

Unaudited interim condensed
consolidated financial statements

Public Joint Stock Company
“Vimpel-Communications”

(a wholly-owned subsidiary of VEON Ltd.)

*as of 30 September 2017 and
for the three and nine months ended 30 September 2017*

Public Joint Stock Company “Vimpel-Communications”
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Unaudited interim condensed consolidated financial statements
as of 30 September 2017 and for the three and nine months
ended 30 September 2017

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Report on Review of Interim Financial Information

To the Board of Directors and Shareholders of Public Joint Stock Company “Vimpel-Communications”:

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Public Joint Stock Company “Vimpel-Communications” (a wholly-owned subsidiary of VEON Ltd.) and its subsidiaries (hereinafter collectively referred to as “**VimpelCom**”) as of 30 September 2017, and the related interim consolidated income statements, statements of comprehensive income, statements of changes in equity for the three-month and nine-month periods then ended and interim consolidated statement of cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, “Interim Financial Reporting”. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard IAS 34, "Interim Financial Reporting".

AO PricewaterhouseCoopers Audit

20 November 2017

Moscow, Russian Federation



E.V. Klimenko, engagement partner (license no.01-000057), AO PricewaterhouseCoopers Audit

Audited entity: Public Joint Stock Company Vimpel-Communications

State registration certificate No. 015.624, issued by the Moscow Registration Bureau on 28 July 1993

Certificate of inclusion in the Unified State Register of Legal Entities No. 1027700166636 issued on 28 August 2002

Address: 10 bld 14 8th Marta, Moscow, Russian Federation, 127083

Independent auditor: AO PricewaterhouseCoopers Audit

State registration certificate № 008.890, issued by the Moscow Registration Chamber on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration № 1027700148431

Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)

ORNZ 11603050547 in the register of auditors and audit organizations

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

Interim consolidated income statement
for the three and nine months ended 30 September 2017
(All amounts in millions of Rubles)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2017 (unaudited)	2016* (unaudited)	2017 (unaudited)	2016* (unaudited)
Service revenue*		85,947	88,648	247,735	257,950
Sale of equipment and accessories		3,303	2,469	8,775	7,413
Other revenue		302	88	964	357
Total operating revenue	4	89,552	91,205	257,474	265,720
Operating expenses					
Service costs*		(21,837)	(25,221)	(62,749)	(70,505)
Cost of equipment and accessories		(3,624)	(3,208)	(9,343)	(8,630)
Selling, general and administrative expenses	5	(31,487)	(30,396)	(91,777)	(89,796)
Depreciation	8	(13,549)	(14,294)	(41,725)	(42,948)
Amortization	9	(2,844)	(2,975)	(8,583)	(7,994)
Impairment loss	8	288	(34)	(201)	(216)
Loss on disposal of non-current assets		(415)	(528)	(800)	(1,109)
Total operating expenses		(73,468)	(76,656)	(215,178)	(221,198)
Operating profit		16,084	14,549	42,296	44,522
Finance costs		(6,254)	(6,096)	(17,565)	(18,938)
Finance income		1,488	1,419	4,166	4,966
Net foreign exchange (loss) / gain**		(1,945)	1,216	2,886	7,615
Other non-operating loss, net	6	(460)	(1,062)	(6,877)	(5,246)
Share of loss of joint ventures accounted for using the equity method		–	(827)	(1,230)	(1,929)
Impairment of joint ventures accounted for using the equity method	3	–	–	(6,410)	–
Profit before tax		8,913	9,199	17,266	30,990
Income tax expense	7	(3,427)	(2,972)	(5,982)	(12,609)
Profit for the period		5,486	6,227	11,284	18,381
Attributable to:					
The owners of the Company		5,533	5,127	9,920	18,607
Non-controlling interests		(47)	1,100	1,364	(226)
		5,486	6,227	11,284	18,381

* 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 RUB 647 and RUB 1,338 for the three-month and nine-month periods ended 30 September 2016, respectively. 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;

** Currency liberalization in Uzbekistan had a significant impact on foreign currency translation of Uzbekistan operations, refer to Note 1 for further information.

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

Interim consolidated statement of comprehensive income
for the three and nine months ended 30 September 2017
(All amounts in millions of Rubles)

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period	5,486	6,227	11,284	18,381
Other comprehensive (loss) / income to be reclassified to profit or loss in subsequent periods:				
Cash flow hedge reserve	15	4	101	(71)
Income tax effect	—	—	—	—
Exchange differences arising on net investment in foreign operations*	(29,501)	(4,532)	(45,039)	(27,582)
Income tax effect	154	154	371	1,355
Other comprehensive loss for the period, net of tax	(29,332)	(4,374)	(44,567)	(26,298)
Total comprehensive (loss) / income for the period, net of tax	(23,846)	1,853	(33,283)	(7,917)
Attributable to:				
The owners of the Company	(23,598)	1,212	(33,726)	(7,380)
Non-controlling interests	(248)	641	443	(537)
	(23,846)	1,853	(33,283)	(7,917)

* Currency liberalization in Uzbekistan had a significant impact on foreign currency translation of Uzbekistan operations, refer to Note 1 for further information.

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

Interim consolidated statement of financial position
as of 30 September 2017
(All amounts in millions of Rubles)

	Note	30 September 2017 (unaudited)	31 December 2016 (audited)
Assets			
Non-current assets			
Property and equipment	8	205,495	237,011
Intangible assets	9	31,089	35,565
Goodwill	9	103,824	106,617
Investments in joint ventures	3	–	7,641
Deferred income tax assets		3,879	2,299
Other financial assets	10	40,435	58,027
Other non-current non-financial assets	11	549	919
Total non-current assets		385,271	448,079
Current assets			
Inventories		4,368	6,170
Trade and other receivables		27,060	27,868
Other current non-financial assets	11	10,945	12,714
Current income tax assets		2,597	2,589
Other current financial assets	10	26,061	10,303
Cash and cash equivalents	12	44,747	47,510
Total current assets		115,778	107,154
Assets classified as held for sale	3	1,291	–
Total assets		502,340	555,233
Equity and liabilities			
Equity			
Equity attributable to equity owners of the parent		158,649	225,845
Non-controlling interests		6,457	9,301
Total equity		165,106	235,146
Non-current liabilities			
Financial liabilities	10	152,764	146,848
Provisions		2,512	2,655
Other non-current non-financial liabilities	11	1,061	791
Deferred income tax liabilities		9,767	13,775
Total non-current liabilities		166,104	164,069
Current liabilities			
Trade and other payables		52,089	56,720
Other current non-financial liabilities	11	22,783	22,422
Other financial liabilities	10	90,935	71,796
Current income tax payables		98	1,931
Provisions		2,884	3,149
Total current liabilities		168,789	156,018
Liabilities directly associated with the assets classified as held for sale	3	2,341	–
Total equity and liabilities		502,340	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 30 September 2017
(All amounts in millions of Rubles)

Note	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	Total		
As of 30 June 2017 (unaudited)	3	40,234	20,837	131,837	(10,633)	(31)	182,247	6,705	188,952
Profit for the period	–	–	–	5,533	–	–	5,533	(47)	5,486
Other comprehensive (loss) / income	–	–	–	–	(29,146)	15	(29,131)	(201)	(29,332)
Total comprehensive income / (loss)	–	–	–	5,533	(29,146)	15	(23,598)	(248)	(23,846)
As of 30 September 2017 (unaudited)	3	40,234	20,837	137,370	(39,779)	(16)	158,649	6,457	165,106

Interim consolidated statement of changes in equity
for the nine months ended 30 September 2017
(All amounts in millions of Rubles)

Note	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	Total		
As of 31 December 2016 (audited)	3	40,234	20,807	160,950	3,968	(117)	225,845	9,301	235,146
Profit for the period	–	–	–	9,920	–	–	9,920	1,364	11,284
Other comprehensive (loss) / income	–	–	–	–	(43,747)	101	(43,646)	(921)	(44,567)
Total comprehensive income / (loss)	–	–	–	9,920	(43,747)	101	(33,726)	443	(33,283)
Dividends declared	3	–	–	(33,500)	–	–	(33,500)	(3,316)	(36,816)
Changes in an ownership interest in a subsidiary that do not result in a loss of control	–	–	30	–	–	–	30	29	59
As of 30 September 2017 (unaudited)	3	40,234	20,837	137,370	(39,779)	(16)	158,649	6,457	165,106

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 30 September 2016
(All amounts in millions of Rubles)

	Attributable to the owners of the Company									
	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
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) / income	—	—	—	—	(3,919)	4	—	(3,915)	(459)	(4,374)
Total comprehensive income / (loss)	—	—	—	5,127	(3,919)	4	—	1,212	641	1,853
Dividends declared	—	—	—	—	—	—	—	—	(1,273)	(1,273)
Acquisition of non-controlling interests	—	—	(597)	—	—	—	—	(597)	131	(466)
Transactions under common control	—	—	(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
(All amounts in millions of Rubles)

	Attributable to the owners of the Company									
	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
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	—	—	—	(17,500)	—	—	—	(17,500)	(1,273)	(18,773)
Acquisition of non-controlling interests	—	—	(597)	—	—	—	—	(597)	131	(466)
Acquisition of subsidiaries	—	—	32	—	—	—	—	32	81	113
Transactions under common control	—	—	(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 VEON Ltd.)

Interim consolidated statement of cash flows
for the nine months ended 30 September 2017
(All amounts in millions of Rubles)

		Nine months ended 30 September	
	Note	2017	2016
Operating activities			
Profit for the period		11,284	18,381
Income tax expense	7	5,982	12,609
Profit before tax		17,266	30,990
Non-cash adjustments to reconcile profit before tax to net cash flows from operating activities:			
Depreciation	8	41,725	42,948
Impairment loss	8	201	216
Amortization	9	8,583	7,994
Loss on disposal of non-current assets		800	1,109
Finance income		(4,166)	(4,966)
Finance costs		17,565	18,938
Other non-operating loss, net	6	6,877	5,246
Net foreign exchange gain		(2,886)	(7,615)
Share of loss of joint ventures accounted for using the equity method		1,230	1,929
Impairment of joint ventures accounted for using the equity method	3	6,410	–
Movements in provisions		593	2,067
Operating cash flows before working capital adjustments, interest and income taxes		94,198	98,856
Working capital adjustments			
Change in trade and other receivables		(1,133)	(6,080)
Change in inventories		1,610	492
Change in trade and other payables		9,783	(62)
Interest and income taxes			
Interest paid		(16,033)	(18,296)
Interest received		4,562	3,159
Income tax paid		(5,623)	(13,565)
Net cash flows from operating activities		87,364	64,504
Investing activities			
Proceeds from sale of property, equipment and intangible assets		232	196
Purchase of property, equipment and intangible assets		(41,751)	(42,887)
Issue of loans		(20,983)	(35,513)
Repayment of loans issued		5,486	82,465
Inflows from deposits, net		185	4,942
Outflows from investments in other financial assets		(3,231)	(3,299)
Disposal of subsidiaries, net of cash disposed		–	1,592
Acquisition of subsidiaries, net of cash acquired		–	15
Receipt of dividends		1	2
Net cash flows (used in) / from investing activities		(60,061)	7,513
Financing activities			
Proceeds from changes in ownership interests in a consolidated subsidiaries		59	(635)
Proceeds from borrowings, net of fees paid		121,799	31,748
Repayment of borrowings		(96,188)	(62,030)
Dividends paid to equity holders	3	(33,498)	(17,500)
Dividends paid to non-controlling interests		(3,291)	(1,266)
Proceeds from sale of non-controlling interests		–	59
Net cash flows used in financing activities		(11,119)	(49,624)
Net increase in cash and cash equivalents		16,184	22,393
Effect of exchange rate changes on cash and cash equivalents, net		(18,825)	(9,470)
Cash and cash equivalent reclassified as assets held for sale		(122)	–
Cash and cash equivalents at the beginning of the period		47,510	63,385
Cash and cash equivalents at the end of the period		44,747	76,308

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 30 September 2017 and for the three and nine months ended 30 September 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 (“RUB”). 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 30 September 2017, the Company operated telecommunications services in Russia, Kazakhstan, Armenia, Uzbekistan, Georgia, Kyrgyzstan and Laos primarily under the “Beeline” brand name.

On 2 September 2017, the Government of Uzbekistan announced the liberalization of currency exchange rules, effective from 5 September 2017. The Central Bank of Uzbekistan set the official exchange rate at 8,100 Uzbek som (“UZS”) per U.S. dollar and 140 UZS per RUB, a devaluation of 92% and 97%, respectively. As of 30 September 2017, the official exchange rate was 8,067 UZS per U.S. dollar and 140 UZS per RUB, resulting in a decrease in the value of net assets of the Uzbekistan operations in U.S. dollar and RUB terms. The effect of the foreign currency exchange movements in Uzbekistan has resulted in RUB (952) recognized in the Interim consolidated income statement for the three and nine months ended 30 September 2017 within “Net foreign exchange (loss) / gain” and RUB (23,545) recognized in the Interim consolidated statement of comprehensive income for the three and nine months ended 30 September 2017 within “Exchange differences arising on net investment in foreign operations”.

The interim condensed consolidated financial statements of the Company as of 30 September 2017 and for the three and nine months ended 30 September 2017 were authorized for issue by the General Director on 20 November 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*.

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

Notes to the unaudited interim condensed consolidated financial statements
as of 30 September 2017 and for the three and nine months ended 30 September 2017
(continued)

(All amounts in millions of Rubles unless otherwise stated)

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

Basis of preparation (continued)

The preparation of these interim condensed consolidated financial statements has required Company's 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.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the Group's 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 RUB 3,215 as of 13 February 2017 at the exchange rate provided by the Central Bank of Russia).

On 30 June 2017, in the annual general meeting of shareholders of PJSC “VimpelCom” the decision was adopted to pay annual dividends in the monetary form based on 2016 financial year results: (1) to holders of common registered shares in the amount of six hundred fifty-three rubles 26 kopecks per one common share for the total amount of RUB 33,499.8 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 RUB 0.006 for all preferred type “A” registered shares in the aggregate. On 13 July 2017, PJSC “VimpelCom” paid annual dividends to the shareholders based on 2016 financial year results in the amount of RUB 31,824.8, net of tax withheld. In accordance with Russian tax legislation, PJSC “VimpelCom” withheld a tax on dividend payments in the amount of RUB 1,675.

Impairment of Euroset

During the second quarter of 2017, due to the continued operational underperformance of joint venture Euroset Holding N.V. (“Euroset”), the Company has revised its previous estimates and assumptions regarding Euroset's future cash flows. As a result, the Company has recorded an impairment of RUB 6,410 against the carrying value of the investment in Euroset, resulting in a post-impairment carrying value of nil.

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

Notes to the unaudited interim condensed consolidated financial statements
as of 30 September 2017 and for the three and nine months ended 30 September 2017
(continued)

(All amounts in millions of Rubles unless otherwise stated)

3. Significant transactions (continued)

Impairment of Euroset (continued)

The recoverable amount of Euroset has been determined using fair value less costs of disposal, based on a Level 3 fair value derived from a discounted cash flow model.

Key assumptions

30 June 2017

Discount rate	13.4%
Average annual revenue growth rate during forecast period	1.7%
Terminal growth rate	0.0%
Average operating (EBITDA) margin during forecast period	0.0%
Average capital expenditure as a percentage of revenue	0.9%

Exit from Euroset Joint Venture

On 7 July 2017, PJSC “VimpelCom” entered into a Framework Agreement with PJSC “MegaFon” (“MegaFon”) to unwind their retail joint venture, Euroset Holding N.V. (“Euroset”). Under the agreement, MegaFon will acquire PJSC “VimpelCom”’s 50% interest in Euroset and PJSC “VimpelCom” in exchange will pay RUB 1,250 (subject to possible completion adjustments) and will acquire rights to 50% of Euroset’s approximately 4,000 retail stores in Russia. The transaction is subject to relevant regulatory approvals and other conditions precedent, and is expected to be completed in the first quarter of 2018.

As a result of this anticipated transaction, the investment in the Euroset joint venture was classified as an asset held-for-sale on 30 June 2017. However, as a result of the impairment described above, the investment in Euroset had a carrying value of nil prior to reclassification as an asset held-for-sale.

Laos operations classified as held for sale

On 27 October 2017, VimpelCom Holding Laos B.V. (“VimpelCom Laos”), a subsidiary of the Company, entered into a Sale and Purchase Agreement for the sale of its operations in Laos to the Lao People’s Democratic Republic (“Government of Laos”). Under the agreement, VimpelCom Laos will transfer its 78% interest in VimpelCom Lao Co. Limited (“VIP Lao”) to the Government of Laos, the minority shareholder, in exchange for purchase consideration of USD 22 million. The transaction is subject to customary closing conditions and is expected to be completed in the first quarter of 2018.

As a result of this anticipated transaction, we classified our Laos business as an asset held for sale in these interim condensed consolidated financial statements. In connection with this classification, the Company no longer accounts for depreciation and amortization expenses of VIP Lao assets.

The assets and liabilities of VIP Lao classified as held for sale are presented below:

	30 September 2017
Property and equipment	882
Intangible assets	134
Current assets	275
Total assets held for sale	1,291
Non-current liabilities	1,693
Current liabilities	648
Total liabilities held for sale	2,341

Included in the equity of the Group is cumulative other comprehensive income of RUB 215 and non-controlling interests of RUB (330) related to Laos, which is classified as held for sale.

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

Notes to the unaudited interim condensed consolidated financial statements
as of 30 September 2017 and for the three and nine months ended 30 September 2017
(continued)

(All amounts in millions of Rubles unless otherwise stated)

4. Segment information

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

Management evaluates the performance of the Group'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 and nine months ended 30 September 2017 and 30 September 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 30 September 2017

	Russia	Uzbekistan	Kazakhstan	HQ and others	Group
Revenue					
External customers	72,498	7,699	5,800	3,555	89,552
Inter-segment	191	6	33	(230)	–
Total operating revenue	72,689	7,705	5,833	3,325	89,552
EBITDA	27,811	3,948	2,044	(1,199)	32,604
Other disclosures					
Capital expenditures	11,232	564	814	599	13,209
Impairment loss	254	–	22	12	288

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

	Russia	Uzbekistan	Kazakhstan	HQ and others	Group
Revenue					
External customers	70,267	10,905	5,840	4,193	91,205
Inter-segment	263	(2)	10	(271)	–
Total operating revenue	70,530	10,903	5,850	3,922	91,205
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 2017

	Russia	Uzbekistan	Kazakhstan	HQ and others	Group
Revenue					
External customers	205,469	25,377	16,566	10,062	257,474
Inter-segment	533	48	54	(635)	–
Total operating revenue	206,002	25,425	16,620	9,427	257,474
EBITDA	77,963	13,313	6,093	(3,764)	93,605
Other disclosures					
Capital expenditures	26,205	2,792	2,217	2,050	33,264
Impairment loss	(235)	–	22	12	(201)

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4. Segment information (continued)

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

	Russia	Uzbekistan	Kazakhstan	HQ and others	Group
Revenue					
External customers	202,095	33,993	16,977	12,655	265,720
Inter-segment	778	40	55	(873)	–
Total operating revenue	202,873	34,033	17,032	11,782	265,720
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)

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	
	2017	2016	2017	2016
EBITDA	32,604	32,380	93,605	96,789
Depreciation	(13,549)	(14,294)	(41,725)	(42,948)
Amortization	(2,844)	(2,975)	(8,583)	(7,994)
Impairment loss	288	(34)	(201)	(216)
Loss on disposal of non-current assets	(415)	(528)	(800)	(1,109)
Finance costs	(6,254)	(6,096)	(17,565)	(18,938)
Finance income	1,488	1,419	4,166	4,966
Other non-operating loss, net	(460)	(1,062)	(6,877)	(5,246)
Share of loss of joint ventures accounted for using the equity method	–	(827)	(1,230)	(1,929)
Impairment of joint ventures accounted for using the equity method	–	–	(6,410)	–
Net foreign exchange (loss) / gain	(1,945)	1,216	2,886	7,615
Income tax expense	(3,427)	(2,972)	(5,982)	(12,609)
Profit for the period	5,486	6,227	11,284	18,381

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	
	2017	2016*	2017	2016*
Customer associated costs	7,584	7,738	21,712	20,292
Personnel costs	6,790	5,903	20,617	19,700
Network and IT costs	5,471	5,018	15,462	14,718
Operating lease and other rent expenses	4,635	4,533	14,038	13,011
Taxes other than income tax	3,067	3,450	8,877	12,073
Consulting and professional service costs	2,331	1,341	6,091	3,941
Losses on receivables	603	515	1,972	2,105
Other G&A expenses	1,006	1,898	3,008	3,962
Total	31,487	30,396	91,777	89,802

*In 2017, the Group has aligned its practices for cost classification across the group and re-presented the comparative periods of 2016 by making reclassifications within selling, general and administrative for certain cost categories for the periods. Major changes relate to partial reclassification of consulting and professional service costs and other general and administrative expenses to customer associated costs and taxes other than income tax. The impact of this refinement in policy was not material for any periods presented. The net results, financial position and operating cash flows for these periods remained unaffected. The Company concluded that the updated classification within selling, general and administrative better reflected the actual nature of such costs.

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6. Other non-operating loss, net

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

	Note	Three months ended 30 September		Nine months ended 30 September	
		2017	2016	2017	2016
Loss from early debt redemption	10	–	–	(4,430)	–
Changes in the fair value of non-hedge derivatives		(434)	(921)	(2,227)	(5,563)
Changes in the fair value of hedge derivatives		(33)	(1)	(56)	1
(Loss) / Income on sale of foreign currency, net		(1)	(109)	(30)	434
Other gain / (loss), net		8	(31)	(134)	(118)
Total other non-operating loss, net		(460)	(1,062)	(6,877)	(5,246)

Loss from early debt redemption relates to the settlement of the cash tendered offer for certain outstanding debt securities, see Note 10 for further details.

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	
	2017	2016	2017	2016
Profit before tax	8,913	9,199	17,266	30,990
Current income tax	(4,179)	(5,035)	(8,948)	(17,194)
Deferred income tax	752	2,063	2,966	4,585
Income tax expense reported in the interim consolidated income statement	(3,427)	(2,972)	(5,982)	(12,609)
Effective tax rates	38%	32%	35%	41%

The effective income tax rate for the three and nine months ended 30 September 2017 amounts to 38% (2016: 32%) and 35% (2016: 41%), respectively. In the three-month period ended 30 September 2017 the effective income tax rate was mainly driven by non-deductible expenses and higher tax rate in Uzbekistan. In the nine-month period ended 30 September 2017 the effective income tax rate was mainly driven by impairment of investments in joint ventures (Note 3). In the three and nine months ended 30 September 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 nine months ended 30 September 2017 and 2016, the Company had the following changes in property and equipment:

	Note	Nine months ended 30 September	
		2017	2016
Net book value as of 1 January		237,011	265,899
Additions		28,253	25,834
Acquisition of a subsidiary		–	10
Net book value of assets disposed		(1,379)	(11,901)
Translation adjustment		(15,582)	(7,842)
Depreciation charge		(41,725)	(42,948)
Impairment		(201)	(216)
Assets classified as assets held for sale	3	(882)	–
Assets reclassified from assets held for sale		–	46
Net book value as of 30 September		205,495	228,882

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8. Property and equipment (continued)

During the nine months ended 30 September 2017, assets with net book value of RUB 882 were classified as assets held for sale (refer to Note 3).

9. Intangible assets and goodwill

During the nine months ended 30 September 2017 and 2016, the Company had the following changes in intangible assets and goodwill:

	Nine months ended 30 September			
	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	5,011	–	10,256	–
Acquisition of a subsidiary	23	–	34	5
Net book value of assets disposed	(78)	–	(2)	–
Translation adjustment	(849)	(2,793)	(1,426)	(2,409)
Amortization charge	(8,583)	–	(7,994)	–
Closing net book value as of 30 September	31,089	103,824	36,844	110,965

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 the nine months period ended 30 September 2017.

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 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):

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10 Financial assets and liabilities (continued)

Carrying values and fair values (continued)

	Carrying value		Fair value	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
Financial assets at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	–	101	–	101
Total financial assets at fair value	–	101	–	101
Loans granted, deposits and other financial assets at amortised cost				
Loans granted to related parties, principal (Note 13)	54,609	41,323	63,440	47,208
Bank deposits	8,560	22,544	8,560	22,544
Interest receivable	2,351	3,024	2,967	3,549
Other financial assets	976	1,338	976	1,338
Total loans granted, deposits and other financial assets at amortised cost	66,496	68,229	75,943	74,639
Total other financial assets	66,496	68,330	75,943	74,740
Financial liabilities at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	584	1,623	584	1,623
Financial liabilities at fair value through other comprehensive income				
Derivatives designated as cash flow hedges				
Foreign exchange contracts	83	247	83	247
Total financial liabilities at fair value	667	1,870	667	1,870
Other financial liabilities at amortised cost				
Loans, bonds and finance lease liabilities, principal	61,141	180,426	64,564	189,615
Loans payables to related parties, principal (Note 13)	173,486	27,346	172,364	18,887
Unamortised fees	(941)	(761)	–	–
Interest payable	9,346	9,763	5,791	5,950
Total other financial liabilities at amortised cost	243,032	216,774	242,719	214,452
Total other financial liabilities	243,699	218,644	243,386	216,322

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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 2017 and 31 December 2016:

	30 September 2017	31 December 2016
Other financial assets		
Non-current portion	40,435	58,027
Current portion	26,061	10,303
Total other financial assets	66,496	68,330
Other financial liabilities		
Non-current portion	152,764	146,848
Current portion	90,935	71,796
Total other financial liabilities	243,699	218,644

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 at fair value.

	As of 30 September 2017		
	(Level 1)	(Level 2)	(Level 3)
Financial liabilities at fair value through profit or loss			
Derivatives not designated as hedges			
Foreign exchange contracts	–	584	–
Financial liabilities at fair value through other comprehensive income			
Derivatives designated as cash flow hedges			
Foreign exchange contracts	–	83	–
Total financial liabilities at fair value	–	667	–
	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	–

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10. Financial assets and liabilities (continued)

Fair value hierarchy (continued)

During the nine-months period ended 30 September 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 RUB 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 RUB 14,461 which was repaid in March 2017. Subsequent to the settlement, the total outstanding principal amount of 7% Ruble bonds was RUB 597.

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

On 24 May 2017, PJSC “VimpelCom” fully repaid outstanding credit facilities with Sberbank of Russia in the total amount of RUB 66,292, including RUB 65,349 of principal and RUB 943 of interest.

On 15 June 2017, PJSC “VimpelCom” fully repaid outstanding credit facility signed with HSBC Bank plc on 26 April 2011 in the total amount of RUB 414 including RUB 412 of principal and RUB 2 of interest.

On 15 June 2017, PJSC “VimpelCom” fully repaid outstanding credit facilities signed with Cisco Systems Finance International on 24 October 2014, 30 April 2014 and 24 September 2015 in the total amount of RUB 670, including RUB 657 of principal and RUB 13 of interest.

On 20 June 2017, PJSC “VimpelCom” fully repaid outstanding credit facility signed with HSBC Bank plc and Nordea Bank AB (publ) 9 October 2012 in the total amount of RUB 1,851 including RUB 1,823 of principal and RUB 28 of interest.

On 30 May 2017, VEON Holdings B.V. (immediate parent of PJSC “VimpelCom” and indirect subsidiary of VEON Ltd., on 29 September 2017, VimpelCom Holdings B.V. changed its name to VEON Holdings B.V.) announced that it commenced a cash tender offer for any and all of the outstanding 7.5043% Notes due 2022 issued by VEON Holdings B.V. guaranteed by PJSC “VimpelCom” (Note 14) and 9.125% and 7.748% Loan Participation Notes due 2018 and 2021, respectively, issued by, but with limited recourse to, VIP Finance Ireland Limited (SPE). The total principal outstanding amount of these bonds was USD 2,430 million of which USD 1,149.7 million was held by PJSC “VimpelCom” Group. The aggregate principal amount accepted for repurchase by VEON Holdings B.V. was USD 1,258.7 million (of which USD 607.1 million was held by PJSC “VimpelCom” Group), which was settled on or before 29 June 2017.

On 19 June 2017 and 29 June 2017, PJSC “VimpelCom” bought the notes issued by VIP Finance Ireland Limited from VEON Holdings B.V. for further cancellation for a total purchase price of USD 694.8 million which comprise the principal amount of USD 607.1 million, USD 64.7 million of premium to bondholders, USD 12.2 million of accrued interest and USD 10.8 million of cost related to this transaction.

As a result of the tender offer as of 29 June 2017 the outstanding principal amount of debt under the 9.125% and 7.748% Loan Participation Notes due in 2018 and 2021, respectively, issued by, but with limited recourse to, VIP Finance Ireland Limited was USD 542.6 million (the equivalent of RUB 32,307 as of 29 June 2017 at the exchange rate provided by the Central Bank of Russia) and the outstanding principal amount of debt under the 7.5043% Notes due in 2022 issued by VEON Holdings B.V. and guaranteed by PJSC “VimpelCom” (Note 14) was USD 628.5 million (the equivalent of RUB 37,422 as of 29 June 2017 at the exchange rate provided by the Central Bank of Russia).

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10. Financial assets and liabilities (continued)

Major treasury events during 2017 (continued)

The carrying value of the bonds subject to the purchase was adjusted on 29 June 2017 upon closing of the tender to reflect on the expected additional cash flows of the bonds stemming from the agreed premiums amounting to USD 64.7 million (the equivalent of RUB 3,737 at the exchange rates as of the dates of the transactions, provided by the Central Bank of Russia) and the costs associated with the execution of the transaction amounting to USD 10.8 million (the equivalent of RUB 624 at the exchange rates as of the dates of the transactions, provided by the Central Bank of Russia). This adjustment to the carrying value of the bonds was recorded in the line “Other non-operating loss, net” (Note 6) of the consolidated income statement as part of the “Loss from early debt redemption” account to reflect on the nature of the adjustment. The unamortized debt issuance costs amounted to USD 1.2 million (the equivalent of RUB 69 at the exchange rates as of the dates of the transactions, provided by the Central Bank of Russia) were released to the consolidated income statement and was also recorded in the line “Other non-operating loss, net” (Note 6) of the consolidated income statement as part of the “Loss from early debt redemption” account at the date of the closing due to significantly reduced expected remaining time of the amortization period.

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 2017	31 December 2016
Advances to suppliers and prepayments	472	709
Deferred costs related to connection fees	57	101
Other non-current assets	20	109
Other non-current non-financial assets	549	919

Other current non-financial assets consisted of the following:

	30 September 2017	31 December 2016
Advances to suppliers	5,588	6,681
Input value added tax	4,814	5,374
Deferred costs related to connection fees	197	126
Prepaid taxes	92	314
Others	254	219
Other current non-financial assets	10,945	12,714

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

	30 September 2017	31 December 2016
Long-term deferred revenue	261	472
Other non-current liabilities	800	319
Other non-current non-financial liabilities	1,061	791

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

Other current non-financial liabilities consisted of the following:

	30 September 2017	31 December 2016
Customer advances, net of VAT	9,551	11,833
Other taxes payable	8,362	5,321
Amounts due to employees	3,520	2,447
Customer deposits	661	1,438
Short-term deferred revenue	601	914
Other liabilities	88	469
Other current non-financial liabilities	22,783	22,422

12. Cash and cash equivalents

Cash and cash equivalents consisted of the following items:

	30 September 2017	31 December 2016
Cash and cash equivalents at banks and on hand	33,766	43,796
Short-term deposits with an original maturity of less than 92 days	10,981	3,714
Total cash and cash equivalents	44,747	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 30 September 2017 in Uzbekistan of RUB 12,455 (31 December 2016: RUB 21,038) are restricted due to local government or central bank regulations or de-facto existing practices and therefore cannot currently be repatriated. In addition, short and long term deposits at financial institutions in Uzbekistan of RUB 8,415 as of 30 September 2017 (31 December 2016: RUB 22,544) are also subject to the same restrictions.

13. Related parties transactions

As of 30 September 2017, PJSC “VimpelCom” is a wholly-owned indirect subsidiary of VEON Ltd. As of 30 September 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.

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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		For the nine months ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
Revenue from Telenor	17	36	47	47
Revenue from Kyivstar	280	532	858	1,577
Revenue from joint ventures	(139)	54	140	194
Revenue from Teta Telecom or its subsidiaries	340	388	902	1,186
Revenue from VEON Ltd. or its subsidiaries	187	242	709	757
Revenue from other related parties	257	–	257	–
	942	1,252	2,913	3,761
Services from Telenor	15	26	42	55
Services from Kyivstar	563	876	1,697	2,685
Services from joint ventures	392	341	1,315	845
Services from Teta Telecom, LLP or its subsidiaries	972	1,203	2,758	3,531
Services from VEON Ltd. or its subsidiaries	3,370	3,137	9,062	7,247
Services from other related parties	30	6	41	20
	5,342	5,589	14,915	14,383
Finance income from VEON Ltd. or its subsidiaries	905	973	2,555	3,511
Finance costs from VEON Ltd. or its subsidiaries	4,699	531	7,040	1,608
Other loss from VEON Ltd. or its subsidiaries (Note 10)	–	–	(638)	–
Other gain from other related parties, net	3	3	7	5

	As of 30 September 2017	As of 31 December 2016
Accounts receivable from Telenor	260	13
Accounts receivable from Kyivstar	346	374
Accounts receivable from joint ventures	796	803
Accounts receivable from Teta Telecom, LLP or its subsidiaries	584	138
Accounts receivable from VEON Ltd. or its subsidiaries	3,674	2,693
Accounts receivable from other related parties	135	92
	5,795	4,113
Accounts payable to Telenor	288	23
Accounts payable to Kyivstar	217	266
Accounts payable to joint ventures	245	199
Accounts payable to Teta Telecom, LLP or its subsidiaries	1,270	1,038
Accounts payable to VEON Ltd. or its subsidiaries	11,815	8,200
Accounts payable to other related parties	(52)	–
	13,783	9,726
Loans granted to VEON Ltd. or its subsidiaries	54,609	41,323
Interest receivable from VEON Ltd. or its subsidiaries	2,296	3,024
Loans received from VEON Ltd. or its subsidiaries	173,486	27,346
Interest payable to VEON Ltd. or its subsidiaries	7,284	6,730
Unamortised fees related to loans received from VEON Ltd. or its subsidiaries	(877)	–
Loans received from VEON Ltd. or its subsidiaries classified as liabilities directly associated with the assets classified as held for sale	1,247	–
Interest payable to VEON Ltd. or its subsidiaries related to loans received classified as liabilities directly associated with the assets classified as held for sale	19	–

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13. Related parties (continued)

Loans granted to VEON Ltd. or its subsidiaries

As of 30 September 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	30 September 2017	31 December 2016
VEON Ltd.	7 Oct. 2010	Dec., 2070	LIBOR+7.5%	USD	32,575	34,057
VEON Holdings B.V. ¹	7 Aug 2017	–	LIBOR+0.8%	USD	12,440	–
VEON Holdings B.V. ²	31 Mar 2017	–	LIBOR+0.6%	USD	7,404	–
VEON Micro Holdings B.V.	26 Feb. 2016	Feb., 2018	5.00%	USD	1,102	1,152
Teta Telecom	2007-2011	2017-2021	10.60%	KZT	1,088	1,168
VEON Holdings B.V. ³	5 Jul. 2016	Jul, 2019	LIBOR+4.0%	USD	–	4,246
NTC ⁴	1 Sep. 2016	Sep., 2018	10.00%	RUB	–	700
Total					54,609	41,323

¹ On 7 August 2017, CJSC VEON Armenia (former CJSC ArmenTel) signed a current account agreement with VEON Holdings B.V. (on 29 September 2017, VimpelCom Holdings B.V. changed its name to VEON Holdings B.V.) for a maximum amount of USD 214 million. The agreement has no maturity date and the interest rate amounts to LIBOR+0.8%. In August 2017, CJSC VEON Armenia deposited USD 214 million with VEON Holdings B.V. (the equivalent of RUB 12,809 as of the dates of transactions at the exchange rate provided by the Central Bank of Russia);

² On 31 March 2017, VEON Eurasia S.à r.l. (on 28 July 2017, B.V. VimpelCom Finance S.à r.l. changed its name to VEON Eurasia S.à r.l.) provided an uncommitted current account facility with unlimited maturity to VEON Holdings B.V. for a maximum amount of USD 100 million. On 19 July 2017, the amendment agreement was signed which increased the maximum amount to USD 200 million. During the nine months ended 30 September 2017 VEON Eurasia S.à r.l. deposited USD 127.6 million with VEON Holdings B.V. and VEON Holdings B.V. repaid USD 50 thousands under this agreement (the equivalent of RUB 7,293 and RUB 3, respectively, as of the dates of transactions at the exchange rate provided by the Central Bank of Russia). On 19 October 2017, VEON Eurasia S.à r.l. deposited USD 23.8 million with VEON Holdings B.V. (the equivalent of RUB 1,363 as of 19 October 2017 at the exchange rate provided by the Central Bank of Russia);

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

⁴ During the first quarter of 2017, JSC National Tower Company (“NTC”) drew down RUB 700 and repaid RUB 300. In April 2017, NTC fully repaid RUB 1,100.

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13. Related parties (continued)

Loans received from VEON Ltd. or its subsidiaries

As of 30 September 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	30 September 2017	31 December 2016
VEON Luxembourg Finance S.A. ¹	19 May, 2017	May, 2022	11.40%	RUB	95,000	–
VEON Luxembourg Finance S.A. ²	19 Jun., 2017	Dec., 2017	11.00%	RUB	40,100	–
VEON Luxembourg Finance S.A. ³	26 Mar., 2015	Mar., 2032	6.50%	USD	13,228	12,756
VEON Holdings B.V.	14 Feb., 2013	Feb., 2018	9.60%	RUB	12,000	12,000
VEON Luxembourg Finance S.A. ⁴	9 Aug., 2017	Aug., 2022	11.25%	RUB	9,453	–
VEON Holdings B.V. ⁵	24 Jun 2016	Sep., 2021	5.91%	RMB	3,705	1,289
VEON Micro Holdings B.V. ⁶	27 Jan., 2016	Jan., 2018	5.00%	USD	–	1,152
			LIBOR (6M)			
VEON Micro Holdings B.V. ⁶	17 May, 2016	Dec., 2017	+ 2.3%	USD	–	149
Total					173,486	27,346

¹ On 19 May 2017, PJSC “VimpelCom” signed a Credit Facility Agreement with VEON Luxembourg Finance S.A. (former Weather Capital Special Purpose 1 S.A.) for the amount of RUB 99,000 with the maturity date 19 May 2022. The lender charged facility fee in the amount of RUB 990, which were accounted for as unamortised debt issuance costs. The interest rate under the agreement is 11.4%. In the second quarter of 2017, PJSC “VimpelCom” drew down RUB 95,000;

² On 19 June 2017, PJSC “VimpelCom” signed a Credit Facility Agreement with VEON Holdings B.V. for the amount of USD 694.5 million with the maturity date on 19 December 2017. As per agreement, cash is drawn down in ruble equivalent as of the date of transaction at the exchange rate provided by the Central Bank of Russia. The interest rate under the agreement is 11%. In the second quarter 2017, PJSC “VimpelCom” drew down RUB 40,100. On 18 August 2017, PJSC “VimpelCom” signed a Novation Agreement changing the lender to VEON Luxembourg Finance S.A.;

³ During the nine months ended 30 September 2017, LLC Mobitel (subsidiary of the PJSC “VimpelCom”) drew down USD 17.7 million (the equivalent of RUB 922 as of the dates of transactions at the exchange rate provided by the Central Bank of Russia);

⁴ On 9 August 2017, PJSC “VimpelCom” signed a Credit Facility Agreement with VEON Luxembourg Finance S.A. (former Weather Capital Special Purpose 1 S.A.) for the amount of RUB equivalent of USD 157.5 million with the maturity date 9 August 2022 with auto prolongation. The interest rate under the agreement is flexible, 125% of the Key Rate of the Central bank of Russia. During the August, 2017, PJSC “VimpelCom” drew down RUB 9,453;

⁵ During the nine months ended 30 September 2017 PJSC “VimpelCom” drew down RMB 276.29 million (the equivalent of RUB 2,312 as of the dates of transactions at the exchange rate provided by the Central Bank of Russia);

⁶ The loans related to VimpelCom Holding Laos B.V. (subsidiary of the PJSC “VimpelCom”) were reclassified to liabilities directly associated with the assets classified as held for sale on 30 June 2017 (Note 3). The total outstanding amount as of 30 September 2017 was USD 21.5 million (the equivalent of RUB 1,247 as of 30 September 2017 at the exchange rate provided by the Central Bank of Russia).

On 18 August 2017, PJSC “VimpelCom” signed a Revolving Credit Facility Agreement with VEON Luxembourg Finance S.A. (former Weather Capital Special Purpose 1 S.A.) for the amount of RUB 30,000 with the maturity date 18 August 2020 with auto prolongation. The interest rate under the agreement is flexible, 125% of the Key Rate of 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 nine months ended 30 September 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 other than changes disclosed in Note 14. No triggering events under the existing guarantees in favor of related parties occurred. The Company believes that the probability of these events is remote.

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14. Commitments, contingencies and uncertainties

There were no material commitments, contingencies and uncertainties that occurred during the nine month period ended 30 September 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 other than changes in the commitments, contingencies and uncertainties disclosed below.

Spectrum reallocation in Uzbekistan

On 31 March 2017, the Republican Radiofrequencies Council in Uzbekistan (the “Council”) 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 cellular communications providers in the market. On 21 April 2017, Unitel filed a claim with the Commercial Court of Tashkent City disputing the Decision. Unitel's claim was subsequently transferred to the Administrative Court of the Uchtepa District, which dismissed the claim on 22 June 2017. A cassation appeal of the dismissal, if any, must be commenced on or before 12 January 2018. Separately, a working group involving the regulator and all mobile operators in Uzbekistan was created to discuss potential terms and conditions for implementation of the Decision. The Council issued a subsequent decision, reaffirming the redistribution of radio frequencies as originally ordered but postponing the implementation deadline to 31 March 2018. The decision also grants tech neutrality in the 900 and 1800 MHz bands.

Guarantees in favour of VEON Holdings B.V.

On 29 June 2011, VEON Holdings B.V. (on 29 September 2017, VimpelCom Holdings B.V. changed its name to VEON Holdings B.V.), a subsidiary owned by VEON Ltd., completed an offering of an aggregate principal amount of USD 2,200 million notes (the equivalent of RUB 62,117 as of 29 June 2011 at the exchange rate provided by the Central Bank of Russia) split between three, five and ten year tranches, with an annual interest rates range of LIBOR plus 4.0% - 7.50%. The Company guaranteed these notes issues. On 2 April 2015, VEON Amsterdam B.V. (on 22 August 2017, VimpelCom Amsterdam B.V. changed its name to VEON Amsterdam B.V.) partially repurchased the current notes issued by VEON Holdings B.V. On 19 June 2017 and 29 June 2017, VEON Holdings B.V. partially repurchased guaranteed notes issued by VEON Holdings B.V. on 29 June 2011 (Note 10). As of 30 September 2017 and 31 December 2016, the outstanding principal amount under the notes was USD 628.5 million (the equivalent of RUB 36,464 as of 30 September 2017 at the exchange rate provided by the Central Bank of Russia) and USD 1,629 million (the equivalent of RUB 98,810 as of 31 December 2016 at the exchange rate provided by the Central Bank of Russia), respectively. No triggering events under the guarantee occurred. The Company believes that probability of these events is remote.

On 13 February 2013, VEON Holdings B.V. completed an offering of an aggregate principal amount of USD 1,600 million notes (the equivalent of RUB 48,274 as of 13 February 2013 at the exchange rate provided by the Central Bank of Russia) and notes, denominated in RUB, in the amount of RUB 12,000, split between five, six and ten year tranches, with an annual interest rates range of 5.20%-9.00%. VimpelCom guaranteed these notes issues. On 2 April 2015, VEON Amsterdam B.V. partially repurchased the current notes issued by VEON Holdings B.V. As of 31 December 2016, the outstanding principal amount under the notes was USD 1,554 million (the equivalent of RUB 94,261 as of 31 December 2016 at the exchange rate provided by the Central Bank of Russia) and RUB 12,000. On 30 June 2017, VEON Holdings B.V. terminated these respective guarantees. VEON Holdings B.V. exercised its option to terminate the guarantees pursuant to the terms of the trust deeds entered into in respect of the Notes between VEON Holdings B.V., PJSC “VimpelCom” and BNY Mellon Corporate Trustee Services Limited, each dated 13 February 2013. No triggering events under the guarantee occurred.

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14. Commitments, contingencies and uncertainties (continued)

Guarantees in favour of VEON Amsterdam B.V.

On 20 December 2012, VEON Amsterdam B.V. (on 22 August 2017, VimpelCom Amsterdam B.V. changed its name to VEON Amsterdam B.V.) completed a term credit facility of USD 500 million (the equivalent of RUB 15,380 as of 20 December 2012 at the exchange rate provided by the Central Bank of Russia). The 8 years credit facility for VEON Amsterdam B.V. is committed by China Development Bank Corporation to finance Huawei equipment. The loan bears interest at the rate of LIBOR plus 3.30% per annum. VimpelCom guaranteed this term credit facility. As of 30 September 2017 and 31 December 2016, the outstanding principal amount was USD 290.66 million (the equivalent of RUB 16,863 as of 30 September 2017 at the exchange rate provided by the Central Bank of Russia) and USD 332.19 million (the equivalent of RUB 20,150 as of 31 December 2016 at the exchange rate provided by the Central Bank of Russia), respectively. No triggering events under the guarantee occurred. The Company believes that probability of these events is remote.

On 28 March 2013, VEON Amsterdam B.V. completed a term credit facility of USD 500 million (the equivalent of RUB 15,432 as of 28 March 2013 at the exchange rate provided by the Central Bank of Russia). The 8 years credit facility for VEON Amsterdam B.V. is committed by HSBC Bank plc to finance Ericsson equipment. The loan bears interest at the rate of CIRR plus 0.02% per annum. VimpelCom guaranteed this term credit facility. As of 30 September 2017 and 31 December 2016, the outstanding principal amount was USD 158.81 million (the equivalent of RUB 9,214 as of 30 September 2017 at the exchange rate provided by the Central Bank of Russia) and USD 190.57 million (the equivalent of RUB 11,559 as of 31 December 2016 at the exchange rate provided by the Central Bank of Russia), respectively. No triggering events under the guarantee occurred. The Company believes that probability of these events is remote.

15. Events after the reporting period

On 5 October 2017, PJSC “VimpelCom” announced the reset of the coupon rate on its Exchange Ruble bonds for outstanding principal amount of RUB 25,000 maturing in October 2025. The new coupon rate of 1% per annum is applicable for the next six coupon periods (next three years) to be reset again in October 2020. Following the reset of the coupon rate, bondholders exercised their put options in aggregate principal amount of RUB 24,495 which was repaid on 18 October 2017. Subsequent to the settlement, the total outstanding principal amount of 1% Ruble bonds is RUB 505.

On 6 October 2017, VimpelCom Kazakhstan Holding AG, a subsidiary of the Company, declared dividends to its shareholders which were paid on 10 October 2017. The portion of dividends paid to the minority shareholder amounted to USD 10.8 million (the equivalent of RUB 630 as of 10 October 2017 at the exchange rate provided by the Central Bank of Russia).

On 11 October 2017, PJSC “VimpelCom” signed a Credit Facility Agreement with VEON Luxembourg Finance S.A. for the amount of RUB 15,000 with the maturity date 11 October 2022. The float rate of interest on each Loan for each Interest Period is a percentage rate per annum which is 125 per cent of the Key Rate. On 16 October 2017, PJSC “VimpelCom” drew down RUB 15,000.

On 11 October 2017, VEON Ltd. early repaid USD 561.5 million (the equivalent of RUB 32,607 as of 11 October 2017 at the exchange rate provided by the Central Bank of Russia) to the Company under the loan agreement dated 7 October 2010. The Company also agreed to waive the requirement to pay the accrued interest by VEON Ltd. under the loan agreement dated 7 October 2010 for the period 1 January 2017 to and including the Repayment Date in the amount of USD 39.1 million (the equivalent of RUB 2,271 as of 11 October 2017 at the exchange rate provided by the Central Bank of Russia).

On 11 October 2017, the Company signed a short term deposit agreements with VEON Ltd. and deposited for a total amount of USD 561.5 million (the equivalent of RUB 32,607 as of 11 October 2017 at the exchange rate provided by the Central Bank of Russia) with maturity date at the end of 2017 and the interest rate of 1-month LIBOR + 0.75%.