

Unaudited interim condensed
consolidated financial statements

Public Joint Stock Company
"Vimpel-Communications"

(a wholly-owned subsidiary of VimpelCom Ltd.)

as of 31 March 2015 and for the three months ended 31 March 2015

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Independent Auditor's Report

To the Board of Directors and Shareholders of Public Joint Stock Company "Vimpel-Communications"

We have reviewed the accompanying interim condensed consolidated financial statements of Public Joint Stock Company "Vimpel-Communications" (a wholly-owned subsidiary of VimpelCom Ltd.) and its subsidiaries (hereinafter collectively referred to as "VimpelCom") which comprise the interim consolidated statement of financial position as of 31 March 2015, and the related interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the three-month period ended 31 March 2015. The accompanying interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the three-month period ended 31 March 2014 were not reviewed by us, and accordingly, we do not express any form of assurance on them.

Management's Responsibility for the Interim Condensed Consolidated Financial Statements

VimpelCom's management is responsible for the preparation and fair presentation of the interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34, *Interim Financial Reporting*; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of the interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34, *Interim Financial Reporting*.

Auditor's Responsibility

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial statements. A review of interim financial statements consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements for it to be in accordance with International Accounting Standard IAS 34, *Interim Financial Reporting*.

ZAO PricewaterhouseCoopers Audit

26 June 2015

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

Interim consolidated income statement
for the three months ended 31 March 2015

	Note	Three months ended 31 March	
		2015 (unaudited)	2014 (unaudited)
<i>(All amounts in millions of Rubles unless otherwise stated)</i>			
Service revenue		89,880	79,877
Sale of equipment and accessories		1,877	1,558
Other revenue		182	223
Total operating revenue	4	91,939	81,658
Operating expenses			
Service costs		(24,543)	(21,551)
Cost of equipment and accessories		(1,871)	(1,977)
Selling, general and administrative expenses	5	(28,746)	(24,983)
Depreciation	8	(14,575)	(12,140)
Amortization	9	(2,326)	(2,083)
Impairment loss	9	(1,059)	–
Loss on disposal of non-current assets		(325)	(315)
Total operating expenses		(73,445)	(63,049)
Operating profit		18,494	18,609
Finance costs		(7,719)	(6,934)
Finance income		1,339	3,298
Net foreign exchange loss		(3,543)	(2,708)
Other non-operating (losses) / gains, net	6	(3,009)	175
Share of gain/(loss) of associates and joint ventures accounted for using the equity method		988	(585)
Profit before tax		6,550	11,855
Income tax expense	7	(2,348)	(3,131)
Profit for the period		4,202	8,724
Profit attributable to:			
The owners of the parent		4,545	8,027
Non-controlling interests		(343)	697
		4,202	8,724

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

Interim consolidated statement of comprehensive income
for the three months ended 31 March 2015

	Three months ended 31 March	
	2015 (unaudited)	2014 (unaudited)
	<i>(All amounts in millions of Rubles unless otherwise stated)</i>	
Profit for the period	4,202	8,724
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Cash flow hedge reserve	(773)	(9)
Income tax effect	-	-
Net gain / (loss) arising on revaluation of available-for-sale financial assets at fair value through other comprehensive income	580	(1,160)
Income tax effect	-	-
Exchange differences arising on net investment in foreign operations	3,351	1,669
Income tax effect	(187)	(273)
Other comprehensive income for the period, net of tax	2,971	227
Total comprehensive income for the period, net of tax	7,173	8,951
Attributable to:		
The owners of the parent	7,222	8,620
Non-controlling interests	(49)	331
	7,173	8,951

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

Interim consolidated statement of financial position
as of 31 March 2015

	31 March 2015 (unaudited)	31 December 2014
	Note	
	<i>(All amounts in millions of Rubles unless otherwise stated)</i>	
Assets		
Non-current assets		
Property and equipment	8	265,230
Intangible assets	9	30,473
Goodwill	9	112,304
Investments in associates and joint ventures		14,334
Deferred income tax assets		936
Other financial assets	10	138,217
Other non-current non-financial assets	11	863
Total non-current assets		562,357
Current assets		
Inventories		3,812
Trade and other receivables		29,228
Other current non-financial assets	11	8,565
Current income tax assets		4,758
Other current financial assets	10	18,667
Cash and cash equivalents	12	81,630
Total current assets		146,660
Assets classified as held for sale		188
Total assets		709,205
Equity and liabilities		
Equity		
Equity attributable to equity owners of the parent		231,211
Non-controlling interests		7,450
Total equity		238,661
Non-current liabilities		
Financial liabilities	10	195,547
Provisions		3,159
Other non-current non-financial liabilities	11	943
Deferred income tax liabilities		21,603
Total non-current liabilities		221,252
Current liabilities		
Trade and other payables		48,110
Dividends payable		7
Other current non-financial liabilities	11	27,305
Other financial liabilities	10	168,043
Current income tax payables		123
Provisions		5,704
Total current liabilities		249,292
Total equity and liabilities		709,205

Public Joint Stock Company “Vimpel-Communications”
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Interim consolidated statement of changes in equity
for the three months ended 31 March 2015

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
<i>(All amounts in millions of Rubles unless otherwise stated)</i>										
As of 1 January 2015	3	40,234	22,997	142,745	18,027	660	–	224,666	8,074	232,740
Profit for the period	–	–	–	4,545	–	–	–	4,545	(343)	4,202
Other comprehensive income	–	–	–	–	2,870	(773)	580	2,677	294	2,971
Total comprehensive income	–	–	–	4,545	2,870	(773)	580	7,222	(49)	7,173
Effect of options over non-controlling interests in subsidiaries	14	–	–	(665)	–	(12)	–	(677)	(575)	(1,252)
As of 31 March 2015 (unaudited)	3	40,234	22,332	147,290	20,885	(113)	580	231,211	7,450	238,661

Interim consolidated statement of changes in equity
for the three months ended 31 March 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
<i>(All amounts in millions of Rubles unless otherwise stated)</i>										
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 period	–	–	–	8,027	–	–	–	8,027	697	8,724
Other comprehensive income	–	–	–	–	1,762	(9)	(1,160)	593	(366)	227
Total comprehensive income	–	–	–	8,027	1,762	(9)	(1,160)	8,620	331	8,951
Effect of options over non-controlling interests in subsidiaries	–	–	(1,553)	–	487	–	–	(1,066)	(648)	(1,714)
Share-based payment transactions	–	–	(6)	–	–	–	–	(6)	–	(6)
As of 31 March 2014 (unaudited)	3	40,234	18,629	114,426	(6,909)	(3)	(228)	166,152	6,261	172,413

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

Public Joint Stock Company “Vimpel-Communications”
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Interim consolidated statement of cash flows
for the three months ended 31 March 2015

	Three months ended 31 March	
	2015	2014
Note	(unaudited)	(unaudited)
<i>(All amounts in millions of Rubles unless otherwise stated)</i>		
Operating activities		
Profit for the period	4,202	8,724
Income tax expense	7 2,348	3,131
Profit before tax	6,550	11,855
Non-cash adjustments to reconcile profit before tax to net cash flows from operating activities:		
Depreciation	8 14,575	12,140
Impairment loss	9 1,059	–
Amortization	9 2,326	2,083
Loss on disposal of non-current assets	325	315
Finance income	(1,339)	(3,298)
Finance costs	7,719	6,934
Other non-operating losses/(gains), net	6 3,009	(175)
Net foreign exchange loss	3,543	2,708
Share of (gain)/loss of associates and joint ventures accounted for using the equity method	(988)	585
Movements in provisions	355	99
Operating profit before working capital adjustments, interest and income taxes	37,134	33,246
Working capital adjustments		
Change in trade and other receivables	(9,861)	(3,814)
Change in inventories	(104)	662
Change in trade and other payables	6,366	2,924
Interest and income taxes		
Interest paid	(7,399)	(5,977)
Interest received	4,912	216
Income tax paid	(4,301)	(2,879)
Net cash flows from operating activities	26,747	24,378
Investing activities		
Proceeds from sale of property, equipment and intangible assets	227	37
Purchase of property, equipment and intangible assets	(17,140)	(25,172)
Issue of loans	(17,048)	(206)
Repayment of loans issued	159,353	490
Inflows/(outflows) from deposits, net	(286)	1,278
Receipts from investments in other financial assets	4,785	–
Disposal of subsidiaries, net of cash disposed	–	12
Receipt of dividends	–	4
Net cash flows from / (used in) investing activities	129,891	(23,557)
Financing activities		
Proceeds from borrowings, net of fees paid	–	13,739
Repayment of borrowings	(161,943)	(1,217)
Dividends paid to equity holders	–	(15,093)
Net cash flows used in financing activities	(161,943)	(2,571)
Net decrease in cash and cash equivalents	(5,305)	(1,750)
Effect of exchange rate changes on cash and cash equivalents, net	(262)	675
Cash and cash equivalents at the beginning of the period	87,197	32,656
Cash and cash equivalents at the end of the period	81,630	31,581

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

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

Notes to the unaudited interim condensed consolidated financial statements

(All amounts in millions of Rubles unless otherwise stated)

1. General information

Public Joint Stock Company "Vimpel-Communications" (PJSC "VimpelCom", together with its consolidated subsidiaries referred to as the "Group", "VimpelCom", the "Company" or "we") was registered in the Russian Federation ("Russia") on 15 September 1992 as a joint stock company of the closed type, re-registered as a joint stock company of the open type on 28 July 1993 and began full-scale commercial operations in June 1994. The Company was re-registered as an Open Joint Stock Company on 28 March 1995. The Company was re-registered as a Public Joint Stock Company on 19 June 2015.

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

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

VimpelCom earns revenue by providing voice, data and other telecommunication services through a range of wireless, fixed and broadband internet services, as well as selling equipment and accessories. As of 31 March 2015, the Company operated telecommunications services in Russia, Kazakhstan, Armenia, Uzbekistan, Georgia, Kyrgyzstan and Laos primarily under the "Beeline" brand name.

The interim condensed consolidated financial statements of the Company as of 31 March 2015 and for the three months ended 31 March 2015 were authorized for issue by the General Director on 26 June 2015.

2. Basis of preparation of the interim condensed consolidated financial statements

Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required for a complete set of consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2014 prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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

The preparation of these interim condensed consolidated financial statements has required management to apply accounting policies and methodologies based on complex and subjective judgments, estimates based on past experience and assumptions determined to be reasonable and realistic based on the related circumstances. The use of these estimates and assumptions affects the amounts reported in the interim consolidated statement of financial position, income statement, statements of comprehensive income, statement of changes in equity, cash flows as well as the notes to financial statements. The final amounts for items for which estimates and assumptions were made in the interim condensed consolidated financial statements may differ from those reported in these statements due to the uncertainties that characterize the assumptions and conditions on which the estimates are based. The results for the interim period are not necessarily indicative of results for the full year.

Public Joint Stock Company "Vimpel-Communications"
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Notes to the unaudited interim condensed consolidated financial statements (continued)

(All amounts in millions of Rubles unless otherwise stated)

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

Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of PJSC "VimpelCom" and its subsidiaries.

Subsidiaries are all entities (including structured entities) over which PJSC "VimpelCom" has control. PJSC "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 PJSC "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.

New accounting pronouncements adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014. The Company did not adopt any new standards and interpretations effective as of 1 January 2015 that would have any impact on the financial position, performance or disclosures in the interim financial statements as well as in the annual financial statements.

3. Seasonality of operations

Due to seasonality of the Group's operations, higher revenues and operating profits are usually expected in the third quarter of the year and the month of December. These expectations are mainly attributable to the increased demand for telecommunication services during the peak holiday seasons from private customers. This information is provided to allow for a proper assessment of the results, however management has concluded that this does not constitute a "highly seasonal" business as described by IAS 34 *Interim Financial Reporting*.

4. Segment information

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

Public Joint Stock Company "Vimpel-Communications"
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Notes to the unaudited interim condensed consolidated financial statements (continued)

(All amounts in millions of Rubles unless otherwise stated)

4. Segment information (continued)

Starting 1 January 2015, management decided to present Kazakhstan operating unit as separate segment to enhance understanding of the business, and better reflect on the actual structure of the Group. Therefore, the previous reportable segments were disaggregated into additional operating segments, whereby Laos has been split out from what was All Other, and the old CIS segment is now split into Kazakhstan and Eurasia, including Uzbekistan, Armenia, Georgia, Kyrgyzstan and Laos. The comparative information has been adjusted accordingly. "All other" category includes headquarter expenses and other unallocated adjustments and eliminations.

Financial information by reportable segment for the three months ended 31 March 2015 and 31 March 2014 is presented in the following tables.

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

	Russia	Eurasia	Kazakhstan	Ukraine	Total	All other	Group
Revenue							
External customers	65,969	14,155	9,834	–	89,958	1,981	91,939
Inter-segment	307	1,476	28	–	1,811	(1,811)	–
Total operating revenue	66,276	15,631	9,862	–	91,769	170	91,939
EBITDA	26,130	8,616	4,261	–	39,007	(2,228)	36,779
Other disclosures							
Capital expenditures	5,425	2,856	425	–	8,706	13	8,719
Impairment loss	–	(1,059)	–	–	(1,059)	–	(1,059)

Information by reportable segments for the three months ended 31 March 2014

	Russia	Eurasia	Kazakhstan	Ukraine	Total	All other	Group
Revenue							
External customers	66,005	8,484	6,088	377	80,954	704	81,658
Inter-segment	143	667	5	15	830	(830)	–
Total operating revenue	66,148	9,151	6,093	392	81,784	(126)	81,658
EBITDA	26,548	4,960	2,547	66	34,121	(974)	33,147
Other disclosures							
Capital expenditures	11,486	938	315	14	12,753	–	12,753
Impairment loss	–	–	–	–	–	–	–

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

	Three months ended 31 March	
	2015	2014
EBITDA	36,779	33,147
Depreciation	(14,575)	(12,140)
Amortization	(2,326)	(2,083)
Impairment loss	(1,059)	–
Loss on disposal of non-current assets	(325)	(315)
Finance costs	(7,719)	(6,934)
Finance income	1,339	3,298
Other non-operating (losses)/gains, net	(3,009)	175
Share of gain/(loss) of associates and joint ventures accounted for using the equity method	988	(585)
Net foreign exchange loss	(3,543)	(2,708)
Income tax expense	(2,348)	(3,131)
Profit for the period	4,202	8,724

Public Joint Stock Company "Vimpel-Communications"
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Notes to the unaudited interim condensed consolidated financial statements (continued)

(All amounts in millions of Rubles unless otherwise stated)

5. Selling, general and administrative expenses

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

	Three months ended 31 March	
	2015	2014
Network and IT costs	9,253	7,672
Personnel costs	7,696	7,409
Customer associated costs	6,272	5,852
Taxes	3,195	2,238
Consulting and professional service costs	738	618
Losses on receivables	505	505
Other G&A expenses	1,087	689
Total	28,746	24,983

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

Other non-operating (losses) / gains, net consisted of the following for the three months ended 31 March:

	Note	Three months ended 31 March	
		2015	2014
Early redemption fees	10	(2,389)	–
Changes in the fair value of non-hedge derivatives		(941)	1
Effect of refilling tax returns		457	–
Changes in the fair value of hedge derivatives		(109)	13
Change of the fair value of derivatives over non-controlling interest		–	212
Dividend income		–	5
Other losses, net		(27)	(56)
Total other non-operating (losses) / gains, net		(3,009)	175

7. Income taxes

Current tax is the expected tax expense, payable or receivable on the taxable income or loss for the year or period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Income tax expense consisted of the following for the three months ended 31 March:

	Three months ended 31 March	
	2015	2014
Profit before tax	6,550	11,855
Current income tax	(4,007)	(4,859)
Deferred income tax	1,659	1,728
Income tax expense reported in the interim consolidated income statement	(2,348)	(3,131)
Effective tax rates	35,8%	26,4%

The effective income tax rate for the three months ended 31 March 2015 amounts to 35.8% (2014: 26.4%). The effective tax rate is mainly driven by non-deductible expenses and non-recognized DTA on tax losses carried forward.

Public Joint Stock Company "Vimpel-Communications"
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Notes to the unaudited interim condensed consolidated financial statements (continued)

(All amounts in millions of Rubles unless otherwise stated)

8. Property and equipment

During the three months ended 31 March 2015 and 2014, the Company had the following changes in property and equipment:

	Three months ended 31 March	
	2015	2014
Opening net book value as of 1 January	274,549	251,421
Additions	4,692	11,899
Net book value of assets disposed	(432)	(380)
Translation adjustment	993	509
Depreciation charge	(14,575)	(12,140)
Assets reclassified as held for sale	3	–
Closing net book value as of 31 March	265,230	251,309

9. Intangible assets and goodwill

During the three months ended 31 March 2015 and 2014, the Company had the following changes in intangible assets and goodwill:

	Three months ended 31 March			
	2015		2014	
	Other intangible assets	Goodwill	Other intangible assets	Goodwill
Opening net book value as of 1 January	29,299	113,557	28,842	109,877
Additions	4,027	–	854	–
Net book value of assets disposed	(26)	–	(30)	–
Translation adjustment	(501)	(194)	210	386
Impairment	–	(1,059)	–	–
Amortization charge	(2,326)	–	(2,083)	–
Closing net book value as of 31 March	30,473	112,304	27,793	110,263

Goodwill is tested for impairment annually (at 1 October) and when circumstances indicate the carrying value may be impaired. The Company's impairment test for goodwill is primarily based on fair value less cost of disposal calculations that use a discounted cash flow model. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual financial statements for the year ended 31 December 2014.

The Company considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment.

Due to higher weighted average costs of capital for the CGU Armenia, an impairment was concluded in the amount of RUR 1,059. The recoverable amount was determined based on a fair value less costs of disposal calculation using the latest cash flow projections (Level 3 fair value). The Company applied post-tax discount rate of 12.1%.

Public Joint Stock Company "Vimpel-Communications"
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Notes to the unaudited interim condensed consolidated financial statements (continued)

(All amounts in millions of Rubles unless otherwise stated)

10. Financial assets and liabilities

There were no significant changes in the financial assets and liabilities in the three months ended 31 March 2015, except as described below.

Major treasury events during 2015

On 2 March 2015, OJSC "Sberbank of Russia" informed PJSC "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 PJSC "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 PJSC "VimpelCom" and loan participation notes issued by VIP Finance Ireland Limited and UBS (Luxembourg) S.A. (Eurobonds) for the sole purpose of funding loans to PJSC "VimpelCom". The total outstanding amount of these bonds is USD 6,700 million (USD 3,100 million of which accounts for PJSC "VimpelCom"). The tender offer expired on 30 March 2015 and settlement took place on 2 April 2015. On 2 April 2015, PJSC "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).

The carrying value of the bonds subject to the purchase was adjusted on 31 March 2015 upon closing of the tender to reflect on the expected additional cash flows of the bonds stemming from the agreed premiums amounting to USD 33.6 million (the equivalent of RUR 2,027 at the average exchange rate for March, 2015 provided by the Central Bank of Russia). This adjustment to the carrying value was recorded in the "other non-operating (losses)/gains, net" as part of the "early redemption" account to reflect on the nature of the adjustment. The unamortized debt issuance costs were released to the income statement at the date of the closing due significantly reduced expected remaining time of the amortization period. The total amount of the unamortized fees to be released amounted to USD 6 million (the equivalent of RUR 362 at the average exchange rate for March, 2015 provided by the Central Bank of Russia). Since the release of the debt issuance costs was part of the tender, it was recorded as part of "other non-operating (losses)/gains, net" in the account "early redemption". The bonds subject to the tender including premiums payable were classified as other current financial liabilities as of 31 March 2015 since the settlement of the debt is expected within 12 months of the balance sheet date.

On 5 March 2015, PJSC "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 PJSC "VimpelCom" bought Ruble bonds in total principal amount of RUR 34,783. After that the outstanding principal amount of debt became RUR 217.

In March 2015, KaR-Tel LLP entered into an agreement to provide loans to Aureglia Limited in the amount of USD 100 million with a 2.41% interest rate for a period of 175 days. On 10 March 2015, KaR-Tel LLP provided loans under this agreement in the amount of USD 100 million (the equivalent of RUR 5,999 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 LLP. On 24 June 2015 the full outstanding amount of this loan was early repaid.

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

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

(All amounts in millions of Rubles unless otherwise stated)

10. Financial assets and liabilities (continued)

Carrying values and fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the interim condensed consolidated financial statements as of 31 March 2015 and 31 December 2014 except for cash and cash equivalents, trade and other receivables and trade and other payables where the carrying amount is a reasonable approximation of fair value (based on future cash flows discounted at current market rates):

	Carrying value		Fair value	
	31 March 2015	31 December 2014	31 March 2015	31 December 2014
Financial assets at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	1,630	5,243	1,630	5,243
Financial assets at fair value through other comprehensive income				
Derivatives designated as cash flow hedges				
Foreign exchange contracts	804	2,092	804	2,092
Available-for-sale financial assets	2,492	1,913	2,492	1,913
Total financial assets at fair value	4,926	9,248	4,926	9,248
Loans granted, deposits and other financial assets at amortised cost				
Loans granted to related parties, principal (Note 13)	134,204	244,791	114,450	201,844
Bank deposits	6,572	6,136	6,572	6,136
Interest receivable	4,129	3,349	3,667	3,349
Other financial assets	7,053	1,298	7,053	1,298
Total loans granted, deposits and other financial assets at amortised cost	151,958	255,574	131,742	212,627
Total other financial assets	156,884	264,822	136,668	221,875

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

(All amounts in millions of Rubles unless otherwise stated)

10. Financial assets and liabilities (continued)

Carrying values and fair values (continued)

	Carrying value		Fair value	
	31 March 2015	31 December 2014	31 March 2015	31 December 2014
Financial liabilities at fair value through profit or loss				
Derivatives not designated as cash flow hedges				
Foreign exchange contracts	1,638	–	1,638	–
Financial liabilities at fair value through other comprehensive income				
Derivatives designated as cash flow hedges				
Foreign exchange contracts	295	–	295	–
Total financial liabilities at fair value	1,933	–	1,933	–
Other financial liabilities at amortised cost				
Interest-bearing loans, bonds and finance lease liabilities, principal	307,518	334,122	309,876	303,726
Loans payables to related parties, principal (Note 13)	28,676	122,882	20,960	98,720
Unamortised fees	(1,257)	(1,613)	–	–
Interest payable	10,871	6,290	10,866	6,274
Financial liability to non-controlling interest via equity	15,849	14,597	15,520	13,004
Total other financial liabilities at amortised cost	361,657	476,278	357,222	421,724
Total other financial liabilities	363,590	476,278	359,155	421,724

The following table provides the breakdown of the carrying value other financial assets and other financial liabilities by non-current and current portions as of 31 March 2015 and 31 December 2014:

	31 March 2015	31 December 2014
Other financial assets		
Non-current portion	138,217	248,934
Current portion	18,667	15,888
Total other financial assets	156,884	264,822
Other financial liabilities		
Non-current portion	195,547	378,592
Current portion	168,043	97,686
Total other financial liabilities	363,590	476,278

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.

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

(All amounts in millions of Rubles unless otherwise stated)

10. Financial assets and liabilities (continued)

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 March 2015		
	(Level 1)	(Level 2)	(Level 3)
Financial assets at fair value through profit or loss			
Derivatives not designated as hedges			
Foreign exchange contracts	–	1,630	–
Financial assets at fair value through other comprehensive income			
Derivatives designated as cash flow hedges			
Foreign exchange contracts	–	804	–
Available-for-sale financial asset	2,492	–	–
Total financial assets at fair value	2,492	2,434	–
Financial assets for which fair values are disclosed			
Loans granted to related parties, principal (Note 13)	–	114,450	–
Bank deposits	–	6,572	–
Interest receivable	–	3,667	–
Other financial assets	–	7,053	–
Total financial assets for which fair values are disclosed	–	131,742	–
Financial liabilities at fair value through profit or loss			
Derivatives not designated as cash flow hedges			
Foreign exchange contracts	–	1,638	–
Financial liabilities at fair value through other comprehensive income			
Derivatives designated as cash flow hedges			
Foreign exchange contracts	–	295	–
Total financial liabilities at fair value	–	1,933	–
Financial liabilities for which fair values are disclosed			
Other financial liabilities at amortised cost	211,365	145,857	–
Total financial liabilities for which fair values are disclosed	211,365	145,857	–

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

(All amounts in millions of Rubles unless otherwise stated)

10. Financial assets and liabilities (continued)

Fair value hierarchy (continued)

	As of 31 December 2014		
	(Level 1)	(Level 2)	(Level 3)
Financial assets at fair value through profit or loss			
Derivatives not designated as hedges			
Foreign exchange contracts	–	5,243	–
Financial assets at fair value through other comprehensive income			
Derivatives designated as cash flow hedges			
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 13)	–	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	–

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

During the three months period ended 31 March 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

11. Other non-financial assets and liabilities

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

	31 March 2015	31 December 2014
Deferred costs related to connection fees	180	191
Advances to suppliers and prepayments	138	268
Other non-current assets	545	451
Other non-current non-financial assets	863	910

Other current non-financial assets consisted of the following:

	31 March 2015	31 December 2014
Input value added tax	4,218	5,570
Advances to suppliers	3,769	2,682
Prepaid taxes	246	21
Deferred costs related to connection fees	151	181
Others	181	169
Other current non-financial assets	8,565	8,623

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

(All amounts in millions of Rubles unless otherwise stated)

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

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

	31 March 2015	31 December 2014
Long-term deferred revenue	807	880
Other non-current liabilities	136	–
Other non-current non-financial liabilities	943	880

Other current non-financial liabilities consisted of the following:

	31 March 2015	31 December 2014
Customer advances, net of VAT	11,424	14,089
Other taxes payable	8,687	6,276
Amounts due to employees	4,410	2,255
Customer deposits	1,150	1,297
Short-term deferred revenue	993	1,236
Other liabilities	641	515
Other current non-financial liabilities	27,305	25,668

12. Cash and cash equivalents

Cash and cash equivalents consisted of the following items:

	31 March 2015	31 December 2014
Cash and cash equivalents at banks and on hand	79,911	79,476
Short-term deposits with an original maturity of less than 92 days	1,719	7,721
Total cash and cash equivalents	81,630	87,197

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

The cash balances as of 31 March 2015 in Uzbekistan of RUR 34,952 (31 December 2014: RUR 29,954) are restricted from repatriation due to the local government and central bank regulations. The restrictions have effect on international payments only, while such cash can be used for transactions within the country.

13. Related parties

Shareholders and other related parties

As of 31 March 2015, PJSC "VimpelCom" is a wholly-owned indirect subsidiary of VimpelCom Ltd. As of 31 March 2015 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.

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

(All amounts in millions of Rubles unless otherwise stated)

13. 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 three months ended 31 March	
	2015	2014
Revenue from Alfa Group	–	87
Revenue from Telenor	4	1
Revenue from Kyivstar	1,915	822
Revenue from associates	163	77
Revenue from joint ventures	241	98
Revenue from Teta Telecom or its subsidiaries	558	343
Revenue from other related parties	320	98
	3,201	1,526
Services from Alfa Group	–	100
Services from Telenor	39	(42)
Services from Kyivstar	1,582	1,000
Services from associates	97	90
Services from joint ventures	277	334
Services from Teta Telecom or its subsidiaries	1,530	940
Services from VimpelCom Ltd. or its subsidiaries	1,483	851
Services from other related parties	215	98
	5,223	3,371
Finance income from VimpelCom Ltd. or its subsidiaries	918	3,120
Finance costs from VimpelCom Ltd. or its subsidiaries	1,045	1,244
Other (loss) / gain from other related parties	(1)	9
	918	3,120
	1,045	1,244
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Notes to the unaudited interim condensed consolidated financial statements (continued)

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13. Related parties (continued)

Loans granted to VimpelCom Ltd. or its subsidiaries

As of 31 March 2015 and 31 December 2014, the principal amounts of loans granted to VimpelCom Ltd. or its subsidiaries were as follows:

Borrower	Date of agreement	Maturity	Interest rate	Currency	31 March 2015	31 December 2014
VimpelCom Amsterdam Finance B.V. ¹	13 May 2011	May, 2017	7.5%	USD	95,293	207,308
VimpelCom Ltd.	7 Oct. 2010	Dec., 2070	LIBOR+7.5%	USD	32,826	31,587
Teta Telecom	2007-2011	2017-2021	10.6%	KZT	2,336	2,288
Kyivstar	8 June 2004	Jan., 2016	5%	USD	1,538	1,480
Kyivstar	15 Oct. 2008	Mar., 2016	4.8%	USD	1,070	1,030
VimpelCom (BVI) Ltd.	27 Jul. 2010	Jul., 2016	5,2%	USD	602	580
VimpelCom (BVI) Ltd.	17 Nov. 2011	Nov., 2016	5,2%	USD	539	518
Total					134,204	244,791

¹ During the period from 1 April 2015 till 6 May 2015 the full outstanding amount of this loan was early repaid.

Loans received from VimpelCom Ltd. or its subsidiaries

As of 31 March 2015 and 31 December 2014, the principal amounts of loans received from VimpelCom Ltd. or its subsidiaries were as follows:

Lender	Date of agreement	Maturity	Interest rate	Currency	31 March 2015	31 December 2014
VimpelCom Holdings B.V.	14 Feb. 2013	Feb., 2018	9.60%	RUR	12,000	12,000
Weather Capital Special Purpose 1 S.A. ¹	26 Mar. 2015	Mar., 2032	6.5%	USD	10,775	–
Weather Capital Special Purpose 1 S.A.	13 Apr. 2007	Apr., 2017	11%	USD	3,855	3,710
Weather Capital Special Purpose 1 S.A.	27 May. 2008	Jun., 2015	3.775%	USD	2,046	1,969
Weather Capital Special Purpose 1 S.A. ²	3 Oct. 2013	Feb., 2020	5.67-6.07%	USD	–	35,724
Weather Capital Special Purpose 1 S.A. ²	13 Nov. 2013	Feb., 2020	5.56-5.96%	USD	–	32,630
Weather Capital Special Purpose 1 S.A. ²	22 Apr. 2013	Oct., 2021	5.75%	USD	–	22,503
Weather Capital Special Purpose 1 S.A. ²	21 Jan. 2014	Feb., 2020	5.44-5.80%	USD	–	14,346
Total					28,676	122,882

¹ At 31 December 2014 Mobitel, the Company's operator in Georgia, had intercompany debts to the PJSC "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. Thereafter these debts were sold to Weather Capital Special Purpose 1 S.A. with the maturity in March 2032 bearing fixed interest of 6.5%.

² The loan was fully early repaid of in February 2015;

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

(All amounts in millions of Rubles unless otherwise stated)

13. Related parties (continued)

Terms and conditions of transactions with related parties

Outstanding balances at period-end are unsecured, settlements occur in cash. During the three months ended 31 March 2015, there have been no new guarantees provided or received for any related party receivables or payables and there have been no changes occurred to the terms and amounts of the Company's guarantees of the related party loans that existed as of 31 December 2014 and were disclosed in the notes to the respective annual consolidated financial statements. No triggering events under the existing guarantees in favor of related party occurred. The Company believes that probability of these events is remote.

14. Events after the reporting period

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. On 2 April 2015, VimpelCom Amsterdam B.V. partially repurchased the current notes issued by VimpelCom Holdings B.V. (Note 10) and guaranteed by PJSC "VimpelCom". As of 2 April 2015, the outstanding principal amount under the notes due in March, 2017 and March, 2022 was USD 1,629 million (the equivalent of RUR 95,058 as of 2 April 2015 at the exchange rate provided by the Central Bank of Russia). No triggering events under the guarantee occurred. The Company believes that probability of these events is remote.

On 13 February 2013, VimpelCom Holdings B.V. completed an offering of an aggregate principal amount of 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. On 2 April 2015, VimpelCom Amsterdam B.V. partially repurchased the current notes issued by VimpelCom Holdings B.V. and guaranteed by PJSC "VimpelCom" (Note 10). As of 2 April 2015, the outstanding principal amount under the notes due in February, 2019 and February, 2023 was USD 1,554 million (the equivalent of RUR 90,681 as of 2 April 2015 at the exchange rate provided by the Central Bank of Russia). No triggering events under the guarantee occurred. The Company believes that probability of these events is remote.

On 13 April 2015, PJSC "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. For the period starting from 27 May 2015 until 25 June 2015 USD 200 million (the equivalent of RUR 10,656 as of the dates of transactions at the exchange rate provided by the Central Bank of Russia) have been disbursed.

On 4 May 2015, KaR-Tel LLP entered into a KZT 8,300 million (the equivalent of RUR 2,284 as of 4 May 2015 at the exchange rate provided by the Central Bank of Russia) term loan facility agreement with Kazkommertsbank JSC as lender, bearing interest at a rate of 19%. KaR-Tel LLP has provided a cash deposit in the amount of USD 50 million (the equivalent of RUR 2,557 as of 4 May 2015 at the exchange rate provided by the Central Bank of Russia) as a security. The loan enables KaR-Tel LLP to dispose on higher liquidity in local currency. The facility has a total tenor of one year.

In May 2015, VimpelCom's indirect ownership interests in Kazakh and Kyrgyz subsidiaries were changed from 71.5% to 75% in KaR-Tel LLP and from 71.5% to 50.1% in Sky Mobile LLC in accordance with the new shareholder agreement. Concurrently, the related dividend mandates, as well as put and call options have been cancelled. The changes in the ownership structure as well as derecognition of the put option liability were recorded directly in equity as a transaction between the shareholders acting in their capacity as the owners of the company.