2,092	
Available–for–sale financial asset	1,913	–	–
Total financial assets at fair value	**1,913**	**7,335**	**–**
Assets for which fair values are disclosed			
Loans granted to related parties (Note 23)	–	201,844	–
Bank deposits	–	6,136	–
Interest receivable	–	3,349	–
Other financial assets	–	1,298	–
Total assets for which fair values are disclosed	**–**	**212,627**	**–**
Financial liabilities for which fair values are disclosed			
Other financial liabilities at amortised cost	115,367	306,357	–
Total financial liabilities for which fair values are disclosed	**115,367**	**306,357**	**–**

	As of 31 December 2013		
	(Level 1)	**(Level 2)**	**(Level 3)**
Financial assets at fair value through profit or loss			
Derivatives over non–controlling interest	–	–	1,141
Foreign exchange contracts	–	10	–
Financial assets at fair value through other comprehensive income			
Available–for–sale financial asset	3,595	–	–
Total financial assets at fair value	**3,595**	**10**	**1,141**
Assets for which fair values are disclosed			
Loans granted to related parties (Note 23)	–	146,774	–
Bank deposits	–	6,843	–
Interest receivable	–	160	–
Other financial assets	–	341	–
Total assets for which fair values are disclosed	**–**	**154,118**	**–**
Financial liabilities for which fair values are disclosed			
Financial liabilities at amortised cost	181,981	164,262	–
Total liabilities for which fair values are disclosed	**181,981**	**164,262**	**–**

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

(All amounts in millions of Rubles unless otherwise stated)

15. Financial assets and liabilities (continued)

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.

Available-for-sale financial assets

Available-for sale financial assets comprise investment in shares of VimpelCom Ltd. The fair value of the quoted equity shares is determined by reference to published price quotations in an active market. As part of stock-based compensation program of VimpelCom Ltd. VC ESOP N.V., a subsidiary of VimpelCom, holds shares of VimpelCom Ltd. The number of shares were 8,132,989 shares as of 31 December 2014 and 8,487,396 shares as of 31 December 2013.

For available-for-sale financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.

Based on these criteria, the Company identified impairment of available-for-sale investment in quoted shares of RUR 2,066, which is recognised within Other non-operating gains / (losses), net in the income statement for the year ended 31 December 2014.

Interest-bearing loans and bonds

The Company has the following principal amounts outstanding for interest-, bonds and finance lease liabilities as of 31 December:

Lender or bonds series	Interest rate	Maturity	Currency	2014	2013
Eurobonds	6.49-9.13%	2016-2021	USD	**174,401**	101,461
Loans received from related parties (Note 23)	3.78-11.00%	2015-2022	RUR/USD	**122,882**	62,442
Sberbank of Russia	8.8-10.75%	2015-2018	RUR	**89,060**	75,405
Ruble bonds	8.30-8.85%	2015-2022	RUR	**55,000**	65,000
HSBC	3 month MOSPRIME + 1.05%	2017-2019	RUR	**6,575**	8,464
CISCO Systems Finance International	7.95-9.80%	2015-2017	RUR	**3,358**	2,537
Finance lease liabilities	9.10-10.90%	2014-2055	RUR/USD	**2,576**	2,489
Unicredit – HVB	AB SEK Rate + 0.75%	2016	USD	**1,724**	1,767
ANZ bank	3.50%	2015	USD	**1,066**	629
Huawei	8.00%	2015	USD	**362**	203
Total loans, bonds and finance lease liabilities, principal				**457,004**	320,397
Non-current portion				**365,317**	292,433
Current portion				**91,687**	27,964
				457,004	320,397

15. Financial assets and liabilities (continued)

Major treasury events during 2014

On 4 February 2014, OJSC "VimpelCom" entered into Subordination Deed to rank the liabilities owed by VimpelCom to each of OJSC "Sberbank of Russia" ("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 OJSC "VimpelCom". If such Event occurs in respect of the Company, 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 1 December 2011, OJSC "VimpelCom" entered into Revolving Credit Facility with OJSC "Sberbank of Russia" for the amount of RUR 15,000. The facility bears interest at the rate of MosPrime plus 1.8% p.a. On 1 April 2014, OJSC "VimpelCom" drew down under this Revolving Credit Facility an amount of RUB 7,300. On 20 June 2014, OJSC "VimpelCom" fully repaid the loan in the amount of RUB 7,300. The agreement was terminated on 23 June 2014.

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 RUR 1,500. The purpose of the facility is to finance equipment purchased by OJSC "VimpelCom" from "CISCO Systems Finance International" on a reimbursement basis. During 2014 OJSC "VimpelCom" fully drew down the facility by two tranches. The facility bears interest at the rate of 8.85% for the first tranche and 9.35% for the second tranche. The facility matures on 9 July 2017.

On 30 May 2014, OJSC "VimpelCom" entered into Credit Facility agreement with OJSC "Sberbank of Russia" for the amount of RUR 25,000. The facility bears interest at a rate ranging from 10.75% to 12.00% p.a. and is subject to certain conditions. During 2014 OJSC VimpelCom fully drew down the facility by three tranches. The facility matures on 29 May 2017.

On 30 May 2014, OJSC "VimpelCom" entered into Revolving Credit Facility with OJSC "Sberbank of Russia" for the amount of RUR 15,000. The facility bears interest at a rate of MosPrime plus the margin from 2.1% to 2.8% p.a. which is subject to certain conditions. On 2 July 2014, OJSC "VimpelCom" drew down under this Revolving Credit Facility an amount of RUR 8,000 which was fully repaid on 29 September 2014. The facility matures on 29 May 2017.

On 8 July 2014, VimpelCom repaid Russian ruble-denominated bonds in an aggregate principal amount of RUR 10,000 issued on 14 July 2009.

On 24 October 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 RUR 1,100. The purpose of the facility is to finance equipment purchased by VimpelCom from "CISCO Systems Finance International" on a reimbursement basis. During 2014 OJSC "VimpelCom" drew down RUR 810 under this facility. The facility bears interest at the rate of 9.8%. The facility matures on 1 December 2017.

Foreign exchange contracts

Derivatives under hedge accounting

VimpelCom enters into short-term 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-RUR movements. As of 31 December 2014 the notional amount outstanding of these derivative contracts (only zero-cost collars) was RUR 33,947 (31 December 2013: RUR 4,254) with an average cap rate of 48.72 (2013: 33.79) and an average floor rate of 39.95 (2013: 31.74).

(All amounts in millions of Rubles unless otherwise stated)

15. Financial assets and liabilities (continued)

Foreign exchange contracts (continued)

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.

Financial instruments over non-controlling interest – Put and call options

Limnotex

On 24 August 2011, the Company entered into put and call agreements representing up to 28.5% of the shares in its indirect subsidiary "Limnotex developments Ltd." ("Limnotex"), which owns 100% of 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, held one put option for 15% of Limnotex shares exercisable during 2017 at a fixed price of USD 330 million (the equivalent of RUR 9,555 at the exchange rate provided by Central Bank of Russia as of 24 August 2011). 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 equity. The value accretion is based on an annual effective interest of 7.41%. The financial liability as of 31 December 2014 amounted to RUR 14,597.

During 2014, the Company wrote off the call option due to a change in the expected exercise date, and recorded a charge of RUR 1,937 in "Other non-operating gains/(losses), net".

16. Other non-financial assets and liabilities

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

	31 December 2014	31 December 2013
Advances to suppliers and prepayments	**268**	112
Deferred costs related to connection fees	**191**	293
Other non-current assets	**451**	145
Other non–current non–financial assets	**910**	550

Other current non–financial assets consisted of the following:

	31 December 2014	31 December 2013
Input value added tax	**5,570**	2,939
Advances to suppliers	**2,682**	2,789
Deferred costs related to connection fees	**181**	231
Prepaid taxes	**21**	31
Others	**169**	138
Other current non–financial assets	**8,623**	6,128

(All amounts in millions of Rubles unless otherwise stated)

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

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

	31 December 2014	31 December 2013
Long–term deferred revenue	**880**	1,108
Other non–current liabilities	**–**	83
Other non–current non–financial liabilities	**880**	1,191

Other current non–financial liabilities consisted of the following:

	31 December 2014	31 December 2013
Customer advances, net of VAT	**14,089**	11,826
Other taxes payable	**6,276**	5,479
Amounts due to employees	**2,255**	2,788
Customer deposits	**1,297**	1,133
Short–term deferred revenue	**1,236**	1,342
Other liabilities	**515**	251
Other current non–financial liabilities	**25,668**	22,819

17. Inventories

Inventory consisted of the following:

	31 December 2014	31 December 2013
Telephone handsets and accessories for sale	**2,818**	3,396
SIM-Cards	**481**	548
Scratch cards	**52**	43
Equipment for sale	**–**	3
Other inventory	**276**	252
Total	**3,627**	4,242

The cost of inventories recognized as an expense is mainly accounted for in the consolidated income statement line "Cost of equipment and accessories". Other expenses and write down of inventories amounted to RUR 1,937 and RUR 2,203 for the years ended 31 December 2014 and 2013, respectively.

18. Trade and other receivables

Trade and other receivables consisted of the following:

	31 December 2014	31 December 2013
Trade accounts receivable, gross	**26,337**	21,030
Allowance for doubtful accounts	**(2,706)**	(2,461)
Trade accounts receivable, net	**23,631**	18,569
Roaming discounts receivable	**4,058**	1,932
Dividends receivable	**1,408**	445
	29,097	20,946

(All amounts in millions of Rubles unless otherwise stated)

18. Trade and other receivables (continued)

As of 31 December 2014 trade receivables with an initial value of RUR 2,706 (2013: RUR 2,461) were impaired and, thus, fully provided for. See below the movements in the allowance for the doubtful accounts:

	2014	2013
Balance as of 1 January	**2,461**	2,344
Divestment of subsidiary	**(54)**	–
Charge for the year	**1,504**	1,546
Accounts receivable written off	**(1,426)**	(1,432)
Foreign currency translation adjustment	**221**	3
Balance as of 31 December	**2,706**	2,461

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

		Neither past due nor	Past due but not impaired				
	Total	impaired	< 30 days	30-60 days	61-90 days	91-120 days	> 120 days
2014	**23,631**	**16,811**	**4,038**	**1,790**	**306**	**232**	**454**
2013	18,569	14,135	2,738	611	371	310	404

19. Cash and cash equivalents

Cash and cash equivalents consisted of the following items:

	31 December 2014	31 December 2013
Cash and cash equivalents at banks and on hand	**79,476**	27,021
Short–term deposits with an original maturity of less than 92 days	**7,721**	5,635
Total cash and cash equivalents	**87,197**	32,656

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 RUR 29,954 (31 December 2013: RUR 8,386) are restricted from repatriation due to the local government and central bank regulations. The restrictions have effect on international payments only, while such cash can be used for transactions within the country.

20. Issued capital and reserves

Common shares

As of 31 December 2014 the Company had 51,281,022 issued and outstanding, fully paid registered common shares at a nominal value of 0.5 kopecks each. As of 31 December 2014 51,281,021 common shares were owned by OJSC "VimpelCom"'s immediate parent VimpelCom Holdings B.V., the wholly-owned indirect subsidiary of VimpelCom Ltd. and 1 common share was owned by VimpelCom Ltd., the ultimate parent of the Group. In addition to the issued and outstanding shares, the Company shall have the right to issue an additional 38,718,978 common registered shares having a nominal value of 0.5 kopecks each (authorized shares).

20. Issued capital and reserves (continued)

Common shares (continued)

Each fully paid common shares are, subject to Charter of OJSC "VimpelCom" and Russian law, entitles its holder to: (a) participate in shareholder general meetings; (b) have one vote on all issues voted upon at a general shareholder meeting, except for the purposes of cumulative voting for the election of the Board of Directors, in which case each common share shall have the same number of votes as the total number of members to be elected to the Board Directors and all such votes may be cast for a single candidate or may be distributed between or among two or more candidates; (c) receive dividends approved by the general shareholder meeting; (d) in the event of our liquidation, receive a pro rata share of value of the property (or the portion of the value of the property); (e) any other rights set forth in Charter of OJSC "VimpelCom" and Russian law.

Convertible preference shares

In 1996, OJSC VimpelCom issued 6,426,600 preferred shares. As of 31 December 2014 all of the shares of preferred stock (6,426,600 shares) were owned by OJSC "VimpelCom"'s parent VimpelCom Holdings B.V., the subsidiary of VimpelCom Ltd. Each share of preferred stock entitles its holder (i) to participate in Shareholders' General Meetings with the right to vote on all issues (each preferred share shall have one vote at a Shareholders' General Meeting); (ii) to receive annually a fixed dividend of 0.1 of a kopeck per preferred share and (iii) to receive a fixed liquidation value of 0.5 of a kopeck per preferred share in the event of VimpelCom's liquidation, to the extent there are sufficient funds available; (iv) to include issues on the agenda of the Shareholders' General Meeting. Each share of preferred stock is convertible into one share of common stock at any time after 30 June 2016, at the election of the holder upon payment to VimpelCom of a conversion premium equal to 100% of the market value of one share of common stock at the time of conversion.

Nature and purpose of reserves

Cash flow hedge reserve

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

Foreign currency translation reserve

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

21. Dividends

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

On 31 January 2014, VimpelCom paid the third tranche of dividends to the shareholders based on the financial results for the nine months ended 30 September 2013 in the amount of RUR 4,218.80, net of tax withheld. In accordance with the Russian tax legislation, VimpelCom withheld a tax on dividend payments in the amount of RUR 222.04.

On 14 February 2014, VimpelCom paid the fourth tranche of dividends to the shareholders based on the financial results for the nine months ended 30 September 2013 in the amount of RUR 2,186.89, net of tax withheld. In accordance with the Russian tax legislation, VimpelCom withheld a tax on dividend payments in the amount of RUR 115.10.

(All amounts in millions of Rubles unless otherwise stated)

22. Provisions

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

	Income taxes provisions	Tax provisions other than income tax	Provision for decommis-sioning	Legal provisions	Total provisions
At 1 January 2013	**2,960**	**1,349**	**4,187**	**183**	**8,679**
Arising during the year	1,638	211	922	140	**2,911**
Utilised	(95)	–	–	(76)	**(171)**
Unused amounts reversed	(1,641)	(916)	(962)	–	**(3,519)**
Translation adjustment	(3)	(19)	–	(4)	**(26)**
At 31 December 2013	**2,859**	**625**	**4,147**	**243**	**7,874**
Total current	2,844	625	–	243	**3,712**
Total non-current	15	–	4,147	–	**4,162**
At 1 January 2014	**2,859**	**625**	**4,147**	**243**	**7,874**
Arising during the year	1,059	511	1,094	158	**2,822**
Divestment of a subsidiary	(10)	(10)	–	–	**(20)**
Utilised	(292)	(127)	(72)	–	**(491)**
Unused amounts reversed	(570)	(260)	(43)	(2)	**(875)**
Translation adjustment	61	(3)	268	24	**350**
At 31 December 2014	**3,107**	**736**	**5,394**	**423**	**9,660**
Total current	3,107	736	–	423	**4,266**
Total non–current	–	–	5,394	–	**5,394**

23. Related parties

Shareholders and other related parties

As of 31 December 2014, OJSC "VimpelCom" is a wholly-owned indirect subsidiary of VimpelCom Ltd. As of 31 December 2014 VimpelCom Ltd. is primarily owned by two major shareholders: LetterOne Holding S.A., a member of the Letter One group of companies (hereinafter: "LetterOne"), and Telenor East Holding II AS, a member of the Telenor group of companies (hereinafter: "Telenor"). VimpelCom Ltd. has no ultimate controlling shareholder.

As of 31 December 2014, 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 shares of VimpelCom Ltd. to LetterOne, whereby LetterOne is not part of the Alfa Group.

(All amounts in millions of Rubles unless otherwise stated)

23. Related parties (continued)

Shareholders and other related parties (continued)

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

	For the year ended 31 December 2014	For the year ended 31 December 2013
Revenue from Alfa Group	**263**	323
Revenue from Telenor	**12**	46
Revenue from Kyivstar	**5,835**	1,862
Revenue from associates	**395**	317
Revenue from joint ventures	**434**	1,072
Revenue from Teta Telecom or its subsidiaries	**1,821**	522
Revenue from other related parties	**987**	373
	9,747	4,515
Services from Alfa Group	**283**	354
Services from Telenor	**21**	144
Services from Kyivstar	**5,345**	3,700
Services from associates	**269**	501
Services from joint ventures	**1,393**	1,811
Services from Teta Telecom or its subsidiaries	**4,655**	1,332
Services from VimpelCom Ltd. or its subsidiaries	**5,530**	4,209
Services from other related parties	**106**	1
	17,602	12,052
Finance income from VimpelCom Ltd. or its subsidiaries	**13,030**	9,917
Finance costs from VimpelCom Ltd. or its subsidiaries	**5,600**	1,829
Other gain from other related parties	**53**	577
Other loss from other related parties	**27**	185

	As of 31 December 2014	As of 31 December 2013
Accounts receivable from Alfa Group	–	100
Accounts receivable from Telenor	**213**	126
Accounts receivable from Kyivstar	**2,991**	298
Accounts receivable from associates	**79**	247
Accounts receivable from joint ventures	**1,496**	406
Accounts receivable from Teta Telecom or its subsidiaries	**522**	231
Accounts receivable from VimpelCom Ltd. or its subsidiaries	**2,155**	546
Accounts receivable from other related parties	**341**	5
	7,797	1,959
Accounts payable to Alfa Group	–	1
Accounts payable to Telenor	**91**	17
Accounts payable to Kyivstar	**1,974**	339
Accounts payable to associates	**26**	34
Accounts payable to joint ventures	**1,125**	312
Accounts payable to Teta Telecom or its subsidiaries	**1,955**	1,627
Accounts payable to VimpelCom Ltd. or its subsidiaries	**3,282**	1,443
Dividends payable to VimpelCom Ltd. or its subsidiaries	–	15,093
	8,453	18,866
Loans granted to VimpelCom Ltd. or its subsidiaries	**244,791**	133,453
Interest receivable from VimpelCom Ltd. or its subsidiaries	**3,240**	121
Loans received from VimpelCom Ltd. or its subsidiaries	**122,882**	62,442
Interest payable to VimpelCom Ltd. or its subsidiaries	**1,055**	1,845

(All amounts in millions of Rubles unless otherwise stated)

23. Related parties (continued)

Shareholders and other related parties (continued)

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

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

Outstanding balance and transactions with Kyivstar (subsidiary of VimpelCom Ltd.) and Teta Telecom and its consolidated subsidiaries (subsidiaries of VimpelCom Ltd.), mainly represent telecommunication services.

Loans granted to VimpelCom Ltd. or its subsidiaries

As of 31 December 2014 and 31 December 2013, the principal amounts of loans granted to VimpelCom Ltd. or its subsidiaries were as follows:

Borrower	Date of agreement	Maturity	Interest rate	Currency	31 December 2014	31 December 2013
VimpelCom Amsterdam Finance B.V.[1]	13 May 2011	May, 2017	7.5%	USD	**207,308**	111,555
VimpelCom Ltd.	7 Oct 2010	Dec., 2070	LIBOR+7.5%	USD	**31,587**	18,376
Teta Telecom	2007-2011	2017-2021	10.6%	KZT	**2,288**	2,457
Kyivstar	8 June 2004	Jan., 2016	5%	USD	**1,480**	–
Kyivstar	15 Oct 2008	Mar., 2015	6.5%	USD	**1,030**	–
Others					**1,098**	1,065
Total					**244,791**	133,453

[1] On 13 May 2011, VimpelCom signed an agreement to grant an unsecured loan to VimpelCom Amsterdam Finance B.V., a subsidiary of VimpelCom Ltd. On 6 June 2014, the parties signed an addendum to the loan agreement, to extend the maturity date of the loan till 31 May 2017 and to change the interest rate from 8.72% to 7.5%. For the period starting from 1 January 2015 till 22 April 2015 USD 3,787 million (the equivalent of RUR 237,202 as of the dates of transactions at the exchange rate provided by the Central Bank of Russia) was early repaid and USD 195 million (the equivalent of RUB 11,003 as of the date of transaction at the exchange rate provided by the Central Bank of Russia) was disbursed.

(All amounts in millions of Rubles unless otherwise stated)

23. Related parties (continued)

Loans received from VimpelCom Ltd. or its subsidiaries

As of 31 December 2014 and 31 December 2013, the principal amounts of loans received from VimpelCom Ltd. or its subsidiaries were as follows:

Lender	Date of agreement	Maturity	Interest rate	Currency	31 December 2014	31 December 2013
VimpelCom Holdings B.V.	14 Feb 2013	Feb., 2018	9.60%	RUR	**12,000**	12,000
Weather Capital Special Purpose 1 S.A.[1]	3 Oct 2013	Feb., 2020	5.67-6.07%	USD	**35,724**	20,783
Weather Capital Special Purpose 1 S.A.[2]	13 Nov 2013	Feb., 2020	5.56-5.96%	USD	**32,630**	14,074
Weather Capital Special Purpose 1 S.A.[1]	22 Apr 2013	Oct., 2021	5.75%	USD	**22,503**	13,092
Weather Capital Special Purpose 1 S.A.[3]	21 Jan 2014	Feb., 2020	5.44-5.80%	USD	**14,346**	–
Weather Capital Special Purpose 1 S.A.	13 Apr 2007	Apr., 2017	11%	USD	**3,710**	1,348
Weather Capital Special Purpose 1 S.A.	27 May 2008	Jun., 2015	3.775%	USD	**1,969**	1,145
Total					**122,882**	62,442

[1] The loan was fully early repaid of on 3 February 2015;
[2] The loan was fully early repaid of on 4 February 2015;
[3] The loan was fully early repaid of on 5 February 2015;

Terms and conditions of transactions with related parties

Outstanding balances at year-end are unsecured, settlements occur in cash. There have been no guarantees provided or received for any related party receivables or payables. The terms and amounts of the Company's guarantees of the related party loans that existed as of 31 December 2014 are disclosed in Note 24. For the years ended 31 December 2014 and 2013, VimpelCom did not record any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel of the Company

The General Director and key vice presidents of OJSC "VimpelCom" are the key management personnel.

The amount recognized as an expense during the reporting year ended 31 December 2014 related to key management personnel is RUR 331 (2013: RUR 437).

24. Commitments, contingencies and uncertainties

Risks

Currency control risks

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

24. Commitments, contingencies and uncertainties (continued)

Domestic and global economy risks

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. During 2014 the Russian economy was negatively impacted by a decline in oil prices and ongoing political tension in the region and international sanctions against certain Russian companies and individuals. As a result during 2014:

- the exchange rate fluctuated between RUR 32.7292 per USD as of 31 December 2013 and RUR 56.2584 per USD as of 31 December 2014;
- the key refinancing interest rate increased from 5.5% p.a. to 17.0% p.a. including an increase from 10.5% p.a. to 17.0% p.a. on 16 December 2014;
- the Russian stock exchange index ranged between 1,443 as of 31 December 2013 and 791 as of 31 December 2014;
- access to international financial markets to raise funding was limited for certain entities;
- capital outflows increased compared to prior years.

The financial markets continue to be volatile and are characterized by frequent significant price movements and increased trading spreads. This is further exhibited by the following developments subsequent to 31 December 2014:

- the exchange rate continued fluctuating between RUR 56.2584 per USD as of 31 December 2014 and RUR 53.9728 per USD as of 22 April 2014;
- Russia's credit rating was downgraded by Fitch Ratings in January 2015 to BBB-, whilst Standard & Poor’s cut it to BB+. Moody’s Investors Service downgraded Russia's credit rating in February 2015 to Ba1. All these rating agencies indicated a negative outlook, meaning further downgrades are possible;
- the Russian stock exchange index ranged between 791 as of 31 December 2014 and 1008 as of 21 April 2015;
- bank lending activity decreased as banks are reassessing the business models of their borrowers and their ability to withstand the increased lending and exchange rates;
- the key refinancing interest rate decreased from 17.0% p.a. to 14% p.a.

These events may have a further significant impact on the Group’s future operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Group’s operations may differ from management’s current expectations.

Also, other 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.

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 mentioned above could negatively affect the Company’s results and financial position in a manner not currently determinable.

24. Commitments, contingencies and uncertainties (continued)

Legislation risks

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

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

Tax risks

The tax legislation in the markets VimpelCom operates in is not highly predictable and gives rise to significant uncertainties, which could complicate our tax planning and business decisions. Tax law in the markets in which we operate is in process of constant development. The decisions of tax authorities in our country of operation are sometimes driven by fiscal goals rather than fairness motives.

In the Russian Federation there were many tax laws and related regulations introduced in previous periods as well as in 2014, which were not always clearly written, and their interpretation is subject to the opinions of the local tax inspectors and officials of the Ministry of Finance. Instances of inconsistent opinions between local, regional and federal tax authorities and Ministry of Finance are not unusual.

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

Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, VimpelCom has accrued tax liabilities based on management's best estimate. From time to time, we may also identify tax contingencies for which we have not recorded an accrual. Such unaccrued tax contingencies could materialize and require us to pay additional amounts of tax. These exposures are estimates that result from uncertainties in interpretation of applicable legislation and related documentation requirements. Management will vigorously defend the entity's positions and interpretations that were applied in determining taxes recognised in these financial statements if these are challenged by the authorities.

Commitments

Telecom Licenses Capital Commitments

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

24. Commitments, contingencies and uncertainties (continued)

Commitments (continued)

Telecom Licenses Capital Commitments (continued)

On 12 July 2012 OJSC VimpelCom was awarded licenses to provide services over the LTE standard and its further modifications. The licenses allow the Company to provide services using radio-electronic devices via networks that use the LTE standard and its further modifications in the territory of the Russian Federation. The licenses were provided on condition that the Company will invest at least RUR 15,000 into LTE network construction per annum where the first year is the period from 12 July 2012 till 1 December 2013 – and from this time forth – every calendar year till the technical feasibility of providing services over the LTE standard and its further modifications in the territory of the Russian Federation will be in compliance with the awarded licenses but before 1 December 2019.

iPhone Agreement

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

Contingencies and uncertainties

Investigation of the operations in Uzbekistan

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

In June 2007, Takilant purchased from the Company a 7% interest in the Company’s business in Uzbekistan for USD 20 million (the equivalent of RUR 516 as of 30 June 2007 at the exchange rate provided by the Central Bank of Russia) and entered into a shareholders agreement with the Company. In September 2009, Takilant exercised its option to put its 7% interest to the Company for USD 57.5 million (the equivalent of RUR 1,730 as of 30 September 2009 at the exchange rate provided by the Central Bank of Russia), the amount specified in the shareholders agreement. In addition, the Company had agreements with Takilant relating to the acquisition of frequency spectrum (including with respect to 3G and LTE) and channels in Uzbekistan pursuant to which the Company paid Takilant an aggregate of USD 57 million (the equivalent of RUR 1,715 as of 30 September 2009 at the exchange rate provided by the Central Bank of Russia).

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

24. Commitments, contingencies and uncertainties (continued)

Contingencies and uncertainties (continued)

Investigation of the operations in Uzbekistan (continued)

Following notice of the investigations by the SEC, DOJ and OM, VimpelCom Ltd. established a Special Committee of its Supervisory Board in March 2014 to oversee the internal investigation being conducted by its external counsel and VimpelCom Ltd. 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 Company reported revenues and total assets from its Uzbekistan operations of RUR 27,637 and RUR 57,528, respectively, which equals 8% and 7% of the Company's revenues and total assets, respectively.

VimpelCom Ltd. 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 Ltd. Group's internal investigation. VimpelCom Ltd. 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 Ltd. Group's own investigations, are continuing, and VimpelCom Ltd. 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 Company 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 Company's business, results of operations, financial condition or the assessment of VimpelCom Ltd.'s or the Company'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 Company.

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 Company'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 (the equivalent of approximately RUR 183,256 as of 31 December 2014 at the exchange rate provided by the Central Bank of Russia) . 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").

24. Commitments, contingencies and uncertainties (continued)

KaR-Tel (continued)

Turkish Litigation – Former Shareholders (continued)

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.

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.

Pledges and guarantees

Collateral

A subsidiary B.V. Vimpelcom Finance S.à.r.l. has short term deposits as of 31 December 2014 and 2013 for USD 20 million (the equivalent of RUR 1,125 as of 31 December 2014 at the exchange rate provided by the Central Bank of Russia) and USD 20 million (the equivalent of RUR 655 as of 31 December 2013 at the exchange rate provided by the Central Bank of Russia), respectively, with ANZ Bank as security for the loan provided by the same bank to VimpelCom Lao Co. Ltd.

24. Commitments, contingencies and uncertainties (continued)

Pledges and guarantees (continued)

Guarantees in favour of VimpelCom Holdings B.V.

On 29 June 2011, VimpelCom Holdings B.V., a subsidiary owned by VimpelCom Ltd., completed an offering of an aggregate principal amount of USD 2,200 million (the equivalent of RUR 62,117 as of 29 June 2011 at the exchange rate provided by the Central Bank of Russia) notes (the "June Bonds"), split between three-year, five-year and 10-year tranches, for the primary purpose of refinancing the outstanding principal amount of USD 2,200 million under the Bridge Facility Agreement. The three-year USD 200 million (the equivalent of RUR 5,647 as of 29 June 2011 at the exchange rate provided by the Central Bank of Russia) issue bears interest at an annual rate of three-month LIBOR plus 4.0%, payable quarterly and is due in June 2014. The five-year USD 500 million (the equivalent of RUR 14,118 as of 29 June 2011 at the exchange rate provided by the Central Bank of Russia) issue bears interest at an annual rate of approximately 6.25% payable semi-annually and is due in March 2017. The ten-year USD 1,500 million (the equivalent of RUR 42,353 as of 29 June 2011 at the exchange rate provided by the Central Bank of Russia) issue bears interest at an annual rate of approximately 7.50% payable semi-annually and is due in March 2022. VimpelCom guaranteed the June Bonds. No triggering events under the guarantee occurred. The Company believes that probability of these events is remote. On 2 April 2015, VimpelCom Amsterdam B.V. partially repurchased the current notes issued by VimpelCom Holdings B.V. (Note 25) and guaranteed by OJSC VimpelCom. As of 2 April 2015, the outstanding principal amount under the notes due in March 2017 is USD 349 million (the equivalent of RUR 20,345 as of 2 April 2015 at the exchange rate provided by the Central Bank of Russia) and the outstanding principal amount under the notes due in March 2022 is USD 1,280 million (the equivalent of RUR 74,694 as of 2 April 2015 at the exchange rate provided by the Central Bank of Russia).

On 13 February 2013, VimpelCom Holdings B.V. completed an offering of an aggregate principal amount of USD 1,600 million (the equivalent of RUR 48,274 as of 13 February 2013 at the exchange rate provided by the Central Bank of Russia) notes and notes, denominated in RUR, in the amount of RUR 12,000, split between five-year, six-year and ten-year tranches. The five-year RUR 12,000 issue bears interest at an annual rate of 9.00%, payable semi-annually and is due in February 2018. The six-year USD 600 million (the equivalent of RUR 18,103 as of 13 February 2013 at the exchange rate provided by the Central Bank of Russia) issue bears interest at an annual rate of 5.20%, payable semi-annually and is due in February 2019. The ten-year USD 1,000 million (the equivalent of RUR 30,171 as of 13 February 2013 at the exchange rate provided by the Central Bank of Russia) issue bears interest at an annual rate of 5.95%, payable semi-annually and is due in February 2023. VimpelCom guaranteed these notes issues. No triggering events under the guarantee occurred. The Company believes that probability of these events is remote. On 2 April 2015, VimpelCom Amsterdam B.V. partially repurchased the current notes issued by VimpelCom Holdings B.V. and guaranteed by OJSC VimpelCom (Note 25). As of 2 April 2015, the outstanding principal amount under the notes due in February 2019 is USD 571 million (the equivalent of RUR 33,324 as of 2 April 2015 at the exchange rate provided by the Central Bank of Russia) and the outstanding principal amount under the notes due in February 2023 is USD 983 million (the equivalent of RUR 57,354 as of 2 April 2015 at the exchange rate provided by the Central Bank of Russia).

Guarantees in favour of VimpelCom Amsterdam B.V.

On 12 December 2011, VimpelCom Amsterdam B.V., a subsidiary owned by VimpelCom Ltd., completed a committed revolving credit facility of approximately USD 499 million (the equivalent of RUR 15,746 as of 12 December 2011 at the exchange rate provided by the Central Bank of Russia). The three years credit facility for VimpelCom Amsterdam B.V. is committed by ten relationship banks. This facility is composed of USD 225 million (the equivalent of RUR 7,103 as of 12 December 2011 at the exchange rate provided by the Central Bank of Russia) and EUR 205 million (the equivalent of RUR 8,613 as of 12 December 2011 at the exchange rate provided by the Central Bank of Russia) and is guaranteed by the Company. On 16 April 2014, with effect as from 25 April 2014, VimpelCom Amsterdam B.V. cancelled the existing USD 225 million and EUR 205 million revolving credit facility that VimpelCom Amsterdam B.V., as borrower, had entered into in 2011 and that was guaranteed by the Company. No triggering events under the guarantee occurred.

(All amounts in millions of Rubles unless otherwise stated)

24. Commitments, contingencies and uncertainties (continued)

Pledges and guarantees (continued)

Guarantees in favour of VimpelCom Amsterdam B.V. (continued)

On 20 December 2012, VimpelCom Amsterdam B.V. completed a term credit facility of USD 500 million (the equivalent of RUR 15,380 as of 20 December 2012 at the exchange rate provided by the Central Bank of Russia). The 8 years credit facility for VimpelCom Amsterdam B.V. is committed by China Development Bank Corporation to finance Huawei equipment. The loan bears interest at the rate of LIBOR plus 3.30% per annum. VimpelCom guaranteed this term credit facility. No triggering events under the guarantee occurred. The Company believes that probability of these events is remote.

On 28 March 2013, VimpelCom Amsterdam B.V. completed a term credit facility of USD 500 million (the equivalent of RUR 15,432 as of 28 March 2013 at the exchange rate provided by the Central Bank of Russia). The 8 years credit facility for VimpelCom Amsterdam B.V. is committed by HSBC Bank plc to finance Ericsson equipment. The loan bears interest at the rate of CIRR plus 0.02% per annum. VimpelCom guaranteed this term credit facility. No triggering events under the guarantee occurred. The Company believes that probability of these events is remote.

Operating lease commitments

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

	31 December 2014	31 December 2013
Less than 1 year	**2,018**	2,224
Between 1 and 5 years	**6,542**	6,076
More than 5 years	**258**	2,240
Total	**8,818**	**10,540**

Operating lease commitments mainly relate to the lease of base station sites and office spaces.

Total operating lease expenses amounted to RUR 15,081 in 2014 and RUR 13,570 in 2013.

Finance lease

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

	31 December 2014		31 December 2013	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	**611**	**381**	703	508
Between one and five years	**1,895**	**1,081**	1,658	1,018
More than five years	**2,187**	**1,114**	1,901	966
Total minimum lease payments	**4,693**	**2,576**	4,262	2,492
Less amounts representing finance charges	**(2,117)**	**–**	(1,770)	–
Total payments	**2,576**	**2,576**	2,492	2,492

25. Events after the reporting period

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

On 2 March 2015, VimpelCom Amsterdam B.V. announced that it commenced a cash tender offer for up to USD 2,100 million aggregate principal amount of the outstanding U.S. dollar notes issued by VimpelCom Holdings B.V. and guaranteed by OJSC "VimpelCom" (Note 24) and loan participation notes issued by VIP Finance Ireland Limited and UBS (Luxembourg) S.A. (Eurobonds) for the sole purpose of funding loans to OJSC "VimpelCom". The total outstanding amount of these bonds is USD 6,700 million (USD 3,100 million of which accounts for OJSC "VimpelCom"). The tender offer expired on 30 March 2015 and settlement took place on 2 April 2015. On 2 April 2015, OJSC "VimpelCom" bought the notes issued by VIP Finance Ireland Limited and UBS (Luxembourg) S.A. in the total principal amount of USD 1,420 million from VimpelCom Amsterdam B.V. for further cancellation. After that the outstanding principal amount of debt under the 6.493%-9.125% Eurobonds due in 2016-2021 was USD 1,680 million as of 2 April 2015 (the equivalent of RUR 98,034 as of 2 April 2015 at the exchange rate provided by the Central Bank of Russia).

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

In March 2015, KaR-Tel entered into an agreement to provide loans to Aureglia Limited in the amount of USD 100 million with a 2.15% interest rate for a period of 175 days. On 10 March 2015, KaR-Tel provided loans under this agreement in the amount of USD 100 million (the equivalent of RUR 3,626 as of 10 March 2015 at the exchange rate provided by the Central Bank of Russia). The guarantor under the agreement with Aureglia Limited is the indirect non-controlling shareholder of KaR-Tel.

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 (the equivalent of RUR 15,035 as of the date of the transaction at the exchange rate provided by the Central Bank of Russia) was sold to VimpelCom Amsterdam B.V. at par.

On 13 April 2014, OJSC "VimpelCom" signed an agreement to grant a Revolving Credit Facility for the amount of one billion USD (the equivalent of RUR 51,068 as of 13 April 2015 at the exchange rate provided by the Central Bank of Russia) to VimpelCom Amsterdam B.V. The interest rate under this agreement is LIBOR (1 month) + 4% and it is determined monthly. At the reporting date agreement was not utilized.