

Unaudited interim condensed
consolidated financial statements

Public Joint Stock Company
“Vimpel-Communications”

(a wholly-owned subsidiary of VimpelCom Ltd.)

*as of 30 September 2016 and
for the three and nine months ended 30 September 2016*

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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 September 2016 and 31 December 2015, and the related interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity for the three-month and nine-month periods ended 30 September 2016 and interim consolidated statement of cash flows for the nine-month period ended 30 September 2016.

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

7 December 2016

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

Interim consolidated income statement
for the three and nine months ended 30 September 2016

	Note	Three months ended 30 September		Nine months ended 30 September	
		2016 (unaudited)	2015 (unaudited)	2016 (unaudited)	2015 (unaudited)
<i>(All amounts in millions of Rubles unless otherwise stated)</i>					
Service revenue		89,295	94,875	259,288	272,868
Sale of equipment and accessories		2,469	2,897	7,413	6,616
Other revenue		88	167	357	568
Total operating revenue	4	91,852	97,939	267,058	280,052
Operating expenses					
Service costs		(25,868)	(27,024)	(71,843)	(75,385)
Cost of equipment and accessories		(3,208)	(3,368)	(8,630)	(7,521)
Selling, general and administrative expenses	5	(30,396)	(31,310)	(89,796)	(88,034)
Depreciation	8	(14,294)	(14,190)	(42,948)	(42,800)
Amortization	9	(2,975)	(2,430)	(7,994)	(7,062)
Impairment loss		(34)	-	(216)	(1,059)
Loss on disposal of non-current assets		(528)	(446)	(1,109)	(964)
Total operating expenses		(77,303)	(78,768)	(222,536)	(222,825)
Operating profit		14,549	19,171	44,522	57,227
Finance costs		(6,096)	(6,573)	(18,938)	(20,214)
Finance income		1,419	(1,007)	4,966	1,444
Net foreign exchange gain / (loss)		1,216	(13,347)	7,615	(14,096)
Other non-operating (loss) / gain, net	6	(1,062)	3,208	(5,246)	(3,822)
Share of (loss) / gain of joint ventures and associates accounted for using the equity method		(827)	578	(1,929)	1,263
Profit before tax		9,199	2,030	30,990	21,802
Income tax expense	7	(2,972)	(1,545)	(12,609)	(2,883)
Profit for the period		6,227	485	18,381	18,919
Attributable to:					
The owners of the Company		5,127	(564)	18,607	17,845
Non-controlling interests		1,100	1,049	(226)	1,074
		6,227	485	18,381	18,919

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 nine months ended 30 September 2016

	Three months ended 30 September		Nine months ended 30 September	
	2016 (unaudited)	2015 (unaudited)	2016 (unaudited)	2015 (unaudited)
	<i>(All amounts in millions of Rubles unless otherwise stated)</i>			
Profit for the period	6,227	485	18,381	18,919
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Cash flow hedge reserve	4	282	(71)	(661)
Income tax effect	-	-	-	-
Net loss arising on revaluation of available-for-sale financial assets at fair value through other comprehensive income	-	(486)	-	(63)
Income tax effect	-	-	-	-
Exchange differences arising on net investment in foreign operations	(4,532)	15,993	(27,582)	15,975
Income tax effect	154	(906)	1,355	(844)
Other comprehensive (loss) / income for the period, net of tax	(4,374)	14,883	(26,298)	14,407
Total comprehensive income / (loss) for the period, net of tax	1,853	15,368	(7,917)	33,326
Attributable to:				
The owners of the Company	1,212	16,368	(7,380)	34,495
Non-controlling interests	641	(1,000)	(537)	(1,169)
	1,853	15,368	(7,917)	33,326

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 September 2016

		30 September 2016	31 December 2015
	Note	(unaudited)	(audited)
<i>(All amounts in millions of Rubles unless otherwise stated)</i>			
Assets			
Non-current assets			
Property and equipment	8	228,882	265,899
Intangible assets	9	36,844	35,976
Goodwill	9	110,965	113,369
Investments in associates and joint ventures		12,591	14,519
Deferred income tax assets		2,355	2,225
Other financial assets	10	53,344	99,388
Other non-current non-financial assets	11	1,033	436
Total non-current assets		446,014	531,812
Current assets			
Inventories		6,019	6,266
Trade and other receivables		26,519	27,980
Other current non-financial assets	11	12,015	8,025
Current income tax assets		3,111	5,713
Other current financial assets	10	7,139	29,108
Cash and cash equivalents	12	76,308	63,385
Total current assets		131,111	140,477
Assets classified as held for sale		131	178
Total assets		577,256	672,467
Equity and liabilities			
Equity			
Equity attributable to equity owners of the parent		237,989	266,329
Non-controlling interests		12,461	14,059
Total equity		250,450	280,388
Non-current liabilities			
Financial liabilities	10	182,321	199,657
Provisions		2,773	3,600
Other non-current non-financial liabilities	11	875	804
Deferred income tax liabilities		13,500	19,096
Total non-current liabilities		199,469	223,157
Current liabilities			
Trade and other payables		49,388	58,684
Dividends payable	3	-	8
Other current non-financial liabilities	11	24,606	25,191
Other financial liabilities	10	49,259	82,180
Current income tax payables		201	258
Provisions		3,883	2,601
Total current liabilities		127,337	168,922
Total equity and liabilities		577,256	672,467

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 September 2016

Attributable to the owners of the Company										
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 30 June 2016 (unaudited)	3	40,234	30,477	157,985	17,803	(55)	–	246,447	12,962	259,409
Profit for the period	–	–	–	5,127	–	–	–	5,127	1,100	6,227
Other comprehensive loss	–	–	–	–	(3,919)	4	–	(3,915)	(459)	(4,374)
Total comprehensive income / (loss)	–	–	–	5,127	(3,919)	4	–	1,212	641	1,853
Dividends declared	3	–	–	–	–	–	–	–	(1,273)	(1,273)
Acquisition of non-controlling interests	3	–	(597)	–	–	–	–	(597)	131	(466)
Transactions under common control	3	–	(9,073)	–	–	–	–	(9,073)	–	(9,073)
As of 30 September 2016 (unaudited)	3	40,234	20,807	163,112	13,884	(51)	–	237,989	12,461	250,450

Interim consolidated statement of changes in equity
for the nine months ended 30 September 2016

Attributable to the owners of the Company										
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 31 December 2015 (audited)	3	40,234	24,408	162,005	40,150	20	(491)	266,329	14,059	280,388
Profit for the period	–	–	–	18,607	–	–	–	18,607	(226)	18,381
Other comprehensive loss	–	–	–	–	(25,916)	(71)	–	(25,987)	(311)	(26,298)
Total comprehensive income / (loss)	–	–	–	18,607	(25,916)	(71)	–	(7,380)	(537)	(7,917)
Dividends declared	3	–	–	(17,500)	–	–	–	(17,500)	(1,273)	(18,773)
Acquisition of non-controlling interests	3	–	(597)	–	–	–	–	(597)	131	(466)
Acquisition of subsidiaries	–	–	32	–	–	–	–	32	81	113
Transactions under common control	3	–	(3,036)	–	(350)	–	491	(2,895)	–	(2,895)
As of 30 September 2016 (unaudited)	3	40,234	20,807	163,112	13,884	(51)	–	237,989	12,461	250,450

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 September 2015

	Attributable to the owners of the Company							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>									
As of 30 June 2015 (unaudited)	3	40,234	22,300	161,154	18,265	(283)	423	242,096	23,199	265,295
Profit for the period	–	–	–	(564)	–	–	–	(564)	1,049	485
Other comprehensive income / (loss)	–	–	–	–	17,136	282	(486)	16,932	(2,049)	14,883
Total comprehensive income / (loss)	–	–	–	(564)	17,136	282	(486)	16,368	(1,000)	15,368
Dividends declared	–	–	–	–	–	–	–	–	(7,609)	(7,609)
As of 30 September 2015 (unaudited)	3	40,234	22,300	160,590	35,401	(1)	(63)	258,464	14,590	273,054

Interim consolidated statement of changes in equity
for the nine months ended 30 September 2015

	Attributable to the owners of the Company							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>									
As of 31 December 2014 (audited)	3	40,234	22,997	142,745	18,027	660	–	224,666	8,074	232,740
Profit for the period	–	–	–	17,845	–	–	–	17,845	1,074	18,919
Other comprehensive income / (loss)	–	–	–	–	17,374	(661)	(63)	16,650	(2,243)	14,407
Total comprehensive income / (loss)	–	–	–	17,845	17,374	(661)	(63)	34,495	(1,169)	33,326
Dividends declared	–	–	–	–	–	–	–	–	(7,609)	(7,609)
Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control	–	–	(697)	–	–	–	–	(697)	15,294	14,597
As of 30 September 2015 (unaudited)	3	40,234	22,300	160,590	35,401	(1)	(63)	258,464	14,590	273,054

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

Interim consolidated statement of cash flows
for the nine months ended 30 September 2016

	Note	Nine months ended 30 September	
		2016	2015
<i>(All amounts in millions of Rubles unless otherwise stated)</i>			
Operating activities			
Profit for the period		18,381	18,919
Income tax expense	7	12,609	2,883
Profit before tax		30,990	21,802
Non-cash adjustments to reconcile profit before tax to net cash flows from operating activities:			
Depreciation	8	42,948	42,800
Impairment loss		216	1,059
Amortization	9	7,994	7,062
Loss on disposal of non-current assets		1,109	964
Finance income		(4,966)	(1,444)
Finance costs		18,938	20,214
Other non-operating loss, net	6	5,246	3,822
Net foreign exchange (gain) / loss		(7,615)	14,096
Share of loss / (gain) of joint ventures and associates accounted for using the equity method		1,929	(1,263)
Movements in provisions		2,067	2,135
Operating cash flows before working capital adjustments, interest and income taxes		98,856	111,247
Working capital adjustments			
Change in trade and other receivables		(6,080)	(9,140)
Change in inventories		492	(1,519)
Change in trade and other payables		(62)	8,435
Interest and income taxes			
Interest paid		(18,296)	(20,477)
Interest received		3,159	8,520
Income tax paid		(13,565)	(10,892)
Net cash flows from operating activities		64,504	86,174
Investing activities			
Proceeds from sale of property, equipment and intangible assets		196	335
Purchase of property, equipment and intangible assets		(42,887)	(45,912)
Issue of loans		(35,513)	(63,839)
Repayment of loans issued		82,465	310,936
Inflows / (outflows) from deposits, net		4,942	(13,153)
Inflow / (outflow) from investments in other financial assets		(3,299)	5,203
Disposal of subsidiaries, net of cash disposed		1,592	–
Acquisition of subsidiaries, net of cash acquired		15	26
Receipt of dividends		2	1
Net cash flows from investing activities		7,513	193,597
Financing activities			
Outflows from changes in ownership interests in a consolidated subsidiaries		(635)	–
Proceeds from borrowings, net of fees paid		31,748	2,529
Repayment of borrowings		(62,030)	(264,187)
Dividends paid to equity holders	3	(17,500)	–
Dividends paid to non-controlling interests	3	(1,266)	(7,624)
Proceeds from sale of non-controlling interests		59	–
Net cash flows used in financing activities		(49,624)	(269,282)
Net increase in cash and cash equivalents		22,393	10,489
Effect of exchange rate changes on cash and cash equivalents, net		(9,470)	5,488
Cash and cash equivalents at the beginning of the period		63,385	87,197
Cash and cash equivalents at the end of the period		76,308	103,174

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 September 2016, the Company operated telecommunications services in Russia, Kazakhstan, Armenia, Uzbekistan, Georgia, Kyrgyzstan and Laos primarily under the “Beeline” brand name.

The foreign exchange rate in Uzbekistan applied for consolidation purposes is an official rate published by the Central Bank of the Republic of Uzbekistan. However, this exchange rate is not achievable in expatriating funds out of the country due to restrictions imposed by the local government. The assets of our business in Uzbekistan represented RUR 80,460 of the total assets in the Company’s interim consolidated statement of financial position as of 30 September 2016. However, if the Company applied the exchange rate implied by market transactions, we believe the assets of Uzbekistan would decrease significantly in RUR terms.

The interim condensed consolidated financial statements of the Company as of 30 September 2016 and for the three and nine months ended 30 September 2016 were authorized for issue by the General Director on 7 December 2016.

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 as of 31 December 2015 and for the year ended 31 December 2015 prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

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 judgements, estimates and assumptions affects the amounts reported in the interim consolidated statement of financial position, interim consolidated income statement, interim consolidated statements of comprehensive income, interim consolidated statement of changes in equity, interim consolidated statement of cash flows as well as the notes. 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.

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)

New standards, interpretations and amendments 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 as of and for the year ended 31 December 2015.

A number of new and amended standards became effective as of 1 January 2016, however, the Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. The Group has not early adopted any other standards, interpretations or amendments that have been issued but not yet effective.

3. Significant transactions

Transactions under common control

On 10 March 2016, VimpelCom signed an agreement to sell its indirect 99.99% stake in VC ESOP N.V. to one of the subsidiaries of VimpelCom Ltd. and related party of the Group for total consideration of USD 1. The ownership of the 99.99% shares in VC ESOP N.V. was transferred from the Group on 1 January 2016. As of 1 January 2016, net liabilities of VC ESOP N.V. were RUR 6,873.

On 24 August 2016, a new legal entity JSC “National Tower Company” (hereinafter “NTC”) was incorporated as a result of a corporate spin-off of a portion of PJSC “VimpelCom”'s tower infrastructure. NTC is indirectly 100% owned by VimpelCom Ltd., ultimate parent of PJSC “VimpelCom”. As of 24 August 2016, net assets transferred to NTC as part of the spin-off were RUR 9,073.

For business combinations exercised under common control, VimpelCom measures the net assets of the transaction at the carrying amounts, the difference between the amount received for the transaction and the corresponding carrying amount of the net assets is accounted for as equity transaction.

Dividends

On 29 June 2016, in the annual general meeting of shareholders the decision was adopted to pay annual dividends in the monetary form based on 2015 financial year results: (1) to holders of common registered shares in the amount of three hundred forty-one rubles 26 kopecks per one common share for the total amount of RUR 17,500.16 for all common registered shares in the aggregate; and (2) to holders of preferred type “A” registered shares in the amount of 0.1 kopecks per one preferred type “A” registered share for a total amount of RUR 0.006 for all preferred type “A” registered shares in the aggregate. On 14 July 2016, VimpelCom paid all dividends to the shareholders based on 2015 financial year results in the amount of RUR 16,625.16, net of tax withheld. In accordance with Russian tax legislation, VimpelCom withheld a tax on dividend payments in the amount of RUR 875.

On 28 July 2016, VimpelCom Kazakhstan Holding AG, a subsidiary of the Company, declared dividends to its shareholders. The portion of dividends declared to the minority shareholder amounted to USD 17.6 million (the equivalent of RUR 1,161 as of 28 July 2016 at the exchange rate provided by the Central Bank of Russia). The dividends were paid on 2 August 2016.

Acquisition of non-controlling interests

On 30 September 2016 the Company acquired an additional interest of 16% in its subsidiary 2Day Telecom LLP increasing its interest to 75%, for cash consideration of USD 7,380 (the equivalent of RUR 466.11 as of 30 September 2016 at the exchange rate provided by the Central Bank of Russia). On the same date, the Company acquired an additional 36.75% interest in its subsidiary KazEuroMobile LLP for cash consideration of KZT 1, increasing its interest to 75%. The purpose of the transactions was to streamline ownership structure of the Group. The transactions were accounted for through equity by increasing other capital reserves.

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

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.

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, gain / (loss) on disposals of non-current assets, net foreign exchange gain / (loss), other non-operating gain / (losses) and share of profit / (loss) of joint ventures and associates (“EBITDA”).

The Company’s reportable segments include Russia, Kazakhstan and Uzbekistan, HQ and Others. The segment HQ and Others includes our operations in Kyrgyzstan, Armenia, Georgia, and Laos as well as headquarter expenses, other unallocated adjustments and inter-company eliminations.

Financial information by reportable segment for the three and nine months ended 30 September 2016 and 30 September 2015 is presented in the following tables. Inter-segment revenues between operating segments are on an arm’s length basis in a manner similar to transactions with third parties. The segment data for acquired operations are reflected herein from the date of their respective acquisition.

Information by reportable segments for the three months ended 30 September 2016

	Russia	Uzbekistan	Kazakhstan	HQ and others	Group
Revenue					
External customers	70,914	10,905	5,840	4,193	91,852
Inter-segment	263	(2)	10	(271)	–
Total operating revenue	71,177	10,903	5,850	3,922	91,852
EBITDA	26,710	6,225	2,499	(3,054)	32,380
Other disclosures					
Capital expenditures	9,651	2,430	962	784	13,827
Impairment loss	(34)	–	–	–	(34)

Information by reportable segments for the nine months ended 30 September 2016

	Russia	Uzbekistan	Kazakhstan	HQ and others	Group
Revenue					
External customers	203,433	33,993	16,977	12,655	267,058
Inter-segment	778	40	55	(873)	–
Total operating revenue	204,211	34,033	17,032	11,782	267,058
EBITDA	78,389	19,894	6,216	(7,710)	96,789
Other disclosures					
Capital expenditures	20,759	5,580	8,086	1,665	36,090
Impairment loss	(175)	–	(15)	(26)	(216)

Information by reportable segments for the three months ended 30 September 2015

	Russia	Uzbekistan	Kazakhstan	HQ and others	Group
Revenue					
External customers	72,007	11,676	9,323	4,933	97,939
Inter-segment	362	17	35	(414)	–
Total operating revenue	72,369	11,693	9,358	4,519	97,939
EBITDA	28,466	6,146	3,452	(1,827)	36,237
Other disclosures					
Capital expenditures	12,647	2,002	1,260	1,308	17,217
Impairment loss	–	–	–	–	–

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

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4. Segment information (continued)

Information by reportable segments for the nine months ended 30 September 2015

	Russia	Uzbekistan	Kazakhstan	HQ and others	Group
Revenue					
External customers	205,723	31,260	27,732	15,337	280,052
Inter-segment	957	44	78	(1,079)	–
Total operating revenue	206,680	31,304	27,810	14,258	280,052
EBITDA	82,132	18,588	11,366	(2,974)	109,112
Other disclosures					
Capital expenditures	29,467	2,094	2,662	4,845	39,068
Impairment loss	–	–	–	(1,059)	(1,059)

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

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
EBITDA	32,380	36,237	96,789	109,112
Depreciation	(14,294)	(14,190)	(42,948)	(42,800)
Amortization	(2,975)	(2,430)	(7,994)	(7,062)
Impairment loss	(34)	–	(216)	(1,059)
Loss on disposal of non-current assets	(528)	(446)	(1,109)	(964)
Finance costs	(6,096)	(6,573)	(18,938)	(20,214)
Finance income	1,419	(1,007)	4,966	1,444
Other non-operating (loss) / gain, net	(1,062)	3,208	(5,246)	(3,822)
Share of (loss) / gain of joint ventures and associates accounted for using the equity method	(827)	578	(1,929)	1,263
Net foreign exchange gain / (loss)	1,216	(13,347)	7,615	(14,096)
Income tax expense	(2,972)	(1,545)	(12,609)	(2,883)
Profit for the period	6,227	485	18,381	18,919

5. Selling, general and administrative expenses

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

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Customer associated costs	7,640	7,164	19,955	20,039
Personnel costs	5,924	7,264	19,794	22,575
Network and IT costs	4,985	5,071	14,620	14,606
Operating lease and other rent expenses	4,604	4,259	13,235	12,817
Taxes other than income tax	3,337	3,347	11,632	9,313
Consulting and professional service costs	1,490	1,055	4,497	2,589
Losses on receivables	515	485	2,105	1,336
Other G&A expenses	1,901	2,665	3,958	4,759
Total	30,396	31,310	89,796	88,034

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6. Other non-operating (loss) / gain, net

Other non-operating (loss) / gain, net consisted of the following for the three and nine months ended 30 September:

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Changes in the fair value of non-hedge derivatives	(921)	3,447	(5,563)	(673)
Income / (loss) on sale of foreign currency, net	(109)	47	434	(507)
Changes in the fair value of hedge derivatives	(1)	75	1	(356)
Early redemption fee	-	-	-	(2,389)
Effect of refiling tax returns	-	-	-	457
Other loss, net	(31)	(361)	(118)	(354)
Total other non-operating (loss) / gain, net	(1,062)	3,208	(5,246)	(3,822)

7. 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 nine months ended 30 September:

	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Profit before tax	9,199	2,030	30,990	21,802
Current income tax	(5,035)	(2,067)	(17,194)	(11,217)
Deferred income tax	2,063	522	4,585	8,334
Income tax expense reported in the interim consolidated income statement	(2,972)	(1,545)	(12,609)	(2,883)
Effective tax rates	32%	76%	41%	13%

The effective income tax rate for the three and nine months ended 30 September 2016 amounts to 32% (2015: 76%) and 41% (2015:13%). In the three-month and nine-month periods ended 30 September 2016 the effective income tax rate was mainly driven by non-deductible expenses and higher tax rate in Uzbekistan introduced since 1 January 2016. The income tax expense accrued in Uzbekistan amounts to RUR 8,841 for the nine months ended 30 September 2016 and RUR 2,380 for the nine months ended 30 September 2015. In the three-month period ended 30 September 2015 the effective income tax rate was mainly driven by non-deductible expenses. In the nine-month period ended 30 September 2015 the effect of non-deductible expenses was more than offset by the decrease in accrued withholding taxes on future dividends following the restructuring of VimpelCom indirect interests in TOO Kar-Tel (Kazakhstan) and LLC Sky Mobile (Kyrgyzstan) subsidiaries.

8. Property and equipment

During the nine months ended 30 September 2016 and 2015, the Company had the following changes in property and equipment:

	Nine months ended 30 September	
	2016	2015
Net book value as of 1 January	265,899	274,549
Additions	25,834	30,564
Acquisition of a subsidiary	10	176
Net book value of assets disposed	(11,901)	(1,336)
Translation adjustment	(7,842)	1,203
Depreciation charge	(42,948)	(42,800)
Impairment	(216)	-
Assets reclassified from assets held for sale	46	3
Net book value as of 30 September	228,882	262,359

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9. Intangible assets and goodwill

During the nine months ended 30 September 2016 and 2015, the Company had the following changes in intangible assets and goodwill:

	Nine months ended 30 September			
	2016		2015	
	Other intangible assets	Goodwill	Other intangible assets	Goodwill
Opening net book value as of 1 January	35,976	113,369	29,299	113,557
Additions	10,256	–	8,504	–
Acquisition of a subsidiary	34	5	24	–
Net book value of assets disposed	(2)	–	(30)	–
Translation adjustment	(1,426)	(2,409)	43	1,083
Impairment	–	–	–	(1,059)
Amortization charge	(7,994)	–	(7,062)	–
Closing net book value as of 30 September	36,844	110,965	30,778	113,581

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 2015.

The Company considers the relationship between market capitalization of Vimpelcom Ltd. and its book value, as well as weighted average cost of capital and the actual quarterly performances when reviewing for indicators of impairment in interim periods.

There were no goodwill impairments recorded during nine months period ended 30 September 2016.

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10. Financial assets and liabilities

Carrying values and fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Company’s financial instruments that are carried in the interim condensed consolidated financial statements as of 30 September 2016 and 31 December 2015 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 September 2016	31 December 2015	30 September 2016	31 December 2015
Financial assets at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	39	912	39	912
Financial assets at fair value through other comprehensive income				
Derivatives designated as cash flow hedges				
Foreign exchange contracts	–	1,258	–	1,258
Available-for-sale financial assets	–	1,847	–	1,847
Total financial assets at fair value	39	4,017	39	4,017
Loans granted, deposits and other financial assets at amortised cost				
Loans granted to related parties, principal (Note 13)	37,921	93,063	45,329	81,892
Bank deposits	18,925	26,522	18,825	26,522
Interest receivable	2,342	730	2,836	730
Other financial assets	1,256	4,164	1,256	4,164
Total loans granted, deposits and other financial assets at amortised cost	60,444	124,479	68,246	113,308
Total other financial assets	60,483	128,496	68,285	117,325
Financial liabilities at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	1,238	–	1,238	–
Financial liabilities at fair value through other comprehensive income				
Derivatives designated as cash flow hedges				
Foreign exchange contracts	127	–	127	–
Total financial liabilities at fair value	1,365	–	1,365	–
Other financial liabilities at amortised cost				
Loans, bonds and finance lease liabilities, principal	195,111	237,205	204,768	243,101
Loans payables to related parties, principal (Note 13)	26,257	35,068	18,717	25,813
Unamortised fees	(981)	(1,348)	–	–
Interest payable	9,828	10,912	6,006	6,349
Total other financial liabilities at amortised cost	230,215	281,837	229,491	275,263
Total other financial liabilities	231,580	281,837	230,856	275,263

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Notes to the unaudited interim condensed consolidated financial statements (continued)
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10. Financial assets and liabilities (continued)

Carrying values and fair values (continued)

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 September 2016 and 31 December 2015:

	30 September 2016	31 December 2015
Other financial assets		
Non-current portion	53,344	99,388
Current portion	7,139	29,108
Total other financial assets	60,483	128,496
Other financial liabilities		
Non-current portion	182,321	199,657
Current portion	49,259	82,180
Total other financial liabilities	231,580	281,837

Fair value hierarchy

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

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

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

	As of 30 September 2016		
	(Level 1)	(Level 2)	(Level 3)
Financial assets at fair value through profit or loss			
Derivatives not designated as hedges			
Foreign exchange contracts	–	39	–
Total financial assets at fair value	–	39	–
Financial liabilities at fair value through profit or loss			
Derivatives not designated as hedges			
Foreign exchange contracts	–	1,238	–
Financial liabilities at fair value through other comprehensive income			
Derivatives designated as cash flow hedges			
Foreign exchange contracts	–	127	–
Total financial liabilities at fair value	–	1,365	–
	As of 31 December 2015		
	(Level 1)	(Level 2)	(Level 3)
Financial assets at fair value through profit or loss			
Derivatives not designated as hedges			
Foreign exchange contracts	–	912	–
Financial assets at fair value through other comprehensive income			
Derivatives designated as cash flow hedges			
Foreign exchange contracts	–	1,258	–
Available-for-sale financial asset	1,847	–	–
Total financial assets at fair value	1,847	2,170	–

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10. Financial assets and liabilities (continued)

Fair value hierarchy (continued)

During the nine-months period ended 30 September 2016, 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.

Major treasury events during 2016

A subsidiary B.V. Vimpelcom Finance S.à.r.l. had short term deposits as of 31 December 2015 amounts to USD 20 million (the equivalent of RUR 1,458 as of 31 December 2015 at the exchange rate provided by the Central Bank of Russia) with ANZ Bank as security for the loan provided by the same bank to VimpelCom Lao Co. Ltd. The loan from ANZ Bank was repaid on 29 January 2016 and the related deposit was released as well.

On 30 December 2015, the Company entered into a Credit Facility agreement with “Sberbank of Russia” for the amount of RUR 30,000 that was fully drawn on 31 March 2016. The facility bears an interest rate of 11.55%. The Credit Facility matures on 29 June 2018.

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

11. Other non-financial assets and liabilities

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

	30 September 2016	31 December 2015
Advances to suppliers and prepayments	788	87
Deferred costs related to connection fees	122	152
Other non-current assets	123	197
Other non-current non-financial assets	1,033	436

Other current non-financial assets consisted of the following:

	30 September 2016	31 December 2015
Advances to suppliers	6,147	4,408
Input value added tax	5,301	3,059
Prepaid taxes	248	284
Deferred costs related to connection fees	84	94
Others	235	180
Other current non-financial assets	12,015	8,025

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

	30 September 2016	31 December 2015
Long-term deferred revenue	597	602
Other non-current liabilities	278	202
Other non-current non-financial liabilities	875	804

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

Other current non-financial liabilities consisted of the following:

	30 September 2016	31 December 2015
Customer advances, net of VAT	10,910	13,787
Other taxes payable	8,396	5,631
Amounts due to employees	2,610	3,047
Short-term deferred revenue	1,281	903
Customer deposits	1,159	1,457
Other liabilities	250	366
Other current non-financial liabilities	24,606	25,191

12. Cash and cash equivalents

Cash and cash equivalents consisted of the following items:

	30 September 2016	31 December 2015
Cash and cash equivalents at banks and on hand	75,934	62,885
Short-term deposits with an original maturity of less than 92 days	374	500
Total cash and cash equivalents	76,308	63,385

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 September 2016 in Uzbekistan of RUR 31,885 (31 December 2015: RUR 36,083) 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

As of 30 September 2016, PJSC “VimpelCom” is a wholly-owned indirect subsidiary of VimpelCom Ltd. As of 30 September 2016, VimpelCom Ltd. is primarily owned by two largest shareholders: L1T VIP Holdings S.à.r.l., 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.

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13. 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 periods:

	For the three months ended 30 September		For the nine months ended 30 September	
	2016	2015	2016	2015
Revenue from Telenor	36	17	47	29
Revenue from Kyivstar	532	860	1,577	4,019
Revenue from associates	–	62	–	336
Revenue from joint ventures	54	338	194	891
Revenue from Teta Telecom or its subsidiaries	388	610	1,186	1,652
Revenue from VimpelCom Ltd. or its subsidiaries	242	251	757	810
	1,252	2,138	3,761	7,737
Services from Telenor	26	11	55	60
Services from Kyivstar	876	1,353	2,685	4,574
Services from associates	–	73	1	243
Services from joint ventures	341	348	845	907
Services from Teta Telecom or its subsidiaries	1,203	1,702	3,531	4,647
Services from VimpelCom Ltd. or its subsidiaries	3,137	2,337	7,247	5,571
Services from other related parties	6	166	19	543
	5,589	5,990	14,383	16,545
Finance income from VimpelCom Ltd. or its subsidiaries	973	(1,323)	3,511	371
Finance costs from VimpelCom Ltd. or its subsidiaries	531	677	1,608	2,299
Other gain from other related parties, net	3	(27)	5	1
			As of 30 September 2016	As of 31 December 2015
Accounts receivable from Telenor			41	85
Accounts receivable from Kyivstar			575	756
Accounts receivable from joint ventures			674	618
Accounts receivable from Teta Telecom or its subsidiaries			367	307
Accounts receivable from VimpelCom Ltd. or its subsidiaries			2,647	3,929
Accounts receivable from other related parties			98	101
			4,402	5,796
Accounts payable to Telenor			26	(65)
Accounts payable to Kyivstar			579	723
Accounts payable to joint ventures			320	162
Accounts payable to Teta Telecom or its subsidiaries			1,416	1,333
Accounts payable to VimpelCom Ltd. or its subsidiaries			6,862	6,023
			9,203	8,176
Loans granted to VimpelCom Ltd. or its subsidiaries			37,921	93,063
Interest receivable from VimpelCom Ltd. or its subsidiaries			2,359	730
Loans received from VimpelCom Ltd. or its subsidiaries			26,257	35,068
Interest payable to VimpelCom Ltd. or its subsidiaries			6,461	6,800

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13. Related parties (continued)

Loans granted to VimpelCom Ltd. or its subsidiaries

As of 30 September 2016 and 31 December 2015, the principal amounts of loans granted to VimpelCom Ltd. or its subsidiaries were as follows:

Borrower	Date of agreement	Maturity	Interest rate	Currency	30 September 2016	31 December 2015
VimpelCom Ltd.	7 Oct. 2010	Dec., 2070	LIBOR+7.5%	USD	35,461	40,921
Teta Telecom	2007-2011	2017-2021	10.60%	KZT	1,210	1,378
VimpelCom Micro Holdings B.V. ¹	15 Mar. 2016	Feb., 2018	5.00%	USD	1,200	–
NTC ²	1 Sep. 2016	Sep. 2018	10.00%	RUR	50	–
VimpelCom Amsterdam B.V. ³	13 Apr. 2015	Apr, 2018	LIBOR + 4%	USD	–	45,187
Kyivstar ⁴	8 June 2004	Feb., 2016	5.00%	USD	–	1,917
Kyivstar ⁴	15 Oct. 2008	Feb., 2016	7.70%	USD	–	1,093
VimpelCom (BVI) AG ⁴	27 Jul. 2010	Jul., 2016	5.20%	USD	–	751
VimpelCom (BVI) AG ⁴	17 Nov. 2011	Nov., 2016	5.20%	USD	–	671
Golden Telecom Limited ⁴	1 Jun. 2010	Sep., 2016	5.00%	USD	–	430
Others ⁵					–	715
Total					37,921	93,063

¹ On 26 February 2016, B.V. Vimpelcom Finance S.à.r.l. (subsidiary of the PJSC “VimpelCom”) entered into a term loan facility agreement with related party VimpelCom Micro Holdings B.V. On 15 March 2016, B.V. Vimpelcom Finance S.à.r.l. provided loan in the total amount of the facility of USD 19 million (the equivalent of RUR 1,333 as of 15 March 2016 at the exchange rate provided by the Central Bank of Russia);

² On 1 September 2016, PJSC “VimpelCom” signed an agreement to grant a Revolving Credit Facility for the amount of RUR 2 100 to JSC “National Tower Company” with the final maturity date on 2 September 2018. The interest rate under this agreement is 10%. In the third quarter of 2016, JSC National Tower Company drew down RUR 50. In the fourth quarter of 2016 JSC “National Tower Company” drew down RUR 200;

³ During 6 months 2016 the net cash flow on the loan amounted to USD 620 million (the equivalent of RUR 42,348 as of the dates of transactions at the exchange rates provided by the Central Bank of Russia). The loan was early repaid on 28 June 2016;

⁴ The full outstanding amount of loans were repaid in February, 2016;

⁵ The full outstanding amount of loans were repaid in June, 2016.

On 5 July 2016, PJSC “VimpelCom” signed an agreement to grant a Revolving Credit Facility with related party VimpelCom Holdings B.V. amounted to USD 500 million (the equivalent of RUR 31,842 as of 5 July 2016 at the exchange rate provided by the Central Bank of Russia). The interest rate under this agreement is LIBOR (1 month) + 4% and it is determined monthly. In July and August 2016, VimpelCom Holdings B.V. drew down USD 225 million under the credit facility agreement (the equivalent of RUR 14,685 as of the dates of transactions). On 27 September 2016, the full outstanding amount of loan was fully repaid. On 5 October 2016, VimpelCom Holdings B.V drew down USD 140 million (the equivalent of RUR 8,741 as of 5 October 2016 at the exchange rate provided by the Central Bank of Russia).

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13. Related parties (continued)

Loans received from VimpelCom Ltd. or its subsidiaries

As of 30 September 2016 and 31 December 2015, the principal amounts of loans received from VimpelCom Ltd. or its subsidiaries were as follows:

Lender	Date of agreement	Maturity	Interest rate	Currency	30 September 2016	31 December 2015
Weather Capital Special Purpose 1 S.A.	26 Mar. 2015	Mar., 2032	6.50%	USD	12,903	14,307
VimpelCom Holdings B.V.	14 Feb. 2013	Feb., 2018	9.60%	RUR	12,000	12,000
VimpelCom Micro Holdings B.V. ¹	27 Jan., 2016	Jan., 2018	5.00%	USD	1,200	–
VimpelCom Micro Holdings B.V. ²	17 May 2016	Dec., 2017	LIBOR (6M) + 2.3%	USD	154	–
Weather Capital Special Purpose 1 S.A. ³	13 Apr. 2007	Apr., 2017	11.00%	USD	–	5,335
Weather Capital Special Purpose 1 S.A. ³	27 May 2008	Jun., 2016	11.00%	USD	–	3,426
Total					26,257	35,068

¹ On 27 January 2016, VimpelCom Lao Co Ltd. (subsidiary of the PJSC “VimpelCom”) drew down USD 19 million (the equivalent of RUR 1,555 as of 27 January 2016 at the exchange rate provided by the Central Bank of Russia) under new term loan facility agreement with related party VimpelCom Micro Holdings B.V. The facility is bearing 5% per annum;

² On 17 May 2016 VimpelCom B.V. assigned to related party VimpelCom Micro Holdings B.V. a loan with outstanding amount of USD 4.5 million (the equivalent of RUR 292 as of 17 May 2016 at the exchange rate provided by the Central Bank of Russia). The loan bears 6m Libor + 2.3% per annum and to be repaid by 30 December 2016. On 30 May 2016 loan was partly repaid for an amount of USD 2 million (the equivalent of RUR 132 as of 30 May 2016 at the exchange rate provided by the Central Bank of Russia);

³ On 10 March 2016, VimpelCom signed an agreement to sell its indirect 99.99% stake in VC ESOP N.V. to one of the subsidiaries of VimpelCom Ltd. (Note 3).

Terms and conditions of transactions with related parties

Outstanding balances at period-end are unsecured, settlements occur in cash. During the nine months ended 30 September 2016, there have been no new guarantees provided or received for any related party receivables or payables and no changes occurred to the terms and amounts of the Company’s guarantees of the related party loans that existed as of 31 December 2015 and were disclosed in the notes to the respective annual consolidated financial statements. No triggering events under the existing guarantees in favor of related parties occurred. The Company believes that the probability of these events is remote.

14. Commitments, contingencies and uncertainties

There were no material commitments, contingencies and uncertainties that occurred during the nine month period ended 30 September 2016 and there were no material changes during the same period to the commitments, contingencies and uncertainties as disclosed in the Group’s annual consolidated financial statements for the year ended 31 December 2015 other than changes in the commitments, contingencies and uncertainties disclosed below.

KaR-Tel – Turkish Litigation

On 26 April 2016, the 13th Chamber of the Council of State rejected the Savings Deposit Insurance Fund’s claim for correction and ruled in favor of KaR-Tel. No further appellate rights are available so the case has fully been concluded.

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15. Events after the reporting period

On 24 June 2016, PJSC “VimpelCom” signed a Credit Facility Agreement with VimpelCom Holdings B.V. for the amount of seven hundred million RMB (the equivalent of RUR 6,844 as of 24 June 2016 at the exchange rate provided by the Central Bank of Russia) with the final maturity date on 24 June 2021. The interest rate under this agreement is 5.91%. In the fourth quarter of 2016 PJSC “VimpelCom” drew down RMB 95 million (the equivalent of RUR 888.3 as of the dates of transactions at the exchange rate provided by the Central Bank of Russia).