Special purpose
unaudited interim condensed
consolidated financial statements

VEON Holdings B.V.
(a wholly-owned subsidiary of VEON Ltd.)

As of and for the nine and three-month periods
ended September 30, 2019

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INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

for the nine and three-month periods ended September 30

(In millions of U.S. dollars, except per share amounts)	Note	Nine-month period 2019	Nine-month period 2018	Three-month period 2019	Three-month period 2018
Service revenues		6,162	6,450	2,076	2,155
Sale of equipment and accessories		322	295	121	134
Other revenues / other income		125	101	27	32
Total operating revenues	2	**6,609**	**6,846**	**2,224**	**2,321**
Service costs		(1,156)	(1,303)	(396)	(426)
Cost of equipment and accessories		(323)	(283)	(117)	(128)
Selling, general and administrative expenses		(2,047)	(2,538)	(676)	(847)
Depreciation		(1,214)	(1,013)	(405)	(323)
Amortization		(295)	(371)	(93)	(121)
Impairment (loss) / reversal		(99)	(791)	(90)	(781)
Gain / (loss) on disposal of non-current assets		(28)	(46)	(13)	(9)
Gain / (loss) on disposal of subsidiaries		1	20	—	—
Operating profit		**1,448**	**521**	**434**	**(314)**
Finance costs		(664)	(612)	(248)	(199)
Finance income		61	38	24	11
Other non-operating gain / (loss)		15	(57)	—	(25)
Net foreign exchange gain / (loss)		(32)	(20)	(23)	(12)
Profit / (loss) before tax		**828**	**(130)**	**187**	**(539)**
Income tax expense	3	(364)	(349)	(102)	(93)
Profit / (loss) from continuing operations		**464**	**(479)**	**85**	**(632)**
Profit / (loss) after tax from discontinued operations		—	(300)	—	—
Gain / (loss) on disposal of discontinued operations		—	1,279	—	1,279
Profit / (loss) for the period		**464**	**500**	**85**	**647**
Attributable to:					
The owners of the parent (continuing operations)		428	(207)	89	(337)
The owners of the parent (discontinued operations)		—	979	—	1,279
Non-controlling interest		36	(272)	(4)	(295)
		464	**500**	**85**	**647**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the nine and three-month periods ended September 30

(In millions of U.S. dollars)	Note	Nine-month period 2019	Nine-month period 2018	Three-month period 2019	Three-month period 2018
Profit / (loss)		**464**	**500**	**85**	**647**
Items that may be reclassified to profit or loss					
Net movement on cash flow hedges		—	(1)	—	(1)
Share of other comprehensive income / (loss) of Italy Joint Venture		—	(18)	—	—
Foreign currency translation		(8)	(564)	(26)	(213)
Other		3	—	3	—
Items reclassified to profit or loss					
Reclassification of accumulated foreign currency translation reserve to profit or loss		—	(79)	—	(79)
Reclassification of accumulated share of other comprehensive income / (loss) of Italy Joint Venture to profit and loss		—	31	—	31
Other comprehensive income / (loss), net of tax		**(5)**	**(631)**	**(23)**	**(262)**
Total comprehensive income / (loss), net of tax		**459**	**(131)**	**62**	**385**
Attributable to:					
The owners of the parent		491	241	82	693
Non-controlling interests		(32)	(372)	(20)	(308)
		459	**(131)**	**62**	**385**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of

(In millions of U.S. dollars)	Note	September 30, 2019	December 31, 2018
Assets			
Non-current assets			
Property and equipment	5	6,984	4,925
Intangible assets	6	1,720	1,841
Goodwill	6	3,850	3,816
Deferred tax assets		135	197
Other assets		393	193
Total non-current assets		**13,082**	**10,972**
Current assets			
Inventories		167	141
Trade and other receivables		730	691
Financial assets	7	1,480	761
Current income tax assets		39	112
Other assets		314	357
Assets held for sale		18	17
Cash and cash equivalents	8	1,295	1,767
Total current assets		**4,043**	**3,846**
Total assets		**17,125**	**14,818**
Equity and liabilities			
Equity			
Equity attributable to equity owners of the parent		2,447	4,180
Non-controlling interests		934	(891)
Total equity		**3,381**	**3,289**
Non-current liabilities			
Financial liabilities	7	7,345	6,567
Provisions		119	93
Deferred tax liabilities		144	180
Other liabilities		30	37
Total non-current liabilities		**7,638**	**6,877**
Current liabilities			
Trade and other payables		1,680	1,775
Financial liabilities	7	2,950	1,290
Provisions		107	186
Current income tax payables		118	196
Other liabilities		1,246	1,201
Liabilities held for sale		5	4
Total current liabilities		**6,106**	**4,652**
Total equity and liabilities		**17,125**	**14,818**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the nine-month period ended September 30, 2019

(In millions of U.S. dollars)	Note	Attributable to equity owners of the parent: Number of shares outstanding	Issued capital	Capital Surplus	Other capital reserves	Accumulated deficit	Foreign currency translation	Total	Non-controlling interests	Total equity
As of December 31, 2018		**30,099,998**	**39**	**13,035**	**256**	**(2,937)**	**(6,213)**	**4,180**	**(891)**	**3,289**
Adjustments arising due to IFRS 16	14	—	—	—	—	(3)	—	(3)	(1)	(4)
As of January 1, 2019		**30,099,998**	**39**	**13,035**	**256**	**(2,940)**	**(6,213)**	**4,177**	**(892)**	**3,285**
Profit / (loss) for the period		—	—	—	—	428	—	428	36	464
Other comprehensive income / (loss)		—	—	—	6	(3)	60	63	(68)	(5)
Total comprehensive income / (loss)		—	—	—	6	425	60	491	(32)	459
Dividends declared to non-controlling interest	10	—	—	—	—	—	—	—	(108)	(108)
(Distributions to) and capital contributions from parent		—	—	350	—	—	—	350	—	350
Changes in ownership interest in a subsidiary that do not result in a loss of control		—	—	—	(2,563)	—	—	(2,563)	1,965	(598)
Other		—	—	—	1	(9)	—	(8)	1	(7)
As of September 30, 2019		**30,099,998**	**39**	**13,385**	**(2,300)**	**(2,524)**	**(6,153)**	**2,447**	**934**	**3,381**

for the nine-month period ended September 30, 2018

(In millions of U.S. dollars)	Note	Attributable to equity owners of the parent: Number of shares outstanding	Issued capital	Capital Surplus	Other capital reserves	Accumulated deficit	Foreign currency translation	Total	Non-controlling interests	Total equity
As of December 31, 2017		**30,099,998**	**39**	**13,552**	**245**	**(3,854)**	**(5,473)**	**4,509**	**(441)**	**4,068**
Adjustments arising due to IFRS 9 and IFRS 15		—	—	—	—	46	—	46	11	57
As of January 1, 2018		**30,099,998**	**39**	**13,552**	**245**	**(3,808)**	**(5,473)**	**4,555**	**(430)**	**4,125**
Profit / (loss) for the period		—	—	—	—	772	—	772	(272)	500
Other comprehensive income / (loss)		—	—	—	9	(1)	(539)	(531)	(100)	(631)
Total comprehensive income / (loss)		—	—	—	9	771	(539)	241	(372)	(131)
Dividends declared to non-controlling interest		—	—	—	—	—	—	—	(93)	(93)
(Distributions to) and capital contributions from parent		—	—	(517)	—	—	—	(517)	—	(517)
Other		—	—	—	3	(16)	(2)	(15)	10	(5)
September 30, 2018		**30,099,998**	**39**	**13,035**	**257**	**(3,053)**	**(6,014)**	**4,264**	**(885)**	**3,379**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the nine-month period ended September 30

(In millions of U.S. dollars)	Note	2019	2018
Operating activities			
Profit / (loss) before tax from continuing operations		828	(130)
Non-cash adjustments to reconcile profit before tax to net cash flows			
Depreciation, amortization and impairment loss / (reversal)		1,608	2,175
Gain / (loss) on disposal of non-current assets		28	46
Gain / (loss) on disposal of subsidiaries		(1)	(20)
Finance costs		664	612
Finance income		(61)	(38)
Other non-operating losses		(15)	57
Net foreign exchange gain		32	20
Changes in trade and other receivables and prepayments		(187)	(101)
Changes in inventories		(19)	(125)
Changes in trade and other payables		95	234
Changes in provisions, pensions and other		64	12
Interest paid		(511)	(547)
Interest received		42	34
Income tax paid		(371)	(306)
Net cash flows from operating activities		**2,196**	**1,923**
Investing activities			
Purchase of property, plant and equipment and intangible assets		(1,195)	(1,495)
Outflow on loans granted		(719)	(220)
Payments on deposits		(913)	(30)
Receipts from deposits		693	1,072
Proceed from sale of Italy joint venture		—	2,830
Receipts from / (investment in) financial assets		4	53
Other proceeds from investing activities, net		25	12
Net cash flows from / (used in) investing activities		**(2,105)**	**2,222**
Financing activities			
Proceeds from borrowings, net of fees paid *	7	1,910	837
Repayment of borrowings		(1,853)	(2,236)
Repayment of lease liabilities (principal element of lease payments)		(268)	—
Acquisition of non-controlling interest		(604)	—
(Distributions to) / Contributions from owners of the parent		350	(517)
Dividends paid to non-controlling interests		(134)	(93)
Net cash flows from / (used in) financing activities		**(599)**	**(2,009)**
Net (decrease) / increase in cash and cash equivalents		(508)	2,136
Net foreign exchange difference		(21)	(66)
Cash and cash equivalents at beginning of period		1,751	1,264
Cash and cash equivalents at end of period, net of overdrafts **	**8**	**1,222**	**3,334**

* *Fees paid for borrowings were US$19 (2018: US$6).*

** *Overdrawn amount was US$73 (2018: US$0)*

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

Notes to the interim condensed consolidated financial statements

(in millions of U.S. dollars unless otherwise stated)

1 GENERAL INFORMATION

VEON Holdings B.V. ("**VEON**", the "**Company**", and together with its consolidated subsidiaries, the "**Group**" or "**we**") was established as a private company with limited liability under the laws of the Netherlands on June 29, 2009. The registered office and principal place of business of VEON is located at Claude Debussylaan 88, 1082 MD Amsterdam, the Netherlands. The Company is an indirectly wholly-owned subsidiary of VEON Ltd.

VEON earns revenues by providing voice and data telecommunication services through a range of mobile and fixed-line technologies. As of September 30, 2019, the Company operated telecommunications services in Russia, Pakistan, Algeria, Bangladesh, Ukraine, Uzbekistan, Kazakhstan, Armenia, Georgia and Kyrgyzstan.

The special purpose consolidated financial statements were authorized by the Directors for issuance on November 4, 2019. The Company has the ability to amend and reissue the consolidated financial statements.

The special purpose consolidated financial statements are presented in United States dollars (**"U.S. dollar"** or **"US$"**). In these notes, U.S. dollar amounts are presented in millions, except for items as otherwise indicated.

In the notes to these interim condensed consolidated financial statements, prior year comparatives are restated following the retrospective reversal of reclassification of Deodar assets and liabilities as held for sale and retrospective recognition of depreciation charges in respect of Deodar assets. In addition, the Italy Joint Venture was classified as a discontinued operation during the 2018, resulting in the reclassification of share of profit / (loss) of the Italy Joint Venture to 'Profit / (loss) after tax from discontinued operations' for the comparative periods (for more details, please refer to Note 10 of the Group's audited annual consolidated financial statements as of and for the year ended December 31, 2018).

Major developments during the nine-month period ended September 30, 2019

On January 1, 2019, the Company adopted a new accounting standard – IFRS 16 *Leases* – using the modified retrospective approach. This means that the cumulative impact of the adoption was recognized in retained earnings as of January 1, 2019 and comparatives were not restated. For further details please refer to Note 13.

In February 2019, VEON announced a revised arrangement with Ericsson to upgrade its core IT systems in several countries in the coming years. The parties have signed binding terms to vary the existing agreements and as a result, VEON received US$350 during the first half of 2019. For further details please refer to Note 4.

On August 13, 2019, VEON completed the purchase of 1,914,322,110 shares, representing approximately 40.55% of issued shares of Global Telecom Holding S.A.E. ("**GTH**"). For further details please refer to Note 4.

2 SEGMENT INFORMATION

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

Management evaluates the performance of the Company's segments on a regular basis, primarily based on earnings before interest, tax, depreciation, amortization, impairment, gain / loss on disposals of non-current assets, other non-operating gains / losses and share of profit / loss of joint ventures and associates (**"Adjusted EBITDA"**) along with assessing the capital expenditures excluding certain costs such as those for telecommunication licenses and right-of-use assets (**"Capital expenditures exc. licenses & ROU"**).

Notes to the interim condensed consolidated financial statements

(in millions of U.S. dollars unless otherwise stated)

As of January 1, 2019, the Company adopted the new accounting standard IFRS 16 *Leases*. Accordingly, operating lease expenses are no longer recorded in the income statement but are instead considered in recording a lease liability in the statement of financial position. The Company applied a modified retrospective approach, which means that prior period comparatives were not restated. Refer to Note 13 for more details. As a result, Adjusted EBITDA in 2019 is not comparable to Adjusted EBITDA 2018. The impact on Adjusted EBITDA 2019 stemming from IFRS 16 is set out in the table below.

Financial information by reportable segment for the nine and three-month periods ended September 30, is presented in the following tables.

	Nine-month period ended September 30									
	External customers		Inter-segment		Total revenue		Of which: Mobile		Fixed	
Revenue	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Russia	3,312	3,495	17	17	3,329	3,512	2,931	3,077	398	435
Pakistan	969	1,119	27	7	996	1,126	996	1,126	—	0
Algeria	576	607	1	2	577	609	577	609	—	0
Bangladesh	406	391	—	0	406	391	406	391	—	0
Ukraine	608	492	23	17	631	509	591	476	40	33
Uzbekistan	196	238	1	—	197	238	196	236	—	2
All others	542	504	(69)	(43)	473	461	369	403	105	58
Total segments	**6,609**	**6,846**	**—**	**—**	**6,609**	**6,846**	**6,066**	**6,318**	**543**	**528**

	Three-month period ended September 30									
	External customers		Inter-segment		Total revenue		Of which: Mobile		Fixed	
Revenue	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Russia	1,152	1,165	5	7	1,157	1,172	1,021	1,038	136	134
Pakistan	279	390	7	5	286	395	286	395	—	—
Algeria	197	207	—	—	197	207	197	207	—	—
Bangladesh	135	131	—	—	135	131	135	131	—	—
Ukraine	225	174	6	6	231	180	216	170	15	10
Uzbekistan	66	83	—	—	66	83	65	82	1	1
All others	170	171	(18)	(18)	152	153	133	139	19	14
Total segments	**2,224**	**2,321**	**—**	**—**	**2,224**	**2,321**	**2,053**	**2,162**	**171**	**159**

	Nine-month period ended September 30				Three-month period ended September 30			
	Adjusted EBITDA		Capital expenditures exc. licenses & ROU		Adjusted EBITDA		Capital expenditures exc. licenses & ROU	
Other disclosures	2019	2018 *	2019	2018	2019	2018 *	2019	2018
Russia	1,491	1,303	631	564	525	419	170	191
Pakistan	509	541	150	156	140	192	32	33
Algeria	262	271	69	58	90	93	21	16
Bangladesh	170	139	62	81	56	48	25	5
Ukraine	405	287	114	88	149	103	48	27
Uzbekistan	103	106	42	35	36	38	3	9
All others	143	75	95	96	39	27	27	40
Total segments	**3,083**	**2,722**	**1,163**	**1,078**	**1,035**	**920**	**326**	**321**

** Impact from IFRS 16 is not included in the 2018 comparative numbers following a modified retrospective approach.*

Notes to the interim condensed consolidated financial statements

(in millions of U.S. dollars unless otherwise stated)

The following table provides the reconciliation of consolidated Adjusted EBITDA to Profit / (loss) before tax for the nine and three-month periods ended September 30:

	Nine-month period		Three-month period	
	2019	2018	2019	2018
Total Segments Adjusted EBITDA	**3,083**	**2,722**	**1,035**	**920**
Depreciation	(1,214)	(1,013)	(405)	(323)
Amortization	(295)	(371)	(93)	(121)
Impairment (loss) / reversal	(99)	(791)	(90)	(781)
Gain / (loss) on disposal of non-current assets	(28)	(46)	(13)	(9)
Gain / (loss) on disposal of subsidiaries	1	20	—	—
Finance costs	(664)	(612)	(248)	(199)
Finance income	61	38	24	11
Other non-operating gain / (loss)	15	(57)	—	(25)
Net foreign exchange gain / (loss)	(32)	(20)	(23)	(12)
Profit / (loss) before tax	**828**	**(130)**	**187**	**(539)**

The following table provides the details that the adoption of IFRS 16 had on Adjusted EBITDA for the nine and three-month periods ended September 30 for each operating segment:

	Nine-month period			Three-month period		
	Adjusted EBITDA pre-IFRS 16	Impact of IFRS 16	Adjusted EBITDA post-IFRS 16	Adjusted EBITDA pre-IFRS 16	Impact of IFRS 16	Adjusted EBITDA post-IFRS 16
Russia	1,238	253	1,491	439	86	525
Pakistan	475	34	509	129	11	140
Algeria	237	25	262	82	8	90
Bangladesh	140	30	170	46	10	56
Ukraine	388	17	405	143	6	149
Uzbekistan	99	4	103	35	1	36
All others	123	20	143	32	7	39
Total segments	**2,700**	**383**	**3,083**	**906**	**129**	**1,035**

3 INCOME TAXES

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

Income tax expense consisted of the following for the nine and three-month periods ended September 30:

	Nine-month period		Three-month period	
	2019	2018	2019	2018
Current income taxes	360	427	108	129
Deferred income taxes	4	(78)	(6)	(36)
Income tax expense	**364**	**349**	**102**	**93**
Effective tax rate	44.0%	(268.5)%	54.5%	(17.3)%

The difference between the statutory tax rate in the Netherlands (25.0%) and the effective corporate income tax rate for the Group in the nine and three-month periods ending September 30, 2019 (44.0% and 54.5%, respectively) was primarily driven by a number of non-deductible expenses in various countries recorded in our consolidated income statement, impairment charge for Kyrgyzstan and withholding taxes paid on dividends received from the operating countries. The same drivers contributed to the deviation between the effective tax rate in the nine and three-month periods ending September 30, 2018 (-268.5% and -17.3%, respectively).

4 SIGNIFICANT TRANSACTIONS

Mandatory tender offer for shares of GTH

On August 13, 2019, VEON completed the purchase of 1,914,322,110 shares, representing approximately 40.55% of GTH's issued shares, in connection with its Mandatory Tender Offer ("**MTO**") which commenced on July 2, 2019. The total price for the purchase of such shares was EGP 9,725 million (approximately US$587), reflecting the offer price per share of EGP 5.08. Following the completion of the MTO and as a result of further purchases by GTH, as of September 30, 2019, VEON and GTH hold approximately 98.94% of GTH's total outstanding equity. The MTO was funded by a combination of cash on hand and utilization of undrawn credit facilities (refer to Note 7 for further details).

The transactions represent a purchase of non-controlling interests without a change of control. Consequently, the difference between the book value of non-controlling interests acquired and cash paid were recorded directly within 'Other capital reserves' in the Consolidated Statement of Equity.

Restructuring of GTH

Following the successful completion of the MTO, VEON continued with the restructuring of GTH, which included the successful delisting of GTH's shares from the Egyptian Exchange and the approval by GTH shareholders of VEON's offer to acquire substantially all of the operating assets of GTH, both of which occurred on September 9, 2019.

Following that approval, VEON completed the intragroup transfers of Jazz, Banglalink and Med Cable. The intragroup transfer for Djezzy and Mobilink Bank are continuing. The operating assets of GTH had previously been, and will continue to be, fully consolidated within the balance sheet of the VEON Group, and as such, there is no material impact on these consolidated financial statements stemming from these asset transfers.

Settlement of GTH Taxes

On June 26, 2019, GTH reached agreement with the Egyptian Tax Authority (**"ETA"**) to settle all outstanding tax liabilities of GTH and its Egyptian subsidiaries for a total amount of US$136 (the **"GTH Tax Settlement"**). The GTH Tax Settlement is in respect of tax liabilities of GTH and its Egyptian subsidiaries for the tax years 2000 through 2018. Effective June 26, 2019, following the first settlement payment of US$54 by GTH to the ETA, GTH is released in relation to tax years from 2006 through 2007 and 2010 through 2018. Effective 9 September 2019, following the second settlement payment of US$82, GTH has resolved all outstanding tax liabilities in Egypt for the tax years 2000 through 2018.

Revised technology infrastructure partnership with Ericsson

On February 25, 2019, VEON announced a revised arrangement with Ericsson to upgrade its core IT systems in several countries in the coming years and to release Ericsson from the development and delivery of the Full Stack Revenue Manager Solution. This revised arrangement enables VEON to continue upgrading IT infrastructure with new digital business support systems (DBSS) using existing software from Ericsson which is already deployed in certain operating companies within VEON. The parties signed binding terms to vary the existing agreements and as a result VEON received US$350 during the first half of 2019. The settlement amount was recorded in the income statement within 'Other operating gains'.

Notes to the interim condensed consolidated financial statements

(in millions of U.S. dollars unless otherwise stated)

Termination of joint operation in Kazakhstan

In April 2019, the Group received a settlement amount of US$38 from Kcell Joint Stock Company ("Kcell"), related to the termination of the network sharing agreement between Kcell and our subsidiary in Kazakhstan.

5 PROPERTY AND EQUIPMENT

The movement in property and equipment for the nine and three-month periods ended September 30 included the following:

	Nine-month period		Three-month period	
	2019	2018	2019	2018
Right-of-use assets upon adoption of IFRS 16 (Note 13)	2,003	—	—	—
Cost of acquired right-of-use assets	199	—	46	—
Cost of other acquired assets (excluding right-of-use assets)	1,035	943	290	301
Net book value of assets disposed	53	57	24	13

Right-of-use assets arising from lease contracts primarily relate to land for network sites, network infrastructure and equipment and buildings. During the third quarter of 2019, an impairment loss of US$33 was recognized in respect of property and equipment within Kyrgyzstan, refer to Note 6 for further details.

6 INTANGIBLE ASSETS

There were no material changes to intangible assets during the nine and three-month periods ended September 30.

The ex-Warid license renewal was due in May 2019. Pursuant to directions from the Islamabad High Court, the Pakistan Telecommunication Authority ("**PTA**") issued a license renewal decision on July 22, 2019 requiring payment of US$40 per MHz for 900 MHz spectrum and US$30 per MHz for 1800 MHz spectrum, equating to an aggregate price of approximately US$450 (excluding applicable taxes of approximately 13%). On August 17, 2019, Jazz appealed the PTA's order to the Islamabad High Court and is now awaiting a date to be scheduled for the hearing. On August 23, 2019, the Islamabad High Court suspended the PTA's order pending the outcome of the appeal and subject to Jazz making payment in the form of security (under protest) pending resolution of the appeal as per the options given in the PTA's order. In September 2019, Jazz deposited 50% of the disputed license renewal fee (approximately US$225) in order to maintain its appeal in the Islamabad High Court regarding the PTA's underlying decision on the license renewal. There were no specific terms and conditions attached to the deposit. The deposit is recorded within non-current financial assets in the statement of financial position.

GOODWILL

The movement in goodwill for the Group, per cash generating unit (**"CGU"**), consisted of the following for the nine-month period ended September 30, 2019:

CGU	September 30 , 2019	Impairment	Currency translation	December 31, 2018
Russia	2,176	—	158	2,018
Algeria	1,152	—	(24)	1,176
Pakistan	331	—	(40)	371
Kazakhstan	152	—	(1)	153
Kyrgyzstan	—	(54)	—	54
Uzbekistan	39	—	(5)	44
Total	**3,850**	**(54)**	**88**	**3,816**

Impairment

(in millions of U.S. dollars unless otherwise stated)

Goodwill is tested for impairment annually (at October 1) 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 Company considers the relationship between its market capitalization and its book value, as well as weighted average cost of capital and the quarterly financial performances of each cash-generating unit ("**CGU**") when reviewing for indicators of impairment in interim periods.

During the third quarter of 2019, due to operational underperformance of its operations in Kyrgyzstan, the Company has revised its previous estimates and assumptions regarding the future cash flows of the CGUs. As a result, the Company recorded an impairment of US$90 against the carrying values of the Kyrgyzstan CGU during the three-month period ended September 30, 2019. The impairment loss for Kyrgyzstan was allocated first to the existing carrying value of goodwill (US$54) and then subsequently to property and equipment (US$33) and intangible assets (US$3), based on relative carrying values.

Key assumptions

The recoverable amounts of CGUs have been determined using fair value less costs of disposal. The recoverable amounts of CGUs have been determined based on fair value less costs of disposal calculations, using cash flow projections from business plans prepared by management.

Key assumptions	**Kyrgyzstan**
Discount rate	14.1%
Average annual revenue growth rate *	4.4%
Long-term growth rate	5.0%
Average operating margin *	32.1%
Average capital expenditure as a percentage of revenue *	25.5%

** During the explicit forecast period of five years*

Sensitivity to changes in assumptions

The following table illustrates the CGU with limited headroom and potential impairment that would need to be recorded if certain key parameters would adversely change by one percentage point within both the explicit forecast and terminal periods. Any additional adverse changes in the key parameters by more than one percentage point would increase the amount of impairment exposure approximately proportionally.

CGU	**Headroom**	**Discount rate**	**Average growth rate**	**Average operating margin**	**Average CAPEX / revenue**	**Terminal growth rate**
Algeria	102	(45)	(80)	—	—	(5)

Notes to the interim condensed consolidated financial statements

(in millions of U.S. dollars unless otherwise stated)

7 FINANCIAL ASSETS AND LIABILITIES

	September 30, 2019	December 31, 2018
Financial assets		
Financial assets at fair value		
Derivatives not designated as hedges	17	14
Derivatives designated as net investment hedges	—	45
Investments in debt instruments *	25	36
Other	—	3
	42	**98**
Financial assets at amortized cost		
Loans granted to the parent and its subsidiaries	1,416	673
Security deposits and cash collateral	251	31
Other investments	18	17
	1,685	**721**
Total financial assets	**1,727**	**819**
Non-current	247	58
Current	1,480	761

** Investments in debt instruments relate primarily to government bonds and are measured at fair value through other comprehensive income (with recycling).*

	September 30, 2019	December 31, 2018
Financial Liabilities		
Financial liabilities at fair value		
Derivatives not designated as hedges	63	65
Derivatives designated as net investment hedges	86	—
Contingent consideration	40	40
Other	—	3
	189	**108**
Financial liabilities at amortized cost		
Bank loans and bonds - principal	7,610	7,297
Bank loans and bonds - accrued interest and unamortized fees	84	69
Lease liabilities	2,008	—
Put-option liability over non-controlling interest	328	306
Other financial liabilities	76	77
	10,106	**7,749**
Total financial liabilities	**10,295**	**7,857**
Non-current	7,345	6,567
Current	2,950	1,290

Notes to the interim condensed consolidated financial statements

(in millions of U.S. dollars unless otherwise stated)

Significant changes in financial assets and liabilities

There were no significant changes in financial assets and liabilities in the nine-month period ended September 30, 2019, except for the scheduled repayments of debt, adoption of IFRS 16 *Leases*, or as described below. Furthermore, there were no changes in risks and risk management policies as disclosed in the Group's annual consolidated financial statements as of and for the year ended December 31, 2018.

Loans granted to VEON Amsterdam B.V.

During the nine-month period ended September 30, 2019, VEON Amsterdam B.V. (immediate parent of the Company) has effected multiple drawings for an aggregate amount of US$936 under an Intercompany Loan Agreement in which the Company is acting as the lender. The facility was originally signed on August 16, 2018 and has been subsequently amended to increase the facility amount to US$1,500.

Security deposits and cash collateral

During the third quarter of 2019, PMCL deposited approximately US$225 as collateral, which is recorded as a financial asset. See Note 6 for further details.

Banglalink Digital Communications Limited new syndicated term facility agreement

On April 25, 2019, the Company announced that its subsidiary, Banglalink Digital Communications Limited (**"Banglalink"**), entered into a new US$300 syndicated term facility agreement with several international banks. The facility is guaranteed by the Company for nil consideration. The facility has a tenor of 12 months with extension options for another 24 months upon agreement with the lenders, and was used to refinance the principal amount of Banglalink's US$300 bond that matured on May 6, 2019.

New term facility agreement

On June 26, 2019, the Company entered into a new US$600 short-term credit facility agreement with an international bank, which was utilized to settle the MTO and subsequently fully and finally repaid. As of September 30, 2019, the facility is expired.

Pakistan Mobile Communications Limited new bilateral term facility

On June 19, 2019, PMCL entered into a bilateral secured PKR 14,369 million term facility with a local bank. The facility has a tenor of 7 years and bears interest at 6-month KIBOR increased by a margin of 0.75% per annum. The security is on comparable terms to PMCL's existing debt.

Pakistan Mobile Communications Limited new syndicated term facility and Islamic facility

In June 2019, PMCL entered into a secured syndicated term facility and an Islamic financing facility for a joint amount of up to PKR 45,000 million and a period of up to 7 years. The cost of both facilities corresponds to 6-month KIBOR increased by a margin of 0.75% per annum. The security is on comparable terms to PMCL's existing debt.

Fair values

The carrying amounts of all financial assets and liabilities are equal to or approximate their respective fair values as shown in the table above, with the exception of:

- 'Bank loans and bonds, including interest accrued', for which fair value is equal to US$8,005 at September 30, 2019 (December 31, 2018: US$7,430); and
- 'Lease liabilities', for which fair value has not been determined.

Fair values were estimated based on quoted market prices (for bonds), derived from market prices or by discounting contractual cash flows at the rate applicable for the instruments with similar maturity and risk profile.

Notes to the interim condensed consolidated financial statements

(in millions of U.S. dollars unless otherwise stated)

As of September 30, 2019 and December 31, 2018, the Group recognized financial instruments at fair value in the statement of financial position, all of which were measured based on Level 2 inputs, except for Contingent consideration, for which fair value is classified as Level 3. Observable inputs (Level 2) used in valuation techniques include inter-bank interest rates, bond yields, swap curves, basis swap spreads, foreign exchange rates and credit default spreads. During the nine-month period ended September 30, 2019, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

A reconciliation of movements relating to Contingent consideration is shown below:

Level 3 fair value movements	**Contingent consideration**
As of December 31, 2018	**40**
Fair value changes recognized in the income statement	—
As of September 30, 2019	**40**

All impairment losses and changes in fair values of financial instruments are unrealized and are recorded in “Other non-operating losses” in the consolidated income statement.

8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following items:

	September 30, 2019	**December 31, 2018**
Cash at banks and on hand	839	714
Short-term deposits with original maturity of less than three months	456	1,053
Cash and cash equivalents	**1,295**	**1,767**
Less overdrafts	(73)	(16)
Cash and cash equivalents, net of overdrafts (as presented in the consolidated statement of cash flows)	**1,222**	**1,751**

As of September 30, 2019 and December 31, 2018, there were no restricted cash and cash equivalent balances. Cash balances as of September 30, 2019 include investments in money market funds of US$192 (December 31, 2018: US$349).

As of September 30, 2019, some bank accounts forming part of a cash pooling program and being an integral part of the Company’s cash management remained overdrawn by US$73 (2018: US$16). Even though the total balance of the cash pool remained positive, the Company has no legally enforceable right of set-off and therefore the overdrawn accounts are presented as financial liabilities within the statement of financial position. At the same time, because the overdrawn accounts are an integral part of the Company’s cash management, they were included as cash and cash equivalents within the statement of cash flows.

9 DIVIDENDS PAID AND PROPOSED

During the nine-month period ended September 30, 2019, the Company’s subsidiaries in Russia, Algeria and Kazakhstan declared dividends for which a total amount of US$108 was payable to non-controlling interests.

There were no dividends or capital distributions to the Company’s parent during the nine-month period ended September 30, 2019 (2018: US$517).

10 RELATED PARTIES

The Company is indirectly wholly-owned subsidiary of VEON Ltd., which in turn has one major shareholder, LetterOne Holding S.A. (**“LetterOne”**).

Notes to the interim condensed consolidated financial statements

(in millions of U.S. dollars unless otherwise stated)

The following table provides the total amount of transactions that have been entered into with related parties and their affiliates for the nine-month period ended September 30,

		Nine-month period		Three-month period	
	Note	2019	2018	2019	2018
Revenue from					
VEON Wholesale Services B.V.		59	33	13	17
Others		—	1	—	1
		59	34	13	18
Services from					
VEON Wholesale Services B.V.		48	65	13	24
VEON Ltd.		14	43	5	10
		62	108	18	34

The following table provides the total balance of accounts with related parties and their affiliates at the end of the relevant period:

	Note	September 30, 2019	December 31, 2018
Accounts receivable due from			
VEON Ltd.		94	95
Others		23	32
Financial asset receivable, including interest accrued, from			
VEON Amsterdam B.V.		1,252	523
VC ESOP N.V.		154	150
		1,523	800
Accounts payable to related parties			
VEON Ltd.		321	380
Others		42	37
Financial liabilities to related parties		—	3
		363	420

COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE COMPANY

Value growth cash-based long-term incentive plans

The carrying value of obligations under the Value-growth cash based long-term incentive plan (the **"LTI Plan"**) as of September 30, 2019 and December 31, 2018, respectively, was equal to US$16 and US$19. Included within 'Selling, general and administrative expenses' for the nine and three-month periods ended September 30, 2019, respectively, is an expense of US$3 (2018: US$8) and an expense of USD 423 thousand (2018: gain of US$9) relating to share-based payment expense under the LTI Plan.

11 RISKS, COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

Other than disclosed elsewhere in these interim condensed consolidated financial statements, there were no material risks, commitments, contingencies and uncertainties that occurred during the nine-month period ended September 30, 2019, and there were no material changes during the same period to the risks, commitments, contingencies and uncertainties as disclosed in the Note 8 and Note 9 in the Group's annual consolidated financial statements as of and for the year ended December 31, 2018.

As a result of the adoption of IFRS 16 all lease commitments were included into lease liabilities recognized in the interim condensed consolidated statement of financial position as of January 1, 2019. For reconciliation of the Company's operating lease commitments as of December 31, 2018, to the lease liabilities recognized on January 1, 2019 please refer to Note 13.

12 EVENTS AFTER THE REPORTING PERIOD

Issuance of new notes

On October 9, 2019, VEON issued US$700 4.00% senior unsecured notes senior due 2025 (the "**Notes**"). The net proceeds of the Notes will be used primarily to refinance drawings on the revolving credit facility used to fund the MTO for GTH, and for general corporate purposes.

13 BASIS OF PREPARATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION

The interim condensed consolidated financial statements for the nine and three-month periods ended September 30, 2019 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board.

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 and for the year ended December 31, 2018.

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 judgments, estimates and assumptions affects the amounts reported in the statement of financial position, income statement, statement of cash flows, statement of changes in equity, as well as the notes. The final amounts for items for which estimates and assumptions were made in the 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 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 December 31, 2018.

A number of new and amended standards became effective as of January 1, 2019, the impact of which is described below. The Group has not early adopted any other standards, interpretations or amendments that have been issued but have not yet become effective.

IFRIC 23 'Uncertainty over income tax treatments'

The interpretation clarifies the application of recognition and measurement requirements in IAS 12 'Income Taxes' when there is uncertainty over income tax treatments. The Group has assessed the impact of IFRIC 23, which was not material to the financial statements of the Group upon adoption in 2019.

Notes to the interim condensed consolidated financial statements

(in millions of U.S. dollars unless otherwise stated)

IFRS 16 'Leases'

IFRS 16 replaced IAS 17 *Leases*, the former lease accounting standard and became effective on January 1, 2019. Under the new lease standard, assets leased by the Company are being recognized on the statement of financial position of the Company with a corresponding liability. In 2018, the Group has performed a detailed impact assessment of IFRS 16 and the impact on its adoption was as follows:

Notes to the interim condensed consolidated financial statements

(in millions of U.S. dollars unless otherwise stated)

	December 31, 2018	Impact of IFRS 16	January 1, 2019
Assets			
Non-current assets			
Property and equipment			
Property and equipment	4,925	(71)	4,854
Right-of-use assets	—	2,003	2,003
Intangible assets	1,841	(15)	1,826
Goodwill	3,816	—	3,816
Deferred tax assets	197	—	197
Other financial assets	193	(1)	192
Total non-current assets	**10,972**	**1,916**	**12,888**
Current assets			
Trade and other receivables	691	—	691
Other current assets	3,138	(61)	3,077
Total current assets	**3,829**	**(61)**	**3,768**
Assets classified as held for sale	17	4	21
Total assets	**14,818**	**1,859**	**16,677**
Equity			
Equity attributable to equity owners of the parent	4,180	(3)	4,177
Non-controlling interests	(891)	(1)	(892)
Total equity	**3,289**	**(4)**	**3,285**
Non-current liabilities			
Financial liabilities	6,567	(45)	6,522
Provisions	93	—	93
Lease liabilities	—	1,617	1,617
Deferred tax liabilities	180	—	180
Other liabilities	37	(9)	28
Total non-current liabilities	**6,877**	**1,563**	**8,440**
Current liabilities			
Trade and other payables	1,775	(53)	1,722
Other financial liabilities	1,290	(6)	1,284
Lease liabilities	—	361	361
Provisions	350	(3)	347
Other liabilities	1,233	(3)	1,230
	4,648	**296**	**4,944**
Liabilities associated with assets held for sale	4	4	8
Total equity and liabilities	**14,818**	**1,859**	**16,677**

The Company, as a lessee, recognizes a right-of-use asset and a lease liability on the lease commencement date.

Upon initial recognition, the right-of-use asset is measured as the amount equal to the initially measured lease liability adjusted for lease prepayments, initial direct cost, lease incentives and the discounted estimated asset retirement obligation. Subsequently, the right-of-use asset is measured at cost net of any accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the shorter estimated useful lives of the right-of-use assets or the lease term.

The lease liability was measured upon initial recognition at the present value of the future lease and related fixed services payments over the lease term, discounted with the country specific incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Subsequently lease liabilities are measured at amortized cost using the effective interest rate method.

Right-of-use assets and lease liabilities will be remeasured subsequently if one of the following events occurs:

- Change in lease price due to indexation or rate which has become effective in reporting period
- Modifications to the lease contract
- Reassessment of the lease term

Leases of non-core assets and not related to the main operating activities of the Group, which are short-term in nature (less than 12 months including extension options) and leases of low-value items are expensed in the income statement as incurred.

Transition

The Company adopted IFRS 16 on the date the standard became effective, January 1, 2019. The Group adopted the standard using the modified retrospective approach. This means that the cumulative impact of the adoption was recognized in retained earnings as of January 1, 2019 and that comparatives were not restated.

The Group used the following practical expedients when adopting IFRS 16 on its effective date:

- IFRS 16 applied only to contracts that were previously assessed as leases in accordance with the previous IFRS standards (IAS 17 *Leases* and IFRIC 4 *Determining whether and Arrangement contains a Lease*);
- a single discount rate applied to a portfolio of leases with reasonably similar characteristics as permitted by IFRS 16;
- initial direct cost was excluded from the measurement of the right-of-use asset as at January 1, 2019;
- the Group's onerous contract provision process used as the impairment assessment of right-of-use assets upon transition.

The weighted-average incremental rate applied to lease liabilities recognized on January 1, 2019 was 9.62%.

Carrying values of property and equipment and financial liabilities related to finance leases as of December 31, 2018 were reclassified to right-of-use assets and lease liabilities, respectively on January 1, 2019. These carrying values related to finance leases were not remeasured at the transition date.

Significant judgments upon adoption IFRS 16

IFRS 16 requires the Company to assess the lease term as the non-cancelable lease term in line with the lease contract together with the period for which the Company has extension options which the Company is reasonably certain to exercise and the periods for which the Company has termination options for which the Company is not reasonably certain to exercise those termination options.

A significant portion of the lease contracts included within Company's lease portfolio includes lease contracts which are extendable through mutual agreement between VEON and the lessor or lease contracts which are cancelable by the Company on immediately or on short notice. In assessing the lease term for the adoption of IFRS 16, the Company concluded that these cancelable future lease periods should be included within the lease term, which represents an increase to the future lease payments used in determining the lease liability upon initial recognition. The reasonably certain period used to determine the lease term is based on facts and circumstances related to the underlying leased asset and lease contracts.

(in millions of U.S. dollars unless otherwise stated)

The following table reconciles the Company's operating lease commitments as of December 31, 2018, to the lease liabilities recognized upon initial application of IFRS 16 on January 1, 2019.

	US$
Operating lease commitments as of December 31, 2018	608
Increase in lease commitments of cancelable leases included in reasonably certain lease term	1,846
Use of IFRS 16 practical expedients (old lease accounting continues for exceptions)	(4)
Leases commencing subsequent to transition date committed to as of December 31, 2018	(47)
Accruals included in the lease liability calculation	59
Other	22
Total undiscounted lease payments which are reasonably certain	**2,484**
Discounting effect using incremental borrowing rate	(556)
IAS 17 finance lease liabilities recognized on balance sheet as of December 31, 2018 (discounted)	54
IFRS 16 Lease liability recognized on balance sheet as of January 1, 2019	**1,982**
IFRS 16 lease liability presented as:	
Non-current	1,617
Current	361
Liabilities associated with assets held for sale	4
	1,982

Amsterdam, November 4, 2019

VEON Holdings B.V.