

Unaudited interim condensed
consolidated financial statements

Public Joint Stock Company
“Vimpel-Communications”

(a wholly-owned subsidiary of VEON Ltd.)

*as of 31 March 2017 and
for the three months ended 31 March 2017*

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Contents

Independent auditor's report

Interim consolidated income statement for the three months ended 31 March 2017	1
Interim consolidated statement of comprehensive income for the three months ended 31 March 2017	2
Interim consolidated statement of financial position as of 31 March 2017	3
Interim consolidated statement of changes in equity for the three months ended 31 March 2017	4
Interim consolidated statement of changes in equity for the three months ended 31 March 2016	4
Interim consolidated statement of cash flows for the three months ended 31 March 2017	5

Notes to the unaudited interim condensed consolidated financial statements as of 31 March 2017 and for the three months ended 31 March 2017:

1. General information	6
2. Basis of preparation of the interim condensed consolidated financial statements	6
3. Significant transactions	7
4. Segment information	7
5. Selling, general and administrative expenses	8
6. Other non-operating loss, net	9
7. Income taxes	9
8. Property and equipment	9
9. Intangible assets and goodwill	10
10. Financial assets and liabilities	11
11. Other non-financial assets and liabilities	13
12. Cash and cash equivalents	14
13. Related parties	15
14. Commitments, contingencies and uncertainties	17
15. Events after the reporting period	17



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 VEON Ltd.) and its subsidiaries (hereinafter collectively referred to as "**VimpelCom**") which comprise the interim consolidated statement of financial position as of 31 March 2017, and the related interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the three-month period ended 31 March 2017.

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

18 May 2017

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

Interim consolidated income statement
for the three months ended 31 March 2017
(All amounts in millions of Rubles)

	Note	Three months ended 31 March	
		2017 (unaudited)	2016* (unaudited)
Service revenue*		79,009	84,766
Sale of equipment and accessories		2,583	2,969
Other revenue		385	160
Total operating revenue	4	81,977	87,895
Operating expenses			
Service costs*		(19,871)	(22,556)
Cost of equipment and accessories		(2,774)	(3,389)
Selling, general and administrative expenses	5	(31,069)	(29,744)
Depreciation	8	(14,285)	(14,552)
Amortization	9	(2,883)	(2,648)
Impairment loss	8	(20)	(156)
Loss on disposal of non-current assets		(175)	(90)
Total operating expenses		(71,077)	(73,135)
Operating profit		10,900	14,759
Finance costs		(5,421)	(6,587)
Finance income		1,355	1,835
Net foreign exchange gain		7,376	4,247
Other non-operating loss, net	6	(2,055)	(2,660)
Share of loss of joint ventures accounted for using the equity method		(707)	(345)
Profit before tax		11,448	11,249
Income tax expense	7	(1,713)	(4,552)
Profit for the period		9,735	6,697
Attributable to:			
The owners of the Company		8,751	6,958
Non-controlling interests		984	(261)
		9,735	6,697

* In 2016, the Group has aligned its practices for content and other service revenue across the Group, and represented the comparative period 2016 reducing service revenue and operating costs for the period. The impact of this refinement in policy was not material for any periods presented, and reduced the service revenue and service costs by RUR 413 for the three-month period ended 31 March 2016. The net results, financial position and operating cash flows for these periods remained unaffected. The Company concluded that net presentation of the content revenue better reflected the actual nature and substance of the arrangements with content providers.

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

Interim consolidated statement of comprehensive income
for the three months ended 31 March 2017

(All amounts in millions of Rubles)

	Three months ended 31 March	
	2017 (unaudited)	2016 (unaudited)
Profit for the period	9,735	6,697
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Cash flow hedge reserve	(99)	(110)
Income tax effect	–	–
Exchange differences arising on net investment in foreign operations	(16,693)	(14,416)
Income tax effect	604	733
Other comprehensive loss for the period, net of tax	(16,188)	(13,793)
Total comprehensive loss for the period, net of tax	(6,453)	(7,096)
Attributable to:		
The owners of the Company	(6,800)	(6,798)
Non-controlling interests	347	(298)
	(6,453)	(7,096)

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 VEON Ltd.)

Interim consolidated statement of financial position
as of 31 March 2017
(All amounts in millions of Rubles)

	Note	31 March 2017 (unaudited)	31 December 2016 (audited)
Assets			
Non-current assets			
Property and equipment	8	225,326	237,011
Intangible assets	9	34,094	35,565
Goodwill	9	105,289	106,617
Investments in associates and joint ventures		6,933	7,641
Deferred income tax assets		2,315	2,299
Other financial assets	10	48,953	58,027
Other non-current non-financial assets	11	836	919
Total non-current assets		423,746	448,079
Current assets			
Inventories		6,412	6,170
Trade and other receivables		26,131	27,868
Other current non-financial assets	11	11,283	12,714
Current income tax assets		4,621	2,589
Other current financial assets	10	13,643	10,303
Cash and cash equivalents	12	34,122	47,510
Total current assets		96,212	107,154
Total assets		519,958	555,233
Equity and liabilities			
Equity			
Equity attributable to equity owners of the parent		219,075	225,845
Non-controlling interests		6,462	9,301
Total equity		225,537	235,146
Non-current liabilities			
Financial liabilities	10	130,400	146,848
Provisions		2,778	2,655
Other non-current non-financial liabilities	11	806	791
Deferred income tax liabilities		12,060	13,775
Total non-current liabilities		146,044	164,069
Current liabilities			
Trade and other payables		49,014	56,720
Other current non-financial liabilities	11	25,527	22,422
Other financial liabilities	10	70,280	71,796
Current income tax payables		194	1,931
Provisions		3,362	3,149
Total current liabilities		148,377	156,018
Total equity and liabilities		519,958	555,233

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 VEON Ltd.)

Interim consolidated statement of changes in equity
for the three months ended 31 March 2017

(All amounts in millions of Rubles)

	Attributable to the owners of the Company							Non-controlling interests	Total equity	
	Note	Issued capital	Capital surplus	Other capital reserves	Retained earnings	Foreign currency translation reserve	Cash flow hedge reserve			Total
As of 31 December 2016		3	40,234	20,807	160,950	3,968	(117)	225,845	9,301	235,146
Profit for the period		–	–	–	8,751	–	–	8,751	984	9,735
Other comprehensive income		–	–	–	–	(15,452)	(99)	(15,551)	(637)	(16,188)
Total comprehensive income / (loss)		–	–	–	8,751	(15,452)	(99)	(6,800)	347	(6,453)
Dividends declared	3	–	–	–	–	–	–	–	(3,215)	(3,215)
Changes in an ownership interest in a subsidiary that do not result in a loss of control		–	–	30	–	–	–	30	29	59
As of 31 March 2017		3	40,234	20,837	169,701	(11,484)	(216)	219,075	6,462	225,537

Interim consolidated statement of changes in equity
for the three months ended 31 March 2016

(All amounts in millions of Rubles)

	Attributable to the owners of the Company							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			Total
As of 31 December 2015	3	40,234	24,408	162,005	40,150	20	(491)	266,329	14,059	280,388
Profit for the period	–	–	–	6,958	–	–	–	6,958	(261)	6,697
Other comprehensive loss	–	–	–	–	(13,646)	(110)	–	(13,756)	(37)	(13,793)
Total comprehensive income / (loss)	–	–	–	6,958	(13,646)	(110)	–	(6,798)	(298)	(7,096)
Transactions under common control	–	–	6,661	–	(350)	–	491	6,802	–	6,802
As of 31 March 2016	3	40,234	31,069	168,963	26,154	(90)	–	266,333	13,761	280,094

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 VEON Ltd.)

Interim consolidated statement of cash flows
for the three months ended 31 March 2017
(All amounts in millions of Rubles)

	Note	Three months ended 31 March	
		2017	2016
Operating activities			
Profit for the period		9,735	6,697
Income tax expense	7	1,713	4,552
Profit before tax		11,448	11,249
Non-cash adjustments to reconcile profit before tax to net cash flows from operating activities:			
Depreciation	8	14,285	14,552
Impairment loss	8	20	156
Amortization	9	2,883	2,648
Loss on disposal of non-current assets		175	90
Finance income		(1,355)	(1,835)
Finance costs		5,421	6,587
Other non-operating loss, net	6	2,055	2,660
Net foreign exchange gain		(7,376)	(4,247)
Share of loss of joint ventures accounted for using the equity method		707	345
Movements in provisions		284	344
Operating cash flows before working capital adjustments, interest and income taxes		28,547	32,549
Working capital adjustments			
Change in trade and other receivables		909	(2,017)
Change in inventories		(314)	1,438
Change in trade and other payables		6,449	(3,358)
Interest and income taxes			
Interest paid		(5,120)	(5,787)
Interest received		560	1,455
Income tax paid		(4,583)	(5,463)
Net cash flows from operating activities		26,448	18,817
Investing activities			
Proceeds from sale of property, equipment and intangible assets		20	50
Purchase of property, equipment and intangible assets		(17,455)	(21,726)
Issue of loans		(3,780)	(8,329)
Repayment of loans issued		4,379	24,760
Inflows / (outflows) from deposits, net		(1,104)	6,260
Inflow / (outflow) from investments in other financial assets		(1,373)	1,128
Disposal of subsidiaries, net of cash disposed		-	1,592
Acquisition of subsidiaries, net of cash acquired		-	17
Net cash flows (used in) / from investing activities		(19,313)	3,752
Financing activities			
Proceeds from borrowings, net of fees paid		5,552	31,748
Repayment of borrowings		(18,191)	(24,447)
Dividends paid to non-controlling interests	3	(3,101)	-
Proceeds from changes in ownership interests in a consolidated subsidiaries		59	-
Net cash flows (used in) / from financing activities		(15,681)	7,301
Net (decrease) / increase in cash and cash equivalents		(8,546)	29,870
Effect of exchange rate changes on cash and cash equivalents, net		(4,842)	(4,285)
Cash and cash equivalents at the beginning of the period		47,510	63,385
Cash and cash equivalents at the end of the period		34,122	88,970

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 VEON Ltd.)

**Notes to the unaudited interim condensed consolidated financial statements
as of 31 March 2017 and for the three months ended 31 March 2017**

(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 revenues by providing telecommunication services through a range of traditional and broadband mobile and fixed-line technologies.

As of 31 March 2017, the Company operated telecommunications services in Russia, Kazakhstan, Armenia, Uzbekistan, Georgia, Kyrgyzstan and Laos primarily under the “Beeline” brand name.

The foreign exchange rate used to translate the local currency in Uzbekistan into Russian Rubles 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 net assets of our business in Uzbekistan represented RUR 44,026 of the total net assets in the Company’s consolidated statement of financial position as of 31 March 2017. However, if the Company applied the exchange rate implied by market transactions, the net assets of Uzbekistan would decrease significantly in RUR terms.

The interim condensed consolidated financial statements of the Company as of 31 March 2017 and for the three months ended 31 March 2017 were authorized for issue by the General Director on 18 May 2017.

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 in the annual consolidated financial statements and should be read in conjunction with the Group’s audited annual consolidated financial statements as of 31 December 2016 and for the year ended 31 December 2016 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 VEON Ltd.)

Notes to the unaudited interim condensed consolidated financial statements
as of 31 March 2017 and for the three months ended 31 March 2017 (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 2016.

A number of new and amended standards became effective as of 1 January 2017, 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 have not yet become effective.

3. Significant transactions

Dividends

On 13 February 2017, VimpelCom Kyrgyzstan Holding AG, a subsidiary of the Company, declared dividends to its shareholders which were paid on 16 February 2017. The portion of dividends paid to the minority shareholder amounted to USD 54.6 million (the equivalent of RUR 3,215 as of 13 February 2017 at the exchange rate provided by the Central Bank of Russia).

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 operating 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 (“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 months ended 31 March 2017 and 31 March 2016 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 31 March 2017

	Russia	Uzbekistan	Kazakhstan	HQ and others	Group
Revenue					
External customers	64,608	9,002	5,179	3,188	81,977
Inter-segment	162	6	7	(175)	–
Total operating revenue	64,770	9,008	5,186	3,013	81,977
EBITDA	23,805	4,639	1,877	(2,058)	28,263
Other disclosures					
Capital expenditures	6,836	1,310	589	595	9,330
Impairment loss	(20)	–	–	–	(20)

Public Joint Stock Company “Vimpel-Communications”
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Notes to the unaudited interim condensed consolidated financial statements
as of 31 March 2017 and for the three months ended 31 March 2017 (continued)

(All amounts in millions of Rubles unless otherwise stated)

4. Segment information (continued)

Information by reportable segments for the three months ended 31 March 2016

	Russia	Uzbekistan	Kazakhstan	HQ and others	Group
Revenue					
External customers	65,654	12,266	5,592	4,383	87,895
Inter-segment	230	31	19	(280)	–
Total operating revenue	65,884	12,297	5,611	4,103	87,895
EBITDA	24,159	7,487	1,826	(1,267)	32,205
Other disclosures					
Capital expenditures	3,552	2,084	6,167	318	12,121
Impairment loss	(141)	–	(15)	–	(156)

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

	Three months ended 31 March	
	2017	2016
EBITDA	28,263	32,205
Depreciation	(14,285)	(14,552)
Amortization	(2,883)	(2,648)
Impairment loss	(20)	(156)
Loss on disposal of non-current assets	(175)	(90)
Finance costs	(5,421)	(6,587)
Finance income	1,355	1,835
Other non-operating loss, net	(2,055)	(2,660)
Share of loss of joint ventures accounted for using the equity method	(707)	(345)
Net foreign exchange gain	7,376	4,247
Income tax expense	(1,713)	(4,552)
Profit for the period	9,735	6,697

5. Selling, general and administrative expenses

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

	Three months ended 31 March	
	2017	2016
Personnel costs	7,246	7,317
Customer associated costs	6,708	6,124
Network and IT costs	4,812	5,138
Operating lease and other rent expenses	4,800	4,435
Taxes other than income tax	3,009	3,404
Consulting and professional service costs	2,637	1,399
Losses on receivables	782	1,006
Other G&A expenses	1,075	921
Total	31,069	29,744

Public Joint Stock Company “Vimpel-Communications”
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Notes to the unaudited interim condensed consolidated financial statements
as of 31 March 2017 and for the three months ended 31 March 2017 (continued)

(All amounts in millions of Rubles unless otherwise stated)

6. Other non-operating loss, net

Other non-operating loss, net consisted of the following for the three months ended 31 March:

	Three months ended 31 March	
	2017	2016
Changes in the fair value of non-hedge derivatives	(2,079)	(3,116)
Income / (loss) on sale of foreign currency, net	(18)	335
Changes in the fair value of hedge derivatives	–	6
Other gain, net	42	115
Total other non-operating loss, net	(2,055)	(2,660)

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 months ended 31 March:

	Three months ended 31 March	
	2017	2016
Profit before tax	11,448	11,249
Current income tax	(3,686)	(6,637)
Deferred income tax	1,973	2,085
Income tax expense reported in the interim consolidated income statement	(1,713)	(4,552)
Effective tax rates	15%	40%

The effective income tax rate for the three months ended 31 March 2017 amounts to 15% (2016: 40%). In the three-month period ended 31 March 2017 the effective income tax rate was mainly driven by non-deductible expenses and higher tax rate in Uzbekistan offset by accrued deferred tax effect of future dividends. In the three-month period ended 31 March 2016 the effective income tax rate was mainly driven by non-deductible expenses and higher tax rate in Uzbekistan.

8. Property and equipment

During the three months ended 31 March 2017 and 2016, the Company had the following changes in property and equipment:

	Three months ended 31 March	
	2017	2016
Net book value as of 1 January	237,011	265,899
Additions	7,603	5,657
Acquisition of a subsidiary	–	10
Net book value of assets disposed	(324)	(135)
Translation adjustment	(4,659)	(4,148)
Depreciation charge	(14,285)	(14,552)
Impairment	(20)	(156)
Assets reclassified from assets held for sale	–	178
Net book value as of 31 March	225,326	252,753

Public Joint Stock Company “Vimpel-Communications”
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Notes to the unaudited interim condensed consolidated financial statements
as of 31 March 2017 and for the three months ended 31 March 2017 (continued)

(All amounts in millions of Rubles unless otherwise stated)

9. Intangible assets and goodwill

During the three months ended 31 March 2017 and 2016, the Company had the following changes in intangible assets and goodwill:

	Three months ended 31 March			
	2017		2016	
	Other intangible assets	Goodwill	Other intangible assets	Goodwill
Opening net book value as of 1 January	35,565	106,617	35,976	113,369
Additions	1,728	–	6,464	–
Acquisition of a subsidiary	–	–	34	2
Net book value of assets disposed	(7)	–	(7)	–
Translation adjustment	(309)	(1,328)	(752)	(1,110)
Amortization charge	(2,883)	–	(2,648)	–
Closing net book value as of 31 March	34,094	105,289	39,067	112,261

Goodwill is tested for impairment annually (at 1 October) or when circumstances indicate the carrying value may be impaired. The Company's impairment test for goodwill is primarily based on fair value less cost of disposal calculations that use a discounted cash flow model. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual consolidated financial statements as of and for the year ended 31 December 2016.

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

There was no goodwill impairment recorded during three months period ended 31 March 2017.

Public Joint Stock Company “Vimpel-Communications”
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Notes to the unaudited interim condensed consolidated financial statements
as of 31 March 2017 and for the three months ended 31 March 2017 (continued)

(All amounts in millions of Rubles unless otherwise stated)

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 31 March 2017 and 31 December 2016 except for cash and cash equivalents, trade and other receivables and trade and other payables where the carrying amount is a reasonable approximation of fair value (based on future cash flows discounted at current market rates):

	Carrying value		Fair value	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
Financial assets at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	13	101	13	101
Financial assets at fair value through other comprehensive income				
Derivatives designated as cash flow hedges				
Foreign exchange contracts	–	–	–	–
Total financial assets at fair value	13	101	13	101
Loans granted, deposits and other financial assets at amortised cost				
Loans granted to related parties, principal (Note 13)	37,963	41,323	43,422	47,208
Bank deposits	19,870	22,544	19,870	22,544
Interest receivable	3,570	3,024	4,186	3,549
Other financial assets	1,180	1,338	1,180	1,338
Total loans granted, deposits and other financial assets at amortised cost	62,583	68,229	68,658	74,639
Total other financial assets	62,596	68,330	68,671	74,740
Financial liabilities at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	2,315	1,623	2,315	1,623
Financial liabilities at fair value through other comprehensive income				
Derivatives designated as cash flow hedges				
Foreign exchange contracts	432	247	432	247
Total financial liabilities at fair value	2,747	1,870	2,747	1,870
Other financial liabilities at amortised cost				
Loans, bonds and finance lease liabilities, principal	161,512	180,426	170,197	189,615
Loans payables to related parties, principal (Note 13)	27,696	27,346	19,667	18,887
Unamortised fees	(585)	(761)	–	–
Interest payable	9,310	9,763	5,817	5,950
Total other financial liabilities at amortised cost	197,933	216,774	195,681	214,452
Total other financial liabilities	200,680	218,644	198,428	216,322

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

Notes to the unaudited interim condensed consolidated financial statements
as of 31 March 2017 and for the three months ended 31 March 2017 (continued)

(All amounts in millions of Rubles unless otherwise stated)

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 31 March 2017 and 31 December 2016:

	31 March 2017	31 December 2016
Other financial assets		
Non-current portion	48,953	58,027
Current portion	13,643	10,303
Total other financial assets	<u>62,596</u>	<u>68,330</u>
Other financial liabilities		
Non-current portion	130,400	146,848
Current portion	70,280	71,796
Total other financial liabilities	<u>200,680</u>	<u>218,644</u>

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 31 March 2017		
	(Level 1)	(Level 2)	(Level 3)
Financial assets at fair value through profit or loss			
Derivatives not designated as hedges			
Foreign exchange contracts	–	13	–
Total financial assets at fair value	<u>–</u>	<u>13</u>	<u>–</u>
Financial liabilities at fair value through profit or loss			
Derivatives not designated as hedges			
Foreign exchange contracts	–	2,315	–
Financial liabilities at fair value through other comprehensive income			
Derivatives designated as cash flow hedges			
Foreign exchange contracts	–	432	–
Total financial liabilities at fair value	<u>–</u>	<u>2,747</u>	<u>–</u>

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

Notes to the unaudited interim condensed consolidated financial statements
as of 31 March 2017 and for the three months ended 31 March 2017 (continued)

(All amounts in millions of Rubles unless otherwise stated)

10. Financial assets and liabilities (continued)

Fair value hierarchy (continued)

	As of 31 December 2016		
	(Level 1)	(Level 2)	(Level 3)
Financial assets at fair value through profit or loss			
Derivatives not designated as hedges			
Foreign exchange contracts	–	101	–
Total financial assets at fair value	–	101	–
Financial liabilities at fair value through profit or loss			
Derivatives not designated as hedges			
Foreign exchange contracts	–	1,623	–
Financial liabilities at fair value through other comprehensive income			
Derivatives designated as cash flow hedges			
Foreign exchange contracts	–	247	–
Total financial liabilities at fair value	–	1,870	–

During the three-months period ended 31 March 2017, 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 2017

On 2 March 2017, PJSC “VimpelCom” announced the reset of the coupon rate on its 10% puttable Ruble bonds for outstanding principal amount of RUR 15,057 maturing in March 2022. The new coupon rate of 7.00% per annum is applicable for the next six coupon periods (next three years) to be reset again in March 2020. Following the reset of the coupon rate, bondholders exercised their put options in aggregate principal amounts of RUR 14,461 which was repaid in March 2017. Subsequent to the settlement, the total outstanding principal amount of 7% Ruble bonds was RUR 597.

On 16 March 2017 and on 10 April 2017, PJSC “VimpelCom” drew down RUR 4,000 and RUR 11,000, respectively, under its revolving credit facility with Sberbank of Russia. The facility matures on 29 May 2017.

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:

	31 March 2017	31 December 2015
Advances to suppliers and prepayments	644	709
Deferred costs related to connection fees	92	101
Other non-current assets	100	109
Other non-current non-financial assets	836	919

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

Notes to the unaudited interim condensed consolidated financial statements
as of 31 March 2017 and for the three months ended 31 March 2017 (continued)

(All amounts in millions of Rubles unless otherwise stated)

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

Other current non-financial assets consisted of the following:

	31 March 2017	31 December 2016
Advances to suppliers	6,171	6,681
Input value added tax	4,462	5,374
Prepaid taxes	253	314
Deferred costs related to connection fees	146	126
Others	251	219
Other current non-financial assets	11,283	12,714

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

	31 March 2017	31 December 2016
Long-term deferred revenue	438	472
Other non-current liabilities	368	319
Other non-current non-financial liabilities	806	791

Other current non-financial liabilities consisted of the following:

	31 March 2017	31 December 2016
Customer advances, net of VAT	10,296	11,833
Other taxes payable	8,902	5,321
Amounts due to employees	4,390	2,447
Customer deposits	903	1,438
Short-term deferred revenue	779	914
Other liabilities	257	469
Other current non-financial liabilities	25,527	22,422

12. Cash and cash equivalents

Cash and cash equivalents consisted of the following items:

	31 March 2017	31 December 2016
Cash and cash equivalents at banks and on hand	33,428	43,796
Short-term deposits with an original maturity of less than 92 days	694	3,714
Total cash and cash equivalents	34,122	47,510

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

The cash balances as of 31 March 2017 in Uzbekistan of RUR 18,811 (31 December 2016: RUR 21,038) are restricted due to local government or central bank regulations and therefore cannot currently be repatriated.

In addition, short and long term deposits at financial institutions in Uzbekistan of RUR 19,869 as of 31 March 2017 (31 December 2016: RUR 22,544) are also subject to the same restrictions.

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

**Notes to the unaudited interim condensed consolidated financial statements
as of 31 March 2017 and for the three months ended 31 March 2017 (continued)**

(All amounts in millions of Rubles unless otherwise stated)

13. Related parties

As of 31 March 2017, PJSC “VimpelCom” is a wholly-owned indirect subsidiary of VEON Ltd. As of 31 March 2017, VEON 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”). VEON Ltd. has no ultimate controlling shareholder.

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 31 March 2017	For the three months ended 31 March 2016
Revenue from Telenor	10	(9)
Revenue from Kyivstar	286	515
Revenue from joint ventures	170	66
Revenue from Teta Telecom or its subsidiaries	235	419
Revenue from VEON Ltd. or its subsidiaries	338	278
	1,039	1,269
Services from Telenor	11	20
Services from Kyivstar	555	957
Services from joint ventures	358	239
Services from Teta Telecom or its subsidiaries	849	1,144
Services from VEON Ltd. or its subsidiaries	3,546	2,199
Services from other related parties	5	7
	5,324	4,566
Finance income from VEON Ltd. or its subsidiaries	862	1,351
Finance costs from VEON Ltd. or its subsidiaries	535	547
Other gain / (loss) from other related parties, net	3	(41)
	As of 31 March 2017	As of 31 December 2016
Accounts receivable from Telenor	1	13
Accounts receivable from Kyivstar	321	374
Accounts receivable from joint ventures	926	803
Accounts receivable from Teta Telecom or its subsidiaries	170	138
Accounts receivable from VEON Ltd. or its subsidiaries	2,761	2,693
Accounts receivable from other related parties	86	92
	4,265	4,113
Accounts payable to Telenor	20	23
Accounts payable to Kyivstar	210	266
Accounts payable to joint ventures	219	199
Accounts payable to Teta Telecom or its subsidiaries	1,092	1,038
Accounts payable to VEON Ltd. or its subsidiaries	10,403	8,200
	11,944	9,726
Loans granted to VEON Ltd. or its subsidiaries	37,963	41,323
Interest receivable from VEON Ltd. or its subsidiaries	3,592	3,024
Loans received from VEON Ltd. or its subsidiaries	27,696	27,346
Interest payable to VEON Ltd. or its subsidiaries	6,200	6,730

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

**Notes to the unaudited interim condensed consolidated financial statements
as of 31 March 2017 and for the three months ended 31 March 2017 (continued)**

(All amounts in millions of Rubles unless otherwise stated)

13. Related parties (continued)

Loans granted to VEON Ltd. or its subsidiaries

As of 31 March 2017 and 31 December 2016, the principal amounts of loans granted to VEON Ltd. or its subsidiaries were as follows:

Borrower	Date of agreement	Maturity	Interest rate	Currency	31 March 2017	31 December 2016
VEON Ltd.	7 Oct. 2010	Dec., 2070	LIBOR+7.5%	USD	31,654	34,057
VimpelCom Holdings B.V. ¹	31 Mar 2017	–	LIBOR+0.6%	USD	2,988	–
Teta Telecom	2007-2011	2017-2021	10.60%	KZT	1,150	1,168
NTC ²	1 Sep. 2016	Sep., 2018	10.00%	RUR	1,100	700
VimpelCom Micro Holdings B.V.	26 Feb. 2016	Feb., 2018	5.00%	USD	1,071	1,152
VimpelCom Holdings B.V. ³	5 Jul. 2016	Jul, 2019	LIBOR+4.0%	USD	–	4,246
Total					37,963	41,323

¹ On 31 March 2017, B.V. VimpelCom Finance S.a.r.l. provided an uncommitted current account facility with unlimited maturity to VimpelCom Holdings B.V. for a maximum amount of USD 100 million. On the same date B.V. Vimpelcom Finance S.a.r.l. deposited USD 53 million with VimpelCom Holdings B.V. under this agreement (the equivalent of RUR 2,988 as of 31 March 2017 at the exchange rate provided by the Central Bank of Russia);

² During the first quarter of 2017, JSC National Tower Company (“NTC”) drew down RUR 700 and repaid RUR 300. In April 2017, NTC fully repaid RUR 1,100;

³ On 9 March 2017, VimpelCom Holdings B.V. repaid USD 70 million (the equivalent of RUR 4,078 as of 9 March 2017 at the exchange rate provided by the Central Bank of Russia).

Loans received from VEON Ltd. or its subsidiaries

As of 31 March 2017 and 31 December 2016, the principal amounts of loans received from VEON Ltd. or its subsidiaries were as follows:

Lender	Date of agreement	Maturity	Interest rate	Currency	31 March 2017	31 December 2016
Weather Capital Special Purpose 1 S.A. ¹	26 Mar. 2015	Mar., 2032	6.50%	USD	12,335	12,756
VimpelCom Holdings B.V.	14 Feb. 2013	Feb., 2018	9.60%	RUR	12,000	12,000
VimpelCom Holdings B.V. ²	24 Jun 2016	Sep., 2021	5.91%	RMB	2,149	1,289
VimpelCom Micro Holdings B.V.	27 Jan., 2016	Jan., 2018	5.00%	USD	1,071	1,152
VimpelCom Micro Holdings B.V.	17 May 2016	Dec., 2017	LIBOR (6M) + 2.3%	USD	141	149
Total					27,696	27,346

¹ In the first quarter 2017 LLC Mobitel (subsidiary of the PJSC “VimpelCom”) drew down USD 8.5 million (the equivalent of RUR 504 as of the dates of transactions at the exchange rate provided by the Central Bank of Russia);

² In the first quarter of 2017 PJSC “VimpelCom” drew down RMB 114.89 million (the equivalent of RUR 986 as of the dates of transactions at the exchange rate provided by the Central Bank of Russia). In April 2017 PJSC “VimpelCom” drew down RMB 106.95 million (the equivalent of RUR 868.8 as of the dates of transactions at the exchange rate provided by the Central Bank of Russia).

Terms and conditions of transactions with related parties

Outstanding balances at period-end are unsecured, settlements occur in cash. During the three months ended 31 March 2017, 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 2016 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.

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

Notes to the unaudited interim condensed consolidated financial statements
as of 31 March 2017 and for the three months ended 31 March 2017 (continued)

(All amounts in millions of Rubles unless otherwise stated)

14. Commitments, contingencies and uncertainties

There were no material commitments, contingencies and uncertainties that occurred during the three month period ended 31 March 2017 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 as of and for the year ended 31 December 2016.

15. Events after the reporting period

On 31 March 2017, the spectrum Council of the Ministry for Development of Information Technologies and Communications of the Republic of Uzbekistan published a decision (the “Decision”) ordering the redistribution of radio frequencies in Uzbekistan which, if it comes into force as planned in September 2017, could result in a reallocation of our subsidiary Unitel LLC’s (“Unitel”) radio frequencies to other telecom operators in the market. On 21 April 2017, Unitel filed a claim to the Economic Court of Tashkent City to dismiss the Decision. Preliminary hearing on Unitel’s claim was held on 10 May 2017.