

Unaudited interim condensed  
consolidated financial statements

**Public Joint Stock Company**  
**“Vimpel-Communications”**

(a wholly-owned subsidiary of VimpelCom Ltd.)

*as of 30 June 2015 and for the three  
and six months ended 30 June 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 statements of financial position as of 30 June 2015 and 31 December 2014, and the related interim consolidated income statement, interim consolidated statement of comprehensive income and interim consolidated statement of changes in equity for the three-month and six-month periods ended 30 June 2015, and interim consolidated statement of cash flows for the six-month period ended 30 June 2015. The accompanying interim consolidated income statements, interim consolidated statements of comprehensive income and interim consolidated statements of changes in equity for the three-month and six-month periods ended 30 June 2014 and interim consolidated statement of cash flows for the six-month period ended 30 June 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*.

*AO PricewaterhouseCoopers Audit*

28 August 2015

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

Interim consolidated income statement  
for the three and six months ended 30 June 2015

	Note	Three months ended 30 June		Six months ended 30 June	
		2015 (unaudited)	2014 (unaudited)	2015 (unaudited)	2014 (unaudited)
<i>(All amounts in millions of Rubles unless otherwise stated)</i>					
Service revenue		88,113	83,679	177,993	163,556
Sale of equipment and accessories		1,842	1,302	3,719	2,860
Other revenue		219	169	401	392
<b>Total operating revenue</b>	5	<b>90,174</b>	<b>85,150</b>	<b>182,113</b>	<b>166,808</b>
<b>Operating expenses</b>					
Service costs		(23,818)	(23,588)	(48,361)	(45,139)
Cost of equipment and accessories		(2,282)	(1,531)	(4,153)	(3,508)
Selling, general and administrative expenses	6	(27,978)	(23,968)	(56,724)	(48,951)
Depreciation	9	(14,035)	(12,600)	(28,610)	(24,740)
Amortization	10	(2,306)	(1,889)	(4,632)	(3,972)
Impairment loss	10	-	-	(1,059)	-
Loss on disposal of non-current assets		(193)	(428)	(518)	(743)
<b>Total operating expenses</b>		<b>(70,612)</b>	<b>(64,004)</b>	<b>(144,057)</b>	<b>(127,053)</b>
<b>Operating profit</b>		<b>19,562</b>	<b>21,146</b>	<b>38,056</b>	<b>39,755</b>
Finance costs		(5,922)	(7,158)	(13,641)	(14,092)
Finance income		1,112	3,223	2,451	6,521
Net foreign exchange loss		2,794	1,230	(749)	(1,478)
Other non-operating losses, net	7	(4,021)	(1,216)	(7,030)	(1,041)
Share of (loss)/gain of associates and joint ventures accounted for using the equity method		(303)	(196)	685	(781)
<b>Profit before tax</b>		<b>13,222</b>	<b>17,029</b>	<b>19,772</b>	<b>28,884</b>
Income tax expense	8	1,010	(2,703)	(1,338)	(5,834)
<b>Profit for the period</b>		<b>14,232</b>	<b>14,326</b>	<b>18,434</b>	<b>23,050</b>
<b>Attributable to:</b>					
The owners of the parent		13,864	13,839	18,409	21,866
Non-controlling interests		368	487	25	1,184
		<b>14,232</b>	<b>14,326</b>	<b>18,434</b>	<b>23,050</b>

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.)

Interim consolidated statement of comprehensive income  
for the three and six months ended 30 June 2015

	Three months ended 30 June		Six months ended 30 June	
	2015 (unaudited)	2014 (unaudited)	2015 (unaudited)	2014 (unaudited)
<i>(All amounts in millions of Rubles unless otherwise stated)</i>				
<b>Profit for the period</b>	<b>14,232</b>	14,326	<b>18,434</b>	23,050
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</b>				
Cash flow hedge reserve	(170)	(27)	(943)	(36)
Income tax effect	–	–	–	–
Net (loss)/gain arising on revaluation of available-for-sale financial assets at fair value through other comprehensive income	(157)	(185)	423	(1,345)
Income tax effect	–	–	–	–
Exchange differences arising on net investment in foreign operations	(3,369)	(5,554)	(18)	(3,885)
Income tax effect	249	190	62	(83)
<b>Other comprehensive income for the period, net of tax</b>	<b>(3,447)</b>	(5,576)	<b>(476)</b>	(5,349)
<b>Total comprehensive income for the period, net of tax</b>	<b>10,785</b>	8,750	<b>17,958</b>	17,701
<b>Attributable to:</b>				
The owners of the parent	10,905	9,079	18,127	17,699
Non-controlling interests	(120)	(329)	(169)	2
	<b>10,785</b>	8,750	<b>17,958</b>	17,701

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.)

Interim consolidated statement of financial position  
as of 30 June 2015

	Note	30 June 2015 (unaudited)	31 December 2014
<i>(All amounts in millions of Rubles unless otherwise stated)</i>			
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	9	259,714	274,549
Intangible assets	10	31,830	29,299
Goodwill	10	112,839	113,557
Investments in associates and joint ventures		14,031	13,346
Deferred income tax assets		743	923
Other financial assets	11	52,937	248,934
Other non-current non-financial assets	12	768	910
<b>Total non-current assets</b>		<b>472,862</b>	<b>681,518</b>
<b>Current assets</b>			
Inventories		3,959	3,627
Trade and other receivables		27,115	29,097
Other current non-financial assets	12	10,162	8,623
Current income tax assets		3,549	3,264
Other current financial assets	11	12,860	15,888
Cash and cash equivalents	13	83,245	87,197
<b>Total current assets</b>		<b>140,890</b>	<b>147,696</b>
<b>Assets classified as held for sale</b>		<b>178</b>	<b>308</b>
<b>Total assets</b>		<b>613,930</b>	<b>829,522</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Equity attributable to equity owners of the parent		242,096	224,666
Non-controlling interests		23,199	8,074
<b>Total equity</b>		<b>265,295</b>	<b>232,740</b>
<b>Non-current liabilities</b>			
Financial liabilities	11	101,005	378,592
Provisions		3,120	5,394
Other non-current non-financial liabilities	12	1,049	880
Deferred income tax liabilities		14,835	22,971
<b>Total non-current liabilities</b>		<b>120,009</b>	<b>407,837</b>
<b>Current liabilities</b>			
Trade and other payables		50,199	61,146
Dividends payable		7	7
Other current non-financial liabilities	12	26,456	25,668
Other financial liabilities	11	145,772	97,686
Current income tax payables		187	172
Provisions		6,005	4,266
<b>Total current liabilities</b>		<b>228,626</b>	<b>188,945</b>
<b>Total equity and liabilities</b>		<b>613,930</b>	<b>829,522</b>

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.)

Interim consolidated statement of changes in equity  
for the three months ended 30 June 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>										
<b>As of 31 March 2015 (unaudited)</b>	<b>3</b>	<b>40,234</b>	<b>22,332</b>	<b>147,290</b>	<b>20,885</b>	<b>(113)</b>	<b>580</b>	<b>231,211</b>	<b>7,450</b>	<b>238,661</b>
Profit for the period	–	–	–	13,864	–	–	–	13,864	368	14,232
Other comprehensive income	–	–	–	–	(2,632)	(170)	(157)	(2,959)	(488)	(3,447)
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>13,864</b>	<b>(2,632)</b>	<b>(170)</b>	<b>(157)</b>	<b>10,905</b>	<b>(120)</b>	<b>10,785</b>
Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control	4	–	–	(32)	–	12	–	(20)	15,869	15,849
<b>As of 30 June 2015 (unaudited)</b>	<b>3</b>	<b>40,234</b>	<b>22,300</b>	<b>161,154</b>	<b>18,265</b>	<b>(283)</b>	<b>423</b>	<b>242,096</b>	<b>23,199</b>	<b>265,295</b>

Interim consolidated statement of changes in equity  
for the six months ended 30 June 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>										
<b>As of 1 January 2015</b>	<b>3</b>	<b>40,234</b>	<b>22,997</b>	<b>142,745</b>	<b>18,027</b>	<b>660</b>	<b>–</b>	<b>224,666</b>	<b>8,074</b>	<b>232,740</b>
Profit for the period	–	–	–	18,409	–	–	–	18,409	25	18,434
Other comprehensive income	–	–	–	–	238	(943)	423	(282)	(194)	(476)
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>18,409</b>	<b>238</b>	<b>(943)</b>	<b>423</b>	<b>18,127</b>	<b>(169)</b>	<b>17,958</b>
Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control	4	–	–	(697)	–	–	–	(697)	15,294	14,597
<b>As of 30 June 2015 (unaudited)</b>	<b>3</b>	<b>40,234</b>	<b>22,300</b>	<b>161,154</b>	<b>18,265</b>	<b>(283)</b>	<b>423</b>	<b>242,096</b>	<b>23,199</b>	<b>265,295</b>

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.)

Interim consolidated statement of changes in equity  
for the three months ended 30 June 2014

Note	Attributable to the owners of the parent							Total	Non-controlling interests	Total equity
	Issued capital	Capital surplus	Other capital reserves	Retained earnings	Foreign currency translation reserve	Cash flow hedge reserve	Available-for-sale reserve			
<i>(All amounts in millions of Rubles unless otherwise stated)</i>										
<b>As of 31 March 2014 (unaudited)</b>	<b>3</b>	<b>40,234</b>	<b>18,629</b>	<b>114,426</b>	<b>(6,909)</b>	<b>(3)</b>	<b>(228)</b>	<b>166,152</b>	<b>6,261</b>	<b>172,413</b>
Profit for the period	–	–	–	13,839	–	–	–	13,839	487	14,326
Other comprehensive income	–	–	–	–	(4,548)	(27)	(185)	(4,760)	(816)	(5,576)
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>13,839</b>	<b>(4,548)</b>	<b>(27)</b>	<b>(185)</b>	<b>9,079</b>	<b>(329)</b>	<b>8,750</b>
Effect of options over non-controlling interests in subsidiaries	–	–	(267)	–	391	–	–	124	106	230
Share-based payment transactions	–	–	2	–	–	–	–	2	–	2
<b>As of 30 June 2014 (unaudited)</b>	<b>3</b>	<b>40,234</b>	<b>18,364</b>	<b>128,265</b>	<b>(11,066)</b>	<b>(30)</b>	<b>(413)</b>	<b>175,357</b>	<b>6,038</b>	<b>181,395</b>

Interim consolidated statement of changes in equity  
for the six months ended 30 June 2014

Note	Attributable to the owners of the parent							Total	Non-controlling interests	Total equity
	Issued capital	Capital surplus	Other capital reserves	Retained earnings	Foreign currency translation reserve	Cash flow hedge reserve	Available-for-sale reserve			
<i>(All amounts in millions of Rubles unless otherwise stated)</i>										
<b>As of 1 January 2014</b>	<b>3</b>	<b>40,234</b>	<b>20,188</b>	<b>106,399</b>	<b>(9,158)</b>	<b>6</b>	<b>932</b>	<b>158,604</b>	<b>6,578</b>	<b>165,182</b>
Profit for the period	–	–	–	21,866	–	–	–	21,866	1,184	23,050
Other comprehensive income	–	–	–	–	(2,786)	(36)	(1,345)	(4,167)	(1,182)	(5,349)
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>21,866</b>	<b>(2,786)</b>	<b>(36)</b>	<b>(1,345)</b>	<b>17,699</b>	<b>2</b>	<b>17,701</b>
Effect of options over non-controlling interests in subsidiaries	–	–	(1,820)	–	878	–	–	(942)	(542)	(1,484)
Share-based payment transactions	–	–	(4)	–	–	–	–	(4)	–	(4)
<b>As of 30 June 2014 (unaudited)</b>	<b>3</b>	<b>40,234</b>	<b>18,364</b>	<b>128,265</b>	<b>(11,066)</b>	<b>(30)</b>	<b>(413)</b>	<b>175,357</b>	<b>6,038</b>	<b>181,395</b>

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.)

Interim consolidated statement of cash flows  
for the six months ended 30 June 2015

	Note	Six months ended 30 June	
		2015 (unaudited)	2014 (unaudited)
<i>(All amounts in millions of Rubles unless otherwise stated)</i>			
<b>Operating activities</b>			
Profit for the period		18,434	23,050
Income tax expense	8	1,338	5,834
<b>Profit before tax</b>		<b>19,772</b>	<b>28,884</b>
<b>Non-cash adjustments to reconcile profit before tax to net cash flows from operating activities:</b>			
Depreciation	9	28,610	24,740
Impairment loss	10	1,059	–
Amortization	10	4,632	3,972
Loss on disposal of non-current assets		518	743
Finance income		(2,451)	(6,521)
Finance costs		13,641	14,092
Other non-operating losses, net	7	7,030	1,041
Net foreign exchange loss		749	1,478
Share of (gain)/loss of associates and joint ventures accounted for using the equity method		(685)	781
Movements in provisions		608	(149)
<b>Operating profit before working capital adjustments, interest and income taxes</b>		<b>73,483</b>	<b>69,061</b>
<b>Working capital adjustments</b>			
Change in trade and other receivables		(9,503)	(5,607)
Change in inventories		(415)	767
Change in trade and other payables		4,987	3,625
<b>Interest and income taxes</b>			
Interest paid		(14,576)	(12,748)
Interest received		7,940	527
Income tax paid		(6,380)	(4,690)
<b>Net cash flows from operating activities</b>		<b>55,536</b>	<b>50,935</b>
<b>Investing activities</b>			
Proceeds from sale of property, equipment and intangible assets		307	108
Purchase of property, equipment and intangible assets		(28,189)	(40,242)
Issue of loans		(43,587)	(7,239)
Repayment of loans issued		274,232	7,530
Outflows from deposits, net		(6,083)	(2,259)
Receipts from investments in other financial assets		5,701	15
Disposal of subsidiaries, net of cash disposed		–	21
Receipt of dividends		–	4
<b>Net cash flows from/(used in) investing activities</b>		<b>202,381</b>	<b>(42,062)</b>
<b>Financing activities</b>			
Proceeds from borrowings, net of fees paid		2,260	22,351
Repayment of borrowings		(259,842)	(9,867)
Dividends paid to equity holders		–	(14,978)
<b>Net cash flows used in financing activities</b>		<b>(257,582)</b>	<b>(2,494)</b>
<b>Net increase in cash and cash equivalents</b>		<b>335</b>	<b>6,379</b>
<b>Effect of exchange rate changes on cash and cash equivalents, net</b>		<b>(4,287)</b>	<b>(2,652)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	13	<b>87,197</b>	<b>32,656</b>
<b>Cash and cash equivalents at the end of the period</b>	13	<b>83,245</b>	<b>36,383</b>

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 30 June 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 30 June 2015 and for the three and six months ended 30 June 2015 were authorized for issue by the General Director on 28 August 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”).

PJSC “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. PJSC “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”**  
(a wholly-owned subsidiary of VimpelCom Ltd.)

**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 except for the amendment to IFRS 8 Operating segments introduced by 2010-2012 IFRS annual improvements cycle effective for annual periods beginning on or after 1 July 2014 and requiring to disclose judgments about aggregation of operating segments into reportable segments.

**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. Significant transactions**

In May 2015, VimpelCom’s indirect ownership interests in Kazakhstan and Kyrgyzstan 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 ownership in KaR-Tel LLP and Sky Mobile LLC was moved from Cyprus to Swiss holding companies and the related dividend mandates, as well as the put option which was held by the non-controlling interest holder and call options (value nil), held by the Company, have been cancelled. The changes in the ownership structure as well as derecognition of the put option liability of RUR 14,016 were recorded directly in equity as a transaction between the shareholders acting in their capacity as the owners of the company and resulted in a net decrease to parent equity of RUR 697 and increase to non-controlling interest of RUR 15,294. The reversal of deferred tax liabilities of RUR 4,853 resulted in a corresponding decrease of income tax expense for the period related to withholding taxes on distributed and future dividends. No cash consideration was exchanged in connection with the above restructuring and the Company will continue to control Kar-Tel LLP and Sky Mobile LLC subsequent to the transaction.

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**5. 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”).

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 latter were aggregated into Eurasia reportable segment as they display similar economic characteristics engaging in the provision of similar telecommunication services to similar customers in broadly similar emerging markets. The comparative information has been adjusted accordingly. “All other” category includes headquarter expenses and other unallocated adjustments and inter-company eliminations.

Financial information by reportable segment for the three and six months ended 30 June 2015 and 30 June 2014 is presented in the following tables.

**Information by reportable segments for the three months ended 30 June 2015**

	Russia	Eurasia	Kazakhstan	Ukraine	Total	All other	Group
<b>Revenue</b>							
External customers	67,747	12,533	8,575	–	<b>88,855</b>	1,319	<b>90,174</b>
Inter-segment	288	1,460	15	–	<b>1,763</b>	(1,763)	–
<b>Total operating revenue</b>	<b>68,035</b>	<b>13,993</b>	<b>8,590</b>	–	<b>90,618</b>	<b>(444)</b>	<b>90,174</b>
<b>EBITDA</b>	<b>27,536</b>	<b>8,038</b>	<b>3,653</b>	–	<b>39,227</b>	<b>(3,131)</b>	<b>36,096</b>
<b>Other disclosures</b>							
Capital expenditures	11,395	707	977	–	<b>13,079</b>	53	<b>13,132</b>
Impairment loss	–	–	–	–	–	–	–

**Information by reportable segments for the six months ended 30 June 2015**

	Russia	Eurasia	Kazakhstan	Ukraine	Total	All other	Group
<b>Revenue</b>							
External customers	133,716	26,688	18,409	–	<b>178,813</b>	3,300	<b>182,113</b>
Inter-segment	595	2,936	43	–	<b>3,574</b>	(3,574)	–
<b>Total operating revenue</b>	<b>134,311</b>	<b>29,624</b>	<b>18,452</b>	–	<b>182,387</b>	<b>(274)</b>	<b>182,113</b>
<b>EBITDA</b>	<b>53,666</b>	<b>16,654</b>	<b>7,914</b>	–	<b>78,234</b>	<b>(5,359)</b>	<b>72,875</b>
<b>Other disclosures</b>							
Capital expenditures	16,820	3,563	1,402	–	<b>21,785</b>	66	<b>21,851</b>
Impairment loss	–	(1,059)	–	–	<b>(1,059)</b>	–	<b>(1,059)</b>

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**5. Segment information (continued)**

**Information by reportable segments for the three months ended 30 June 2014**

	Russia	Eurasia	Kazakhstan	Ukraine	Total	All other	Group
<b>Revenue</b>							
External customers	68,484	9,115	6,250	273	<b>84,122</b>	1,028	<b>85,150</b>
Inter-segment	238	762	12	14	<b>1,026</b>	(1,026)	–
<b>Total operating revenue</b>	<b>68,722</b>	<b>9,877</b>	<b>6,262</b>	<b>287</b>	<b>85,148</b>	<b>2</b>	<b>85,150</b>
<b>EBITDA</b>	<b>28,468</b>	<b>5,529</b>	<b>2,651</b>	<b>126</b>	<b>36,774</b>	<b>(711)</b>	<b>36,063</b>

**Other disclosures**

Capital expenditures	13,706	771	595	37	<b>15,109</b>	–	<b>15,109</b>
Impairment loss	–	–	–	–	–	–	–

**Information by reportable segments for the six months ended 30 June 2014**

	Russia	Eurasia	Kazakhstan	Ukraine	Total	All other	Group
<b>Revenue</b>							
External customers	134,489	17,599	12,338	650	<b>165,076</b>	1,732	<b>166,808</b>
Inter-segment	381	1,429	17	29	<b>1,856</b>	(1,856)	–
<b>Total operating revenue</b>	<b>134,870</b>	<b>19,028</b>	<b>12,355</b>	<b>679</b>	<b>166,932</b>	<b>(124)</b>	<b>166,808</b>
<b>EBITDA</b>	<b>55,016</b>	<b>10,489</b>	<b>5,198</b>	<b>192</b>	<b>70,895</b>	<b>(1,685)</b>	<b>69,210</b>

**Other disclosures**

Capital expenditures	25,192	1,709	910	51	<b>27,862</b>	–	<b>27,862</b>
Impairment loss	–	–	–	–	–	–	–

The following table provides the reconciliation of consolidated EBITDA to consolidated profit for the three and six months ended 30 June:

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
<b>EBITDA</b>	<b>36,096</b>	36,063	<b>72,875</b>	69,210
Depreciation	<b>(14,035)</b>	(12,600)	<b>(28,610)</b>	(24,740)
Amortization	<b>(2,306)</b>	(1,889)	<b>(4,632)</b>	(3,972)
Impairment loss	–	–	<b>(1,059)</b>	–
Loss on disposal of non-current assets	<b>(193)</b>	(428)	<b>(518)</b>	(743)
Finance costs	<b>(5,922)</b>	(7,158)	<b>(13,641)</b>	(14,092)
Finance income	<b>1,112</b>	3,223	<b>2,451</b>	6,521
Other non-operating losses, net	<b>(4,021)</b>	(1,216)	<b>(7,030)</b>	(1,041)
Share of (loss)/gain of associates and joint ventures accounted for using the equity method	<b>(303)</b>	(196)	<b>685</b>	(781)
Net foreign exchange loss	<b>2,794</b>	1,230	<b>(749)</b>	(1,478)
Income tax expense	<b>1,010</b>	(2,703)	<b>(1,338)</b>	(5,834)
<b>Profit for the period</b>	<b>14,232</b>	14,326	<b>18,434</b>	23,050

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**6. Selling, general and administrative expenses**

Selling, general and administrative expenses for the three and six months ended 30 June consist of the following:

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
Network and IT costs	8,840	7,875	18,093	15,547
Personnel costs	7,615	6,000	15,311	13,409
Customer associated costs	6,603	6,676	12,875	12,528
Taxes	2,771	1,850	5,966	4,088
Consulting and professional service costs	796	632	1,534	1,250
Losses on receivables	346	277	851	782
Other G&A expenses	1,007	658	2,094	1,347
<b>Total</b>	<b>27,978</b>	<b>23,968</b>	<b>56,724</b>	<b>48,951</b>

**7. Other non-operating losses, net**

Other non-operating losses, net consisted of the following for the three and six months ended 30 June:

	Note	Three months ended 30 June		Six months ended 30 June	
		2015	2014	2015	2014
Changes in the fair value of non-hedge derivatives		(3,179)	(920)	(4,120)	(919)
Early redemption fees	11	-	-	(2,389)	-
Losses on sale of foreign currency, net		(554)	(6)	(554)	(26)
Effect of refilling tax returns		-	-	457	-
Changes in the fair value of hedge derivatives		(322)	(70)	(431)	(57)
Change of the fair value of derivatives over non-controlling interest		-	(201)	-	11
Loss from available-for-sale financial asset net of result of disposal		-	(2)	-	(2)
Dividend income		-	-	-	5
Other income/(losses), net		34	(17)	7	(53)
<b>Total other non-operating losses, net</b>		<b>(4,021)</b>	<b>(1,216)</b>	<b>(7,030)</b>	<b>(1,041)</b>

**8. Income taxes**

Current income 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 and six months ended 30 June:

	Three months ended 30 June		Six months ended 30 June	
	2015	2014	2015	2014
<b>Profit before tax</b>	<b>15,730</b>	<b>17,029</b>	<b>22,280</b>	<b>28,884</b>
Current income tax	(5,143)	(2,602)	(9,150)	(7,461)
Deferred income tax	6,153	(101)	7,812	1,627
<b>Income tax expense reported in the interim consolidated income statement</b>	<b>1,010</b>	<b>(2,703)</b>	<b>(1,338)</b>	<b>(5,834)</b>
<b>Effective tax rates</b>	<b>(6%)</b>	<b>16%</b>	<b>6%</b>	<b>20%</b>

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**8. Income taxes (continued)**

The effective income tax rate for the three and six months ended 30 June 2015 amounts to – 6% and 6% (2014: 16% and 20%). In the three-month and six-month periods ended 30 June 2015 the effective tax rate was mainly driven by non-deductible expenses and the decrease in accrued withholding taxes on future dividends (see Note 4).

**9. Property and equipment**

During the six months ended 30 June 2015 and 2014, the Company had the following changes in property and equipment:

	Six months ended 30 June	
	2015	2014
<b>Net book value as of 1 January</b>	<b>274,549</b>	251,421
Additions	14,033	25,251
Net book value of assets disposed	(668)	(897)
Translation adjustment	407	(2,320)
Depreciation charge	(28,610)	(24,740)
Assets reclassified as held for sale	3	–
<b>Net book value as of 30 June</b>	<b>259,714</b>	248,715

**10. Intangible assets and goodwill**

During the six months ended 30 June 2015 and 2014, the Company had the following changes in intangible assets and goodwill:

	Six months ended 30 June			
	2015		2014	
	Other intangible assets	Goodwill	Other intangible assets	Goodwill
<b>Opening net book value as of 1 January</b>	<b>29,299</b>	<b>113,557</b>	28,842	109,877
Additions	7,818	–	2,611	–
Net book value of assets disposed	(28)	–	(64)	–
Translation adjustment	(627)	341	(96)	(717)
Impairment	–	(1,059)	–	–
Amortization charge	(4,632)	–	(3,972)	–
<b>Closing net book value as of 30 June</b>	<b>31,830</b>	<b>112,839</b>	27,321	109,160

Goodwill is tested for impairment annually (at 1 October) and when circumstances indicate the carrying value may be impaired. The 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%.

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**11. Financial assets and liabilities**

There were no significant changes in the financial assets and liabilities in the six month-period ended 30 June 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 5 August PJSC “VimpelCom” and OJSC “Sberbank of Russia” signed the amendments to the Sberbank Facilities to reduce fixed interest rate to between 8.75% and 14.0% depending on certain conditions. The decrease in interest rates would apply to three loans from OJSC “Sberbank of Russia” with a total principal amount outstanding of RUR 77,497 as of 1 August 2015. By the same amendments, the total assets covenant was removed from the loan documentation. This was driven by repayment of intercompany loans to PJSC VimpelCom in Q1 2015 and Q2 2015, which in turn used funds received from the other VimpelCom Group entities to repay certain portion of its external debt obligations. This operation had the overall effect of reducing PJSC “VimpelCom”’s total asset levels. For IFRS purposes, a preliminary calculation of the total assets covenant resulted in the minimum total asset threshold not being met as of 30 June 2015. As a result, a RUB 46,254 portion of the amounts outstanding under the Sberbank Facilities has been re-classified as short-term liabilities as of 30 June 2015. Any potential breach of the total assets covenant as of 30 June 2015 was avoided by the signing of such amendments.

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 was 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, 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, net” in the account “early redemption”.

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.



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**11. Financial assets and liabilities (continued)**

**Major treasury events during 2015 (continued)**

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.

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.

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 14.

**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 30 June 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	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
<b>Financial assets at fair value through profit or loss</b>				
Derivatives not designated as hedges				
Foreign exchange contracts	–	5,243	–	5,243
<b>Financial assets at fair value through other comprehensive income</b>				
Derivatives designated as cash flow hedges				
Foreign exchange contracts	–	2,092	–	2,092
Available-for-sale financial assets	2,132	1,913	2,132	1,913
<b>Total financial assets at fair value</b>	<b>2,132</b>	<b>9,248</b>	<b>2,132</b>	<b>9,248</b>
<b>Loans granted, deposits and other financial assets at amortised cost</b>				
Loans granted to related parties, principal (Note 14)	48,052	244,791	38,327	201,844
Bank deposits	12,294	6,136	12,294	6,136
Interest receivable	2,137	3,349	1,615	3,349
Other financial assets	1,182	1,298	1,182	1,298
<b>Total loans granted, deposits and other financial assets at amortised cost</b>	<b>63,665</b>	<b>255,574</b>	<b>53,418</b>	<b>212,627</b>
<b>Total other financial assets</b>	<b>65,797</b>	<b>264,822</b>	<b>55,550</b>	<b>221,875</b>

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**11. Financial assets and liabilities (continued)**

**Carrying values and fair values (continued)**

	Carrying value		Fair value	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
<b>Financial liabilities at fair value through profit or loss</b>				
Derivatives not designated as cash flow hedges				
Foreign exchange contracts	3,978	–	3,978	–
<b>Financial liabilities at fair value through other comprehensive income</b>				
Derivatives designated as cash flow hedges				
Foreign exchange contracts	773	–	773	–
<b>Total financial liabilities at fair value</b>	<b>4,751</b>	<b>–</b>	<b>4,751</b>	<b>–</b>
<b>Other financial liabilities at amortised cost</b>				
Interest-bearing loans, bonds and finance lease liabilities, principal	206,788	334,122	213,677	303,726
Loans payables to related parties, principal (Note 14)	28,347	122,882	21,491	98,720
Unamortised fees	(1,179)	(1,613)	–	–
Interest payable	8,070	6,290	8,070	6,274
Financial liability to non-controlling interest via equity	–	14,597	–	13,004
<b>Total other financial liabilities at amortised cost</b>	<b>242,026</b>	<b>476,278</b>	<b>243,238</b>	<b>421,724</b>
<b>Total other financial liabilities</b>	<b>246,777</b>	<b>476,278</b>	<b>247,989</b>	<b>421,724</b>

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 30 June 2015 and 31 December 2014:

	30 June 2015	31 December 2014
<b>Other financial assets</b>		
Non-current portion	52,937	248,934
Current portion	12,860	15,888
<b>Total other financial assets</b>	<b>65,797</b>	<b>264,822</b>
<b>Other financial liabilities</b>		
Non-current portion	101,005	378,592
Current portion	145,772	97,686
<b>Total other financial liabilities</b>	<b>246,777</b>	<b>476,278</b>

**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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**11. 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 30 June 2015		
	(Level 1)	(Level 2)	(Level 3)
<b>Financial assets at fair value through other comprehensive income</b>			
Available-for-sale financial asset	2,132	–	–
<b>Total financial assets at fair value</b>	<b>2,132</b>	<b>–</b>	<b>–</b>
<b>Financial assets for which fair values are disclosed</b>			
Loans granted to related parties, principal (Note 14)	–	38,327	–
Bank deposits	–	12,294	–
Interest receivable	–	1,615	–
Other financial assets	–	1,182	–
<b>Total financial assets for which fair values are disclosed</b>	<b>–</b>	<b>53,418</b>	<b>–</b>
<b>Financial liabilities at fair value through profit or loss</b>			
Derivatives not designated as cash flow hedges			
Foreign exchange contracts	–	3,978	–
<b>Financial liabilities at fair value through other comprehensive income</b>			
Derivatives designated as cash flow hedges			
Foreign exchange contracts	–	773	–
<b>Total financial liabilities at fair value</b>	<b>–</b>	<b>4,751</b>	<b>–</b>
<b>Financial liabilities for which fair values are disclosed</b>			
Other financial liabilities at amortised cost	118,397	124,841	–
<b>Total financial liabilities for which fair values are disclosed</b>	<b>118,397</b>	<b>124,841</b>	<b>–</b>

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**11. Financial assets and liabilities (continued)**

**Fair value hierarchy (continued)**

	As of 31 December 2014		
	(Level 1)	(Level 2)	(Level 3)
<b>Financial assets at fair value through profit or loss</b>			
Derivatives not designated as hedges			
Foreign exchange contracts	–	5,243	–
<b>Financial assets at fair value through other comprehensive income</b>			
Derivatives designated as cash flow hedges			
Foreign exchange contracts		2,092	
Available-for-sale financial asset	1,913	–	–
<b>Total financial assets at fair value</b>	<b>1,913</b>	<b>7,335</b>	–
 <b>Assets for which fair values are disclosed</b>			
Loans granted to related parties (Note 14)	–	201,844	–
Bank deposits	–	6,136	–
Interest receivable	–	3,349	–
Other financial assets	–	1,298	–
<b>Total assets for which fair values are disclosed</b>	–	<b>212,627</b>	–
 <b>Financial liabilities for which fair values are disclosed</b>			
Other financial liabilities at amortised cost	115,367	306,357	–
<b>Total financial liabilities for which fair values are disclosed</b>	<b>115,367</b>	<b>306,357</b>	–

During the three months period ended 30 June 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.

**12. Other non-financial assets and liabilities**

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

	30 June 2015	31 December 2014
Deferred costs related to connection fees	171	191
Advances to suppliers and prepayments	88	268
Other non-current assets	509	451
<b>Other non-current non-financial assets</b>	<b>768</b>	<b>910</b>

Other current non-financial assets consisted of the following:

	30 June 2015	31 December 2014
Advances to suppliers	5,096	5,570
Input value added tax	4,446	2,682
Prepaid taxes	254	21
Deferred costs related to connection fees	128	181
Others	238	169
<b>Other current non-financial assets</b>	<b>10,162</b>	<b>8,623</b>

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**12. Other non-financial assets and liabilities (continued)**

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

	30 June 2015	31 December 2014
Long-term deferred revenue	758	880
Other non-current liabilities	291	–
<b>Other non-current non-financial liabilities</b>	<b>1,049</b>	<b>880</b>

Other current non-financial liabilities consisted of the following:

	30 June 2015	31 December 2014
Customer advances, net of VAT	11,717	14,089
Other taxes payable	9,313	6,276
Amounts due to employees	2,928	2,255
Customer deposits	1,098	1,297
Short-term deferred revenue	758	1,236
Other liabilities	642	515
<b>Other current non-financial liabilities</b>	<b>26,456</b>	<b>25,668</b>

**13. Cash and cash equivalents**

Cash and cash equivalents consisted of the following items:

	30 June 2015	31 December 2014
Cash and cash equivalents at banks and on hand	59,505	79,476
Short-term deposits with an original maturity of less than 92 days	23,740	7,721
<b>Total cash and cash equivalents</b>	<b>83,245</b>	<b>87,197</b>

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 30 June 2015 in Uzbekistan of RUR 32,436 (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.

**14. Related parties**

**Shareholders and other related parties**

As of 30 June 2015, PJSC “VimpelCom” is a wholly-owned indirect subsidiary of VimpelCom Ltd. As of 30 June 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 was 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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**14. 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 30 June		For the six months ended 30 June	
	2015	2014	2015	2014
Revenue from Alfa Group	–	88	–	175
Revenue from Telenor	8	5	12	6
Revenue from Kyivstar	1,244	1,149	3,159	1,971
Revenue from associates	111	77	274	153
Revenue from joint ventures	312	95	553	193
Revenue from Teta Telecom or its subsidiaries	484	388	1,042	731
Revenue from other related parties	238	215	558	313
	<b>2,397</b>	<b>2,017</b>	<b>5,598</b>	<b>3,542</b>
Services from Alfa Group	-	111	–	211
Services from Telenor	10	16	49	(26)
Services from Kyivstar	1,639	1,234	3,221	2,234
Services from associates	73	85	170	176
Services from joint ventures	282	358	559	692
Services from Teta Telecom or its subsidiaries	1,415	1,061	2,945	2,001
Services from VimpelCom Ltd. or its subsidiaries	1,751	1,008	3,234	1,859
Services from other related parties	162	7	377	104
	<b>5,332</b>	<b>3,880</b>	<b>10,555</b>	<b>7,251</b>
Finance income from VimpelCom Ltd. or its subsidiaries	776	3,028	1,694	6,147
Finance costs from VimpelCom Ltd. or its subsidiaries	577	1,289	1,622	2,534
Other gain/(loss) from other related parties	29	(5)	28	4
			<b>As of 30 June 2015</b>	<b>As of 31 December 2014</b>
Accounts receivable from Telenor			325	213
Accounts receivable from Kyivstar			1,174	2,991
Accounts receivable from associates			108	79
Accounts receivable from joint ventures			497	1,496
Accounts receivable from Teta Telecom or its subsidiaries			251	522
Accounts receivable from VimpelCom Ltd. or its subsidiaries			2,391	2,155
Accounts receivable from other related parties			343	341
			<b>5,089</b>	<b>7,797</b>
Accounts payable to Telenor			70	91
Accounts payable to Kyivstar			1,201	1,974
Accounts payable to associates			8	26
Accounts payable to joint ventures			170	1,125
Accounts payable to Teta Telecom or its subsidiaries			2,093	1,955
Accounts payable to VimpelCom Ltd. or its subsidiaries			3,832	3,282
Accounts payable to other related parties			9	–
			<b>7,383</b>	<b>8,453</b>
Loans granted to VimpelCom Ltd. or its subsidiaries			48,052	244,791
Interest receivable from VimpelCom Ltd. or its subsidiaries			2,044	3,240
Loans received from VimpelCom Ltd. or its subsidiaries			28,347	122,882
Interest payable to VimpelCom Ltd. or its subsidiaries			5,267	1,055

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**14. Related parties (continued)**

**Loans granted to VimpelCom Ltd. or its subsidiaries**

As of 30 June 2015 and 31 December 2014, the principal amounts of loans granted to VimpelCom Ltd. or its subsidiaries were as follows:

<b>Borrower</b>	<b>Date of agreement</b>	<b>Maturity</b>	<b>Interest rate</b>	<b>Currency</b>	<b>30 June 2015</b>	<b>31 December 2014</b>
VimpelCom Amsterdam Finance B.V. <sup>1</sup>	13 May 2011	May, 2017	7.5%	USD	–	207,308
VimpelCom Ltd.	7 Oct. 2010	Dec., 2070	LIBOR+7.5%	USD	<b>31,175</b>	31,587
VimpelCom Amsterdam Finance B.V. <sup>2</sup>	13 Apr. 2015	Apr., 2018	LIBOR+4%	USD	<b>11,105</b>	–
Teta Telecom	2007-2011	2017-2021	10.6%	KZT	<b>2,212</b>	2,288
Kyivstar	8 June 2004	Jan., 2016	5%	USD	<b>1,460</b>	1,480
Kyivstar	15 Oct. 2008	Mar., 2016	7.7%	USD	<b>1,017</b>	1,030
VimpelCom (BVI) Ltd.	27 Jul. 2010	Jul., 2016	5.2%	USD	<b>572</b>	580
VimpelCom (BVI) Ltd.	17 Nov. 2011	Nov., 2016	5.2%	USD	<b>511</b>	518
<b>Total</b>					<b>48 052</b>	<b>244,791</b>

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

<sup>2</sup> 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 17 August 2015 PJSC “VimpelCom” additionally provided under this facility USD 50 million to VimpelCom Amsterdam B.V. (the equivalent of RUR 3,247 as of the dates of transactions at the exchange rate provided by the Central Bank of Russia).

**Loans received from VimpelCom Ltd. or its subsidiaries**

As of 30 June 2015 and 31 December 2014, the principal amounts of loans received from VimpelCom Ltd. or its subsidiaries were as follows:

<b>Lender</b>	<b>Date of agreement</b>	<b>Maturity</b>	<b>Interest rate</b>	<b>Currency</b>	<b>30 June 2015</b>	<b>31 December 2014</b>
VimpelCom Holdings B.V.	14 Feb. 2013	Feb., 2018	9.60%	RUR	<b>12,000</b>	12,000
Weather Capital Special Purpose 1 S.A. <sup>1</sup>	26 Mar. 2015	Mar., 2032	6.5%	USD	<b>10,232</b>	–
Weather Capital Special Purpose 1 S.A.	13 Apr. 2007	Apr., 2017	11%	USD	<b>3,662</b>	3,710
Weather Capital Special Purpose 1 S.A.	27 May 2008	Jun., 2016	11%	USD	<b>2,453</b>	1,969
Weather Capital Special Purpose 1 S.A. <sup>2</sup>	3 Oct. 2013	Feb., 2020	5.67-6.07%	USD	–	35,724
Weather Capital Special Purpose 1 S.A. <sup>2</sup>	13 Nov. 2013	Feb., 2020	5.56-5.96%	USD	–	32,630
Weather Capital Special Purpose 1 S.A. <sup>2</sup>	22 Apr. 2013	Oct., 2021	5.75%	USD	–	22,503
Weather Capital Special Purpose 1 S.A. <sup>2</sup>	21 Jan. 2014	Feb., 2020	5.44-5.80%	USD	–	14,346
<b>Total</b>					<b>28,347</b>	<b>122,882</b>

<sup>1</sup> 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%.

<sup>2</sup> The loan was fully early repaid of in February 2015.

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**14. Related parties (continued)**

**Terms and conditions of transactions with related parties**

Outstanding balances at period-end are unsecured, settlements occur in cash. During the six months ended 30 June 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 except for those changes disclosed below in Note 15. No triggering events under the existing guarantees in favor of related party occurred. The Company believes that probability of these events is remote.

**15. Commitments, 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.

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.

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.



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**15. Commitments, contingencies and uncertainties (continued)**

**Investigation of the operations in Uzbekistan (continued)**

On 29 June 2015, the DOJ filed a civil complaint in the Southern District Court of New York, seeking the forfeiture of property, currently held by others, located in Belgium, Ireland, and Luxembourg that it claims was derived in violation of US law. VimpelCom Ltd. Group is not a defendant in this action. Such a forfeiture action indicates, however, the DOJ's position that certain conduct by the Company in or relating to Uzbekistan constituted a violation of the FCPA. On 10 July 2015, a federal judge signed warrant orders allowing the DOJ to proceed with forfeiture actions as described in the complaint. VimpelCom Ltd. Group will continue to monitor this proceeding.

As of and for the six-month period ended 30 June 2015, the Company reported revenues and total assets from its Uzbekistan operations of RUR 19,584 and RUR 58,406 respectively, which equals 10.8% and 9.5% 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.

**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. On 2 April 2015, VimpelCom Amsterdam B.V. partially repurchased the current notes issued by VimpelCom Holdings B.V. (Note 11) 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.

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**15. Commitments, contingencies and uncertainties (continued)**

**Guarantees in favour of VimpelCom Holdings B.V. (continued)**

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 11). 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.

**16. Events after the reporting period**

On 17 July 2015 the subsidiary of the Company VimpelCom Kazakhstan Holding AG paid dividends to non-controlling interest in the amount of USD 104.28 million (the equivalent of RUR 5,939 as of 17 July 2015 at the exchange rate provided by the Central Bank of Russia).

Since 30 June 2015, several currencies demonstrated high volatility. In particular, between 30 June 2015 and 28 August 2015, the Russian ruble depreciated against the U.S. dollar and the Euro by approximately 21% and 24%, respectively, Kazakhstan tenge depreciated against the U.S. dollar and the Euro by approximately 30% and 32%. RUR and KZT devaluation against major foreign currencies (USD, EUR) may give additional impact on the financial position or performance of the Group. Development of telecommunications market may show negative trends during 2015 due to the decrease of purchasing power of the population.