VEON

8 NOVEMBER 2018

VEON REPORTS GOOD REVENUE AND EBITDA GROWTH GUIDANCE UPDATED TO REFLECT GOOD PROGRESS TOWARDS FY 2018 FINANCIAL TARGETS

Amsterdam (8 November 2018) – VEON Ltd. (NASDAQ: VEON, Euronext Amsterdam: VEON), a leading global provider of connectivity and internet services, today announces financial and operating results for the quarter and nine months ended 30 September 2018.

KEY Q3 2018 RESULTS[1]

- **Solid organic[2] revenue growth in Q3:** organic revenue growth for the Group increased 2.9% YoY in Q3 to USD 2,317 million, led by good performances from Russia, Pakistan and Ukraine.
- **Strong data revenue growth across VEON's emerging markets:** organic data revenue grew by 28.5% in the quarter, with Ukraine (82.1%), Pakistan (79.3%) and Algeria (71.8%) delivering large increases year on year following investment in 4G/LTE networks.
- **Currency movements impacted total reported revenue and EBITDA:** reported revenue decreased by 5.7% to USD 2,317 million, largely due to currency headwinds of USD 289 million; causing a decline of 11.8% on prior year revenue. Reported EBITDA decreased by 18.7% to USD 848 million, impacted by currency headwinds of USD 122 million; causing a decline of 11.7% on prior year EBITDA.
- **EBITDA grew by 4.6% organically[2]**, driven by good operational performance in Pakistan and Ukraine and a continued fall in corporate costs.
- **EBITDA margin of 36.6% was down 5.9 percentage points year on year**, owing mainly to the cost of Euroset integration in Q3 2018 (1.6 percentage points) and the positive impact of an adjustment to a vendor agreement of USD 106 million (4.3 percentage points) on EBITDA in Q3 2017.
- **Strong equity free cash flow excluding licenses[3] generated during the quarter**, which at USD 263 million and USD 804 million in 9M 2018 are in line with the Group's target of around USD 1 billion for FY 2018.

KEY Q3 2018 DEVELOPMENTS

- **Integration of Euroset stores completed in Russia**, with 1,540 stores now rebranded as Beeline.
- **VEON completed the sale of its 50% stake in its Italy Joint Venture**, delivering proceeds of EUR 2.45 billion (USD 2.8 billion), a book gain of USD 1.28 billion for Q3 2018 and a reduction in Group leverage to 1.7x, significantly below the Group's target of 2.0x.
- **VEON withdrew its offer to acquire GTH´s assets** in Pakistan and Bangladesh.
- **VEON's agreement to sell its Pakistan tower business was terminated.**

OUTLOOK

- **FY 2018 revenue and EBITDA guidance updated to reflect good progress year-to-date towards FY 2018 financial targets**: VEON now expects low-single digit organic revenue growth (formerly flat to low) and low to mid-single digit organic EBITDA growth (formerly flat to low) in 2018 as a whole.

TROND WESTLIE, CHIEF FINANCIAL OFFICER, COMMENTS:

"The first nine months of 2018 have seen good progress towards our financial targets and strategic goals. We enter Q4 with a stronger balance sheet, a leaner operating model and a clear ambition to realize efficiencies across our business whilst benefitting from the growth opportunities of our emerging markets. Progress to date means we now expect FY 2018 results to come in towards the high end of the guidance for most of our targets we set out at the start of the year."

[1] Key results compare to prior year results unless stated otherwise
[2] Organic change is a non-IFRS measure and reflects changes in revenue and EBITDA. Organic change excludes the effect of foreign currency movements and other factors, such as businesses under liquidation, disposals, mergers and acquisitions. In Q3 2018, organic growth is calculated at constant currency and excludes the impact from Euroset integration and the effect of a vendor agreement adjustment in Q3 2017 of USD 106 million. See Attachment C for reconciliations
[3] Equity free cash flow excluding licenses is a non-IFRS measure and is defined as free cash flow from operating activities less cash flow used in investing activities, excluding M&A transactions, capex for licenses, inflow/outflow of deposits, financial assets and other one-off items. See attachment C for reconciliations

KEY RESULTS: CONSOLIDATED FINANCIAL AND OPERATING HIGHLIGHTS

USD million	3Q18	3Q17	Reported YoY	Organic YoY [1]
Total revenue, of which	2,317	2,456	(5.7%)	2.9%
mobile and fixed service revenue	2,151	2,358	(8.8%)	1.9%
mobile data revenue	548	482	13.7%	28.5%
EBITDA	848	1,042	(18.7%)	4.6%
EBITDA margin (EBITDA/total revenue)	36.6%	42.4%	(5.9p.p.)	
(Loss)/Profit from continued operations	(718)	194	n.m.	
Profit/(Loss) from discontinued operations	1,279	(60)	n.m.	
Profit for the period attributable to VEON shareholders	561	134	n.m.	
Equity free cash flow excl. licenses [2]	263	477	(44.7%)	
Capital expenditures excl. licenses	311	398	(21.8%)	
LTM capex excl. licenses/revenue	16.8%	18.4%	(1.6p.p.)	
Net debt	5,736	8,742	(34.4%)	
Net debt/LTM EBITDA	1.7	2.4		
Total mobile customer (millions)	211	211	0.1%	
Total fixed-line broadband customers (millions)	3.7	3.5	5.5%	

USD million	9M18	9M17	Reported YoY	Organic YoY [1]
Total revenue, of which	6,837	7,154	(4.4%)	3.0%
mobile and fixed service revenue	6,443	6,891	(6.5%)	2.2%
mobile data revenue	1,569	1,383	13.5%	25.4%
EBITDA	2,559	2,834	(9.7%)	5.2%
EBITDA margin (EBITDA/total revenue)	37.4%	39.6%	(2.2p.p.)	
(Loss)/Profit from continued operations	(650)	99	n.m.	
Profit/(Loss) from discontinued operations	979	(234)	n.m.	
Profit/(Loss) for the period attributable to VEON shareholders	329	(135)	n.m.	
Equity free cash flow excl. licenses [2]	804	791	1.6%	
Capital expenditures excl. licenses	1,068	994	7.5%	
LTM capex excl. licenses/revenue	16.8%	18.4%	(1.6p.p.)	
Net debt	5,736	8,742	(34.4%)	
Net debt/LTM EBITDA	1.7	2.4		
Total mobile customer (millions)	211	211	0.1%	
Total fixed-line broadband customers (millions)	3.7	3.5	5.5%	

[1] Organic change is a non-IFRS measure and reflects changes in revenue and EBITDA. Organic change excludes the effect of foreign currency movements and other factors, such as businesses under liquidation, disposals, mergers and acquisitions. In Q3 2018, organic growth is calculated at constant currency and excludes the impact from Euroset integration and the effect of a vendor agreement adjustment in Q3 2017 of USD 106 million. See Attachment C for reconciliations

[2] Equity free cash flow excluding licenses is a non-IFRS measure and is defined as free cash flow from operating activities less cash flow used in investing activities, excluding M&A transactions, capex for licenses, inflow/outflow of deposits, financial assets and other one-off items. See attachment C for reconciliations

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PRESENTATION OF FINANCIAL RESULTS

VEON's results presented in this earnings release are based on IFRS and have not been audited.

Certain amounts and percentages that appear in this earnings release have been subject to rounding adjustments. As a result, certain numerical figures shown as totals, including those in tables, may not be an exact arithmetic aggregation of the figures that precede or follow them.

All non-IFRS measures disclosed in the document, i.e. EBITDA, EBITDA margin, EBIT, net debt, equity free cash flow, organic growth, capital expenditures excluding licenses, last twelve months (LTM) Capex excluding licenses/Revenue, are reconciled to the comparable IFRS measures in Attachment C.

Following Italy Joint Venture classification as a disposal group held for sale on 30 June 2018, the Company ceased equity method of accounting for the investment in the Italy Joint Venture.

As a result of the termination of the agreement to sell its Pakistan tower business, the Company amended prior periods presented in the interim consolidated financial statements to retrospectively recognize the depreciation charge of USD 37 million that would have been recognized, had the disposal group not been classified as held for sale.

IFRS 16 replaces the IAS 17 Leases, the current lease accounting standard and will become effective on January 1, 2019. The new lease standard will require assets leased by the Company to be recognized on the statement of financial position of the Company with a corresponding liability. The Company is in the process of assessing the impact of IFRS 16, which is expected to be material, on the consolidated financial statements upon adoption in 2019.

All comparisons are on a year on year basis unless otherwise stated.

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MAIN EVENTS

GUIDANCE UPDATED FOLLOWING GOOD PROGRESS TOWARDS FY 2018 FINANCIAL TARGETS

Total revenue grew organically[1] by 2.9% year on year and EBITDA by 4.6% year on year in Q3 2018, driven by Pakistan, Ukraine and Uzbekistan. Equity free cash flow excluding licenses[2] was USD 263 million in Q3 2018 and USD 804 million in 9M 2018. FY 2018 guidance has been updated to low single-digit organic revenue growth (from flat to low single-digit organic growth) and EBITDA growth of low to mid-single digit (from flat to low single-digit organic growth). Equity free cash flow target remains at around USD 1 billion for FY 2018, but is slightly challenged by currency headwinds.

REPORTED REVENUE AND EBITDA IMPACTED BY CURRENCY WEAKNESS AND EUROSET INTEGRATION COSTS

Total reported revenue decreased by 5.7% year on year largely due to currency weakness of USD 289 million, causing a decline of 11.8% on prior year revenue, more than offsetting the organic growth of 2.9% and the positive impact from Euroset of 3.2%. Reported EBITDA declined by 18.7%, or USD 194 million, primarily as a result of currency headwinds (USD 122 million), Euroset integration impact (USD 10 million) and effect of an adjustment to a vendor agreement (USD 106 million) in Q3 2017.

COMPLETION OF THE SALE OF 50% STAKE IN THE ITALY JOINT VENTURE TO CK HUTCHISON

On 3 July 2018, VEON entered into an agreement with CK Hutchison Holdings Ltd. (“CK Hutchison”) for the sale of its 50% stake in the Italy Joint Venture. On 7 September 2018 the transaction was completed, and VEON received EUR 2.45 billion (approximately USD 2.8 billion[3]) in cash consideration. Approximately USD 0.8 billion has since been used to repay bank loans. VEON expects to use the remainder of the proceeds to further reduce debt and for general corporate purposes. As a result of the completion of this transaction, the net leverage ratio[4] of the Group is now approximately 1.7x, significantly below the previously announced target of 2x. In closing the transaction, VEON recorded a net gain of USD 1,279 million in Q3 2018, which is reflected in profit from discontinued operations.

EUROSET STORES INTEGRATION AND REBRANDING INTO BEELINE MONOBRAND STORES IN RUSSIA COMPLETED

The nationwide integration of the Euroset stores under the single brand “Beeline” was completed in August 2018 and 1,540 Euroset stores have been integrated and rebranded into Beeline monobrand stores. The 9M 2018 integration impact on EBITDA was RUB 2.2 billion (of which RUB 0.6 billion was in Q3 2018) and Beeline expects continued negative impact on EBITDA, totalling approximately RUB 3 billion in FY 2018, due to the timing difference between costs associated with running the stores and the anticipated revenue benefits. Additionally, Beeline expects EBITDA margin pressure following the integration and rebranding of the Euroset stores as a result of increased handset sales characterized by lower margin. Beeline expects a positive effect on revenue going forward, while EBITDA is expected to be positively impacted from 2019 onwards, by acceleration in device sales and distribution channel mix improvement.

VEON WITHDREW ITS OFFER TO ACQUIRE GTH´S ASSETS IN PAKISTAN AND BANGLADESH

On 10 October 2018, VEON terminated its offer to acquire the assets of GTH in Pakistan and Bangladesh. VEON will continue to explore options to address its strategic relationship with GTH and its minority shareholders.

VEON’S AGREEMENT TO SELL ITS PAKISTAN TOWER BUSINESS WAS TERMINATED

On 15 September 2018, VEON’s agreement to sell the tower business of its subsidiary in Pakistan, Jazz, was terminated due to the parties failing to receive all required regulatory approvals and the extended long-stop date of 14 September 2018 having passed.

ACCOUNTING IMPAIRMENTS

VEON recorded an accounting impairment totalling USD 781 million, including Bangladesh for USD 451 million and Algeria for USD 125 million. These non-cash impairments were related to macroeconomic developments, an increase in the weighted average cost of capital and weakened operational performance.

[1] Organic change is a non-IFRS measure and reflects changes in revenue and EBITDA. Organic change excludes the effect of foreign currency movements and other factors, such as businesses under liquidation, disposals, mergers and acquisitions. In Q3 2018, organic growth is calculated at constant currency and excludes the impact from Euroset integration and the effect of a vendor agreement adjustment in Q3 2017 of USD 106 million. See Attachment C for reconciliations

[2] Equity free cash flow excluding licenses is a non-IFRS measure and is defined as free cash flow from operating activities less cash flow used in investing activities, excluding M&A transactions, capex for licenses, inflow/outflow of deposits, financial assets and other one-off items. See attachment C for reconciliations

[3] USD/EUR=1.16

[4] Q3 2018 Net debt/LTM EBITDA

GROUP PERFORMANCE

FINANCIALS BY COUNTRY

USD million	3Q18	3Q17	Reported YoY	Organic[1] YoY	9M18	9M17	Reported YoY	Organic[1] YoY
Total revenue	2,317	2,456	(5.7%)	2.9%	6,837	7,154	(4.4%)	3.0%
Russia	1,172	1,229	(4.7%)	0.6%	3,512	3,524	(0.3%)	2.7%
Pakistan	395	391	1.1%	18.7%	1,126	1,146	(1.8%)	9.9%
Algeria	207	238	(13.1%)	(6.7%)	609	701	(13.1%)	(8.1%)
Bangladesh	131	144	(9.0%)	(5.8%)	391	443	(11.7%)	(8.3%)
Ukraine	180	166	8.1%	14.1%	509	464	9.9%	12.0%
Uzbekistan	83	130	(36.2%)	4.2%	238	436	(45.4%)	11.0%
HQ								
Other and eliminations	149	158	(5.7%)		452	442	2.3%	
Service revenue	2,151	2,358	(8.8%)	1.9%	6,443	6,891	(6.5%)	2.2%
Russia	1,042	1,174	(11.3%)	(1.6%)	3,228	3,376	(4.4%)	1.2%
Pakistan	369	363	1.8%	19.5%	1,048	1,068	(1.9%)	9.7%
Algeria	206	233	(11.5%)	(5.0%)	606	689	(12.1%)	(7.0%)
Bangladesh	127	140	(9.0%)	(5.9%)	377	431	(12.4%)	(9.0%)
Ukraine	179	166	8.0%	14.3%	507	461	9.8%	11.9%
Uzbekistan	83	130	(36.2%)	4.1%	238	435	(45.4%)	10.9%
HQ								
Other and eliminations	145	153	(5.6%)		440	432	1.9%	
EBITDA	848	1,042	(18.7%)	4.6%	2,559	2,834	(9.7%)	5.2%
Russia	419	479	(12.6%)	(0.5%)	1,303	1,359	(4.1%)	3.7%
Pakistan	192	209	(8.1%)	7.9%	541	530	2.1%	14.2%
Algeria	93	115	(19.6%)	(13.7%)	271	334	(19.0%)	(14.4%)
Bangladesh	48	56	(15.3%)	(12.4%)	139	186	(25.4%)	(22.4%)
Ukraine	103	90	14.2%	20.6%	287	254	12.9%	15.0%
Uzbekistan	38	66	(44.3%)	(8.0%)	106	228	(53.7%)	(5.6%)
HQ	(92)	(30)	206.7%		(224)	(200)	12.0%	
Other and eliminations	47	57	(17.4%)		136	143	(5.1%)	
EBITDA margin	36.6%	42.4%	(5.9p.p.)		37.4%	39.6%	(2.2p.p.)	

[1] Organic change is a non-IFRS measure and reflects changes in revenue and EBITDA. Organic change excludes the effect of foreign currency movements and other factors, such as businesses under liquidation, disposals, mergers and acquisitions. In 9M 2018 and Q3 2018 organic growth is calculated at constant currency and excludes the impact from Euroset integration for the group and the effect of a vendor agreement adjustment in Q3 2017 of USD 106 million. In 9M 2018 and Q3 2018 the organic change in Russia exclude the impact of Euroset and the impact of transit traffic revenue. Transit traffic revenue were partially centralized at VEON Wholesale Services. See Attachment C for reconciliations, including reconciliation for EBITDA

Group reported revenue for Q3 2018 decreased by 5.7% year on year to USD 2.3 billion, largely due to currency headwinds amounting to USD 289 million in Russia, Pakistan and Uzbekistan, causing a decline of 11.8% on prior year revenue. Group revenue increased by 2.9% organically, driven by revenue growth in Russia, Pakistan, Ukraine and Uzbekistan, which was partially offset by continued pressure on revenue in Algeria and Bangladesh. The revenue trend was supported by good organic growth in mobile data revenue, which increased 28.5% for the quarter. Reported mobile data revenue was impacted by currency headwinds of approximately USD 88 million and increased by 13.7%. Mobile customers were stable year on year at 211 million at the end of Q3 2018.

Group reported EBITDA decreased by 18.7%, or USD 194 million to USD 848 million in Q3 2018. The decrease was primarily due to the currency headwinds amounting to USD 122 million in Russia, Pakistan and Uzbekistan, Euroset integration impact of USD 10 million and the positive impact in Q3 2017 of exceptional income from an adjustment to a vendor agreement of USD 106 million. EBITDA organically increased by 4.6%, driven by good operational performances in Pakistan and Ukraine, and a reduction in corporate costs, which were partially offset by EBITDA pressure in Algeria, Bangladesh and Uzbekistan. A more detailed explanation for these trends is provided in the following paragraphs.

In the discussion of each country's individual performances below, all trends are expressed in local currency.

In Russia, Beeline continued to report revenue growth during the quarter as a result of the successful completion of the Euroset stores integration and positive ARPU dynamics. Total revenue in Q3 2018 increased by 5.8%, driven by a modest increase in mobile service revenue and strong growth in sales of equipment and accessories of 164%, which was attributable to the additional monobrand stores following the integration and rebranding of Euroset, which started in Q1 2018. Mobile service revenue increased by 0.5%, driven by growth in Value Added Services ("VAS") and mobile data revenue. Fixed-line total revenue decreased by 13.5%, mainly due to a decrease of approximately RUB 1.1 billion in transit traffic revenue, which was centralized at VEON Wholesale Services. Excluding this impact, fixed-line revenue would have decreased by 3.8%, an improving trend compared to previous quarters, driven by continued positive dynamics in both B2C and B2B segments. EBITDA decreased by 3.1% to RUB 27.4 billion. The decrease in EBITDA was mainly driven by the increase in annual spectrum fees of RUB 0.4 billion and the impact of the Euroset integration costs of approximately RUB 0.6 billion. In Q3 2018, a 30% increase in annual spectrum fees was introduced retrospectively for FY2018, leading to an increase of 37% year on year during the quarter. The EBITDA margin was 35.7%, a decrease of 3.2 percentage points, additionally impacted by the change in revenue mix as a result of the strong growth in sales of equipment and accessories which are characterized by lower margins. The outlook for the Russian market remains one of cautious optimism in an environment of increased market competition and a weakened ruble. Beeline continues to focus on its integrated Euroset stores, improving its mobile network and turning around its fixed-line business. At the same time, cost pressures as a result of increased annual spectrum fees and higher monobrand-related costs will continue to impact EBITDA in Q4 2018.

In Pakistan, revenue grew by 18.7%; 6.3 percentage points of this growth came from business performance, 13.0 percentage points were driven by the suspension of some taxes collected from customers by mobile operators in Q3 2018, which provided the whole market with additional revenue growth on account of higher usage by customers, and -0.6 percentage points were related to the release of historic SIM tax accruals in both years. Mobile data revenue growth was 79.3%, also driven by an increase in data customers and usage through higher bundle penetration and continued data network expansion. The customer base increased by 5.6% year on year and by 1.1% quarter on quarter, driven by data network expansion and growth in data subscribers (+5.7% quarter on quarter and +17.2% year on year). EBITDA posted a healthy growth of 7.9% and EBITDA margin was 48.5%, a decrease of 4.8 percentage points year on year. Excluding tax-related factors for both Q3 2017 and 2018, EBITDA growth would have been 6.4%, with stable EBITDA margin year on year.

In Algeria, operating trends have further improved during Q3 2018, showing signs of a stabilization with customers and revenue growing quarter on quarter. Revenue decreased by 6.7% year on year, a slightly lower pace of decline compared to Q2 2018, with sequential customer and revenue growth in evidence (+5.3% quarter on quarter). Price competition, in both voice and data, caused a continued reduction in ARPU, which declined by 6.4% year on year. Djezzy's Q3 2018 service revenue was DZD 24.3 billion, a 5.0% decline, while data revenue growth was 71.8%, due to higher usage and a substantial increase in data customers as a result of the 3G and 4G/LTE network roll-out. The net customer additions trend, which was still positive during Q3 2018, led to customer growth both on a quarter on quarter (+0.8%) and a year on year (+2.6%) basis. Quarter on quarter customer growth was driven by continued positive uptake of new offers launched in H1 2018. EBITDA decreased by 13.7% year on year, mainly due to the decline in revenue, coupled with new taxation and an increase of technology costs primarily related to the DBSS roll-out. Quarter on quarter EBITDA increased by 9.2% and EBITDA margin by 1.5pp to 44.9%.

In Bangladesh, revenue decreased by 5.8%, driven by service revenue, which decreased by 5.9%. The decline was still mainly due to the gap in 3G network coverage compared to competition. However, service revenue increased by 1.9% quarter on quarter in Q3 2018, an improved trend compared to Q2 2018. The increase was mainly driven by data growth resulting from improved network during the quarter, following spectrum acquisition in Q1 2018 and enhanced network availability, along with the expansion of the distribution footprint. The customer base grew by 2.8% and by approximately 1% quarter on quarter, supported by improved distribution and network availability, notwithstanding intense pricing pressure in the market. Banglalink's EBITDA decreased by 12.4%, mainly as a result of revenue decline and an increase of structural opex due to 4G/LTE network expansion. However, EBITDA grew by 5.2% quarter on quarter with EBITDA margin at 35.9%, which represents a quarter on quarter improvement of 1.5 percentage points.

In Ukraine, Kyivstar continued its strong performance, with total revenue increasing by 14.1%. Mobile service revenue grew by 14.3%, mainly driven by continued strong growth of mobile data revenue and successful marketing activities. Data revenue grew by 82.1% as a result of growing data usage, which almost tripled year on year. ARPU increased by

14.3% year on year to UAH 57. Kyivstar´s mobile customer base increased by 0.5% to 26.6 million, while mobile data customers increased by 23.5% year on year. Fixed-line service revenue grew by 9.9%, driven by an increase in the fixed broadband customer base of 9.8%, while fixed broadband ARPU increased by 3.0%. EBITDA increased by 20.6%, representing an EBITDA margin of 57.5%. Strong EBITDA growth and margin were driven by revenue growth and delay of certain costs, which are expected to occur in Q4 2018.

In Uzbekistan, total revenue for the quarter increased by 4.2% and mobile service revenue increased by 4.1%, driven by an 8.3% growth in ARPU, despite the negative impact from the reduction in mobile termination rates ("MTR"). Mobile data traffic more than doubled and mobile data revenue increased by 50.9%, supported by the continued roll-out of high-speed data networks, increased smartphone penetration and the increased penetration of bundled offerings in the customer base to 40.5% in Q3 2018. EBITDA decreased by 8.0% and the EBITDA margin was 44.7%, mainly due to external factors such as the increase in customer tax (approximately UZS 30.6 billion, or 9.7%) and the negative impact of the reduction in MTR (UZS 11.1 billion, or 3.5%).

The HQ segment in Q3 2018 consists largely of costs in VEON's headquarters in Amsterdam and London. Q3 2018 corporate costs were USD 92 million, a reduction of approximately 32% year on year, which excludes the positive impact from an adjustment to a vendor agreement of USD 106 million in Q3 2017. This reduction, mainly driven by a decrease in external cost for services, allows VEON to confirm its target to reduce corporate costs by approximately 20% year on year in FY 2018. VEON has the mid-term ambition to halve the run-rate of corporate costs between FY 2017 (USD 431 million) and year-end 2019.

"Other" in Q3 2018 includes the results of Kazakhstan, Kyrgyzstan, Armenia, Georgia, other global operations and services and intercompany eliminations.

INCOME STATEMENT & CAPITAL EXPENDITURES

USD million	3Q18	3Q17	Reported YoY	9M18	9M17	Reported YoY
Total revenue	2,317	2,456	(5.7%)	6,837	7,154	(4.4%)
Service revenue	2,151	2,358	(8.8%)	6,443	6,891	(6.5%)
EBITDA	848	1,042	(18.7%)	2,559	2,834	(9.7%)
EBITDA margin	36.6%	42.4%	(5.9p.p.)	37.4%	39.6%	(2.2p.p.)
Depreciation, amortization, impairments and other	(1,239)	(498)	108.7%	(2,213)	(1,556)	42.2%
EBIT (Operating Profit)	(391)	544	n.m.	346	1,278	(72.9%)
Financial income and expenses	(198)	(202)	(1.7%)	(590)	(603)	(2.2%)
Net foreign exchange (loss)/gain and others	(37)	25	n.m.	(61)	(65)	(6%)
Share of (loss)/profit of joint ventures and associates	(0)	(0)	n.m.	(0)	(22)	n.m.
Impairment of JV and associates	-	-	n.m.	-	(110)	n.m.
(Loss)/Profit before tax	(626)	367	n.m.	(305)	478	n.m.
Income tax expense	(92)	(173)	47.2%	(345)	(379)	(9.1%)
(Loss)/Profit from continued operations	(718)	194	n.m.	(650)	99	n.m.
(Loss)/Profit from discontinued operations	1,279	(60)	n.m.	979	(234)	n.m.
(Loss)/Profit for the period attributable to VEON shareholders	561	134	n.m.	329	(135)	n.m.

	3Q18	3Q17	Reported YoY	9M18	9M17	Reported YoY
Capex	319	406	(21.4%)	1,565	1,316	18.9%
Capex excl. licenses	311	398	(21.8%)	1,068	994	7.5%
Capex excl. licenses/revenue	13.4%	16.2%	(2.8p.p.)	15.6%	13.9%	1.7p.p.
LTM capex excl. licenses/revenue	16.8%	18.4%	(1.6p.p.)	16.8%	18.4%	(1.6p.p.)

Note: Prior year comparatives are restated following the classification of Italy Joint Venture as a discontinued operation and retrospective recognition of depreciation and amortization charges in respect of Deodar

Q3 2018 ANALYSIS

Reported EBITDA decreased year on year by USD 194 million to USD 848 million due to currency headwinds (USD 122 million) mainly in Russia, Pakistan and Uzbekistan, Euroset integration (USD 10 million) and exceptional income from an adjustment to a vendor agreement of USD 106 million in Q3 2017. Operating loss for the quarter was USD 391 million, due to the accounting impairments totalling USD 781 million, including Bangladesh for USD 451 million and Algeria for USD 125 million.

Loss before tax was USD 626 million in Q3 2018, compared to a profit before tax of USD 367 million in Q3 2017 mainly due to impairments totalling USD 781 million in Q3 2018. Finance income and expenses were stable year on year as lower interest costs on debt were offset by higher interest expenses related to the put option liability over the 15% non-controlling interest in Pakistan. Net foreign exchange gain and other decreased by USD 62 million year on year mainly due to a one-off arbitration award of USD 44 million in Q3 2017, in addition to current year losses on the revaluation of derivatives.

Income tax expenses decreased to USD 92 million in Q3 2018 as a portion of the Bangladesh impairment offset deferred tax liabilities in the country, in addition to lower withholding tax related to dividends from Pakistan.

VEON booked a gain of USD 1,279 million, presented as profit from discontinued operations, as a result of the completion of the sale of the 50% stake in its Italy joint venture to CK Hutchison.

In Q3 2018, the company recorded a net profit for the period attributable to VEON´s shareholders of USD 561 million, driven by the book gain of the sale of 50% stake in Italy joint venture, which more than offsets the impairments.

Capex excluding licenses decreased to USD 311 million in Q3 2018, due to a more equal quarterly distribution of expenditures compared to last year. The last twelve months (“LTM”) ratio of capex excluding licenses to revenue was 16.8% in Q3 2018, 1.6 percentage points lower than Q3 2017.

FINANCIAL POSITION & CASH FLOW

USD million	3Q18	2Q18	QoQ
Total assets	16,431	17,442	(5.8%)
Shareholders' equity	3,915	3,549	10.3%
Gross debt	9,108	9,992	(8.8%)
Net debt	5,736	8,645	(33.7%)
Net debt/LTM EBITDA	1.7	2.5	

USD million	3Q18	3Q17	YoY	9M18	9M17	YoY
Net cash from/(used in) operating activities	578	834	(256)	1,880	1,996	(116)
Net cash from/(used in) investing activities	2,522	(376)	2,898	2,432	(1,690)	4,122
Net cash from/(used in) financing activities	(1,121)	(519)	(602)	(2,454)	(356)	(2,098)

Total assets decreased by 5.8% compared to Q2 2018, driven by impairments in Algeria, Bangladesh, Armenia, Kyrgyzstan and in Georgia.

Gross debt decreased by approximately USD 0.8 billion quarter on quarter mainly due to HQ Amsterdam debt repayment in addition to currency depreciation during Q3 2018. The Group’s net debt/LTM EBITDA ratio in Q3 2018 was 1.7x, significantly below VEON’s previously announced target ratio of 2.0x.

Net cash from operating activities decreased year on year, mainly driven by a decrease in EBITDA.

Net cash flow from investing activities increased as a result of the completion of the sale of the 50% stake in Wind Tre to CK Hutchison. Upon completion, VEON received proceeds of EUR 2.45 billion (approximately USD 2.8 billion).

Net cash paid in financing activities increased in Q3 2018 as a result of HQ Amsterdam debt repayments and interim dividend payments in August 2018 to VEON equity holders of approximately USD 200 million.

COUNTRY PERFORMANCE

- Russia
- Pakistan
- Algeria
- Bangladesh
- Ukraine
- Uzbekistan

RUSSIA

RUB million	3Q18	3Q17	YoY	9M18	9M17	YoY
Total revenue	76,750	72,559	5.8%	215,643	205,472	5.0%
Mobile service revenue	59,471	59,164	0.5%	171,362	167,186	2.5%
Fixed-line service revenue	8,737	10,114	(13.6%)	26,505	29,663	(10.6%)
EBITDA	27,376	28,239	(3.1%)	79,823	79,234	0.7%
EBITDA margin	35.7%	38.9%	(3.2p.p.)	37.0%	38.6%	(1.5p.p.)
Capex excl. licenses	12,310	10,906	12.9%	34,639	25,483	35.9%
LTM Capex excl. licenses /revenue	16.8%	17.1%	(0.3p.p.)			
Mobile						
Total revenue	67,975	62,417	8.9%	189,004	175,730	7.6%
- of which mobile data	15,749	15,284	3.0%	46,304	43,697	6.0%
Customers (mln)	56.2	58.8	(4.5%)			
- of which data users (mln)	37.3	39.1	(4.5%)			
ARPU (RUB)	350	334	4.7%			
MOU (min)	315	325	(3.1%)			
Data usage (MB/user)	3,773	2,816	34.0%			
Fixed-line[1]						
Total revenue	8,775	10,142	(13.5%)	26,639	29,742	(10.4%)
Broadband revenue	2,532	2,532	0.0%	7,639	7,761	(1.6%)
Broadband customers (mln)	2.3	2.2	5.4%			
Broadband ARPU (RUB)	364	383	(5.1%)			

In Russia, Beeline continued to report revenue growth during the quarter as a result of the successful completion of the Euroset stores integration and positive ARPU dynamics.

Total revenue in Q3 2018 increased by 5.8% year on year to RUB 76.8 billion, driven by a modest increase in mobile service revenue and strong growth in sales of equipment and accessories of 164% to RUB 8.3 billion, which was attributable to the additional monobrand stores following the Euroset integration and rebranding, which started in Q1 2018. Mobile service revenue increased by 0.5% to RUB 59.5 billion, driven by growth in VAS and mobile data revenue growth of 3.0% year on year to RUB 15.7 billion. The cancellation of national roaming and the introduction of unlimited data tariff plans during Q3 2018 had limited impact on revenue during the quarter. Mobile service revenue reported a slowdown in year on year growth compared to Q2 2018, as the good performance in Q3 2017 benefited from a temporary increase in commercial activities, while Q3 2018 was impacted by an increased usage of OTT services by migrant customers and a 4.5% year on year decrease in customers to 56.2 million. The decrease in customers was driven by less migrant customers in Q3 2018 and a reduction in gross sales through alternative distribution channels after the integration and rebranding of Euroset stores into Beeline monobrand stores.

The positive growth trend in mobile ARPU continued in Q3 2018, increasing by 4.7% year on year as a result of the

increased quality of the customer base.
Fixed-line total revenue decreased by 13.5%, mainly due to a decrease of approximately RUB 1.1 billion in transit traffic revenue, which was centralized at VEON Wholesale Services. Excluding this impact, fixed-line revenue would have decreased by 3.7%, an improving trend compared to previous quarters, driven by continued positive dynamics in both B2C and B2B segments. VEON Wholesale Services is a Group division based in Amsterdam centrally managing arrangements of VEON Group companies with international carriers and reported in revenue of the Group's segment as "other". The centralization of the international interconnect and transit traffic services revenues will continue in the remainder of this year and the expected maximum impact on revenue for Russia is USD 45 million, while the expected maximum impact on EBITDA is USD 5 million in FY 2018. The Fixed Mobile Convergence ("FMC") proposition continues to play an important role in the turnaround of the fixed-line business for Beeline. The FMC customer base grew by 27.5% year on year in Q3 2018 to more than 1 million. This represents a 44% FMC customer penetration in the broadband customer base, supporting improvements in broadband customer churn.

Beeline continues to focus on the B2B segment, improving its proposition with more customized offers and solutions to both small and large enterprises. The segment's fixed-line revenue stabilized year on year in Q3 2018 and has showed positive dynamics for two consecutive quarters, mostly attributable to the modernization of the network infrastructure and growth in sales.

EBITDA decreased by 3.1% to RUB 27.4 billion. The decrease in EBITDA was mainly driven by the increase in annual spectrum fees of RUB 0.4 billion and the impact of the Euroset integration costs of approximately RUB 0.6 billion. In Q3 2018, a 30% increase in annual spectrum fees was introduced retrospectively for FY2018, leading to an increase of 37% year on year during the quarter. The EBITDA margin was 35.7%, a decrease of 3.2 percentage points and was additionally impacted by the change in revenue mix as a result of the strong growth in sales of equipment and accessories which are characterized by lower margins. For Q4 2018, the expected negative impact on EBITDA of the increase in annual spectrum fees is RUB 1 billion. The government has stated that the annual spectrum fees will be reduced to previous levels from January 2019.

The Euroset integration was successfully completed in August 2018 with 1,540 Euroset stores integrated and rebranded into Beeline monobrand stores. Year to date integration impact on EBITDA stood at RUB 2.2 billion in Q3 2018 and Beeline expects continued negative impact on EBITDA, which is forecasted to amount to approximately RUB 3 billion for FY 2018 as a whole, due to the timing difference between costs for the stores and their revenue benefits. Additionally, Beeline expects EBITDA margin pressure following the integration and rebranding of the Euroset stores as a result of increased sales of equipment and accessories. To partially offset this effect, Beeline plans to continue to decrease its expenditures on alternative sales channels.

The Euroset integration is an important milestone in executing on Beeline´s monobrand strategy. Now that the rebranding and integration of the Euroset stores is complete, Beeline expects a positive effect on revenue going forward while EBITDA is expected to be positively impacted from 2019 onwards, driven by acceleration in device sales and distribution channel mix improvement. At the same time, the decline in revenue and EBITDA contribution from alternative sales channels is likely to have an offsetting impact on Beeline´s overall revenue and EBITDA performance.

Capex excluding licenses increased by 12.9% year on year during the quarter, mainly as a result of accelerated network roll-out and the integration of Euroset stores. Beeline continues to invest in network development to ensure it has the best quality infrastructure that is ready to integrate new technologies. The LTM capex excluding licenses to revenue ratio for Q3 2018 was 16.8%.

Yarovaya Law-related investment plans are progressing in alignment with legal requirements and imply lower expenditure in FY 2018 due to phasing of some expenditures into 2019. The estimate for the total expenditures has not changed.

The outlook for the Russian market remains one of cautious optimism in an environment with increased market competition and a weakened ruble. Beeline continues to focus on its integrated Euroset stores, improving its mobile network and turning around its fixed-line business. At the same time, cost pressures as a result of increased annual spectrum fees and higher monobrand-related costs will continue to impact EBITDA in Q4 2018.

VEON

PAKISTAN

PKR billion	3Q18	3Q17	YoY	9M18	9M17	YoY
Total revenue	48.9	41.2	18.7%	132.2	120.3	9.9%
Mobile service revenue	45.7	38.2	19.5%	123.0	112.1	9.7%
of which mobile data	11.4	6.4	79.3%	26.3	17.4	51.6%
EBITDA	23.7	22.0	7.9%	63.6	55.7	14.2%
EBITDA margin	48.5%	53.3%	(4.8p.p.)	48.1%	46.2%	1.8p.p.
Capex excl. licenses	4.0	8.2	(50.8%)	18.0	18.6	(3.1%)
LTM capex excl. licenses/revenue	14.3%	18.1%	(3.7p.p.)	14.3%	18.1%	(3.7p.p.)
Mobile						
Customers (mln)	56.1	53.1	5.6%			
- of which data users (mln)	33.3	28.4	17.2%			
ARPU (PKR)	272.3	240.9	13.0%			
MOU (min)	531	512	3.8%			
Data usage (MB/user)	1227	573	114.1%			

The market in Q3 2018 remained competitive, particularly in data and social network offers, the latter aimed at offering new services to drive growth. The overall pricing environment was reasonably rational and Jazz maintained its price premium positioning.

Jazz continued to show growth in both revenue and customers despite these competitive market conditions. In Q3 2018, revenue grew by 18.7% year on year; 6.3 percentage points of this growth came from business performance, 13.0 percentage points were driven by the suspension of some taxes collected from customers by mobile operators in Q3 2018, which provided the whole market with additional revenue growth on account of higher usage by customers, and -0.6 percentage points were related to the release of historic SIM tax accruals in both years. Mobile data revenue growth was 79.3% year on year, also driven by an increase in data customers and usage through higher bundle penetration and continued data network expansion.

The customer base increased by 5.6% year on year and by 1.1% quarter on quarter, driven by data network expansion and growth in data subscribers (+5.7% quarter on quarter and +17.2% year on year). Jazz sees data and voice monetization among its key priorities, underpinned by the aim to offer the best network in terms of both quality of service and coverage.

EBITDA posted a healthy growth of 7.9% and EBITDA margin was 48.5%, a decrease of 4.8 percentage points year on year. Excluding tax-related factors for both Q3 2017 and 2018, EBITDA growth would have been 6.4%, with stable EBITDA margin year on year.

Capex excluding licenses decreased year on year to PKR 4.0 billion in Q3 2018, due to a more balanced quarterly distribution in 2018 and lower year on year 3G and 4G/LTE roll-out activity. The LTM capex (excluding licenses) to revenue ratio was 14.3%. At the end of the Q3 2018, 3G was offered in more than 368 cities while 4G/LTE was offered in 149 cities (defined as cities with at least three base stations). At the end of Q3 2018, population coverage of Jazz's 3G and 4G/LTE networks was 52% and 33% respectively.

ALGERIA

DZD billion	3Q18	3Q17	YoY	9M18	9M17	YoY
Total revenue	24.4	26.2	(6.7%)	70.7	76.9	(8.1%)
Mobile service revenue	24.3	25.6	(5.0%)	70.2	75.5	(7.0%)
of which mobile data	5.7	3.3	71.8%	16.5	9.3	77.3%
EBITDA	11.0	12.7	(13.7%)	31.4	36.6	(14.4%)
EBITDA margin	44.9%	48.5%	(3.6p.p.)	44.4%	47.6%	(3.2p.p.)
Capex excl. licenses	1.9	4.6	(59.2%)	6.8	10.7	(36.5%)
LTM capex excl. licenses/revenue	11.3%	16.2%	(4.9p.p.)	11.3%	16.2%	(4.9p.p.)
Mobile						
Customers (mln)	15.6	15.2	2.6%			
- of which mobile data customers (mln)	9.0	7.3	23.8%			
ARPU (DZD)	518	553	(6.4%)			
MOU (min)	448	415	7.9%			
Data usage (MB/user)	1,823	515	254.2%			

In Algeria, operating trends stabilized during Q3 2018, with both customers and revenue growing quarter on quarter. The market is still challenging with intense price competition and a regulatory and macro-economic environment which remains characterized by inflationary pressures and import restrictions on certain goods. In addition, a complementary Finance Law introduced on 15 July 2018 further increased the tax on recharge transfer between operators and distributors from 0.5% to 1.5%.

Revived market competition, evident in Q2 2018 in both voice and data, continued into Q3 2018, putting strong pressure on prices and ARPU, in an overall context of economic slowdown and growing inflation. Djezzy reacted by revamping its offering on prepaid and post-paid through a segmented approach, aiming to drive up value while protecting its customer base with competitive offers on data.

Revenue decreased by 6.7% year on year, a slightly lower pace of decline compared to Q2 2018, as an operational stabilization continued with sequential customer and revenue growth (+5.6% quarter on quarter). Price competition, in both voice and data, caused a continued reduction in ARPU, which declined by 6.4% year on year. Djezzy's Q3 2018 service revenue was DZD 24.3 billion, a 5.0% year on year decline, while data revenue growth was 71.8%, due to higher usage and a substantial increase in data customers as a result of the 3G and 4G/LTE network roll-out. This data revenue growth is still supported by the change towards a more aggressive data pricing strategy that has been in place since the beginning of 2018. The net customer additions trend, which was still positive during Q3 2018, led to customer growth both on a quarter on quarter (+0.8%) and a year on year (+2.6%) basis. The quarter on quarter growth was driven by continued positive uptake of new offers launched in H1 2018.

In June 2018, Djezzy migrated to its new DBSS platform, resulting in a slight increase in technology opex. This new platform offers Djezzy simplification, agility and a faster time to market for new services, coupled with improved customer service. Going forward, DBSS, as a cornerstone of Djezzy digitization, will allow the development of bespoke offers to customers via automatized customer value management tools.

In Q3 2018, EBITDA decreased by 13.7% year on year, mainly due to the decline in revenues, coupled with new taxation and an increase of technology costs primarily related to the DBSS roll-out.

The new Finance Law, effective from January 2018, and further tax increases from mid-July continue to impact year on year performance. As a result of the 2018 new taxation, Djezzy's EBITDA was negatively impacted in Q3 2018 by approximately DZD 410 million. This impact on EBITDA was only partially offset by the positive impact from the partial MTR symmetry, which has been in place since 31 October 2017. Quarter on quarter EBITDA increased by 9.2% and EBITDA margin by 1.5pp to 44.9%.

At the end of Q3 2018, the company's 4G/LTE services covered 28 wilayas and more than 25.4% of Algeria's population, while its 3G network covered all 48 wilayas and more than 75.9% of Algeria´s population. In Q3 2018, capex excluding licenses was DZD 1.9 billion, representing a decrease year on year due to lower 4G/LTE roll-out activity and a more targeted investment approach, with an LTM capex excluding licenses to revenue ratio of 11.3%.

BANGLADESH

BDT billion	3Q18	3Q17	YoY	9M18	9M17	YoY
Total revenue	11.0	11.7	(5.8%)	32.7	35.7	(8.3%)
Mobile service revenue	10.7	11.3	(5.9%)	31.5	34.7	(9.0%)
of which mobile data	1.9	1.7	11.9%	5.3	4.7	11.5%
EBITDA	4.0	4.5	(12.4%)	11.6	14.9	(22.4%)
EBITDA margin	35.9%	38.6%	(2.7p.p.)	35.5%	41.9%	(6.5p.p.)
Capex excl. licenses	0.8	2.3	(65.2%)	7.1	4.5	59.6%
LTM capex excl. licenses/revenue	25.0%	20.1%	4.9p.p.			
Mobile						
Customers (mln)	32.3	31.4	2.8%			
- of which mobile data customers (mln)	19.7	17.1	15.2%			
ARPU (BDT)	110	121	(9.0%)			
MOU (min)	255	280	(9.1%)			
Data usage (MB/user)	734	523	40.2%			

The market during Q3 2018 was characterized by a further acceleration of price pressure led by competition, mostly in data offers.

The regulatory environment remains challenging and limits customer growth in the market. For example, the restriction on sale of subsequent SIM card within 3-hours of purchase of the preceding SIM using the same national identity card has impacted gross additions across the mobile industry in Bangladesh since Q2 2018.

Q3 2018 results continued to be affected by intense competition, with a specific focus on customer acquisition, and also by costs related to network expansion after the acquisition in Q1 2018 of additional spectrum and a 4G/LTE licence. During Q3 2018, Banglalink continued to focus on acquiring customers in a competitive market, with improved network availability.

Revenue in Q3 2018 decreased by 5.8% year on year, driven by service revenue, which decreased by 5.9% year on year to BDT 10.7 billion. The decline was still mainly due to the gap in Banglalink's 3G network coverage compared to competitors. However, service revenue increased by 1.8% quarter on quarter in Q3 2018, an improved trend compared to Q2 2018. The increase was mainly driven by data growth resulting from improved network during the quarter, following spectrum acquisition in Q1 2018 and enhanced network availability, along with the expansion of Banglalink's distribution footprint. The customer base grew by 2.8% year on year and by approximately 1% quarter on quarter, supported by improved distribution and network availability, notwithstanding the intense pricing pressure in the market. As a result of this pricing pressure, ARPU decreased year on year by 9.0%. Data revenue increased by 11.9% year on year, driven by increased smartphone penetration and 40.0% year on year (or 7.3% quarter on quarter) data usage growth, along with 15.2% year on year growth in active data users.

Banglalink's EBITDA in Q3 2018 decreased by 12.4% to BDT 4.0 billion, mainly as a result of revenue decline and an increase of structural opex due to 4G/LTE network expansion. However, EBITDA grew by 5.2% quarter on quarter with EBITDA margin at 35.9%, which represents a quarter on quarter improvement of 1.5 percentage points.

In Q3 2018, capex excluding licenses significantly decreased year on year to BDT 0.8 billion, due to a more balanced quarterly distribution, with Q3 2017 capex focused on restoring network availability. 3G network coverage was approximately 72% at the end of Q3 2018. The roll-out of 4G/LTE is in progress, and the service, which was launched in February 2018, covered a population of approximately 17% at the end of Q3 2018. LTM capex excluding licenses to revenue ratio was 25.0%.

In August 2018, Bangladesh Telecommunication Regulatory Commission (BTRC) lowered the mobile termination rates (MTR) and required all mobile operators to charge the same retail rate for off-net and on-net calling. Mobile Number Portability (MNP) was launched on 1 October 2018. BTRC has issued four companies tower sharing licenses that will allow the licensees to build and manage telecommunications towers for multiple mobile network operators in Bangladesh.

UKRAINE

UAH million	3Q18	3Q17	YoY	9M18	9M17	YoY
Total revenue	4,925	4,316	14.1%	13,710	12,245	12.0%
Mobile service revenue	4,602	4,024	14.3%	12,750	11,352	12.3%
Fixed-line service revenue	302	275	9.9%	895	847	5.7%
EBITDA	2,833	2,349	20.6%	7,736	6,727	15.0%
EBITDA margin	57.5%	54.4%	3.1p.p.	56.4%	54.9%	1.5p.p.
Capex excl. licenses	737	643	14.7%	2,351	2,084	12.8%
LTM capex excl. licenses/revenue	16.0%	18.1%	(2.1p.p.)	16.0%	18.1%	(2.1p.p.)
Mobile						
Total operating revenue	4,624	4,042	14.4%	12,815	11,398	12.4%
- of which mobile data	2,045	1,123	82.1%	4,960	2,901	71.0%
Customers (mln)	26.6	26.4	0.5%			
- of which data customers (mln)	14.5	11.8	23.5%			
ARPU (UAH)	57	50	14.3%			
MOU (min)	565	570	(1.0%)			
Data usage (MB/user)	2,347	835	181.1%			
Fixed-line						
Total operating revenue	302	275	9.9%	895	847	5.7%
Broadband revenue	186	167	11.0%	551	507	8.8%
Broadband customers (mln)	0.9	0.8	9.8%			
Broadband ARPU (UAH)	71	69	3.0%			

In Ukraine, Kyivstar is the market leader, offering a high-quality network in a competitive market, focusing on value customers with rational pricing behaviour. The company launched 4G/LTE services in 1800 MHz during Q3 2018, after launching in 2600 MHz in Q2 2018.

Kyivstar continued its strong performance in Q3 2018, with total revenue increasing by 14.1% year on year to UAH 4.9 billion. Mobile service revenue grew by 14.3% to UAH 4.6 billion, mainly driven by continued strong growth in mobile data revenue and successful marketing activities. Data revenue grew by 82.1% as a result of growing data usage, which almost tripled year on year. ARPU increased by 14.3% year on year to UAH 57.

Kyivstar´s mobile customer base increased by 0.5% to 26.6 million, while mobile data customers increased by 23.5% year on year.

Fixed-line service revenue grew by 9.9% year on year to UAH 302 million, driven by an increase of the fixed broadband customer base of 9.8% year on year, while fixed broadband ARPU increased by 3.0% year on year to UAH 71.

EBITDA increased by 20.6% year on year to UAH 2.8 billion in Q3 2018, representing an EBITDA margin of 57.5%. Strong EBITDA growth and margin were driven by revenue growth and delay of certain costs, which are expected to occur in Q4 2018.

Q3 2018 capex excluding licenses was UAH 737 million with an LTM capex excluding licenses to revenue ratio of 16.0%. Kyivstar continues to focus on the roll-out of high speed data networks and built the leading 4G/LTE network, covering 50% of the population.

UZBEKISTAN

UZS bln	3Q18	3Q17	YoY	9M18	9M17	YoY
Total revenue	651	625	4.2%	1,903	1,714	11.0%
Mobile service revenue	645	620	4.1%	1,887	1,702	10.9%
- of which mobile data	225	149	50.9%	625	423	47.8%
Fixed-line service revenue	4.4	3.9	10.4%	14	11	22.8%
EBITDA	291	316	(8.0%)	844	893	(5.6%)
EBITDA margin	44.7%	50.6%	(5.9p.p.)	44.3%	52.1%	(7.8p.p.)
Capex excl. licenses	70.6	49.6	42.5%	278	184	50.6%
LTM Capex excl. licenses/revenue	15.7%	21.2%	(5.5p.p.)			
Mobile						
Customers (mln)	9.1	9.5	(4.7%)			
- of which mobile data customers (mln)	5.2	4.7	10.1%			
ARPU (UZS)	23,257	21,484	8.3%			
MOU (min)	596	581	2.6%			
Data usage (MB/user)	1,254	519	141.8%			

In Uzbekistan, the market is moving to all-net offers after the mobile termination rates were significantly reduced to almost zero in Q2 2018. Unitel is the market leader and continues to focus on value customers. The company reported good revenue growth in Q3 2018, driven by repricing initiatives introduced in March 2018, concentrating on upselling customers to higher price plans with increased allowances.

Total revenue for the quarter increased by 4.2% year on year and mobile service revenue increased by 4.1% to UZS 645 billion, driven by an 8.3% growth in ARPU, despite the negative impact from the reduction in mobile termination rates. Mobile data traffic more than doubled and mobile data revenue increased by 50.9% year on year, supported by the continued roll-out of high-speed data networks, increased smartphone penetration and the increased penetration of bundled offerings in Unitel´s customer base to 40.5% in Q3 2018.

EBITDA decreased by 8.0% to UZS 291 billion and the EBITDA margin was 44.7% in Q3 2018, mainly due to external factors such as the increase in customer tax (approximately UZS 30.6 billion or 9.7%) and the negative impact of the reduction in mobile termination rates (approximately UZS 11.1 billion or 3.5%).

Capex excluding licenses totalled UZS 70.6 billion and the Q3 2018 LTM capex excluding licenses to revenue ratio was 15.7%. The company continued to invest in its high-speed data networks, improving the 4G/LTE coverage to 24.5% and increasing the number of nationwide 3G sites by 11% year on year. Further improvements to the high-speed data networks will continue to be a priority for Unitel for the remainder of 2018.

In Q3 2018, VEON's subsidiary PJSC VimpelCom successfully repatriated a net amount of approximately USD 10 million from Uzbekistan. The repatriation of cash was executed at the market rate and brings the year-to-date amount repatriated to USD 95 million. VEON aims to continue to repatriate excess cash in the remainder of FY 2018.

CONFERENCE CALL INFORMATION

On 8 November 2018, VEON will also host a conference call by senior management at 9:30 CET (8:30 GMT), which will be made available through following dial-in numbers. The call and slide presentation may be accessed at http://www.veon.com

9:30 CET investor and analyst conference call
US call-in number: +1 (929) 477 0448
Confirmation Code: 5953101

International call-in number: +44 (0) 330 336 9127
Confirmation Code: 5953101

The conference call replay and the slide presentation webcast will be available until 15 November 2018. The slide presentation will also be available for download on VEON's website.

Investor and analyst call replay
US Replay Number: +1 719 457 0820
Confirmation Code: 5953101

UK Replay Number: 0800 101 1153
Confirmation Code: 5953101

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DISCLAIMER

This press release contains “forward-looking statements”, as the phrase is defined in Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. These forward-looking statements may be identified by words such as “may,” “might,” “will,” “could,” “would,” “should,” “expect,” “plan,” “anticipate,” “intend,” “seek,” “believe,” “estimate,” “predict,” “potential,” “continue,” “contemplate,” “possible” and other similar words. Forward-looking statements include statements relating to, among other things, VEON’s plans to implement its strategic priorities, including operating model and development plans, among others; anticipated performance and guidance for 2018 and 2019, including VEON’s ability to generate sufficient cash flow; future market developments and trends; operational and network development and network investment, including expectations regarding the roll-out and benefits of 3G/4G/LTE networks, as applicable; the effect of the acquisition of additional spectrum on customer experience; VEON’s ability to realize the acquisition and disposition of any of its businesses and assets; VEON’S ability to realize financial improvements, including an expected reduction of net pro-forma leverage ratio following the successful completion of certain dispositions and acquisitions; and VEON’s ability to realize its targets and strategic initiatives in its various countries of operation. The forward-looking statements included in this press release are based on management’s best assessment of VEON’s strategic and financial position and of future market conditions, trends and other potential developments. These discussions involve risks and uncertainties. The actual outcome may differ materially from these statements as a result of demand for and market acceptance of VEON’s products and services; continued volatility in the economies in VEON’s markets; unforeseen developments from competition; governmental regulation of the telecommunications industries; general political uncertainties in VEON’s markets; government investigations or other regulatory actions; litigation or disputes with third parties or other negative developments regarding such parties; risks associated with data protection or cyber security, other risks beyond the parties’ control or a failure to meet expectations regarding various strategic priorities, the effect of foreign currency fluctuations, increased competition in the markets in which VEON operates and the effect of consumer taxes on the purchasing activities of consumers of VEON´s services. Certain other factors that could cause actual results to differ materially from those discussed in any forward-looking statements include the risk factors described in VEON’s Annual Report on Form 20-F for the year ended December 31, 2017 filed with the U.S. Securities and Exchange Commission (the “SEC”) and other public filings made by VEON with the SEC. Other unknown or unpredictable factors also could harm our future results. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Under no circumstances should the inclusion of such forward-looking statements in this press release be regarded as a representation or warranty by us or any other person with respect to the achievement of results set out in such statements or that the underlying assumptions used will in fact be the case. Therefore, you are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements speak only as of the date hereof. We cannot assure you that any projected results or events will be achieved. Except to the extent required by law, we disclaim any obligation to update or revise any of these forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made, or to reflect the occurrence of unanticipated events. Non-IFRS measures are reconciled to comparable IFRS measures in VEON Ltd.’s earnings release published on its website on the date hereof. Furthermore, elements of this press release contain or may contain, “inside information” as defined under the Market Abuse Regulation (EU) No. 596/2014.

All non-IFRS measures disclosed further in this press release (including, without limitation, EBITDA, EBITDA margin, EBT, net debt, equity free cash flow, organic growth, capital expenditures excluding licenses and LTM (last twelve months) capex excluding licenses/revenue) are reconciled to comparable IFRS measures in Attachment C (Reconciliation tables). In addition, we present certain information on a forward-looking basis (including, without limitation, the expected impact on revenue, EBITDA and equity free cash flow from the consolidation of the Euroset stores after completing the transaction ending the Euroset joint venture). We are not able to, without unreasonable efforts, provide a full reconciliation to IFRS due to potentially high variability, complexity and low visibility as to the items that would be excluded from the comparable IFRS measure in the relevant future period, including, but not limited to, depreciation and amortization, impairment loss, loss on disposal of non-current assets, financial income and expenses, foreign currency exchange losses and gains, income tax expense and performance transformation costs, cash and cash equivalents, long - term and short-term deposits, interest accrued related to financial liabilities, other unamortized adjustments to financial liabilities, derivatives, and other financial liabilities.

ABOUT VEON

VEON is a NASDAQ and Euronext Amsterdam-listed global provider of connectivity and internet services.

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CONTENT OF THE ATTACHMENTS

For more information on financial and operating data for specific countries, please refer to the supplementary file Factbook3Q2018.xls on VEON's website at http://veon.com/Investor-relations/Reports--results/Results/.

ATTACHMENT A: CUSTOMERS

million	Mobile 3Q18	Mobile 3Q17	Mobile YoY	Fixed-line broadband 3Q18	Fixed-line broadband 3Q17	Fixed-line broadband YoY
Russia	56.2	58.8	(4.5%)	2.3	2.2	5.4%
Pakistan	56.1	53.1	5.6%			
Algeria	15.6	15.2	2.6%			
Bangladesh	32.3	31.4	2.8%			
Ukraine	26.6	26.4	0.5%	0.9	0.8	9.7%
Uzbekistan	9.1	9.5	(4.7%)			
Other	14.8	16.0	(7.5%)	0.5	0.5	(5.6%)
Total	**210.7**	**210.6**	**0.1%**	**3.7**	**3.5**	**5.5%**

ATTACHMENT B: DEFINITIONS

ARPU (Average Revenue Per User) measures the monthly average revenue per mobile user. We generally calculate mobile ARPU by dividing our mobile service revenue during the relevant period, including data revenue, roaming revenue, MFS and interconnect revenue, but excluding revenue from connection fees, sales of handsets and accessories and other non-service revenue, by the average number of our mobile customers during the period and dividing by the number of months in that period.

Mobile data customers are mobile customers who have engaged in revenue generating activity during the three months prior to the measurement date as a result of activities including USB modem Internet access using 2.5G/3G/4G/HSPA+ technologies.

Capital expenditures (capex) are purchases of new equipment, new construction, upgrades, licenses, software, other long-lived assets and related reasonable costs incurred prior to intended use of the non-current asset, accounted at the earliest event of advance payment or delivery. Long-lived assets acquired in business combinations are not included in capital expenditures.

Capital expenditures (capex) excluding licenses is calculated as capex, excluding purchases of new spectrum licenses.

EBIT or Operating Profit is calculated as EBITDA plus depreciation, amortization and impairment loss. Our management uses EBIT as a supplemental performance measure and believes that it provides useful information of earnings of the Company before making accruals for financial income and expenses and net foreign exchange (loss)/gain and others. Reconciliation of EBIT to net income attributable to VEON Ltd., the most directly comparable IFRS financial measure, is presented in the reconciliation tables section in Attachment C below.

Adjusted EBITDA (called EBITDA in this document) is a non-IFRS financial measure. VEON calculates Adjusted EBITDA as (loss)/profit before tax before depreciation, amortization, loss from disposal of non-current assets and impairment loss and includes certain non-operating losses and gains mainly represented by litigation provisions for all of its segments except for Russia. Our Adjusted EBITDA may be used to evaluate our performance against other telecommunications companies that provide EBITDA.

Additionally, a limitation of EBITDA's use as a performance measure is that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenue or the need to replace capital equipment over time. Reconciliation of EBITDA to net income attributable to VEON Ltd., the most directly comparable IFRS financial measure, is presented in the reconciliation tables section in Attachment C below.

EBITDA margin is calculated as EBITDA divided by total revenue, expressed as a percentage.

Gross Debt is calculated as the sum of long term notional debt and short-term notional debt.

Equity free cash flow is a non-IFRS measure and is defined as free cash flow from operating activities less cash flow used in investing activities, excluding M&A transactions, capex for licenses, inflow/outflow of deposits, financial assets and other one-off items. Reconciliation to the most directly comparable IFRS financial measure, is presented in the reconciliation tables section in Attachment C below.

An FMC customer is a customer on a 1 month Active Broadband Connection subscribing to a converged bundle consisting of at least fixed internet subscription and at least 1 mobile SIM.

Households passed are households located within buildings, in which indoor installation of all the FTTB equipment necessary to install terminal residential equipment has been completed.

MFS (Mobile financial services) is a variety of innovative services, such as mobile commerce or m-commerce, that use a mobile phone as the primary payment user interface and allow mobile customers to conduct money transfers to pay for items such as goods at an online store, utility payments, fines and state fees, loan repayments, domestic and international remittances, mobile insurance and tickets for air and rail travel, all via their mobile phone.

Mobile customers are generally customers in the registered customer base as at a given measurement date who engaged in a revenue generating activity at any time during the three months prior to such measurement date. Such activity includes any outgoing calls, customer fee accruals, debits related to service, outgoing SMS and MMS, data transmission and receipt sessions, but does not include incoming calls, SMS and MMS or abandoned calls. Our total number of mobile customers also includes customers using mobile internet service via USB modems and fixed-mobile convergence (“FMC”).

Net debt is a non-IFRS financial measure and is calculated as the sum of interest bearing long-term notional debt and short-term notional debt minus cash and cash equivalents, long-term and short-term deposits. The Company believes that net debt provides useful information to investors because it shows the amount of notional debt outstanding to be paid after using available cash and cash equivalents and long-term and short-term deposits. Net debt should not be considered in isolation as an alternative to long-term debt and short-term debt, or any other measure of the Company financial position.

Net foreign exchange (loss)/gain and others represents the sum of Net foreign exchange (loss)/gain, VEON’s share in net (loss)/gain of associates and Other (expense)/income (primarily (losses)/gains from derivative instruments) and is adjusted for certain non-operating losses and gains mainly represented by litigation provisions.

NPS (Net Promoter Score) is the methodology VEON uses to measure customer satisfaction.

Organic growth in revenue and EBITDA are non-IFRS financial measures that reflect changes in Revenue and EBITDA, excluding foreign currency movements and other factors, such as businesses under liquidation, disposals, mergers and acquisitions.

Reportable segments: the Company identified Russia, Pakistan, Algeria, Bangladesh, Ukraine, Uzbekistan and HQ based on the business activities in different geographical areas.

Total revenue in this section is fully comparable with Total Operating revenue in MD&A section below.

ATTACHMENT C: RECONCILIATION TABLES

RECONCILIATION OF CONSOLIDATED EBITDA

USD mln	3Q18	3Q17	9M18	9M17
Unaudited				
EBITDA	**848**	**1,042**	**2,559**	**2,834**
Depreciation	(324)	(358)	(1,015)	(1,134)
Amortization	(124)	(136)	(380)	(404)
Impairment loss	(781)	3	(791)	(2)
Loss on disposals of non-current assets	(10)	(7)	(46)	(16)
Gain (loss) on disposal of subsidiaries	-	-	20	-
Operating profit	**(391)**	**544**	**346**	**1,278**
Financial Income and Expenses	(198)	(202)	(590)	(603)
- including finance income	12	24	43	70
- including finance costs	(210)	(226)	(633)	(673)
Net foreign exchange (loss)/gain and others	(37)	25	(61)	(197)
- including Other non-operating (losses)/gains	(24)	40	(49)	(112)
- including Shares of loss of associates and joint ventures accounted for using the equity method	(0)	(0)	(0)	(22)
- including impairments of JV and associates	-	-	-	(110)
- including Net foreign exchange gain	(13)	(15)	(12)	47
Profit before tax	(626)	367	(305)	478
Income tax expense	(92)	(173)	(345)	(379)
Profit/(Loss) from discontinued operations	1,279	(60)	979	(234)
(Loss)/Profit for the period	**561**	**134**	**329**	**(135)**
Less profit attributable to non-controlling interest	294	(18)	272	(32)
	-	-		-
(Loss)/profit attributable to the owners of the parent	855	116	601	(167)

RECONCILIATION OF CAPEX

USD mln unaudited	3Q18	3Q17	9M18	9M17
Cash paid for purchase of property, plant and equipment and intangible assets	**327**	**363**	**1,504**	**1,559**
Net difference between timing of recognition and payments for purchase of property, plant and equipment and intangible assets	(9)	43	60	(241)
Capital expenditures	**319**	**406**	**1,565**	**1,318**
Less capital expenditures in licenses and other	(7)	(8)	(496)	(325)
Capital expenditures excl. licenses	**311**	**398**	**1,068**	**994**

RECONCILIATION OF ORGANIC AND REPORTED GROWTH RATES

	3Q18 vs 3Q17					
	Total Revenue			EBITDA		
	Organic	Forex & other[1]	Reported	Organic	Forex & other[1]	Reported
Russia	0.6%	(5.3%)	(4.7%)	(0.5%)	(13.1%)	(12.6%)
Pakistan	18.7%	(17.6%)	1.1%	7.9%	(16.0%)	(8.1%)
Algeria	(6.7%)	(6.4%)	(13.1%)	(13.7%)	(5.9%)	(19.6%)
Bangladesh	(5.8%)	(3.1%)	(9.0%)	(12.4%)	(2.9%)	(15.3%)
Ukraine	14.1%	(6.0%)	8.1%	20.6%	(6.4%)	14.2%
Uzbekistan	4.2%	(40.4%)	(36.2%)	(8.0%)	(36.3%)	(44.3%)
Total	**2.9%**	**(8.6%)**	**(5.7%)**	**4.6%**	**(23.3%)**	**(18.7%)**

9M18 vs 9M17	Total Revenue			EBITDA		
	Organic	Forex & other[1]	Reported	Organic	Forex & other[1]	Reported
Russia	2.7%	(3.0%)	(0.3%)	3.7%	(7.8%)	(4.1%)
Pakistan	9.9%	(11.6%)	(1.8%)	14.2%	(12.1%)	2.1%
Algeria	(8.1%)	(5.0%)	(13.1%)	(14.4%)	(4.6%)	(19.0%)
Bangladesh	(8.3%)	(3.4%)	(11.7%)	(22.4%)	(2.9%)	(25.4%)
Ukraine	12.0%	(2.1%)	9.9%	15.0%	(2.1%)	12.9%
Uzbekistan	11.0%	(56.4%)	(45.4%)	(5.6%)	(48.2%)	(53.7%)
Total	**3.0%**	**(7.4%)**	**(4.4%)**	**5.2%**	**(14.9%)**	**(9.7%)**

[1] In Q3 2018 and 9M 2018 other includes the impact from Euroset integration for the group. In Q3 2018 and 9M 2018 other in Russia includes the impact of Euroset and the impact of transit traffic revenue. Transit traffic revenue were partially centralized at VEON Wholesale Services

RECONCILIATION OF VEON CONSOLIDATED NET DEBT

USD mln	30 September 2018	30 June 2018	31 March 2018
Net debt	**5,736**	**8,645**	**8,966**
Cash and cash equivalents	3,370	1,343	1,393
Long - term and short-term deposits	2	4	43
Gross debt	**9,108**	**9,992**	**10,402**
Interest accrued related to financial liabilities	118	113	132
Other unamortised adjustments to financial liabilities (fees, discounts etc.)	(12)	(29)	(35)
Derivatives not designated as hedges	384	314	311
Derivatives designated as hedges	62	48	81
Other financial liabilities	132	134	135
Total other financial liabilities	9,730	10,571	11,026

Note: As of September 30, 2018, some bank accounts forming part of a cash pooling program and being an integral part of VEON's cash management remained overdrawn by USD 262 million. Even though the total balance of the cash pool remained positive, VEON has no legally enforceable right to set-off and therefore the overdrawn accounts are presented as financial liabilities and form part of our debt in our financial statements.

RECONCILIATION OF EQUITY FREE CASH FLOW

USD million	3Q18	3Q17	YoY
EBITDA	**848**	**1,042**	**(18.7%)**
Changes in working capital	7	9	(22.0%)
Movements in provision	(12)	(10)	n.m.
Net interest paid received	(152)	(131)	n.m.
Income tax paid	(112)	(77)	n.m.
Cash flow from operating activities (excl.discontinued operations)	**579**	**834**	**(30.6%)**
Capex excl.licenses	(311)	(398)	n.m.
Working capital related to Capex excl. license	(9)	42	n.m.
Proceeds from sale of PPE	5	(1)	n.m.
Equity Free Cash Flow excl.licenses	**263**	**477**	**(44.7%)**

VEON

EBITDA RECONCILIATION FOR COUNTRY

Q3 2018

USD mln	Russia	Pakistan	Algeria	Bangladesh	Ukraine	Uzbekistan	HQ	Other	VEON Consolidated
EBITDA	419	192	93	48	103	38	(92)	47	**848**
Less	-	-	-	-	-	-	-	-	**-**
Depreciation	(178)	(38)	(25)	(31)	(14)	(10)	(1)	(27)	**(324)**
Amortization	(36)	(30)	(19)	(16)	(11)	(1)	(3)	(9)	**(124)**
Impairment loss	1	-	(125)	(451)	(2)	-	-	(205)	**(781)**
Loss on disposals of non-current assets	(8)	0	0	(0)	(0)	(1)	-	0	**(9)**
Gain (loss) on disposal of subsidiaries	-	-	-	-	-	-	-	0	**0**
	-	-	-	-	-	-	-	-	**-**
Operating profit	196	124	(76)	(451)	77	26	(96)	(192)	**(391)**

Q3 2017

USD mln	Russia	Pakistan	Algeria	Bangladesh	Ukraine	Uzbekistan	HQ	Other	VEON Consolidated
EBITDA	479	209	115	56	90	66	(30)	57	**1,042**
Less									
Depreciation	(197)	(52)	(26)	(28)	(13)	(11)	(1)	(29)	**(358)**
Amortization	(39)	(35)	(29)	(10)	(11)	(1)	(2)	(9)	**(136)**
Impairment loss	4			-	(1)			1	**4**
Loss on disposals of non-current assets	(5)	(1)	-	(2)	1	(1)		-	**(9)**
Gain (loss) on disposal of subsidiaries									
Operating profit	241	120	60	15	67	54	(32)	19	**544**

9M 2018

USD mln	Russia	Pakistan	Algeria	Bangladesh	Ukraine	Uzbekistan	HQ	Other	VEON Consolidated
EBITDA	1,303	541	271	139	287	106	(224)	136	**2,559**
Less	-	-	-	-	-	-	-	-	**-**
Depreciation	(577)	(117)	(77)	(92)	(42)	(26)	(2)	(83)	**(1,015)**
Amortization	(112)	(95)	(60)	(43)	(32)	(2)	(9)	(27)	**(380)**
Impairment loss	(5)	-	(126)	(451)	(3)	-	-	(206)	**(791)**
Loss on disposals of non-current assets	(20)	(0)	0	(19)	(5)	(1)	-	(1)	**(46)**
Gain (loss) on disposal of subsidiaries	(0)	-	-	-	-	-	(5)	25	**20**
	-	-	-	-	-	-	-	-	**-**
Operating profit	589	329	8	(466)	206	76	(240)	(155)	**346**

9M 2017

USD mln	Russia	Pakistan	Algeria	Bangladesh	Ukraine	Uzbekistan	HQ	Other	VEON Consolidated
EBITDA	1,359	530	334	186	254	228	(200)	143	**2,834**
Less									
Depreciation	(606)	(170)	(82)	(100)	(41)	(42)	(1)	(89)	**(1,133)**
Amortization	(118)	(99)	(86)	(30)	(35)	(3)	(6)	(27)	**(404)**
Impairment loss	(4)			-	-			2	**(2)**
Loss on disposals of non-current assets	(17)	3		(8)	3	5		(3)	**(17)**
Gains/(Losses) on sale of investments in subsidiaries	-								
Operating profit	613	264	166	48	181	188	(207)	26	**1,279**

RATES OF FUNCTIONAL CURRENCIES TO USD

	2018	**3Q18**	**3Q17**	**YoY**	**3Q18**	**3Q17**	**YoY**
Russian Ruble	60	65.53	59.02	-11.0%	65.59	58.02	-13.1%
Euro	0.8	0.86	0.85	-1.1%	0.86	0.85	-1.8%
Algerian Dinar	110	118.01	109.90	-7.4%	118.22	113.04	-4.6%
Pakistan Rupee	105	123.69	105.37	-17.4%	123.18	105.39	-16.9%
Bangladeshi Taka	79	83.89	81.11	-3.4%	83.97	82.31	-2.0%
Ukrainian Hryvnia	27	27.35	25.90	-5.6%	28.30	26.52	-6.7%
Kazakh Tenge	340	355.90	332.18	-7.1%	363.07	341.19	-6.4%
Uzbekistan Som	8,748	7,848.13	5,220.63	-50.3%	8,079.28	8,066.96	-0.2%
Armenian Dram	480	482.53	478.69	-0.8%	482.71	478.41	-0.9%
Kyrgyz Som	70	68.70	68.88	0.3%	69.28	68.66	-0.9%
Georgian Lari	2.4	2.53	2.42	-4.5%	2.62	2.48	-5.6%

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is based on, and should be read in conjunction with, our unaudited interim condensed consolidated financial statements as of and for the nine months ended September 30, 2018 and 2017, and the related notes, attached hereto.

References to "VEON" as well as references to "our company," "the company," "our group," "the group," "we," "us," "our" and similar pronouns, are references to VEON Ltd. an exempted company limited by shares registered in Bermuda, and its consolidated subsidiaries. References to VEON Ltd. are to VEON Ltd. alone. The unaudited interim condensed consolidated financial statements as of September 30, 2018 and for the nine months ended September 30, 2018 and 2017 attached hereto have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and presented in U.S. dollars. VEON Ltd. adopted IFRS as of January 1, 2009.

The discussion of our business and the telecommunications industry included herein contains references to certain terms specific to our business, including numerous technical and industry terms. Such terms are defined in Exhibit 99.1 to our Annual Report on Form 20-F for the year ended December 31, 2017 (our "2017 Annual Report"). For a comprehensive discussion of our critical accounting estimates and assumptions, please refer to Note 3 to our audited consolidated financial statements included in our 2017 Annual Report.

Certain amounts and percentages that appear in this document have been subject to rounding adjustments. As a result, certain numerical figures shown as totals, including in tables, may not be exact arithmetic aggregations of the figures that precede or follow them.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document contains estimates and forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). Our estimates and forward-looking statements are mainly based on our current expectations and estimates of future events and trends, which affect or may affect our businesses and operations. All statements other than statements of historical fact are forward-looking statements. The words "may," "might," "will," "could," "would," "should," "expect," "plan," "anticipate," "intend," "seek," "believe," "estimate," "predict," "potential," "continue," "contemplate," "possible" and similar words are intended to identify estimates and forward-looking statements. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to numerous risks and uncertainties and are made in light of information currently available to us. Many important factors, in addition to the factors described in this document, may adversely affect our results as indicated in forward-looking statements. You should read this document completely and with the understanding that our actual future results may be materially different and worse from what we expect.

Our estimates and forward-looking statements may be influenced by various factors, including without limitation:

- our plans to implement our strategic priorities;
- our targets and strategic initiatives in the various countries in which we operate;
- our ability to develop new revenue streams and achieve portfolio and asset optimizations, digitalize our business model, improve customer experience and optimize our capital structure;
- our ability to generate sufficient cash flow to meet our debt service obligations, our expectations regarding working capital and the repayment of our debt and our projected capital requirements;
- our goals regarding value, experience and service for our customers, as well as our ability to retain and attract customers and to maintain and expand our market share positions;
- our expectations regarding our capital expenditures and operational expenditures in and after 2018 and our ability to meet our projected capital requirements;
- our plans to develop, provide and expand our products and services, including operational and network development, optimization and investment, such as expectations regarding the roll-out and benefits of 3G/4G/LTE/5G networks or other networks, broadband services and integrated products and services, such as fixed-mobile convergence;

- our ability to execute our business strategy successfully and to complete, and achieve the expected benefits from, our existing and future transactions;
- our expectations as to pricing for our products and services in the future, improving our ARPU and our future costs and operating results;
- our ability to meet license requirements, to obtain, maintain, renew or extend licenses, frequency allocations and frequency channels and to obtain related regulatory approvals;
- our plans regarding marketing and distribution of our products and services, including customer loyalty programs;
- our plans regarding our dividend payments and policies, as well as our ability to receive dividends, distributions, loans, transfers or other payments or guarantees from our subsidiaries;
- our expectations regarding our competitive strengths, customer demands, market trends and future developments in the industry and markets in which we operate;
- possible adverse consequences resulting from our agreements announced on February 18, 2016 with the U.S. Securities and Exchange Commission ("SEC"), the U.S. Department of Justice ("DOJ"), and the Dutch Public Prosecution Service (Openbaar Ministerie) ("OM"), as well as any litigation or additional investigations related to or resulting from the agreements, any changes in company policy or procedure resulting from the review by the independent compliance monitor, the duration of the independent compliance monitor's review, and VEON Ltd.'s compliance with the terms of the resolutions with the DOJ, SEC, and OM; and
- other statements regarding matters that are not historical facts.

These statements are management's best assessment of our strategic and financial position and of future market conditions, trends and other potential developments. While they are based on sources believed to be reliable and on our management's current knowledge and best belief, they are merely estimates or predictions and cannot be relied upon. We cannot assure you that future results will be achieved. The risks and uncertainties that may cause our actual results to differ materially from the results indicated, expressed or implied in the forward-looking statements used in this document include:

- risks relating to changes in political, economic and social conditions in each of the countries in which we operate (including as a result of armed conflict) such as any harm, reputational or otherwise, that may arise due to changing social norms, our business involvement in a particular jurisdiction or an otherwise unforeseen development in science or technology;
- in each of the countries in which we operate, risks relating to legislation, regulation, taxation and currency, including costs of compliance, currency and exchange controls, currency fluctuations, and abrupt changes to laws, regulations, decrees and decisions governing the telecommunications industry and the taxation thereof, laws on foreign investment, anti-corruption and anti-terror laws, economic sanctions and their official interpretation by governmental and other regulatory bodies and courts;
- risks related to the impact of export and re-export restrictions on our and our suppliers' ability to procure products, technology, or software necessary for the service, production and satisfactory delivery of supplies, support services, and equipment that we source from them - as an example, in April 2018, the U.S. Department of Commerce issued a Denial Order under the Export Administration Regulations issued to ZTE Corporation ("ZTE"), an important third-party supplier, which prohibited, among other things, exports and re-exports of U.S. products, technology and software to and from ZTE and restricted our ability to receive certain services from ZTE; each of which could have lead to service degradation and disruptions in certain markets;
- risks relating to a failure to meet expectations regarding various strategic initiatives, including, but not limited to, the performance transformation program;
- risks related to solvency and other cash flow issues, including our ability to raise the necessary additional capital and incur additional indebtedness, the ability of our subsidiaries to make dividend payments, our ability to develop additional sources of revenue and unforeseen disruptions in our revenue streams;
- risks that the various regulatory agencies or other parties with whom we are involved in legal challenges, tax disputes or appeals may not find in our favor;
- risks relating to our company and its operations in each of the countries in which we operate, including demand for and market acceptance of our products and services, regulatory uncertainty regarding our licenses, frequency allocations and numbering capacity, constraints on our spectrum capacity, availability of line capacity, intellectual property rights protection, labor issues, interconnection agreements, equipment failures and competitive product and pricing pressures;
- risks related to developments from competition, unforeseen or otherwise, in each of the countries in which we operate including our ability to keep pace with technological change and evolving industry standards;

- risks associated with developments in the investigations by, and the agreements with, the DOJ, SEC and OM and any additional investigations or litigation that may be initiated relating to or arising out of any of the foregoing, and the costs associated therewith, including relating to remediation efforts and enhancements to our compliance programs, and the review by the independent compliance monitor;
- risks related to the activities of our strategic shareholders, lenders, employees, joint venture partners, representatives, agents, suppliers, customers and other third parties;
- risks associated with our existing and future transactions, including with respect to realizing the expected synergies of closed transactions, satisfying closing conditions for new transactions, obtaining regulatory approvals and implementing remedies;
- risks associated with data protection, cyber-attacks or systems and network disruptions, or the perception of such attacks or failures in each of the countries in which we operate, including the costs associated with such events and the reputational harm that could arise therefrom;
- risks related to the ownership of our American Depositary Receipts, including those associated with VEON Ltd.'s status as a Bermuda company and a foreign private issuer; and
- other risks and uncertainties, including those set forth in "Item 3—Key Information—D. Risk Factors" in our 2017 Annual Report.

These factors and the other risk factors described in our 2017 Annual Report are not necessarily all of the factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could harm our future results. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Under no circumstances should the inclusion of such forward-looking statements in this document be regarded as a representation or warranty by us or any other person with respect to the achievement of results set out in such statements or that the underlying assumptions used will in fact be the case. Therefore, you are cautioned not to place undue reliance on these forward-looking statements.

The forward-looking statements included in this document are made only as of the date of the filing of this document. We cannot assure you that any projected results or events will be achieved. Except to the extent required by law, we disclaim any obligation to update or revise any of these forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should refer to our periodic and current reports filed or furnished, as applicable, with the SEC for specific risks which could cause actual results to be significantly different from those expressed or implied by these forward-looking statements.

OVERVIEW

VEON is an international communications and technology company, headquartered in Amsterdam. As a global provider of connectivity, our ambition is to lead the personal internet revolution for our customers now, and in the future. Present in some of the world's most dynamic markets, VEON provides more than 200 million customers with voice, fixed broadband, data and digital services. VEON offers services to customers in 10 countries including Russia, Pakistan, Algeria, Bangladesh, Ukraine, Uzbekistan, Kazakhstan, Kyrgyzstan, Armenia and Georgia. We provide services under the "Beeline," "Kyivstar," "banglalink," "Jazz" and "Djezzy" brands.

BASIS OF PRESENTATION OF FINANCIAL RESULTS

Our unaudited interim condensed consolidated financial statements attached hereto have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements as of and for the year ended December 31, 2017.

REPORTABLE SEGMENTS

We present our reportable segments based on economic environments and stages of development in different geographical areas, requiring different investment and marketing strategies.

As of September 30, 2018, our reportable segments consist of the seven following segments: Russia, Pakistan, Algeria, Bangladesh, Ukraine, Uzbekistan and HQ (transactions related to management activities within our group in Amsterdam and London).

The "Others" category is not a reportable segment but only a reconciling item between our seven reportable segments and our total revenue and Adjusted EBITDA. "Others" represents our operations in Kazakhstan, Kyrgyzstan, Armenia and Georgia, as well as intercompany eliminations and costs relating to other global operations and services. In the second quarter of 2018, VEON sold its operations in Laos and Tajikistan and so these operations are now deconsolidated from the VEON Group. For further details please see Note 6 to our unaudited interim condensed consolidated financial statements attached hereto.

KEY DEVELOPMENTS DURING THE THIRD QUARTER OF 2018

GUIDANCE UPDATED FOLLOWING GOOD PROGRESS TOWARDS FY 2018 FINANCIAL TARGETS

Total revenue grew organically[1] by 2.9% year on year and EBITDA by 4.6% year on year in Q3 2018, driven by Pakistan, Ukraine and Uzbekistan. Equity free cash flow excluding licenses[2] was USD 263 million in Q3 2018 and USD 804 million in 9M 2018. FY 2018 guidance has been updated to low single-digit organic revenue growth (from flat to low single-digit organic growth) and EBITDA growth of low to mid-single digit (from flat to low single-digit organic growth). Equity free cash flow target remains at around USD 1 billion for FY 2018, but is slightly challenged by currency headwinds.

REPORTED REVENUE AND EBITDA IMPACTED BY CURRENCY WEAKNESS AND EUROSET INTEGRATION COSTS

Total reported revenue decreased by 5.7% year on year primarily due to currency weakness of USD 289 million, negatively impacting revenue by 11.8% year on year, more than offsetting the organic growth of 2.9% and the positive impact from Euroset of 3.2%. Reported EBITDA declined by 18.7%, or USD 194 million, primarily as a result of currency headwinds (USD 122 million), Euroset integration impact (USD 10 million) and effect of an adjustment to a vendor agreement (USD 106 million) in Q3 2017.

COMPLETION OF THE SALE OF 50% STAKE IN THE ITALY JOINT VENTURE TO CK HUTCHISON

On 3 July 2018, VEON entered into an agreement with CK Hutchison Holdings Ltd. ("CK Hutchison") for the sale of its 50% stake in the Italy Joint Venture. On 7 September 2018 the transaction was completed, and VEON received EUR 2.45 billion (approximately USD 2.8 billion[3]) in cash consideration. Approximately USD 0.8 billion has since been used to repay bank loans. VEON expects to use the remainder of the proceeds to further reduce debt and for general corporate purposes. As a result of the completion of this transaction, the net leverage ratio[4] of the Group is now approximately 1.7x, significantly below the previously announced target of 2x. In closing the transaction, VEON recorded a net gain of USD 1,279 million in Q3 2018, which is reflected in profit from discontinued operations.

EUROSET STORES INTEGRATION AND REBRANDING INTO BEELINE MONOBRAND STORES IN RUSSIA COMPLETED

The nationwide integration of the Euroset stores under the single brand "Beeline" was completed in August 2018 and 1,540 Euroset stores have been integrated and rebranded into Beeline monobrand stores. The 9M 2018 integration impact on EBITDA was RUB 2.2 billion (of which RUB 0.6 billion in Q3 2018) and Beeline expects continued negative impact on EBITDA, totalling approximately RUB 3 billion in FY 2018, due to the timing difference between costs associated with running the stores and the anticipated revenue benefits. Additionally, Beeline expects EBITDA margin pressure following the integration and rebranding of the Euroset stores as a result of increased handset sales characterized by lower margin. Beeline expects a positive effect on revenue going forward, while EBITDA is expected to be positively impacted from 2019 onwards, by acceleration in device sales and distribution channel mix improvement.

VEON WITHDREW ITS OFFER TO ACQUIRE GTH´S ASSETS IN PAKISTAN AND BANGLADESH

On 10 October 2018, VEON terminated its offer to acquire the assets of GTH in Pakistan and Bangladesh. VEON will continue to explore options to address its strategic relationship with GTH and its minority shareholders.

VEON'S AGREEMENT TO SELL ITS PAKISTAN TOWER BUSINESS WAS TERMINATED

On 15 September 2018, VEON's agreement to sell the tower business of its subsidiary in Pakistan, Jazz, was terminated due to the parties failing to receive all required regulatory approvals and the extended long-stop date of 14 September 2018 having passed.

ACCOUNTING IMPAIRMENTS

VEON recorded an accounting impairment totalling USD 781 million, including Bangladesh for USD 451 million and Algeria for USD 125 million. These non-cash impairments were related to macroeconomic developments, an increase in the weighted average cost of capital and weakened operational performance.

1) Organic change is a non-IFRS measure and reflects changes in revenue and EBITDA. Organic change excludes the effect of foreign currency movements and other factors, such as businesses under liquidation, disposals, mergers and acquisitions. In Q3 2018, organic growth is calculated at constant currency and excludes the impact from Euroset integration and the effect of a vendor agreement adjustment in Q3 2017 of USD 106 million. See Attachment C for reconciliations

2) Equity free cash flow excluding licenses is a non-IFRS measure and is defined as free cash flow from operating activities less cash flow used in investing activities, excluding M&A transactions, capex for licenses, inflow/outflow of deposits, financial assets and other one-off items. See attachment C for reconciliations

3) USD/EUR=1.16

4) Q3 2018 Net debt/LTM EBITDA

NINE MONTHS ENDED SEPTEMBER 30, 2018 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2017

	Nine months ended September 30,	
In millions of U.S. dollars	**2018**	**2017***
Consolidated income statements data:		
Service revenue	6,443	6,891
Sale of equipment and accessories	295	173
Other revenue	99	90
Total operating revenue	**6,837**	**7,154**
Service costs	(1,292)	(1,409)
Cost of equipment and accessories	(283)	(187)
Selling, general and administrative expenses	(2,703)	(2,724)
Depreciation	(1,015)	(1,134)
Amortization	(380)	(404)
Impairment (loss) / reversal	(791)	(2)
Gain / (loss) on disposals of non-current assets	(47)	(16)
Gain / (loss) on disposals of subsidiaries	20	-
Total operating expenses	**(6,491)**	**(5,876)**
Operating profit	**346**	**1,278**
Finance costs	(633)	(673)
Finance income	43	70
Other non-operating losses	(49)	(112)
Shares of loss of joint ventures and associates	-	(22)
Impairment of joint ventures and associates	-	(110)
Net foreign exchange gain	(12)	47
Profit / (loss) before tax	**(305)**	**478**
Income tax expense	(345)	(379)
Profit / (loss) from continuing operations	**(650)**	**99**
Profit / (loss) after tax from discontinued operations	979	(234)
Profit / (loss) for the period	**329**	**(135)**
Attributable to:		
The owners of the parent (continuing operations)	(378)	67
The owners of the parent (discontinued operations)	979	(234)
Non-controlling interest	(272)	32
	329	**(135)**

* *Prior year comparatives are restated following the classification of Italy Joint Venture as a discontinued operation and accrual of depreciation changes in Pakistan following the termination of the Deodar transaction.*

The tables below show for the periods indicated selected information about the results of operations in each of our reportable segments. For more information regarding our segments, see Note 4 to our unaudited interim condensed consolidated financial statements attached hereto.

TOTAL OPERATING REVENUE

In millions of U.S. dollars, includes intersegment revenue	Nine months ended September 30, 2018	2017
Russia	3,512	3,523
Pakistan	1,126	1,146
Algeria	609	701
Bangladesh	391	443
Ukraine	509	463
Uzbekistan	238	436
Others	452	442
Total operating revenue	**6,837**	**7,154**

During the nine months ended September 30, 2018 and 2017, we generated revenue from providing telecommunication services through a range of traditional and broadband mobile and fixed technologies, as well as selling equipment and accessories.

Our consolidated total operating revenue decreased by 4% year-on-year primarily due to a decrease of total operating revenue in Uzbekistan due to the local currency liberalization in September 2017, decreased mobile ARPU in Algeria as a result of competitive pressure in the market and the devaluation of local currency, in Bangladesh due to 3G network coverage gap, the loss of high value customers, price erosion and the devaluation of local currency.

TOTAL OPERATING EXPENSES

Our consolidated total operating expenses increased by 10% year-on-year primarily due to the impairment loss of US$781 million related to Algeria, Bangladesh, Armenia, Georgia and Kyrgyzstan cash-generating units ("CGUs"). The impairment loss relates to revision of previous estimates and assumptions regarding the future cash flows due to operational underperformance of these CGU's.

ADJUSTED EBITDA

In millions of U.S. dollars	Nine months ended September 30, 2018	2017
Russia	1,303	1,359
Pakistan	541	530
Algeria	271	334
Bangladesh	139	186
Ukraine	287	254
Uzbekistan	106	228
HQ	(224)	(200)
Others	136	143
Total Adjusted EBITDA	**2,559**	**2,834**

Our consolidated Adjusted EBITDA decreased by 10% year-on-year mainly due to decreased service margin.

OPERATING PROFIT

Our consolidated operating profit decreased to US$346 million in the nine months ended September 30, 2018 compared to US$1,278 million in the nine months ended September 30, 2017 primarily due to impairment loss of Algeria, Bangladesh, Armenia, Georgia and Kyrgyzstan CGUs and decreased service margin partially offset by decreased depreciation expenses in Pakistan, Russia and Uzbekistan resulting from devaluation of local currencies.

NON-OPERATING PROFITS AND LOSSES

FINANCE COSTS

Our consolidated finance costs decreased by 6% year-on-year primarily due to lower average debt levels and lower average interest rates which was partially offset by higher charges related to the put option liability over non-controlling interest.

FINANCE INCOME

Our consolidated finance income decreased primarily due to lower interest rates on our deposits and, on average, lower amount of deposits.

OTHER NON-OPERATING LOSSES

The year-on-year change of other non-operating losses was mainly driven by early redemption fees of US$124 million recorded as part of the refinancing activities and an indemnification gain of US$45 million in the nine months ended September 30, 2017.

SHARES OF LOSS OF JOINT VENTURES AND ASSOCIATES

As a result of the classification as assets held for sale and discontinued operation and subsequent sale of the VEON's 50% stake in Italy Joint Venture as discussed above, the results from our Italy Joint Venture were classified as profit / (loss) from discontinued operations and therefore we no longer reported any share of loss from joint ventures and associates during the nine months ended September 30, 2018. We recorded a loss of US$22 million from our investments in joint ventures and associates in the nine months ended September 30, 2017 that represent a share of the loss from the Euroset Joint Venture in Russia.

IMPAIRMENT OF JOINT VENTURES AND ASSOCIATES

We recorded no impairment of joint ventures and associates during the nine months ended September 30, 2018. We recorded US$110 million of impairment related to associates and joint ventures during the nine months ended September 30, 2017 in respect of the investment in Euroset that was classified as held for sale on July 7, 2017.

NET FOREIGN EXCHANGE (LOSS)/GAIN

We recorded a loss of US$12 million from foreign currency exchange in the nine months ended September 30, 2018 compared to a gain of US$47 million from foreign currency exchange in the nine months ended September 30, 2017. The change in net foreign exchange (loss)/gains was primarily attributable to lower net exposure to the Russian ruble and fairly stable foreign exchange rates of other currencies.

INCOME TAX EXPENSE AND PROFIT / (LOSS)

INCOME TAX EXPENSE

Our consolidated income tax expense decreased by 9% to US$345 million in the nine months ended September 30, 2018 compared to US$379 million in the nine months ended September 30, 2017.

For more information regarding income tax expenses, please refer to Note 8 of our unaudited interim condensed consolidated financial statements attached hereto.

PROFIT / (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS

The year-on-year change of other non-operating losses change of our profit / (loss) after tax from discontinued operations was primarily attributable to a gain of US$1,279 million from the sale of VEON's 50% stake in the Italy Joint Venture.

PROFIT / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE PARENT FROM CONTINUING OPERATIONS

The year-on-year change of our profit / (loss) for the period attributable to the owners of the parent from continuing operations was mainly due to decreased operating profit as discussed above driven by impairment loss.

PROFIT / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO NON CONTROLLING INTEREST

The year-on-year change of profit / (loss) for the period attributable to non controlling interest was mainly driven by net loss recognized by GTH during nine months ended September 30, 2018.

RUSSIA

RESULTS OF OPERATIONS IN US$

In millions of U.S. dollars (except as indicated)	Nine months ended September 30, 2018	2017	'17-18 % change
Total operating revenue	**3,512**	**3,523**	**0%**
Mobile service revenue	2,795	2,867	-3%
- of which fixed-mobile convergence ("FMC")	94	63	49%
- of which mobile data	756	749	1%
Fixed-line service revenue	433	509	-15%
Sales of equipment, accessories and other	284	148	92%
Operating expenses	**2,210**	**2,165**	**2%**
Adjusted EBITDA	**1,303**	**1,359**	**-4%**
Adjusted EBITDA margin	**37.1%**	**38.6%**	**-1.5pp**

RESULTS OF OPERATIONS IN RUB

In millions of RUB (except as indicated)	Nine months ended September 30, 2018	2017	'17-18 % change
Total operating revenue	**215,643**	**205,472**	**5%**
Mobile service revenue	171,362	167,186	2%
- of which FMC	5,756	3,652	58%
- of which mobile data	46,304	43,697	6%
Fixed-line service revenue	26,505	29,663	-11%
Sales of equipment, accessories and other	17,776	8,623	106%

Operating expenses	**135,821**	**126,238**	**8%**
Adjusted EBITDA	**79,823**	**79,234**	**1%**
Adjusted EBITDA margin	**37.0%**	**38.6%**	**-1.5pp**

SELECTED PERFORMANCE INDICATORS

	Nine months ended September 30,		
	2018	**2017**	'17-18 % change
Mobile			
Customers in millions	56.2	58.8	-4%
ARPU in US$	5.4	5.4	0%
ARPU in RUB	331	315	5%
Mobile data customers in millions	37.3	39.1	-5%

TOTAL OPERATING REVENUE

Our total operating revenue in Russia was flat year-on-year. The increase of revenue from equipment sales and an increase of data and FMC revenue was fully offset by a decrease of fixed-line revenue due to transfer of traffic contracts from Russia to VEON Wholesale Services company, that centrally manages arrangements with international carriers and the devaluation of the Russian ruble.

In functional currency terms, total operating revenue increased by 5% year-on-year.

ADJUSTED EBITDA

Our Russia Adjusted EBITDA decreased by 4% year-on-year to US$1,303 million primarily due to the devaluation of the Russian ruble, costs related to monobrand distribution channel development and increased technical costs, which were partially offset by increased device contribution margins.

In functional currency terms, our Russia Adjusted EBITDA increased by 1% to RUB 79,823 million mainly due to increased device contribution margins.

SELECTED PERFORMANCE INDICATORS

The number of mobile customers and the number of mobile data customers in Russia decreased year-on-year in each case driven by a reduction in sales from alternative distribution channels, due to Beeline focusing on monobrand distribution.

Our mobile ARPU in Russia was flat at US$5.4 year-on-year, mainly driven by an increase of ARPU in local currency that was fully offset by the devaluation of the Russian ruble. In functional currency terms, mobile ARPU in Russia increased by 5% year-on-year to RUB 331 year-on-year mainly driven by increased data revenue per customer.

PAKISTAN

RESULTS OF OPERATIONS IN US$

	Nine months ended September 30,		
In millions of U.S. dollars (except as indicated)	**2018**	**2017**	'17-18 % change
Total operating revenue	**1,126**	**1,146**	**-2%**
Mobile service revenue	1,048	1,068	-2%

- of which mobile data	223	165	35%
Sales of equipment, accessories and other	78	79	0%
Operating expenses	**585**	**616**	**-5%**
Adjusted EBITDA	**541**	**530**	**2%**
Adjusted EBITDA margin	**48.0%**	**46.2%**	**1.8pp**

RESULTS OF OPERATIONS IN PKR

	Nine months ended September 30,		
In millions of PKR (except as indicated)	**2018**	**2017**	'17-18 % change
Total operating revenue	**132,224**	**120,348**	**10%**
Mobile service revenue	123,028	112,099	10%
- of which mobile data	26,310	17,358	52%
Sales of equipment, accessories and other	9,197	8,249	11%
Operating expenses	**68,658**	**64,698**	**6%**
Adjusted EBITDA	**63,566**	**55,650**	**14%**
Adjusted EBITDA margin	**48.1%**	**46.2%**	**1.8pp**

SELECTED PERFORMANCE INDICATORS

	Nine months ended September 30,		
	2018	**2017**	'17-18 % change
Mobile			
Customers in millions	56.1	53.1	6%
ARPU in US$	2.1	2.3	-6%
ARPU in PKR	249	237	5%
Mobile data customers in millions	33.3	28.4	17%

TOTAL OPERATING REVENUE

In the nine months ended September 30, 2018, our Pakistan total operating revenue decreased by 2% year-on-year to US$1,126 million as a result of a devaluation of the local currency partially offset by revenue growth in functional currency terms. In functional currency terms, our Pakistan total operating revenue increased by 10% as a result of one-off tax related event and accelerated mobile data revenue growth of 52% year on year, driven by an increase in data customers and increased data usage due to higher bundle penetration and continued data network expansion.

ADJUSTED EBITDA

Our Pakistan Adjusted EBITDA increased by 2% year-on-year to US$541 million in the nine months ended September 30, 2018 driven by revenue growth in functional currency terms, operating expenses synergies and the phasing-out of merger integration costs. The increase was partially offset by a devaluation of the local currency and one-off tax related costs. In functional currency terms, our Pakistan Adjusted EBITDA increased by 14% year-on-year.

SELECTED PERFORMANCE INDICATORS

As of September 30, 2018, we had 56.1 million customers in Pakistan, representing an increase of 6% year-on-year driven primarily by a continued increase in customer acquisition combined with lower churn as a result of simplifying prices and more efficient distribution channel management, coupled with better customer retention. Number of mobile data customers increased by 17% year-on-year primarily due to customer base migration to bundled tariff plans and 4G/LTE expansion.

In the nine months ended September 30, 2018, our mobile ARPU in Pakistan decreased by 6% year-on-year to US$2.1 driven by a devaluation of the local currency. In functional currency terms, mobile ARPU in Pakistan increased by 5% year-on-year to PKR 249 driven by price increase for voice and data services.

ALGERIA

RESULTS OF OPERATIONS IN US$

	Nine months ended September 30,		
In millions of U.S. dollars (except as indicated)	**2018**	**2017**	'17-18 % change
Total operating revenue	**609**	**701**	**-13%**
Mobile service revenue	606	689	-12%
- of which mobile data	142	85	68%
Sales of equipment, accessories and other	4	13	-72%
Operating expenses	**339**	**367**	**-8%**
Adjusted EBITDA	**271**	**334**	**-19%**
Adjusted EBITDA margin	**44.4%**	**47.6%**	**-3.2pp**

RESULTS OF OPERATIONS IN DZD

In millions of DZD (except as indicated)	Nine months ended September 30, 2018	2017	'17-18 % change
Total operating revenue	**70,655**	**76,921**	**-8%**
Mobile service revenue	70,239	75,533	-7%
- of which mobile data	16,476	9,294	77%
Sales of equipment, accessories and other	416	1,388	-70%
Operating expenses	**39,286**	**40,280**	**-2%**
Adjusted EBITDA	**31,369**	**36,642**	**-14%**
Adjusted EBITDA margin	**44.4%**	**47.6%**	**-3.2pp**

SELECTED PERFORMANCE INDICATORS

	Nine months ended September 30, 2018	2017	'17-18 % change
Mobile			
Customers in millions	15.6	15.2	3%
ARPU in US$	4.4	4.8	-9%
ARPU in DZD	508	530	-4%
Mobile data customers in millions	9.0	7.3	24%

TOTAL OPERATING REVENUE

Our Algeria total operating revenue decreased by 13% year-on-year primarily due to decreased mobile ARPU as a result of competitive pressure in the market and the devaluation of local currency. Data revenue growth, however, remained strong due to higher usage and an increase in data customers as a result of the rollout of 3G and 4G/LTE networks. In functional currency terms, total operating revenue in Algeria decreased by 8% year-on-year.

ADJUSTED EBITDA

Our Algeria Adjusted EBITDA decreased by 19% year-on-year primarily due to the decrease in total revenues, as discussed above, , coupled with new taxation and an increase of technology costs. In functional currency terms, our Algeria Adjusted EBITDA decreased by 14% year-on-year.

SELECTED PERFORMANCE INDICATORS

Customer base in our Algeria segment increased by 3% year-on-year driven by the success of new prepaid offers and supported by additional distribution activities. Our mobile data customers in Algeria increased by 24% year-on-year mainly due to the acceleration of 3G and 4G/LTE networks deployment and increased smartphone penetration.

In the nine months ended September 30, 2018, our mobile ARPU in Algeria decreased by 9% year-on-year to US$4.4 mainly due to continued and intense price competition and local currency devaluation. In functional currency terms, our mobile ARPU in Algeria decreased by 4% year-on-year.

BANGLADESH

RESULTS OF OPERATIONS IN US$

In millions of U.S. dollars (except as indicated)	Nine months ended September 30, 2018	2017	'17-18 % change
Total operating revenue	**391**	**443**	**-12%**
Mobile service revenue	377	431	-12%
- of which mobile data	63	59	7%
Sales of equipment, accessories and other	14	12	12%
Operating expenses	**252**	**257**	**-2%**
Adjusted EBITDA	**139**	**186**	**-25%**
Adjusted EBITDA margin	**35.5%**	**41.9%**	**-6.5pp**

RESULTS OF OPERATIONS IN BDT

In millions of BDT (except as indicated)	Nine months ended September 30, 2018	2017	'17-18 % change
Total operating revenue	**32,688**	**35,650**	**-8%**
Mobile service revenue	31,525	34,652	-9%
- of which mobile data	5,270	4,727	11%
Sales of equipment, accessories and other	1,163	999	16%
Operating expenses	**21,100**	**20,711**	**2%**
Adjusted EBITDA	**11,588**	**14,940**	**-22%**
Adjusted EBITDA margin	**35.5%**	**41.9%**	**-6.5pp**

SELECTED PERFORMANCE INDICATORS

	Nine months ended September 30, 2018	2017	'17-18 % change
Mobile			
Customers in millions	32.3	31.4	3%
ARPU in US$	1.3	1.5	-15%
ARPU in BDT	110	124	-12%
Mobile data customers in millions	19.7	17.1	15%

TOTAL OPERATING REVENUE

Our Bangladesh total operating revenue decreased by 12% year-on-year primarily due to 3G network coverage gap compared to competitors, the loss of high value customers, price erosion and the devaluation of local currency. The market remains characterized by intense price competition. In functional currency terms, total operating revenue in Bangladesh decreased by 8% year-on-year.

ADJUSTED EBITDA

Our Bangladesh Adjusted EBITDA decreased by 25% year-on-year due to lower revenue, as discussed above, and increase of network-related costs. In functional currency terms, our Bangladesh Adjusted EBITDA decreased by 22% year-on-year.

SELECTED PERFORMANCE INDICATORS

Customers in our Bangladesh segment increased by 3% year-on-year to 32.3 million. The increase was mainly due to intensive acquisition campaigns coupled with simplified offers. The number of mobile data customers increased by 15% year-on-year due to increased efforts to attract new customers, successful targeting of voice-only customers and network expansion with the acquisition of additional spectrum and 4G/LTE license in the first quarter of 2018

Our mobile ARPU in Bangladesh decreased by 15% year-on-year to US$1.3 mainly due to aggressive pricing in the market and lower MOU due to increased OTT services usage. In functional currency terms, mobile ARPU in Bangladesh decreased by 12% to BDT 110 year-on-year.

UKRAINE

RESULTS OF OPERATIONS IN US$

	Nine months ended September 30,		
In millions of U.S. dollars (except as indicated)	**2018**	**2017**	‘17-18 % change
Total operating revenue	**509**	**463**	**10%**
Mobile service revenue	473	429	10%
- of which mobile data	184	110	68%
Fixed-line service revenue	33	32	4%
Sales of equipment, accessories and other	2	2	38%
Operating expenses	**222**	**209**	**6%**
Adjusted EBITDA	**287**	**254**	**13%**
Adjusted EBITDA margin	**56.4%**	**55.0%**	**1.5pp**

RESULTS OF OPERATIONS IN UAH

	Nine months ended September 30,		
In millions of UAH (except as indicated)	**2018**	**2017**	‘17-18 % change
Total operating revenue	**13,710**	**12,245**	**12%**
Mobile service revenue	12,750	11,352	12%
- of which mobile data	4,960	2,901	71%
Fixed-line service revenue	895	847	6%
Sales of equipment, accessories and other	65	46	41%
Operating expenses	**5,974**	**5,518**	**8%**
Adjusted EBITDA	**7,736**	**6,727**	**15%**
Adjusted EBITDA margin	**56.4%**	**54.9%**	**1.5pp**

SELECTED PERFORMANCE INDICATORS

	Nine months ended September 30,		
	2018	2017	'17-18 % change
Mobile			
Customers in millions	26.6	26.4	1%
ARPU in US$	2.0	1.8	9%
ARPU in UAH	53	47	11%
Mobile data customers in millions	14.5	11.8	23%

TOTAL OPERATING REVENUE

Our Ukraine total operating revenue increased by 10% year-on-year to US$509 million in the nine months ended September 30, 2018. The increase was primarily due to strong growth in mobile service revenue, driven by successful commercial activities stimulated by the continued 3G roll-out and increased penetration of data-centric tariffs, as well as the continued strong growth of mobile data customers and data consumption. The increase was partially offset by a continuous decrease of voice service revenue.

In functional currency terms, our Ukraine total operating revenue increased by 12% year-on-year.

ADJUSTED EBITDA

Our Ukraine Adjusted EBITDA increased by 13% year-on-year to US$287 million in the nine months ended September 30, 2018, primarily due to higher revenues, as discussed above. In functional currency terms, our Ukraine Adjusted EBITDA increased by 15% year-on-year.

SELECTED PERFORMANCE INDICATORS

As of September 30, 2018, we had 26.6 million mobile customers in Ukraine representing an increase of 1% year-on-year. The increase was a result of improved churn as a result of a successful customer retention campaign. The number of our mobile data customers in Ukraine increased by 23% year-on-year mainly due to an increased sales focus on new and voice-only customers.

In the nine months ended September 30, 2018, our mobile ARPU in Ukraine increased by 9% to US$2.0 compared to the nine months ended September 30, 2017. In functional currency terms, mobile ARPU in Ukraine increased in the nine months ended September 30, 2018 by 9% to UAH 53 compared to UAH 47 in the nine months ended September 30, 2017 driven by the factors underlying the increase in revenue described above.

UZBEKISTAN

RESULTS OF OPERATIONS IN US$

	Nine months ended September 30,		
In millions of U.S. dollars (except as indicated)	2018	2017	'17-18 % change
Total operating revenue	**238**	**436**	**-45%**
Mobile service revenue	236	432	-45%
- of which mobile data	78	108	-27%
Fixed-line service revenue	2	3	-40%
Sales of equipment, accessories and other	0	0	10%
Operating expenses	**132**	**207**	**-36%**
Adjusted EBITDA	**106**	**228**	**-54%**
Adjusted EBITDA margin	**44.4%**	**52.4%**	**-8.0pp**

RESULTS OF OPERATIONS IN UZS

In millions of UZS (except as indicated)	Nine months ended September 30, 2018	2017	'17-18 % change
Total operating revenue	**1,902,667**	**1,714,111**	**11%**
Mobile service revenue	1,886,678	1,701,843	11%
- of which mobile data	625,155	422,937	48%
Fixed-line service revenue	13,547	11,033	23%
Sales of equipment, accessories and other	2,442	1,235	98%
Operating expenses	**1,059,035**	**820,731**	**29%**
Adjusted EBITDA	**843,632**	**893,381**	**-6%**
Adjusted EBITDA margin	**44.3%**	**52.1%**	**-7.8pp**

SELECTED PERFORMANCE INDICATORS

	Nine months ended September 30, 2018	2017	'17-18 % change
Mobile			
Customers in millions	9.1	9.5	-5%
ARPU in US$	2.8	5.0	-45%
ARPU in UZS	22,188	19,753	12%
Mobile data customers in millions	5.2	4.7	10%

TOTAL OPERATING REVENUE

Our Uzbekistan total operating revenue decreased by 45% year-on-year to US$238 million in the nine months ended September 30, 2018, primarily as a result of the liberalization of the currency exchange rules by the government of Uzbekistan and the resetting of the official exchange rate at 8,100 Uzbek som per U.S. dollar, which represented nearly a halving of the value of the Uzbek som to the U.S. dollar. In Uzbekistan, our tariff plans were pegged to the U.S. dollar until September 5, 2017. Since September 5, 2017, our tariff plans are denominated in Uzbek soms. For more information, please see "Item 4—Information on the Company—Recent Developments—Liberalization of currency exchange rules in Uzbekistan" in our 2017 Annual Report.

In functional currency terms, our Uzbekistan total operating revenue increased by 11% year-on-year, mainly as a result of the increased tariffs in Uzbek som and successful marketing activities, together with increased mobile data revenue. Mobile data revenue increased by 48% year-on-year in functional currency terms, driven by the rollout of additional mobile data networks, increased smartphone and bundled offering penetration.

ADJUSTED EBITDA

Our Uzbekistan Adjusted EBITDA decreased by 54% year-on-year to US$106 million in the nine months ended September 30, 2018, primarily due to the currency regime developments discussed above.

In functional currency terms, in the nine months ended September 30, 2018, our Uzbekistan Adjusted EBITDA decreased by 6% year-on-year, mainly driven by external factors such as the increase in customer tax, which doubled to UZS 4,000 per customer per month from January 1, 2018, increase of technology related costs and the negative impact of the reduction in mobile termination rates, which in each case was partially offset by the revenue increase in functional currency terms discussed above.

SELECTED PERFORMANCE INDICATORS

As of September 30, 2018, we had 9.1 million mobile customers in our Uzbekistan segment driven by a clean-up of non-active customers.

As of September 30, 2018, the number of our mobile data customers in Uzbekistan increased by 10% to 5.2 million, primarily due to a strengthening of the data network which allowed increased penetration of smartphones and bundled offerings.

In the nine months ended September 30, 2018, our mobile ARPU in Uzbekistan was US$2.8 compared to US$5.0 in the nine months ended September 30, 2017, representing a decrease of 45% year-on-year due to the currency regime developments discussed above. In functional currency terms, mobile ARPU in Uzbekistan increased by 12% year-on-year, primarily for the reasons described above with respect to the increase in total operating revenue in functional currency terms.

HQ

Our HQ Adjusted EBITDA was negative US$224 million for the nine months ended September 30, 2018, compared to negative US$200 million for the nine months ended September 30, 2017, primarily driven by decreased personnel costs that was more than offset by the effect of one-off gain from vendor agreement of US$106 million recorded in 2017.

LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL

Working capital is defined as current assets less current liabilities.

As of September 30, 2018, we had negative working capital of US$74 million, compared to negative working capital of US$716 million as of December 31, 2017. The change was primarily due to cash received from sale of VEON's 50% stake in Italy Joint Venture partially offset by a decrease in current financial assets as a result of the repayment of certain borrowings.

Our working capital is monitored on a regular basis by our management. Our management expects to repay our debt as it becomes due from our operating cash flows or through additional borrowings. Although we have a negative working capital, our management believes that our cash balances and available credit facilities are sufficient to meet our short term and foreseeable long-term cash requirements.

CONSOLIDATED CASH FLOW SUMMARY

OPERATING ACTIVITIES

During the nine months ended September 30, 2018, net cash flows from operating activities decreased to US$1,880 million from US$1,996 million during the nine months ended September 30, 2017. The decrease was mainly due to a decrease of Adjusted EBITDA for the nine months ended September 30, 2017 partially offset by increased cash inflows from working capital mainly related to cash receipts on indemnification assets and other receivables.

INVESTING ACTIVITIES

During the nine months ended September 30, 2018, our total payments for the purchase of property, equipment and intangible assets amounted to US$1,504 million compared to US$1,559 million during the nine months ended September 30, 2017. The decrease was primarily connected to different phasing in acquisitions of network equipment.

During the nine months ended September 30, 2018, we received US$2,830 million for the sale of our 50% stake in the Italy Joint Venture and US$1,042 from deposit accounts, primarily relating to the US$987 million pledged as collateral for the Mandatory Tender Offer ("MTO") that was withdrawn on April 2, 2018. For further information, please refer to Note 3 of our interim unaudited consolidated financial statements attached hereto.

Acquisitions and Dispositions

For information regarding our acquisitions and dispositions, see Notes 9 and 10 to our unaudited interim condensed consolidated financial statements attached hereto.

FINANCING ACTIVITIES

During the nine months ended September 30, 2018, net cash outflow for financing activities were US$2,454 million compared to net cash outflow of US$356 million during the nine months ended September 30, 2017. The change of net cash flows from financing activities was mainly driven by the net repayment of borrowings during the nine months ended September 30, 2018.

During the nine months ended September 30, 2018, we repaid US$2,712 million of indebtedness and raised US$837 million net of fees paid for borrowings of which, respectively, US$860 and US$610 related to short-term drawings under the VEON Holdings B.V. Revolving Credit Facility.

INDEBTEDNESS

As of September 30, 2018, the principal amounts of our external indebtedness represented by bank loans and bonds amounted to US$9,108 million, compared to US$11,103 million as of December 31, 2017. As of September 30, 2018, our debt includes overdrawn bank accounts related to cash-pooling program of US$262 million.

As of September 30, 2018 VEON had the following principal amounts outstanding for interest-bearing loans and bonds as well as cash-pool overdrawn bank accounts:

Entity	Type of debt/ original lenders	Interest rate	Debt currency	Outstanding debt (mln)	Outstanding debt (USD mln)	Maturity date
VEON Amsterdam B.V.	Cash-pool overdrawn bank accounts	not applicable			230	
TOTAL VEON Amsterdam B.V.					**230**	
VEON Holdings B.V.	Loan from SberBank	10.0000%	RUB	95,000	1,449	19.05.2022
VEON Holdings B.V.	Loan from Alfa Bank	8.8000%	RUB	17,500	267	30.08.2022
VEON Holdings B.V.	Loan from VTB	8.7500%	RUB	30,000	457	30.08.2022
VEON Holdings B.V.	Loan from CCB	3 m EURIBOR +1.9%	EUR	100	116	10.11.2022
VEON Holdings B.V.	Notes	5.2000%	USD	571	571	13.02.2019
VEON Holdings B.V.	Notes	3.9500%	USD	600	600	16.06.2021
VEON Holdings B.V.	Notes	7.5043%	USD	628	628	01.03.2022
VEON Holdings B.V.	Notes	5.9500%	USD	983	983	13.02.2023
VEON Holdings B.V.	Notes	4.9500%	USD	900	900	17.06.2024
TOTAL VEON Holdings B.V.					**5,971**	
GTH Finance B.V.	Notes	6.2500%	USD	500	500	26.04.2020
GTH Finance B.V.	Notes	7.2500%	USD	700	700	26.04.2023
TOTAL GTH Finance B.V.					**1,200**	
PJSC VimpelCom	Loan from VIP Finance Ireland (funded by the issuance of loan participation notes by VIP Finance Ireland)	7.7480%	USD	377	377	02.02.2021
PJSC VimpelCom	Other PJSC VimpelCom				68	
TOTAL PJSC VimpelCom					**445**	
Pakistan Mobile Communications Limited	Sukuk Certificates	3 months KIBOR + 0.88%	PKR	2,875	23	20.12.2019
Pakistan Mobile Communications Limited	Loan from Habib Bank Limited	6 months KIBOR + 0.90%	PKR	3,333	27	23.12.2020
Pakistan Mobile Communications Limited	Loan from ING Bank N.V.	6 month LIBOR plus 1.9%	USD	162	162	31.12.2020
Pakistan Mobile Communications Limited	Loan from MCB Bank Limited	6 months KIBOR + 0.8%	PKR	13,333	108	23.12.2020

Pakistan Mobile Communications Limited	Loan from Habib Bank Limited	6 months KIBOR + 0.35%	PKR	5,463	45	29.06.2022
Pakistan Mobile Communications Limited	Loan from Habib Bank Limited	6.2100%	PKR	5,333	43	31.12.2023
Pakistan Mobile Communications Limited	Loan from Habib Bank Limited	7.0300%	PKR	3,534	29	31.12.2023
Pakistan Mobile Communications Limited	Syndicated loan via MCB Bank Limited	6 months KIBOR + 0.35%	PKR	17,000	138	29.06.2022
Pakistan Mobile Communications Limited	Other Pakistan Mobile Communications Limited				98	
TOTAL Pakistan Mobile Communications Limited					**673**	
Banglalink Digital Communications Ltd.	Senior Notes	8.6250%	USD	300	300	06.05.2019
Banglalink Digital Communications Ltd.	Syndicated Loan Facility	Average bank deposit rate + 4.25%	BDT	9,571	114	24.12.2022
Banglalink Digital Communications Ltd.	Syndicated Loan Facility	Average bank deposit rate + 3.0%	BDT	3,488	42	24.12.2020
TOTAL Banglalink Digital Communications Ltd.					**456**	
Optimum Telecom Algérie S.p.A.	Syndicated Loan Facility	Bank of Algeria Re-Discount Rate + 2.0% (floor 5.5%)	DZD	11,250	95	30.12.2019
TOTAL Optimum Telecom Algérie S.p.A.					**95**	
Other entities	Cash-pool overdrawn bank accounts	not applicable			32	
Other loans, equipment financing and lease obligations					6	
Total VEON consolidated					**9,108**	

** As of September 30, 2018, some bank accounts forming part of a cash pooling program and being an integral part of VEON's cash management remained overdrawn by US$ 262 million. Even though the total balance of the cash pool remained positive, VEON has no legally enforceable right to set-off and therefore the overdrawn accounts are presented as financial liabilities and form part of our debt.*

For additional information on our outstanding indebtedness, please refer to Note 11 of our unaudited interim condensed consolidated financial statements attached hereto.

FUTURE LIQUIDITY AND CAPITAL REQUIREMENTS

During the nine months ended September 30, 2018, our capital expenditures excluding licenses were US$1,068 million compared to US$994 million in the nine months ended September 30, 2017. The increase in capital expenditures excluding licenses was primarily due to continued investments in network development in Russia.

We expect that our capital expenditures excluding licenses in 2018 will mainly consist of investing in high-speed data networks to capture mobile data growth, including the continued roll-out of 4G/LTE and 3G networks in Russia, Algeria, Bangladesh, Pakistan and Ukraine. We expect that these expenditures will continue to be significant in the fourth quarter of 2018.

Management anticipates that the funds necessary to meetw our current and expected capital requirements in the foreseeable future (including with respect to any possible acquisitions) will come from:

- Cash we currently hold;

- Operating cash flows;
- Export credit agency guaranteed financing;
- Borrowings under bank financings, including credit lines currently available to us;
- Syndicated loan facilities; and
- Issuances of debt securities on local and international capital markets.

As of September 30, 2018, we had an undrawn amount of US$1,803 million under existing credit facilities.

Management expects that positive cash flows from our current operations will continue to provide us with internal sources of funds. The availability of external financing depends on many factors, including the success of our operations, contractual restrictions, availability of guarantees from export credit agencies, the financial position of international and local banks, the willingness of international banks to lend to our companies and the liquidity of international and local capital markets.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from adverse movements in foreign currency exchange rates and changes in interest rates on our obligations.

As of September 30, 2018, the largest currency exposure risks for our group were in relation to the Russian ruble, the Pakistani rupee, the Algerian dinar, the Bangladeshi taka, the Ukrainian hryvnia and the Uzbek som, because the majority of our cash flows from operating activities in Russia, Pakistan, Algeria, Bangladesh, Ukraine and Uzbekistan are denominated in each of these functional currencies, respectively, while our debt, if not incurred in or hedged to the aforementioned currencies, is primarily denominated in U.S. dollars.

We hold approximately 67% of our readily available cash and bank deposits in U.S. dollars in order to hedge against the risk of functional currency devaluation. We also hold part of our debt in Russian rubles and other currencies to manage this risk. Nonetheless, if the U.S. dollar value of the Russian ruble, euro, Algerian dinar, Pakistani rupee, Bangladeshi taka, Ukrainian hryvnia or Uzbek som were to dramatically decline, it could negatively impact our ability to repay or refinance our U.S. dollar denominated indebtedness. Our treasury function has developed risk management policies that establish guidelines for limiting foreign currency exchange rate risk.

For more information on risks associated with currency exchange rates, see the section of our 2017 Annual Report entitled “Item 3—Key Information—D. Risk Factors—Risks Related to Our Business—We are exposed to foreign currency exchange loss and currency fluctuation and convertibility risks.”

In accordance with our policies, we do not enter into any treasury transactions of a speculative nature.

As of September 30, 2018, the interest rate risk on the financing of our group was limited as 89% of our group’s total debt was fixed rate debt.

Unaudited interim condensed
consolidated financial statements

VEON Ltd.

As of and for the nine and three-month periods
ended September 30, 2018

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INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

for the nine and three-month periods ended September 30

	Note	Nine-month period		Three-month period	
		2018	2017*	2018	2017*
(In millions of U.S. dollars, except per share amounts)					
Service revenues		6,443	6,891	2,151	2,358
Sale of equipment and accessories		295	173	134	65
Other revenues / other income		99	90	32	33
Total operating revenues	4	**6,837**	**7,154**	**2,317**	**2,456**
Operating expenses					
Service costs		(1,292)	(1,409)	(419)	(489)
Cost of equipment and accessories		(283)	(187)	(128)	(73)
Selling, general and administrative expenses		(2,703)	(2,724)	(922)	(852)
Depreciation		(1,015)	(1,134)	(324)	(358)
Amortization		(380)	(404)	(124)	(136)
Impairment (loss) / reversal	5	(791)	(2)	(781)	3
Gain / (loss) on disposal of non-current assets	9	(47)	(16)	(10)	(7)
Gain / (loss) on sale of subsidiaries	6	20	-	-	-
Total operating expenses		**(6,491)**	**(5,876)**	**(2,708)**	**(1,912)**
Operating profit		**346**	**1,278**	**(391)**	**544**
Finance costs		(633)	(673)	(210)	(226)
Finance income		43	70	12	24
Other non-operating gain / (loss), net	7	(49)	(112)	(24)	40
Share of loss of joint ventures and associates		-	(22)	-	-
Impairment of joint ventures and associates		-	(110)	-	-
Net foreign exchange gain / (loss)		(12)	47	(13)	(15)
Profit / (loss) before tax		**(305)**	**478**	**(626)**	**367**
Income tax expense	8	(345)	(379)	(92)	(173)
Profit / (loss) from continuing operations		**(650)**	**99**	**(718)**	**194**
Profit / (loss) after tax from discontinued operations	3	(300)	(234)	-	(60)
Gain / (loss) on disposal of discontinued operations	3	1,279	-	1,279	-
Profit / (loss) for the period		**329**	**(135)**	**561**	**134**
Attributable to:					
The owners of the parent (continuing operations)		(378)	67	(424)	176
The owners of the parent (discontinued operations)		979	(234)	1,279	(60)
Non-controlling interest		(272)	32	(294)	18
		329	**(135)**	**561**	**134**
Basic and diluted gain / (loss) per share attributable to ordinary equity holders of the parent from continuing operations		($0.22)	$0.04	($0.24)	$0.10
Basic and diluted gain / (loss) per share attributable to ordinary equity holders of the parent from discontinued operations		$0.56	($0.13)	$0.73	($0.03)
Basic and diluted gain / (loss) per share attributable to ordinary equity holders of the parent		**$0.34**	**($0.09)**	**$0.49**	**$0.07**

** Prior year comparatives are restated following the classification of Italy Joint Venture as a discontinued operation (see Note 3) and retrospective recognition of depreciation and amortization charges in respect of Deodar (see Note 3).*

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

		Nine-month period		Three-month period	
(In millions of U.S. dollars)	Note	2018	2017*	2018	2017*
Profit / (loss) for the period		**329**	**(135)**	**561**	**134**
Items that may be reclassified to profit or loss					
Net movement on cash flow hedges		(2)	1	-	(1)
Share of other comprehensive income / (loss) of Italy Joint Venture	3	(18)	-	-	-
Foreign currency translation		(563)	(496)	(216)	(558)
Items reclassified to profit or loss					
Reclassification of accumulated foreign currency translation reserve to profit or loss	3	(79)	-	(79)	-
Reclassification of accumulated share of other comprehensive income / (loss) of Italy Joint Venture to profit or loss	3	31	-	31	-
Other comprehensive income / (loss) for the period, net of tax		**(631)**	**(495)**	**(264)**	**(559)**
Total comprehensive income / (loss) for the period, net of tax		**(302)**	**(630)**	**297**	**(425)**
Attributable to:					
The owners of the parent		71	(615)	605	(365)
Non-controlling interests		(373)	(15)	(308)	(60)
		(302)	**(630)**	**297**	**(425)**

** Prior year comparatives are restated following retrospective reversal of reclassification of Deodar assets and liabilities as held for sale and retrospective recognition of depreciation and amortization charges in respect of Deodar (Note 3).*

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, 2018	December 31, 2017*
Assets			
Non-current assets			
Property and equipment	9	5,279	6,237
Intangible assets	10	2,010	2,168
Goodwill	10	3,996	4,618
Investments in joint ventures and associates	3	-	1,921
Deferred tax assets		236	336
Non-current income tax advance		34	28
Other financial assets	11	19	34
Other assets		108	201
Total non-current assets		**11,682**	**15,543**
Current assets			
Inventories		184	72
Trade and other receivables		628	755
Other assets		380	418
Current income tax assets		115	230
Other financial assets	11	72	1,130
Cash and cash equivalents	12	3,370	1,314
Total current assets		**4,749**	**3,919**
Assets classified as held for sale	3	-	22
Total assets		**16,431**	**19,484**
Equity and liabilities			
Equity			
Equity attributable to equity owners of the parent		3,915	4,331
Non-controlling interests		(885)	(441)
Total equity		**3,030**	**3,890**
Non-current liabilities			
Financial liabilities	11	8,170	10,362
Provisions		124	123
Other liabilities		53	83
Deferred tax liabilities		231	376
Total non-current liabilities		**8,578**	**10,944**
Current liabilities			
Trade and other payables		1,607	1,544
Other liabilities		1,219	1,353
Other financial liabilities	11	1,560	1,268
Current income tax payables		65	48
Provisions		372	422
Total current liabilities		**4,823**	**4,635**
Liabilities associated with assets held for sale	3	-	15
Total equity and liabilities		**16,431**	**19,484**

** Prior year comparatives are restated following retrospective reversal of reclassification of Deodar assets and liabilities as held for sale and retrospective recognition of depreciation and amortization charges in respect of Deodar (Note 3).*

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, 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*		**1,749,127,404**	**2**	**12,753**	**729**	**(1,487)**	**(7,666)**	**4,331**	**(441)**	**3,890**
Adjustments arising due to new accounting standards	2	-	-	-	-	46	-	46	11	57
As of January 1, 2018		**1,749,127,404**	**2**	**12,753**	**729**	**(1,441)**	**(7,666)**	**4,377**	**(430)**	**3,947**
Profit / (loss) for the period			-	-	-	601	-	601	(272)	329
Other comprehensive income / (loss)			-	-	10	(1)	(539)	(530)	(101)	(631)
Total comprehensive income / (loss)			**-**	**-**	**10**	**600**	**(539)**	**71**	**(373)**	**(302)**
Dividends declared	13		-	-	-	(509)	-	(509)	(93)	(602)
Other			-	-	3	(16)	(11)	(24)	11	(13)
As of September 30, 2018		**1,749,127,404**	**2**	**12,753**	**742**	**(1,366)**	**(8,216)**	**3,915**	**(885)**	**3,030**

for the nine-month period ended September 30, 2017

(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 January 1, 2017		**1,749,004,648**	**2**	**12,753**	**753**	**(439)**	**(7,109)**	**5,960**	**83**	**6,043**
Profit / (loss) for the period			-	-	-	(167)	-	(167)	32	(135)
Other comprehensive income / (loss)			-	-	-	-	(448)	(448)	(47)	(495)
Total comprehensive income / (loss)			**-**	**-**	**-**	**(167)**	**(448)**	**(615)**	**(15)**	**(630)**
Dividends declared			-	-	-	(536)	-	(536)	(158)	(694)
Share-based payment transactions		122,756	-	-	3	-	-	3	-	3
Changes in ownership interest in a subsidiary that do not result in a loss of control			-	-	(12)	-	-	(12)	(247)	(259)
Legal reserves			-	-	6	(6)	-	-	-	-
As of September 30, 2017		**1,749,127,404**	**2**	**12,753**	**750**	**(1,148)**	**(7,557)**	**4,800**	**(337)**	**4,463**

** Prior year comparatives are restated following retrospective recognition of depreciation and amortization charges in respect of Deodar (Note 3)*

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	2018	2017*
Operating activities			
Profit / (loss) before tax from continuing operations		(305)	478
Non-cash adjustments to reconcile profit before tax to net cash flows			
Depreciation, amortization and impairment loss / (reversal)		2,186	1,540
Gain / (loss) on disposal of non-current assets		47	16
Gain / (loss) on disposal of subsidiaries		(20)	-
Finance income		(43)	(70)
Finance costs		633	673
Other non-operating losses		49	112
Share of loss and impairment of joint ventures and associates		-	132
Net foreign exchange gain		12	(47)
Changes in trade and other receivables and prepayments		123	(176)
Changes in inventories		(125)	34
Changes in trade and other payables		168	217
Changes in provisions and pensions		(5)	(80)
Interest paid		(559)	(570)
Interest received		43	57
Income tax paid		(324)	(320)
Net cash flows from operating activities		**1,880**	**1,996**
Investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		12	15
Purchase of property, plant and equipment and intangible assets		(1,504)	(1,559)
Proceeds from sale of Italy Joint Venture	3	2,830	-
Receipts from / (payment on) deposits	3	1,042	(37)
Receipts from / (investment in) financial assets		50	(109)
Proceeds from sale of shares in subsidiaries, net of cash disposed		2	-
Net cash flows from / (used in) investing activities		**2,432**	**(1,690)**
Financing activities			
Acquisition of non-controlling interest		-	(259)
Proceeds from borrowings, net of fees paid**	11	837	5,247
Repayment of borrowings		(2,712)	(4,657)
Dividends paid to owners of the parent		(487)	(518)
Dividends paid to non-controlling interests		(92)	(169)
Net cash flows from / (used in) financing activities		**(2,454)**	**(356)**
Net (decrease) / increase in cash and cash equivalents		1,858	(50)
Net foreign exchange difference		(65)	(325)
Cash and cash equivalents classified as held for sale			
at the beginning of period		1	-
at the end of the period		-	(2)
Cash and cash equivalents at beginning of period		1,314	2,942
Cash and cash equivalents at end of period, net of overdraft* **	12	**3,108**	**2,565**

** Prior year comparatives are restated following the classification of Italy Joint Venture as a discontinued operation (see Note 3).*

*** Fees paid for borrowings were US$6 (2017: US$52)*

**** Overdrawn amount was US$262 (2017: US$ nil)*

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

1 GENERAL INFORMATION

VEON Ltd. (**"VEON"**, the **"Company"** and together with its consolidated subsidiaries, the **"Group"** or **"we"**) was incorporated in Bermuda on June 5, 2009. The registered office of VEON is Victoria Place, 31 Victoria Street, Hamilton HM 10, Bermuda. VEON's headquarters and the principal place of business is located at Claude Debussylaan 88, 1082 MD Amsterdam, the Netherlands.

The interim condensed 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 share and per share (or American Depository Shares (**"ADS"**)) amounts and as otherwise indicated.

VEON's ADSs are listed on the NASDAQ Global Select Market (**"NASDAQ"**) and VEON's common shares are listed on Euronext Amsterdam, the regulated market of Euronext Amsterdam N.V. ("**Euronext Amsterdam**").

Share information

As of September 30, 2018, the Company's largest shareholders and remaining free float are as follows:

Shareholder	Common shares	% of common and voting shares
L1T VIP Holdings S.à r.l. ("**LetterOne**")	840,625,001	47.9%
Telenor East Holding II AS ("**Telenor**")	256,703,840	14.6%
Stichting Administratiekantoor Mobile Telecommunications Investor *	145,947,562	8.3%
Free Float	513,454,732	29.2%
Total outstanding common shares	**1,756,731,135**	**100.0%**
Shares held by the Company or its subsidiaries (**"Treasury shares"**)	7,603,731	0.4%

** LetterOne is the holder of the depositary receipts issued by Stichting and is therefore entitled to the economic benefits (dividend payments, other distributions and sale proceeds) of such depositary receipts and, indirectly, of the 145,947,562 common shares represented by the depositary receipts. According to the conditions of administration entered into between Stichting and LetterOne (**"Conditions of Administration"**) in connection with the transfer of 145,947,562 ADSs from LetterOne to Stichting on March 29, 2016, Stichting has the power to vote and direct the voting of, and the power to dispose and direct the disposition of, the ADSs, in its sole discretion, in accordance with the Conditions of Administration and Stichting's articles of association.*

Nature of operations and principal activities

VEON earns revenues by providing voice and data telecommunication services through a range of traditional and broadband mobile and fixed-line technologies.

As of September 30, 2018, the Company operated telecommunications services in Russia, Pakistan, Algeria, Bangladesh, Ukraine, Uzbekistan, Kazakhstan, Armenia, Georgia and Kyrgyzstan. In the third quarter of 2018, VEON sold its 50% share in the Italy Joint Venture (see Note 3).

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

2 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, 2018 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements as of and for the year ended December 31, 2017.

The preparation of these interim condensed consolidated financial statements has required management to apply accounting policies and methodologies based on complex and subjective judgments, estimates based on past experience and assumptions determined to be reasonable and realistic based on the related circumstances. The use of these judgements, estimates and assumptions affects the amounts reported in the 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, 2017.

A number of new and amended standards became effective as of January 1, 2018, 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.

New accounting standards in 2018

The following table presents the transitional impact that adoption of IFRS 9, '*Financial Instruments*' (**"IFRS 9"**) and IFRS 15, *'Revenue from contracts with customers'* (**"IFRS 15"**) have had on the opening balance sheet of the Group, as of January 1, 2018. Further details regarding the impact of IFRS 9 and IFRS 15 can be found below.

	Opening balance sheet **	Impact of IFRS 9 Classification and measurement	Impact of IFRS 9 Impairment	Impact of IFRS 15 Revenue and contract costs	Adjusted opening balance sheet
Assets					
Non-current assets					
Investments in joint ventures and associates	1,921	(25)	(10)	38	**1,924**
Deferred tax assets	336	-	2	(12)	**326**
Other financial assets					
Available for sale	18	(18)	-	-	**-**
Fair value through other comprehensive income	-	18	-	-	**18**
Other assets	201	-	-	93*	**294**
Current assets					
Trade and other receivables					
Trade and other receivables, gross	914	-	-	-	**914**
Allowance for doubtful debt	(169)	-	(14)		**(183)**
Other financial assets					
Available for sale	53	(53)	-	-	**-**
Fair value through profit or loss		20			**20**
Fair value through other comprehensive income	-	33	-	-	**33**
Other assets	418	-	-	(4)	**414**
Equity					
Equity attributable to equity owners of the parent	4,331	(25)	(16)	87	**4,377**
Non-controlling interests	(441)	-	(4)	15	**(430)**
Liabilities					
Other liabilities (current)	1,353	-	-	(1)	**1,352**
Deferred tax liabilities	376	-	(2)	14	**388**

** Capitalization of incremental costs incurred in acquiring a contract with a customer.*

*** Opening balance sheet numbers are restated following retrospective reversal of reclassification of Deodar assets and liabilities as held for sale and retrospective recognition of depreciation and amortization charges in respect of Deodar (Note 3)*

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

IFRS 15 'Revenue from contracts with customers'

IFRS 15 replaces IAS 18 *'Revenue'* and IAS 11 *'Construction contracts'* and related interpretations. IFRS 15 addresses revenue recognition for contracts with customers, as well as treatment of incremental costs incurred to obtain a contract with a customer, described in more detail below.

Revenue recognition

Due to the nature of the Group's existing product offerings (i.e. prevailing pre-paid service offerings), as well as the Group's existing accounting policies, the impact of IFRS 15 on revenue recognition by the Group will be immaterial.

Costs of obtaining a contract with customer

Under IFRS 15, certain incremental costs incurred in acquiring a contract with a customer (**"contract costs"**), which previously did not qualify for recognition as an asset under any of the other accounting standards, are deferred in the consolidated statement of financial position. Such costs relate primarily to commissions paid to third-party dealers and are amortized as revenue is recognized under the related contract, within the 'Selling, general and administrative expenses' line item within the income statement.

The Group applies the practical expedient available in IFRS 15 for contract costs for which the amortization would have been shorter than 12 months. Such costs relate primarily to commissions paid to third-party dealers upon top-up of prepaid credit by customers and sale of top-up cards.

The impact of capitalizing contract costs upon implementation of IFRS 15 is shown in the table earlier in this Note.

Transition

The standard is effective for annual periods beginning on or after January 1, 2018. The Group has adopted the standard using the modified retrospective approach, which means that the cumulative impact of the adoption has been recognized in retained earnings as of January 1, 2018 and that comparatives have not been restated.

The impact that adoption of IFRS 15 has had on the opening balance sheet of the Group, as of January 1, 2018, is shown in the table presented earlier in this Note.

IFRS 9 'Financial instruments'

IFRS 9 replaces IAS 39 '*Financial instruments: Recognition and Measurement*' ("**IAS 39**"). IFRS 9 impacts the Group's classification and measurement of financial instruments, impairment of financial assets and hedge accounting, described in more detail below.

Classification and measurement

The new standard requires the Company to assess the classification of financial assets on its balance sheets in accordance with the cash flow characteristics of the financial assets and the relevant business model that the Company has for a specific class of financial assets.

IFRS 9 no longer has an "Available-for-sale" classification for financial assets. The new standard has different requirements for debt or equity financial assets.

Debt instruments should be classified and measured either at:

- Amortized cost, where the effective interest rate method will apply;
- Fair value through other comprehensive income, with subsequent recycling to the income statement upon disposal of the financial asset; or
- Fair value through profit or loss.

Investments in equity instruments, other than those to which consolidation or equity accounting apply, should be classified and measured either at:

- Fair value through other comprehensive income, with no subsequent recycling to the income statement upon disposal of the financial asset; or
- Fair value through profit or loss.

The Company continues to initially measure financial assets at its fair value plus transaction cost upon initial recognition, except for financial assets measured at fair value through profit and loss, consistent with current practices. The classification for the majority of financial assets has not been impacted by the transition to IFRS 9 on January 1, 2018. The reclassifications upon transition to IFRS 9 are shown in the table presented earlier in this Note.

Impairment (allowance for doubtful debt)

IFRS 9 introduces the Expected Credit Loss model, which replaces the incurred loss model of IAS 39 whereby an allowance for doubtful debt was required only in circumstances where a loss event has occurred. By contrast, the Expected Credit Loss model requires the Company to recognize an allowance for doubtful debt on all financial assets carried at amortized cost (including, for example, 'Trade receivables'), as well as debt instruments classified as financial assets carried at fair value through other comprehensive income (for example, government bonds held for liquidity purposes), since initial recognition, irrespective whether a loss event has occurred.

As a result, the allowance for doubtful debt of the Company has increased upon implementation of IFRS 9 on January 1, 2018. The impact of applying the Expected Credit Loss model is shown in the table earlier in this Note.

Hedge Accounting

IFRS 9 allows for more possibilities for the Company to apply hedge accounting (for example, risk components of non-financial assets or liabilities may be designated as part of a hedging relationship). In addition, the requirements of the standard have been more closely aligned with the Company's risk management policies and hedge effectiveness will be measured prospectively.

Transition

The Group has adopted the standard using the modified retrospective approach for classification and measurement and impairment. This means that the cumulative impact of the adoption has been recognized in retained earnings as of January 1, 2018 and that comparatives are not restated.

All hedge accounting relationships existing as of January 1, 2018 have been continued under IFRS 9.

The Company has retrospectively adopted the cost of hedging approach for foreign currency basis spreads existing in cross-currency interest rate swaps used in a hedging relationship, the impact of which is immaterial to the consolidated financial results and position of the Group.

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET ADOPTED BY THE GROUP

IFRS 16 *'Leases'*

IFRS 16 replaces the IAS 17 *Leases*, the current lease accounting standard and will become effective on January 1, 2019. The new lease standard will require assets leased by the Company to be recognized on the statement of financial position of the Company with a corresponding liability. The Company is in the process of assessing the impact of IFRS 16, which is expected to be material, on the consolidated financial statements upon adoption in 2019.

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 yet to assess the impact of IFRIC 23, which may be material to the consolidated income statement and consolidated financial position upon adoption in 2019.

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

3 SIGNIFICANT TRANSACTIONS

Sale of Italy Joint Venture

On July 3, 2018, VEON entered into an agreement with CK Hutchison for the sale of its 50% stake in the Italy Joint Venture. On September 7, 2018 the transaction was completed, and cash consideration was received in the amount of EUR 2,450 million (US$2,830).

The effect of the disposal is detailed below:

	2018
Cash consideration received	**2,830**
Derecognition of assets classified as held for sale	(1,599)
Release cumulative share of other comprehensive income / (loss) of Italy Joint Venture	(31)
Release cumulative foreign currency translation reserve related to Italy Joint Venture *	79
Gain / (loss) on disposal of discontinued operations	**1,279**

** Included in the release of cumulative foreign currency translation reserve is an accumulated loss of US$80, arising from the release of the net investment hedge related to the Company's investment in the Italy Joint Venture.*

Following the classification as a disposal group held for sale, on June 30, 2018, the Company ceased accounting for the investment in the Italy Joint Venture using the equity method of accounting.

The table below provides the details of share of profit / (loss) and share of other comprehensive income / (loss) of the Italy Joint Venture for the following periods ended September 30:

	Nine-month period		Three-month period	
Discontinued operations	**2018**	**2017**	**2018**	**2017**
Share of profit / (loss) of Italy Joint Venture	(300)	(234)	-	(60)
Share of other comprehensive income / (loss) of Italy Joint Venture	(18)	-	-	-

Termination of Deodar sale

On September 15, 2018, VEON terminated the agreement for the sale of its subsidiary, Deodar, which was previously classified as a disposal group held for sale on June 30, 2017. The transaction was terminated due to the parties failing to receive all required regulatory approvals and the extended long-stop date of September 14, 2018 having passed. As a result of this termination, the Company amended prior periods presented in these interim consolidated financial statements to retrospectively recognize the depreciation charge that would have been recognized, had the disposal group not been classified as held for sale.

The following table shows the impact of the retrospective recognition of depreciation expense in profit or loss for the period ended December 31, 2017 and reversal of the reclassification of Deodar assets and liabilities as held for sale on VEON's balance sheet as of December 31, 2017:

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

	Balance sheet as reported	Retrospective depreciation recorded in 2017	Reclassification	Adjusted balance sheet
Assets				
Property and equipment	6,097	(37)	177	6,237
Goodwill	4,394	-	224	4,618
Deferred tax assets	272	-	64	336
Other non-current assets	199	-	2	201
Other current assets	2,443	-	44	2,487
Assets classified as held for Sale	533	-	(511)	22
Equity				
Equity attributable to equity owners of the parent	4,352	(21)	-	4,331
Equity of non-controlling interest	(425)	(16)	-	(441)
Liabilities				
Non-current liabilities	10,937	-	7	10,944
Current liabilities	4,607	-	28	4,635
Liabilities associated with assets held for sale	50	-	(35)	15

Exit from Euroset Holding N.V. Joint Venture

On July 7, 2017, PJSC VimpelCom, a subsidiary of the Company, entered into a Framework Agreement with PJSC MegaFon (**"MegaFon"**) to unwind their retail joint venture, Euroset Holding N.V. (**"Euroset"**). Under the agreement, MegaFon acquired PJSC VimpelCom's 50% interest in Euroset and PJSC VimpelCom paid RUB 1.20 billion (US$21) and acquired rights to 50% of Euroset's approximately 4,000 retail stores in Russia. The transaction was successfully completed on February 22, 2018 and was accounted for as an asset acquisition, primarily the acquisition of contract-based intangible assets (see Note 10) representing the right to use retail stores.

Withdrawal of mandatory tender offer in relation to Global Telecom Holding S.A.E

On April 2, 2018, VEON notified the Egyptian Financial Regulatory Authority (FRA) that, given the lapse of time and absence of FRA approval, VEON was withdrawing the Mandatory Tender Offer (MTO) filed on November 8, 2017, and did not intend to proceed with another MTO at that time.

Cash in an amount of US$987, which had been pledged as collateral for the MTO, was released during the first quarter of 2018.

4 SEGMENT INFORMATION

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

Management evaluates the performance of the Company's segments on a regular basis, primarily based on earnings before interest, 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 (**"Capital expenditures"**).

As of September 30, 2018, the Italy Joint Venture is no longer a reportable segment, due to its classification as a discontinued operation in June 2018 and subsequent sale.

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

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

Nine-month period ended September 30

Revenue	External customers 2018	External customers 2017	Inter-segment 2018	Inter-segment 2017	Total revenue 2018	Total revenue 2017	Of which: Mobile 2018	Mobile 2017	Fixed 2018	Fixed 2017
Russia	3,495	3,499	17	24	3,512	3,523	3,077	3,012	435	511
Pakistan	1,119	1,146	7	-	1,126	1,146	1,126	1,146	-	-
Algeria	607	701	2	-	609	701	609	701	-	-
Bangladesh	391	443	-	-	391	443	391	443	-	-
Ukraine	492	446	17	17	509	463	476	432	33	31
Uzbekistan	238	435		1	238	436	236	433	2	3
All others	495	484	(43)	(42)	452	442	381	396	71	46
Total segments	**6,837**	**7,154**	**-**	**-**	**6,837**	**7,154**	**6,296**	**6,563**	**541**	**591**

Three-month period ended September 30

Revenue	External customers 2018	External customers 2017	Inter-segment 2018	Inter-segment 2017	Total revenue 2018	Total revenue 2017	Of which: Mobile 2018	Mobile 2017	Fixed 2018	Fixed 2017
Russia	1,165	1,221	7	8	1,172	1,229	1,038	1,057	134	172
Pakistan	390	391	5	-	395	391	395	391	-	-
Algeria	207	238	-	-	207	238	207	238	-	-
Bangladesh	131	144	-	-	131	144	131	144	-	-
Ukraine	174	160	6	6	180	166	170	155	10	11
Uzbekistan	83	130	-	-	83	130	82	129	1	1
All others	167	172	(18)	(14)	149	158	122	143	27	15
Total segments	**2,317**	**2,456**	**-**	**-**	**2,317**	**2,456**	**2,145**	**2,258**	**172**	**198**

	Nine-month period ended September 30				Three-month period ended September 30			
	Adjusted EBITDA		Capital expenditures excluding licenses		Adjusted EBITDA		Capital expenditures excluding licenses	
Other disclosures	**2018**	**2017**	**2018**	**2017***	**2018**	**2017**	**2018**	**2017***
Russia	1,303	1,359	561	437	419	479	188	185
Pakistan	541	530	156	177	192	209	33	78
Algeria	271	334	58	97	93	115	16	42
Bangladesh	139	186	85	55	48	56	9	28
Ukraine	287	254	88	79	103	90	27	25
Uzbekistan	106	228	35	48	38	66	9	10
HQ	(224)	(200)	9	24	(92)	(30)	2	7
Other	136	143	76	77	47	57	27	23
Total segments	**2,559**	**2,834**	**1,068**	**994**	**848**	**1,042**	**311**	**398**

** Prior period comparatives have been restated to exclude certain costs, such as cost to acquire telecommunication licenses.*

(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	
	2018	**2017***	**2018**	**2017***
Total Segments Adjusted EBITDA	**2,559**	**2,834**	**848**	**1,042**
Depreciation	(1,015)	(1,134)	(324)	(358)
Amortization	(380)	(404)	(124)	(136)
Impairment (loss) / reversal	(791)	(2)	(781)	3
Gain / (loss) on disposal of non-current assets	(47)	(16)	(10)	(7)
Gain / (loss) on sale of subsidiaries	20	-	-	-
Finance costs	(633)	(673)	(210)	(226)
Finance income	43	70	12	24
Other non-operating gain / (loss), net	(49)	(112)	(24)	40
Share of loss of joint ventures and associates	-	(22)	-	-
Impairment of joint ventures and associates	-	(110)	-	-
Net foreign exchange gain	(12)	47	(13)	(15)
Profit / (loss) before tax	**(305)**	**478**	**(626)**	**367**

** Prior year comparatives are restated following the classification of Italy Joint Venture as a discontinued operation (see Note 3)*

5 IMPAIRMENT

Goodwill is tested for impairment annually (at October 1) or when circumstances indicate the carrying value may be impaired. The Company's impairment test is primarily based on fair value less cost of disposal calculations that use a discounted cash flow model, using cash flow projections from business plans prepared by management. 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 units (**"CGU"**) when reviewing for indicators of impairment in interim periods.

During the third quarter of 2018, due to operational underperformance of its operations in Algeria, Armenia, Bangladesh, Georgia and Kyrgyzstan, the Company has revised its previous estimates and assumptions regarding the future cash flows of these CGU's. As a result, the Company recorded an impairment of US$781 against the carrying values of these CGU's during the three-month period ended September 30, 2018.

	Property and equipment	**Intangible assets**	**Goodwill**	**Total impairment**
Algeria	-	-	125	125
Armenia	46	10	25	81
Bangladesh	221	230	-	451
Georgia	31	19	-	50
Kyrgyzstan	-	-	74	74
	298	**259**	**224**	**781**

For these CGU's, impairment losses were allocated first to the existing carrying value of goodwill, and then subsequently to property and equipment and intangible assets based on relative carrying values.

KEY ASSUMPTIONS

The recoverable amounts of CGU's 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.

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

Key assumptions	**Algeria**	**Armenia**	**Bangladesh**	**Georgia**	**Kyrgyzstan**
Discount rate	11.1%	12.5%	12.2%	10.6%	14.8%
Average annual revenue growth rate *	0.7%	0.2%	0.6%	2.1%	2.8%
Long-term growth rate	0.9%	0.8%	4.0%	3.0%	5.0%
Average operating margin *	44.0%	23.5%	35.5%	25.7%	40.2%
Average capital expenditure as a percentage of revenue *	15.1%	20.1%	13.6%	24.5%	16.1%

** During the explicit forecast period of five years*

6 Gain on disposal of subsidiaries

Sale of Laos and Tajikistan operations

During the second quarter of 2018, the Company sold its operations in Laos and Tajikistan to external parties, which were previously classified as disposal groups held for sale. The effect of the disposals is detailed below:

	Laos	**Tajikistan**	**Total**
Net cash consideration received	**22**	**-**	**22**
Derecognition of assets classified as held for sale	(21)	(13)	(34)
Derecognition of liabilities classified as held for sale	13	25	38
Derecognition of non-controlling interests	(6)	-	(6)
Release cumulative other comprehensive income related to disposal group	1	(1)	-
Gain on disposal	**9**	**11**	**20**

Laos operations

On October 27, 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 transferred its 78% interest in VimpelCom Lao Co. Limited ("**VIP Lao**") to the Government of Laos, the minority shareholder, on a debt-free basis, in exchange for a purchase consideration of US$22.

Purchase consideration was received in two separate payments, on December 8, 2017 and February 22, 2018. The sale of Laos was completed on May 3, 2018.

Tajikistan operations

On April 5, 2018, VEON Holdings B.V., a fully-owned subsidiary of the Company, signed an agreement with ZET Mobile Limited (**"ZET"**) for the sale of 100% of shares in its subsidiary, Vimpelcom (BVI) AG, which owns 98% of shares in Tacom LLC (**"Tacom"**). The remaining 2% interest in Tacom was owned by the shareholder of ZET. Under the agreement, ZET has indirectly acquired 98% of shares in Tacom.

The transaction was completed on June 8, 2018.

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

7 OTHER NON-OPERATING LOSSES, NET

Other non-operating losses consisted of the following for the nine and three-month periods ended September 30:

	Nine-month period		Three-month period	
	2018	**2017**	**2018**	**2017**
Loss from early debt redemption	-	(124)	-	-
Change of fair value of derivatives	(61)	(36)	(39)	(13)
Other gains / (losses)	12	48	15	53
Other non-operating gain / (loss), net	**(49)**	**(112)**	**(24)**	**40**

8 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 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	
	2018	**2017**	**2018**	**2017**
Current income taxes	423	403	127	207
Deferred income taxes	(78)	(24)	(35)	(34)
Income tax expense	**345**	**379**	**92**	**173**
Effective tax rate*	-113.1%	79.3%	-14.7%	47.1%

** Effective tax rate for prior year comparatives has been recalculated based on restated profit / (loss) before tax from continuing operations, arising from classification of the Italy Joint Venture as a disposal group held for sale as of June 30, 2018 and its subsequent sale in September 2018.*

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 ended September 30, 2018 (-113.1% and -14.7%, respectively) was mainly driven by non-deductible impairment losses recognized in the third quarter of 2018 of US$781. If these expenses are not taken into account, the effective tax rate for the nine and three-month periods ending September 30, 2018 would have been 72.5% and 59.4%, respectively, impacted by profitability in countries with a higher nominal rate and income tax losses, primarily within holding entities in the Netherlands, for which no deferred tax-asset has been recognized.

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, 2017 (79.3% and 47.1%, respectively) was mainly driven by non-deductible expenses of US$110 from impairment of joint ventures, as well as tax losses arising from early debt redemption loss of US$124, for which no deferred tax asset was recognized. If these expenses are not taken into account, the effective tax rate for the nine and three-month periods ended September 30, 2017 would have been 53.2% and 28.8%, respectively, impacted by profitability in countries with a higher nominal tax rate, other non-deductible expenses and other income tax losses for which no deferred tax asset has been recognized.

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

9 Property and Equipment

Acquisitions and Disposals

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	
	2018	**2017**	**2018**	**2017**
Cost of acquired assets	948	870	301	356
Net book value of assets disposed	57	38	13	15
Net loss on disposal of assets	47	16	10	7

As of September 30, 2018, there was an increase in property and equipment which related to restating the Deodar assets in the Company's balance sheet as a result of the reclassification of Deodar from a disposal group held for sale (see Note 3).

For the nine and three-month periods ended September 30, 2018, impairment losses of US$298 were recognized in respect of property and equipment of Armenia, Georgia and Bangladesh (see Note 5).

There were no other material changes to property and equipment, other than those mentioned above, and foreign currency translation differences, depreciation charges, divestments and ongoing network construction for the period ended September 30, 2018 and 2017.

10 Intangible Assets

Acquisitions and Disposals

The intangible assets acquired in the nine and three-month periods ended September 30 included the following:

	Nine-month period		Three-month period	
	2018	**2017**	**2018**	**2017**
Telecommunications licenses, frequencies and permissions	497	325	7	8
Software	117	122	5	42
Other intangible assets	24	2	2	-
Total intangible assets acquired	**638**	**449**	**14**	**50**

With the exception of the spectrum acquisitions and impairment losses described below, foreign currency translation differences and amortization charges, there were no material changes to intangible assets during the nine and three-month periods ended September 30, 2018.

For the nine and three-month periods ended September 30, impairment losses of US$259 were recognized in respect of intangible assets in Armenia, Georgia and Bangladesh (see Note 5).

Acquisition of spectrum in Ukraine

In January 2018, the Company's wholly-owned subsidiary in Ukraine, Kyivstar, secured one of three licenses to provide nationwide 4G/LTE services, subject to final regulatory approvals. Kyivstar paid UAH 0.9 billion (US$32) for 15MHz (paired) of contiguous frequency in the 2600 MHz band.

In addition, in March 2018, Kyivstar was awarded the following spectrum in the 1800MHz band suitable for 4G/LTE:

- 25MHz (paired) at UAH 1.325 billion (US$47); and
- two lots of 5MHz (paired) at UAH 1.512 billion (US$53).

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

Acquisition of additional spectrum and 4G/LTE License in Bangladesh

In February 2018, the Company's wholly-owned subsidiary in Bangladesh, Banglalink, was awarded technology neutral spectrum in the 1800 and 2100 MHz bands.

Banglalink will pay a total of US$308.6 for the spectrum excluding VAT. An upfront payment of 60% for the spectrum was paid in February 2018, with the remaining 40% payable over four years. In addition, Banglalink has paid US$35 to convert its existing spectrum holding in 900MHz and 1800MHz into technology neutral spectrum and a fee of BDT 100 million (US$1.2) to acquire the 4G/LTE license.

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, 2018:

CGU	September 30, 2018	Impairment	Currency translation	December 31, 2017 *
Russia	2,137	-	(297)	2,434
Algeria	1,176	(125)	(39)	1,340
Pakistan	421	-	(47)	468
Kazakhstan	162	-	(15)	177
Kyrgyzstan	54	(74)	-	128
Uzbekistan	46	-	-	46
Armenia	-	(25)	-	25
Total	**3,996**	**(224)**	**(398)**	**4,618**

** Prior year comparatives are restated following reversal of reclassification of Deodar assets as held for sale (Note 3).*

During the third quarter of 2018, impairment losses of US$224 were recognized in respect of goodwill in Algeria, Armenia and Kyrgyzstan (see Note 5).

11 FINANCIAL ASSETS AND LIABILITIES

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, 2018, except for the scheduled repayments of debt 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, 2017.

Upon transition to IFRS 9, the Company has reclassified financial assets from "Available for sale" to "Fair value through other comprehensive income with recycling" (see Note 2).

Sale of Italy Joint Venture

Certain net investment hedge relationships related to the Company's investment in the Italy Joint Venture ceased upon sale of the Italy Joint Venture on September 7, 2018. As a result, related hedge accounting relationships were terminated and a loss of US$80 that had accumulated since inception of the net investment hedge was therefore reclassified to profit or loss (see Note 3).

Prepayment of term loans

During September 2018, a portion of proceeds from the sale of Italy Joint Venture (see Note 3) was used to prepay certain outstanding bank loans before their maturity in total amount of US$821, the most significant of which was prepayment of EUR 526 million (US$616) of the Euro denominated term loan.

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

Banglalink financing

In February and April 2018 Banglalink Digital Communications Limited (**"Banglalink"**), a subsidiary of the Company, has performed multiple drawdowns in a total amount of BDT 13,059 million (US$157) under two syndicated facilities with several banks, which were entered into pursuant to an agreement dated December 24, 2017 for an amount of BDT 29,300 million (US$355 as of December 24, 2017). Repayment will take place through periodic instalments between December 24, 2018 and December 24, 2022.

Bank loans and bonds

The Company had the following principal amounts outstanding for interest-bearing loans and bonds at reporting date:

						Principal amount outstanding	
Borrower	**Type of debt**	**Guarantor**	**Currency**	**Interest rate**	**Maturity**	**September 30, 2018**	**December 31, 2017**
VEON Holdings	Loans	None	RUB	8.75% - 10.0%	2022	2,173	2,474
VEON Holdings	Notes	None	US$	5.2% - 5.95%	2019 - 2023	1,554	1,554
VEON Holdings	Notes	None	US$	3.95% - 4.95%	2021 - 2024	1,500	1,500
VEON Holdings	Loans	None	EUR	3mEURIBOR + 1.9% - 2.75%	2022	116	752
VEON Holdings	Notes	PJSC VimpelCom	US$	7.5%	2022	628	628
VEON Holdings	Syndicated loan (RCF)	None	US$	1mLIBOR + 2.25%	2018	-	250
VEON Holdings	Notes	None	RUB	9.0%	2018	-	208
VEON Amsterdam B.V.	Loan	EKN*, PJSC VimpelCom	US$	1.72%	2018	-	159
GTH Finance B.V.	Notes	VEON Holdings B.V.	US$	6.25% - 7.25%	2020 - 2023	1,200	1,200
VIP Finance Ireland	Eurobonds	None	US$	7.75%	2021	377	543
PMCL	Loans	None	PKR	6mKIBOR + 0.35% - 0.9%	2020 - 2022	318	379
PMCL	Loans	EKN*	US$	6mLIBOR + 1.9%	2020	162	212
Banglalink	Senior Notes	None	US$	8.6%	2019	300	300
Banglalink	Syndicated loans	None	BDT	Average bank deposit rate + 3.0% - 4.25%	2020 - 2022	156	-
Optimum Telecom Algérie S.p.A.	Syndicated loan	Omnium Telecom Algérie S.p.A.	DZD	Bank of Algeria re-discount rate + 2.0%	2019	95	131
	Other debt **					529	813
	Total bank loans and bonds					**9,108**	**11,103**

** Exportkreditnämnden (The Swedish Export Credit Agency)*

*** As of September 30, 2018, other debt includes overdrawn bank accounts related to cash-pooling program of US$262 (2017: US$ nil), see Note 12.*

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

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 September 30, 2018, other than those with carrying amounts that are reasonable approximations of fair values:

Financial assets	Carrying value		Fair value	
	September 30, 2018	**December 31, 2017**	**September 30, 2018**	**December 31, 2017**
Financial assets at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	11	5	11	5
Embedded derivatives in notes	-	5	-	5
Financial assets at fair value through other comprehensive income (with recycling)	42	-	42	-
Available for sale financial assets (see Note 2)	-	71	-	71
Total financial assets at fair value	**53**	**81**	**53**	**81**
Financial assets at amortized cost				
Bank deposits and interest accrued	8	70	8	70
Cash pledged as collateral (see Note 3)	27	998	27	998
Other investments	-	12	-	12
Other loans granted	3	3	3	3
Total financial assets at amortized cost	**38**	**1,083**	**38**	**1,083**
Total financial assets	**91**	**1,164**	**91**	**1,164**
Non-current	19	34		
Current	72	1,130		

Financial Liabilities	Carrying value		Fair value	
	September 30, 2018	**December 31, 2017**	**September 30, 2018**	**December 31, 2017**
Financial liabilities at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	14	-	14	-
Cross currency interest rate exchange contracts	48		48	
Contingent consideration	44	49	44	49
Derivatives designated as net investment hedges				
Cross currency interest rate exchange contracts	-	59	-	59
Derivatives designated as cash flow hedges				
Interest rate exchange contracts	-	1	-	1
Total financial liabilities at fair value	**106**	**109**	**106**	**109**
Financial liabilities at amortized cost				
Bank loans and bonds, principal	9,108	11,103	9,171	11,548
Interest accrued	118	129	118	130
Discounts, unamortized fees, hedge basis adjustment	(12)	(34)	-	-
Bank loans and bonds at amortized cost	9,214	11,198	9,289	11,678
Put-option liability over non-controlling interest	322	310	322	310
Other financial liabilities	88	13	88	13
Total financial liabilities at amortized cost	**9,624**	**11,521**	**9,699**	**12,001**
Total financial liabilities	**9,730**	**11,630**	**9,805**	**12,110**
Non-current	8,170	10,362		
Current	1,560	1,268		

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

The fair value of the financial assets and liabilities are included as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values were estimated based on quoted market prices for our bonds, derived from market prices or by using discounted cash flows under the agreement at the rate applicable for instruments with similar maturity and risk profile.

The carrying amount of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their respective fair value.

The fair value of derivative financial instruments is determined using present value techniques such as discounted cash flow techniques, Monte Carlo simulation and/or the Black-Scholes model. These valuation techniques are commonly used for valuations of derivatives. Observable inputs used in the valuation techniques include LIBOR, EURIBOR, swap curves, basis swap spreads, foreign exchange rates and credit default spreads of both counterparties and our own entities.

The fair value of debt instruments measured at fair value through other comprehensive income are determined through comparison of various multiples and reference to market valuation of similar instruments quoted in an active market. If information is not available, a discounted cash flow method is used.

Fair value measurements for financial liabilities at amortized cost are based on quoted market prices, where available. If the quoted market price is not available, the fair value measurement is based on discounted expected future cash flows using a market interest rate curve, credit spreads and maturities.

Fair value hierarchy

As of September 30, 2018 and December 31, 2017, the Group recognized financial instruments at fair value in the statement of financial position.

The fair value hierarchy ranks fair value measurements based on the type of inputs used in the valuation:

- 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 recurring fair value measurements separately for each major class of assets and liabilities.

As of September 30, 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	-	11	-	11
Financial assets at fair value through other comprehensive income (with recycling)	-	42	-	42
Total financial assets at fair value	**-**	**53**	**-**	**53**
Financial liabilities at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	-	14	-	14
Cross currency interest rate exchange contracts	-	48	-	48
Contingent consideration	-	-	44	44
Derivatives designated as cash flow hedges				
Interest rate exchange contracts	-	-	-	-
Total financial liabilities at fair value	**-**	**62**	**44**	**106**

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

As of December 31, 2017	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	-	5	-	5
Embedded derivatives in notes	-	5	-	5
Available for sale financial assets (see Note 2)	-	71	-	71
Total financial assets at fair value	**-**	**81**	**-**	**81**
Financial liabilities at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	-	-	-	-
Contingent consideration	-	-	49	49
Derivatives designated as net investment hedges				
Cross currency interest rate exchange contracts	-	59	-	59
Derivatives designated as cash flow hedges				
Interest rate exchange contracts	-	1	-	1
Total financial liabilities at fair value	**-**	**60**	**49**	**109**

The reconciliation of movements relating to financial instruments classified in Level 3 of the fair value hierarchy:

Financial liabilities at fair value through profit or loss	Contingent consideration	Total
As of December 31, 2017	**49**	**49**
Change in fair value recognized in the income statement	(5)	(5)
As of September 30, 2018	**44**	**44**

Transfers into and out of fair value hierarchy levels are recognized at the end of the reporting period (or the date of the event or change in circumstances that caused the transfer). On a quarterly basis, the Company reviews if there are any indicators for a possible transfer between Level 2 and Level 3. This depends on how the Company is able to obtain the underlying input parameters when assessing the fair valuations.

During the nine-month period ended September 30, 2018, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

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 or “Other” in the consolidated statement of comprehensive income.

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

12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following items:

	September 30, 2018	December 31, 2017
Cash and cash equivalents at banks and on hand	936	850
Short-term deposits with original maturity of less than three months	2,434	464
Cash and cash equivalents	**3,370**	**1,314**
Less overdrafts	(262)	-
Cash and cash equivalents, net of overdrafts, as presented in the consolidated statement of cash flows	**3,108**	**1,314**

As of September 30, 2018 and December 31, 2017, there were no restricted cash and cash equivalent balances. Cash balances as of September 30, 2018 include investments in money market funds of US$618 (December 31, 2017: US$91).

As of September 30, 2018, 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$262 (2017: US$ nil). 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.

13 DIVIDENDS PAID AND PROPOSED

On February 22, 2018, the Company announced that the VEON Board of Directors had approved a final dividend of US 17 cents per share, which was paid on March 13, 2018. For ordinary shareholders at Euronext Amsterdam, the final dividend of US 17 cents was paid in euro.

The Board of Directors approved the distribution of an interim gross dividend of US 12 cents per share for 2018, which was paid on August 20, 2018. For ordinary shareholders at Euronext Amsterdam, the interim dividend of US 12 cents was paid in euro.

The Company made appropriate tax withholdings of up to 15% when the dividend was paid to the Company's share depositary, The Bank of New York Mellon.

14 RELATED PARTIES

As of September 30, 2018, the Company has no ultimate controlling shareholder. See also Note 1 for details regarding ownership structure.

The following table provides the total amount of transactions that have been entered into with related parties for the nine and three-month periods ended September 30:

	Nine-month period		Three-month period	
	2018	**2017**	**2018**	**2017**
Revenue from related parties				
Telenor	-	58	-	19
Joint ventures and associates	14	23	3	7
	14	**81**	**3**	**26**
Services from related parties				
Telenor	-	54	-	18
Joint ventures and associates	7	24	2	7
	7	**78**	**2**	**25**

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

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

	September 30, 2018	December 31, 2017
Accounts receivable from related parties		
Joint ventures and associates	-	23
Other assets due from related parties	3	3
	3	**26**
Accounts payable to related parties		
Joint ventures and associates	-	5
	-	**5**

Service Agreements

All service agreements with related parties are disclosed in Note 25 in the Company's annual consolidated financial statements as of and for the year ended December 31, 2017. There were no new agreements entered into between the Company and related parties during the nine-month period ended September 30, 2018.

The contract regarding provision of management services with LetterOne was terminated on December 12, 2017 with effect from March 12, 2018.

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, 2018 and December 31, 2017, respectively, was equal to US$30 and US$58. Included within 'Selling, general and administrative expenses' for the nine and three-month periods ended September 30, 2018, respectively, is a gain of US$24 (2017: expense of US$25) and an expense of US$18 (2017: US$16) relating to share-based payment expense under the LTI Plan.

15 Risks, commitments, contingencies and uncertainties

There were no material risks, commitments, contingencies and uncertainties that occurred during the nine-month period ended September 30, 2018, and there were no material changes during the same period to the risks, commitments, contingencies and uncertainties as disclosed in the Note 26 and Note 27 in the Group's annual consolidated financial statements as of and for the year ended December 31, 2017.

16 Events after the reporting period

Withdrawal of offer to acquire the assets of GTH in Pakistan and Bangladesh

On July 2, 2018, VEON submitted an offer to Global Telecom Holding S.A.E. (**"GTH"**) to acquire GTH's operations in Pakistan and Bangladesh for consideration of US$2,550.

On October 10, 2018, VEON terminated its offer to acquire the assets of GTH in Pakistan and Bangladesh. VEON terminated its offer in light of recent events surrounding the Pakistani Rupee and the feedback on the offer received from GTH minority shareholders, that suggested approval would not have been forthcoming.

Amsterdam, November 8, 2018

VEON Ltd.