Special purpose
Consolidated financial statements

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

As of and for the year ended
December 31, 2018

PricewaterhouseCoopers
Accountants N.V.
For identification
purposes only

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CONSOLIDATED INCOME STATEMENT

for the year ended December 31

	Note	2018	2017*
(In millions of U.S. dollars, except per share amounts)			
Service revenues		8,535	9,106
Sale of equipment and accessories		427	244
Other revenues		135	126
Total operating revenues	3	**9,097**	**9,476**
Service costs		(1,711)	(1,883)
Cost of equipment and accessories		(415)	(260)
Selling, general and administrative expenses	4	(3,410)	(3,591)
Depreciation	12	(1,336)	(1,488)
Amortization	13	(483)	(528)
Impairment (loss) / reversal	11	(819)	(66)
Gain / (loss) on disposal of non-current assets		(58)	(24)
Gain / (loss) on sale of subsidiaries	15	30	-
Total operating expenses		**(8,202)**	**(7,840)**
Operating profit		**895**	**1,636**
Finance costs		(793)	(892)
Finance income		64	98
Other non-operating gain / (loss), net	5	(82)	(146)
Share of profit / (loss) of joint ventures and associates		-	(22)
Impairment of joint ventures and associates		-	(110)
Net foreign exchange gain / (loss)		7	(77)
Profit / (loss) before tax from continuing operations		**91**	**487**
Income tax expense	9	(374)	(478)
Profit / (loss) for the period from continuing operations		**(283)**	**9**
Profit / (loss) after tax from discontinued operations	10	(300)	(390)
Gain / (loss) on disposal of discontinued operations	10	1,279	-
Profit / (loss) for the period from discontinued operations		**979**	**(390)**
Profit / (loss) for the period		**696**	**(381)**
Attributable to:			
The owners of the parent (continuing operations)		(63)	38
The owners of the parent (discontinued operations)		979	(390)
Non-controlling interest		(220)	(29)
		696	**(381)**

** Prior year comparatives are restated following the classification of Italy Joint Venture as a discontinued operation and retrospective recognition of depreciation charges in respect of Deodar (see Note 10).*

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

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended December 31

(In millions of U.S. dollars)	Note	2018	2017*
Profit / (loss) for the period		**696**	**(381)**
Items that may be reclassified to profit or loss			
Share of other comprehensive loss of joint ventures	10	(18)	(12)
Foreign currency translation		(824)	(638)
Other		(1)	(6)
Items reclassified to profit or loss			
Accumulated share of other comprehensive income / (loss) of Italy Joint Venture	10	31	-
Accumulated foreign currency translation reserve	10	(79)	-
Accumulated cash flow hedge reserve		-	-
Other comprehensive loss for the period, net of tax		**(891)**	**(656)**
Total comprehensive (loss) / income for the period, net of tax		**(195)**	**(1,037)**
Attributable to:			
The owners of the parent		192	(929)
Non-controlling interests		(387)	(108)
		(195)	**(1,037)**

** Prior year comparatives are restated following the retrospective recognition of depreciation charges in respect of Deodar (see Note 10).*

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of December 31

(In millions of U.S. dollars)	Note	2018	2017*
Assets			
Non-current assets			
Property and equipment	12	4,925	6,226
Intangible assets	13	1,841	2,125
Goodwill	11	3,816	4,618
Investments in joint ventures and associates		-	1,921
Deferred tax assets	9	197	336
Other assets	7	193	95
Total non-current assets		**10,972**	**15,321**
Current assets			
Inventories		141	72
Trade and other receivables	6	691	822
Other financial assets	16	761	1,275
Other assets	7	469	628
Cash and cash equivalents	17	1,767	1,263
Total current assets		**3,829**	**4,060**
Assets classified as held for sale		17	22
Total assets		**14,818**	**19,403**
Equity and liabilities			
Equity			
Equity attributable to equity owners of the parent	19	4,180	4,509
Non-controlling interests		(891)	(441)
Total equity		**3,289**	**4,068**
Non-current liabilities			
Financial liabilities	16	6,567	10,039
Provisions	8	93	107
Deferred tax liabilities	9	180	376
Other liabilities	7	37	53
Total non-current liabilities		**6,877**	**10,575**
Current liabilities			
Trade and other payables		1,775	1,830
Other financial liabilities	16	1,290	1,143
Provisions	8	350	391
Other liabilities	7	1,233	1,381
Total current liabilities		**4,648**	**4,745**
Liabilities associated with assets held for sale		4	15
Total equity and liabilities		**14,818**	**19,403**

** Prior year comparatives are restated following the retrospective reversal of reclassification of Deodar assets and liabilities as held for sale and retrospective recognition of depreciation charges in respect of Deodar (see Note 10).*

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2018

(In millions of U.S. dollars)	Note	Number of shares outstanding	Attributable to equity owners of the parent Issued capital	Capital Surplus	Other capital reserves	Accumulated deficit	Foreign currency translation	Total	Non-controlling interests	Total equity
As of December 31, 2017 *		**30,099,998**	**39**	**13,552**	**245**	**(3,854)**	**(5,473)**	**4,509**	**(441)**	**4,068**
Adjustments arising due to new accounting standards	24	-	-	-	-	46	-	46	11	57
As of January 1, 2018		**30,099,998**	**39**	**13,552**	**245**	**(3,808)**	**(5,473)**	**4,555**	**(430)**	**4,125**
Profit / (loss) for the period		-	-	-	-	916	-	916	(220)	696
Other comprehensive income / (loss)		-	-	-	8	5	(737)	(724)	(167)	(891)
Total comprehensive income / (loss)		-	-	-	8	921	(737)	192	(387)	(195)
Distributions to and capital contributions from parent				(517)				(517)	-	(517)
Dividends declared to non-controlling interest	20	-	-		-	-	-	-	(93)	(93)
Other			-	-	3	(50)	(3)	(50)	19	(31)
As of December 31, 2018		**30,099,998**	**39**	**13,035**	**256**	**(2,937)**	**(6,213)**	**4,180**	**(891)**	**3,289**

for the year ended December 31, 2017

(In millions of U.S. dollars)	Note	Number of shares outstanding	Attributable to equity owners of the parent Issued capital	Capital Surplus	Other capital reserves	Accumulated deficit	Foreign currency translation	Total	Non-controlling interests	Total equity
As of January 1, 2017		**30,099,998**	**39**	**15,581**	**270**	**(3,496)**	**(4,915)**	**7,479**	**82**	**7,561**
Loss for the period *		-	-	-	-	(352)	-	(352)	(29)	(381)
Other comprehensive loss		-	-	-	(19)	-	(558)	(577)	(79)	(656)
Total comprehensive loss		-	-	-	(19)	(352)	(558)	(929)	(108)	(1,037)
Dividends declared	20	-	-	(2,029)	-	-	-	(2,029)	(168)	(2,197)
Changes in ownership interest in a subsidiary that do not result in a loss of control	15	-	-	-	(12)	-	-	(12)	(247)	(259)
Reallocation to legal reserve in Algeria		-	-	-	6	(6)	-	-	-	-
As of December 31, 2017 *		**30,099,998**	**39**	**13,552**	**245**	**(3,854)**	**(5,473)**	**4,509**	**(441)**	**4,068**

** Prior year comparatives are restated following the retrospective recognition of depreciation charges in respect of Deodar (see Note 10).*

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

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CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31

(In millions of U.S. dollars)	Note	2018	2017*
Operating activities			
Profit / (loss) before tax from continuing operations		91	487
Non-cash adjustments to reconcile profit before tax to net cash flows:			
Depreciation, amortization and impairment loss / (reversal)	11,12,13	2,638	2,082
Gain / (loss) on disposal of non-current assets		58	24
Gain / (loss) on disposal of subsidiaries	15	(30)	-
Finance income		(64)	(98)
Finance costs		793	892
Other non-operating losses, net	5	82	146
Share of loss and impairment of joint ventures and associates	10	-	132
Net foreign exchange loss / (gain)		(7)	77
Changes in trade and other receivables and prepayments		(133)	(127)
Changes in inventories		(88)	54
Changes in trade and other payables		307	345
Changes in provisions and pensions		19	(67)
Interest paid	16	(724)	(792)
Interest received		50	128
Income tax paid	9	(404)	(431)
Net cash flows from operating activities of discontinued operations		-	-
Net cash flows from operating activities		**2,588**	**2,852**
Investing activities			
Purchase of property and equipment and intangible assets		(1,936)	(2,013)
Proceeds from sale of property and equipment and intangible assets		17	8
Loans granted		(523)	(564)
Repayment of loans granted		-	1,124
Proceeds from sale of Italy Joint Venture	10	2,830	-
Receipts from / (payment on) deposits	16	1,034	(898)
Receipts from / (investment in) financial assets		67	(99)
Proceeds from sale of shares in subsidiaries, net of cash disposed		-	12
Net cash flows from investing activities of discontinued operations		-	-
Net cash flows from / (used in) investing activities		**1,489**	**(2,430)**
Financing activities			
Acquisition of non-controlling interest		-	(258)
Proceeds from borrowings, net of fees paid **	16	807	6,192
Repayment of borrowings	16	(3,661)	(5,822)
Distributions paid to and contributions received from owners of the parent	20	(517)	(1,027)
Dividends paid to non-controlling interests	20	(96)	(202)
Net cash flows from financing activities of discontinued operations		-	-
Net cash flows from / (used in) financing activities		**(3,467)**	**(1,116)**
Net (decrease) / increase in cash and cash equivalents		610	(694)
Net foreign exchange difference		(122)	(355)
Cash and cash equivalents at beginning of period		1,263	2,312
Cash and cash equivalents at end of period, net of overdraft ***	17	**1,751**	**1,263**

* *Prior year comparatives are restated following the classification of Italy Joint Venture as a discontinued operation and retrospective recognition of depreciation charges in respect of Deodar (see Note 10).*

** *Fees paid for borrowings were US$64 (2017: US$56, 2016: US$31)*

*** *Overdrawn amount was US$16 (2017: US$ nil)*

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

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GENERAL INFORMATION ABOUT THE GROUP

1 GENERAL INFORMATION

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

VEON earns revenues by providing voice and data telecommunication services through a range of mobile and fixed-line technologies. As of December 31, 2018, the Company operated telecommunications services in Russia, Pakistan, Algeria, Bangladesh, Ukraine, Uzbekistan, Kazakhstan, Armenia, Georgia and Kyrgyzstan. During 2018, VEON sold its operations in Tajikistan and Laos (see Note 15), as well as its 50% share in the Italy Joint Venture (see Note 10).

The special purpose consolidated financial statements were authorized by the Directors for issuance on April 2, 2019. The Company has the ability to amend and reissue the consolidated financial statements.

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

In these Notes, prior year comparatives are restated following the retrospective reversal of reclassification of Deodar assets and liabilities as held for sale and retrospective recognition of depreciation charges in respect of Deodar assets (see Note 10). In addition, the Italy Joint Venture was classified as a discontinued operation during the year, resulting in the reclassification of share of profit / (loss) of the Italy Joint Venture to 'Profit / (loss) after tax from discontinued operations' for the current and comparative periods.

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Operating activities of the Group

2 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 December 31, 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 periods ended December 31 is presented in the following tables. Inter-segment transactions between operating segments are made on terms which are comparable to transactions with third parties.

	External customers		**Inter-segment**		**Total revenue**	
Revenue	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Russia	4,632	4,698	22	31	4,654	4,729
Pakistan	1,481	1,525	13	-	1,494	1,525
Algeria	810	914	3	1	813	915
Bangladesh	521	574	-	-	521	574
Ukraine	663	600	25	22	688	622
Uzbekistan	314	513	1	-	315	513
All others	676	652	(64)	(54)	612	598
Total segments	**9,097**	**9,476**	**-**	**-**	**9,097**	**9,476**

Other disclosures	**Adjusted EBITDA**		**Capital expenditures excluding licenses**	
	2018	**2017**	**2018**	**2017***
Russia	1,677	1,788	742	667
Pakistan	714	703	199	240
Algeria	363	426	107	132
Bangladesh	183	233	93	101
Ukraine	387	347	115	98
Uzbekistan	136	261	39	63
Other	101	(16)	120	159
Total segments	**3,561**	**3,742**	**1,415**	**1,460**

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

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The following table provides the reconciliation of consolidated Adjusted EBITDA to consolidated income statement before tax for the years ended December 31:

	2018	2017
Total Segments Adjusted EBITDA	**3,561**	**3,742**
Depreciation	(1,336)	(1,488)
Amortization	(483)	(528)
Impairment (loss) / reversal	(819)	(66)
Gain / (loss) on disposal of non-current assets	(58)	(24)
Gain / (loss) on sale of subsidiaries	30	-
Finance costs	(793)	(892)
Finance income	64	98
Other non-operating gain / (loss), net	(82)	(146)
Share of loss of joint ventures and associates	-	(22)
Impairment of joint ventures and associates	-	(110)
Net foreign exchange gain / (loss)	7	(77)
Profit / (loss) before tax from continuing operations	**91**	**487**

Geographical information of non-current assets

The total of non-current assets (other than financial instruments, investments in subsidiaries and deferred tax assets, which are included in Other, along with consolidation eliminations), broken down by location of the assets, is shown in the following tables:

	2018	2017
Russia	4,794	5,969
Pakistan	1,661	2,270
Algeria	1,890	2,151
Bangladesh	773	988
Ukraine	748	552
Uzbekistan	211	213
HQ	17	55
Other	878	3,123
Total segments	**10,972**	**15,321**

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3 OPERATING REVENUE

VEON generates revenue from providing voice, data and other telecommunication services through a range of wireless, fixed and broadband Internet services, as well as selling equipment and accessories. Products and services may be sold separately or in bundled packages.

The effect of initially applying IFRS 15 on the Group's revenue from contracts with customers is described in Note 24. Due to the transition method chosen in applying IFRS 15, comparative information has not been restated to reflect the new requirements.

Revenue from contracts with customers

The following table provides a breakdown of revenue from contracts with customers by mobile and fixed line for the years ended December 31:

	Mobile		Fixed line		Total revenue	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Russia	4,085	4,053	569	676	4,654	4,729
Pakistan	1,494	1,525	-	-	1,494	1,525
Algeria	813	915	-	-	813	915
Bangladesh	521	574	-	-	521	574
Ukraine	644	581	44	41	688	622
Uzbekistan	313	510	2	3	315	513
HQ	-	-	-	-	-	-
Others	496	530	116	68	612	598
Total segments	**8,366**	**8,688**	**731**	**788**	**9,097**	**9,476**

Assets and liabilities arising from contracts with customers

The following table provides a breakdown of contract balances and capitalized customer acquisition costs.

	December 31, 2018	**January 1, 2018**
Contract balances		
Receivables (billed)	686	799
Contract assets (unbilled)	43	18
Contract liabilities	(161)	(157)
Capitalized costs		
Customer acquisition costs	83	93

ACCOUNTING POLICIES

The following accounting policies have been applied with effect from January 1, 2018, see Note 24 for further details.

Revenue from contracts with customers

Service revenue

Service revenue includes revenue from airtime charges from contract and prepaid customers, monthly contract fees, interconnect revenue, roaming charges and charges for value added services (**"VAS"**). VAS includes short messages, multimedia messages, caller number identification, call waiting, data transmission, mobile internet, downloadable content, mobile finance services, machine-to-machine and other services. The content revenue relating to VAS is presented net of related costs when the Company acts as an agent of the content providers and gross when the Company acts as the primary obligor of the transaction.

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Revenue for services with a fixed-term, including fixed-term tariff plans and monthly subscriptions, is generally recognized over time, on a straight-line basis. For pay-as-you-use plans, in which the customer is charged based on actual usage, revenue is recognized over time, on a usage basis. Some tariff plans allow customers to rollover unused services to the following period. For these tariff plans, revenue is generally recognized over time, on a usage basis.

For contracts which include multiple service components (such as voice, text, data), revenue is allocated based on stand-alone selling price. The stand-alone selling price for these services is determined with reference the price charged per service under a pay-as-you-use plan to similar customers.

Upfront fees, including activation or connection fees, are recognized on a straight-line basis over the contract term. For contracts with an indefinite term (generally prepaid contracts), revenue from upfront fees is recognized over the average customer life.

Revenue from other operators, including interconnect and roaming charges, is recognized based on the price specified in the contract, net of any estimated retrospective volume discounts. Accumulated experience is used to estimate and provide for the discounts.

All service revenue is recognized over time.

Sale of equipment and accessories

Equipment and accessories are usually sold to customers on a stand-alone basis or together with service bundles. Where sold together with service bundles, revenue is allocated pro-rata, based on the stand-alone selling price of the equipment and the service bundle.

Revenue for mobile handsets and accessories is recognized when the equipment is sold to a network customer, or, if sold via an intermediary, when the intermediary has taken control of the device and the intermediary has no remaining right of return. Revenue for fixed-line equipment is not recognized until installation and testing of such equipment are completed and the equipment is accepted by the customer.

All revenue from sale of equipment and accessories is recognized at a point in time.

Contract balances

Receivables and contracts assets mostly relate to amounts due from other operators and postpaid customers. Contract assets, often referred to as 'Accrued receivables' are transferred to receivables when the rights become unconditional, which usually occurs when the Group issues an invoice to the customer.

Contract liabilities, often referred to as 'Deferred revenue', relate primarily to non-refundable cash received from prepaid customers for fixed-term tariff plans or pay-as-you-use tariff plans. Contract liabilities are presented as 'Long-term deferred revenue' and 'Short-term deferred revenue' in Note 7. All 'Short-term deferred revenue' amounts outstanding at the beginning of the year have been recognized as revenue during the year.

Customer acquisition costs

Certain incremental costs incurred in acquiring a contract with a customer (**"customer acquisition costs"**), are deferred in the consolidated statement of financial position, within 'Other assets' (see Note 7). Such costs generally relate to commissions paid to third-party dealers and are amortized on a straight-line basis over the average customer life, within 'Selling, general and administrative expenses'.

The Group applies the practical expedient available for customer acquisition 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.

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SOURCE OF ESTIMATION UNCERTAINTY

Average customer life

Management estimates the average customer life for revenue (such as upfront fees) from contracts with an indefinite term and for customer acquisition costs. The average customer life is calculated based on historical data, specifically churn rates for different customer segments (such as mobile and fixed line, prepaid and postpaid).

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4 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses consisted of the following items for the years ended December 31:

	2018	2017
Network and IT costs	1,153	1,174
Personnel costs	741	738
Customer associated costs	867	893
Losses on receivables	62	59
Taxes, other than income taxes	217	219
Other	370	508
Total selling, general and administrative expenses	**3,410**	**3,591**

Included within “Other” for the year ended December 31, 2017, is a reduction of US$106 following the amendment of an agreement with a vendor, which resulted in certain payments to the Company.

OPERATING LEASES

Total operating lease expense recognized in the consolidated income statement amounted to US$425 (2017: US$444, 2016: US$408).

Operating lease commitments mainly relate to the lease of base station sites and office spaces. Operating leases can be renewed but may be subject to renegotiations with lessors.

Operating lease commitments are as follows as of December 31:

	2018	2017
Less than 1 year	98	70
Between 1 and 3 years	200	151
Between 3 and 5 years	131	78
More than 5 years	179	167
Total commitments	**608**	**466**

ACCOUNTING POLICIES

Customer associated costs

Customer associated costs relate primarily to commissions paid to third-party dealers and marketing expenses. Certain dealer commissions are initially capitalized in the consolidated statement of financial position, see Note 3 for further details.

Operating leases

The following accounting policy has been applied for the Group for the current and comparative years. Refer to Note 24 for details regarding changes made to accounting for leases and impact for the Group in future years.

The rental payable under operating leases is recognized as an operating lease expense in the income statement on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of VEON’s benefit. No asset is capitalized. If the periodic payments or part of the periodic payments has been prepaid, the Company recognizes these prepayments in the statement of financial position as other non-financial assets.

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5 OTHER NON-OPERATING LOSSES, NET

Other non-operating (losses) / gains consisted of the following for the years ended December 31:

	2018	2017
Loss from early debt redemption	(30)	(124)
Change of fair value of other derivatives	(63)	(21)
Impairment loss of other financial assets	(2)	(20)
Gains relating to past acquisitions and divestments	-	25
Other gains / (losses)	13	(6)
Other non-operating gain / (loss), net	**(82)**	**(146)**

Loss from early debt redemption in 2018 and 2017 relates to the settlement of the cash tender offer for certain outstanding debt securities, see Note 16 for further details.

Included in 'Gains relating to past acquisitions and divestments' in 2017 is a gain of US$25 as a result of an increase in cash consideration receivable pertaining to the disposal of Italy operations in 2016.

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6 TRADE AND OTHER RECEIVABLES

Trade and other receivables consisted of the following items as of December 31:

	2018	2017
Trade receivables (gross) *	729	817
Allowance for doubtful debt	(171)	(169)
Trade receivables (net)	**558**	**648**
Other receivables	133	174
Total trade and other receivables	**691**	**822**

* *Includes contract assets (unbilled receivables), see Note 3 for further details*

As of December 31, 2018, an impairment of US$171 (2017: US$169) is recorded against trade receivables. See below the movements in the allowance for doubtful debt:

	2018	2017
Balance as of January 1	**169**	**160**
Adjustment due to IFRS 9 (see Note 24)	14	-
Balance as of January 1 after IFRS 9 adjustment	**183**	**160**
Allowance for doubtful debts	47	36
Recoveries	(17)	(9)
Accounts receivable written off	(18)	(13)
Foreign currency translation adjustment	(15)	(4)
Other movements	(9)	(1)
Balance as of December 31	**171**	**169**

Set out below is the information about the Group's trade receivables and contract assets using a provision matrix:

			Days past due			
December 31, 2018	**Contract assets**	**Current**	**< 30 days**	**Between 31 and 120 days**	**> 120 days**	**Total**
Expected loss rate, %	0.2%	1.3%	8.9%	29.4%	80.9%	
Trade receivables, gross	44	389	67	51	178	729
Expected credit losses	(1)	(5)	(6)	(15)	(144)	(171)
Trade receivables, net	**43**	**384**	**61**	**36**	**34**	**558**

			Days past due			
January 1, 2018	**Contract assets**	**Current**	**< 30 days**	**Between 31 and 120 days**	**> 120 days**	**Total**
Expected loss rate, %	1.1%	1.3%	7.6%	27.6%	63.9%	
Trade receivables, gross	18	390	92	87	230	817
Expected credit losses	-	(5)	(7)	(24)	(147)	(183)
Trade receivables, net	**18**	**385**	**85**	**63**	**83**	**634**

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ACCOUNTING POLICIES

Trade and other receivables

Trade and other receivables are measured at amortized cost and include invoiced amounts less appropriate allowances for estimated uncollectible amounts.

Expected credit losses

The following accounting policy has been applied with effect from January 1, 2018, see Note 24 for further details.

The expected credit loss allowance (ECL) is recognized for all receivables measured at amortized cost or fair value through OCI with recycling at each reporting date. This means that an allowance for doubtful debt is recognized for all receivables even though there may not be objective evidence that the trade receivable has been impaired.

VEON applies the Simplified approach (i.e. provision matrix) for calculating a lifetime ECL for its trade and other receivables, including unbilled receivables (contract assets). The provision matrix is based on the historical credit loss experience over the life of the trade receivables and is adjusted for forward-looking estimates. Forward looking estimates include macro-economic factors such as GDP (for receivables due from legal entities) and unemployment rates (for receivables due from individual customers). The provision matrix is reviewed on a quarterly basis.

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7 OTHER ASSETS AND LIABILITIES

Other assets consisted of the following items as of December 31:

	2018	2017
Other non-current assets		
Customer acquisition costs (see Note 3)	83	-
Non-current income tax advances (see Note 9)	32	28
Other financial assets	58	36
Advances to suppliers	11	15
Deferred costs related to connection fees	6	7
Indemnification assets	3	9
Total other non-current assets	**193**	**95**
Other current assets		
Advances to suppliers	146	147
Input value added tax	145	174
Current income tax assets (see Note 9)	112	230
Prepaid taxes	39	31
Deferred costs related to connection fees	8	12
Other assets	19	34
Total other current assets	**469**	**628**

Other liabilities consisted of the following items as of December 31:

	2018	2017
Other non-current liabilities		
Long-term deferred revenue (see Note 3)	10	12
Provision for pensions and other post-employment benefits	13	24
Other liabilities	14	17
Total other non-current liabilities	**37**	**53**
Other current liabilities		
Short-term deferred revenue (see Note 3)	151	146
Customer advances	200	228
Customer deposits	192	189
Current income tax payables (see Note 9)	32	48
Other taxes payable	346	420
Other payments to authorities	86	91
Due to employees	144	137
Other liabilities	82	122
Total other current liabilities	**1,233**	**1,381**

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8 PROVISIONS AND CONTINGENT LIABILITIES

PROVISIONS

The following table summarizes the movement in provisions for the years ended December 31:

	Income tax provisions	Non-income tax provisions	Decommi-ssioning provision	Legal provision	Other provisions	Total
Cost						
As of January 1, 2017	**241**	**96**	**98**	**91**	**17**	**543**
Arising during the year	57	28	5	3	11	**104**
Reclassified to assets held for sale	(1)	-	(4)	-	-	**(5)**
Utilized	(4)	(16)	(1)	(68)	(9)	**(98)**
Unused amounts reversed	(30)	(4)	(2)	(9)	(2)	**(47)**
Discount rate adjustment and imputed interest (change in estimate)	-	-	10	-	-	**10**
Translation adjustments and other	(5)	(6)	-	(1)	3	**(9)**
As of December 31, 2017	**258**	**98**	**106**	**16**	**20**	**498**
Current	-	-	106	-	1	**107**
Non-current	258	98	-	16	19	**391**
As of January 1, 2018	**258**	**98**	**106**	**16**	**20**	**498**
Arising during the year	11	11	4	5	9	**40**
Reclassified to assets held for sale	(1)	(1)	(4)	-	-	**(6)**
Utilized	(6)	(11)	(1)	(2)	(6)	**(26)**
Unused amounts reversed	-	-	(2)	(1)	(2)	**(5)**
Transfer and reclassification	(65)	65	-	-	-	**-**
Discount rate adjustment and imputed interest (change in estimate)	-	-	8	-	-	**8**
Translation adjustments and other	(33)	(14)	(18)	-	(1)	**(66)**
As of December 31, 2018	**164**	**148**	**93**	**18**	**20**	**443**
Non-current	-	-	93	-	-	**93**
Current	164	148	-	18	20	**350**

Significant legal proceedings are discussed below, or in Note 9 for tax-related proceedings.

The timing of payments in respect of provisions is, with some exceptions, not contractually fixed and cannot be estimated with certainty. In addition, with respect to legal proceedings, given inherent uncertainties, there can be no guarantee that the ultimate outcome will be in line with VEON's current expectations. See "Sources of estimation uncertainty" below for further details regarding assumptions and sources of uncertainty.

The Group has recognized a provision for decommissioning obligations associated with future dismantling of its towers in various jurisdictions.

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CONTINGENT LIABILITIES

The Group had contingent liabilities as of December 31, 2018 as set out below.

GTH - License Fees Tax Litigation

The Egyptian Tax Authority (**"ETA"**) conducted a review of GTH's tax filings for the years 2000-2004. Following the review, in May 2010, the Internal Committee of the ETA assessed additional tax liabilities in the amount of approximately Egyptian pound (**"EGP"**) 2 billion (US$113) against GTH for these years. The basis for the assessment was that, according to the ETA, GTH's investments in Algeria, Syria, Iraq, Tunisia and Sub-Saharan Africa during these years were actually license fees paid to foreign governments for which Egyptian withholding tax was due according to Egyptian tax laws.

On May 14, 2012, the Appellate Committee reduced the assessed amount to EGP 323 million (US$18).

GTH agreed to pay the assessed amount of EGP 323 million (US$18) in instalments on a without prejudice basis, which it has satisfied, and also appealed the Appellate Committee's decision to the North Cairo Court of First Instance. The ETA also challenged the Appellate Committee's decision and is seeking to reinstitute its original assessment of EGP 2 billion (US$113) plus late payment interest. The proceedings remain ongoing before the court.

On December 20, 2018 GTH submitted a settlement application to the Tax Settlement Committee to review this case.

Separately, on January 18, 2016, GTH, through its tax advisors, received a demand from the ETA claiming an amount of EGP 429 million (US$24) in late payment interest on the Appellate Committee's assessment of EGP 323 million (US$18). The demand threatened administrative seizure of GTH's assets in the event of non-payment. On February 17, 2016, GTH filed an appeal in the Administrative Court to challenge the demand and intends to vigorously defend itself.

GTH – Iraqi Profits and Dividends Tax Litigation

2005 Tax Year

In March 2011, the ETA conducted an audit of GTH's tax filings for the year 2005. Following its review, the ETA concluded that income derived by TICL from Iraqna **("OTIL-Iraqna Income")** for that year should be included in GTH's tax return and taxed at 20%, and accordingly claimed additional corporate income tax of EGP 235 million (US$13). GTH challenged the ETA's claim before the Internal Committee of the ETA arguing that the TICL-Iraqna Income should be fully exempt from Egyptian corporate income tax pursuant to the Iraq-Egypt double taxation treaty.

On December 20, 2018 GTH submitted a settlement application to the Tax Settlement Committee to review this case.

Separately, on January 18, 2016, GTH, through its tax advisors, received a demand from the ETA claiming an amount of EGP 235 million (US$13) assessed together with late payment interest of EGP 258 million (US$15). The demand threatened administrative seizure of GTH's assets in the event of non-payment. On February 17, 2016, GTH filed an appeal in the Administrative Court to challenge the demand and intends to vigorously defend itself. On February 24, 2016, GTH received an updated demand from the ETA claiming EGP 505 million (EGP 235 million principal plus EGP 270 million interest), which GTH objected to.

On December 28, 2017, GTH was notified that administrative seizure orders had been issued against various banks used by GTH in Egypt. On January 14, 2018, GTH registered a contestation of the enforcement which suspended the operability of the seizure orders until the matter can be heard by the court.

2007 Tax Year

In addition, during the audit conducted by the ETA in 2011 in respect of GTH's tax filings for the year 2007, the ETA concluded that GTH owed additional corporate income tax of EGP 282 million (US$16) in respect of dividends distributed by Iraqna to TICL in 2007. After GTH disputed the claim on the basis of the Iraq-Egypt double taxation treaty, the ETA referred the dispute to the Internal Committee, who upheld the ETA's position. GTH appealed the Internal

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Committee's decision to the Appeal Committee, which notified GTH of its decision to uphold the ETA's position on August 2, 2018.

On September 30, 2018, GTH appealed the Appellate Committee's decision to the Administrative Court where proceedings are ongoing.

On December 20, 2018 GTH submitted a settlement application to the Tax Settlement Committee to review this case.

VAT on Replacement SIMs

June 2009 to December 2011

On April 1, 2012, the National Board of Revenue (**"NBR"**) issued a demand to Banglalink for BDT 7.74 billion (US$94) for unpaid SIM tax (VAT and supplementary duty). The NBR alleged that Banglalink evaded SIM tax on new SIM cards by issuing them as replacements. On the basis of 5 random SIM card purchases made by the NBR, the NBR concluded that all SIM card replacements issued by Banglalink between June 2009 and December 2011 (7,021,834 in total) were new SIM connections and subject to tax. Similar notices were sent to three other operators in Bangladesh. Banglalink and the other operators filed separate petitions in the High Court, which stayed enforcement of the demands.

In an attempt to assist the NBR in resolving the dispute, the Government ordered the NBR to form a Review Committee comprised of the NBR, the Commissioner of Taxes (**"LTU"**), Bangladesh Telecommunication Regulatory Commission (**"BTRC"**), AMTOB and the operators (including Banglalink). The Review Committee identified a methodology to determine the amount of unpaid SIM tax and, after analyzing 1,200 randomly selected SIM cards issued Banglalink, determined that only 4.83% were incorrectly registered as replacements. The Review Committee's interim report was signed off by all the parties, however, the Convenor of the Review Committee reneged on the interim report and unilaterally published a final report that was not based on the interim report or the findings of the Review Committee. The operators objected to the final report.

The NBR Chairman and operators' representative agreed that the BTRC would prepare further guidelines for verification of SIM users. Although the BTRC submitted its guidelines (under which Bangalink's exposure was determined to be 8.5% of the original demand), the Convenor of the Review Committee submitted a supplementary report which disregarded the BTRC's guidelines and assessed Banglalink's liability for SIM tax to be BDT 7.62 billion (US$92). The operators refused to sign the supplementary report.

On May 18, 2015, Banglalink received an updated demand from the LTU claiming Banglalink had incorrectly issued 6,887,633 SIM cards as replacement SIM cards between June 2009 and December 2011 and required Banglalink to pay BDT 5.32 billion (US$64) in SIM tax. The demand also stated that interest may be payable. Similar demands were sent to the other operators.

On June 25, 2015, Banglalink filed an application to the High Court to stay the updated demand, and a stay was granted. On August 13, 2015, Banglalink filed its appeal against the demand before the Appellate Tribunal and deposited 10% of the amount demanded in order to proceed. The other operators also appealed their demands. On May 26, 2016, Banglalink presented its legal arguments and on September 28, 2016, the appeals of all the operators were heard together

The Bangladesh Appellate Tribunal rejected the appeal of Banglalink and all other operators on June 22, 2017. On July 11, 2017, Banglalink filed an appeal of the Appellate Tribunal's judgment with the High Court Division of the Supreme Court of Bangladesh.

July 2012 to June 2015

On November 20, 2017 the LTU issued a final demand to Banglalink for BDT 1.69 billion (US$20) for unpaid tax on SIM card replacements issued by Banglalink between July 2012 and June 2015. On February 20, 2018, Banglalink filed its appeal against this demand before the Appellate Tribunal and deposited 10% of the amount demanded in order to proceed.

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The operators continue to engage in discussions with the government in an attempt to resolve the dispute. As of December 31, 2017, the Company has recorded a provision of US$11 (2016: US$11).

Other contingencies and uncertainties

In addition to the individual matters mentioned above, the Company is involved in other disputes, litigation and regulatory inquiries and investigations, both pending and threatened, in the ordinary course of its business. The total value of all other individual contingencies above US$5 other than disclosed above amounts to US$68 (2017: US$107). The Company does not expect any liability arising from these contingencies to have a material effect on the results of operations, liquidity, capital resources or financial position of the Company. Furthermore, the Company believes it has provided for all probable liabilities arising in the ordinary course of its business.

For the ongoing matters described above, where the Company has concluded that the potential loss arising from a negative outcome in the matter cannot be estimated, the Company has not recorded an accrual for the potential loss. However, in the event a loss is incurred, it may have an adverse effect on the results of operations, liquidity, capital resources, or financial position of the Company.

ACCOUNTING POLICIES

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are discounted using a current pre-tax rate if the time value of money is significant.

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

SOURCE OF ESTIMATION UNCERTAINTY

The Group is involved in various legal proceedings, disputes and claims, including regulatory discussions related to the Group's business, licenses, tax positions and investments, and the outcomes of these are subject to significant uncertainty. Management evaluates, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Unanticipated events or changes in these factors may require the Group to increase or decrease the amount recorded for a matter that has not been previously recorded because it was not considered probable.

In the ordinary course of business, VEON may be party to various legal and tax proceedings, including as it relates to compliance with the rules of the telecom regulators in the countries in which VEON operates, competition law and anti-bribery and corruption laws, including the U.S. Foreign Corrupt Practices Act (**"FCPA"**). Non-compliance with such rules and laws may cause VEON to be subject to claims, some of which may relate to the developing markets and evolving fiscal and regulatory environments in which VEON operates. In the opinion of management, VEON's liability, if any, in all pending litigation, other legal proceeding or other matters, other than what is discussed in this Note, will not have a material effect upon the financial condition, results of operations or liquidity of VEON.

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9 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 in respect of previous years.

Income tax expense consisted of the following for the years ended December 31:

	2018	2017
Current income taxes		
Current year	481	403
Adjustments in respect of previous years	9	(28)
Total current income taxes	**490**	**375**
Deferred income taxes		
Origination / (reversal) of temporary differences	(134)	(13)
Changes in tax rates	6	10
Current year tax losses unrecognized	-	-
Recognition / utilization of previously unrecognized tax losses or tax credits	(16)	-
Write off deferred tax assets	-	20
Adjustments in respect of previous years	28	86
Total deferred tax expense	**(116)**	**103**
Income tax expense	**374**	**478**

EFFECTIVE TAX RATE

The table below outlines the reconciliation between the statutory tax rate in the Netherlands (25%) and the effective income tax rates for the Group, together with the corresponding amounts, for the years ended December 31:

	2018	2017
Profit / (loss) before tax from continuing operations	91	487
Income tax benefit / (expense) at statutory tax rate (25.0%)	**(23)**	**(122)**
Difference due to the effects of:		
Different tax rates in different jurisdictions	88	97
Non-deductible expenses	(117)	(111)
Non-taxable income	45	16
Adjustments in respect of previous years	(40)	(52)
Movement in (un)recognized deferred tax assets	(267)	(124)
Withholding taxes	41	(127)
Tax claims	(17)	(27)
Change in income tax rate	(6)	(10)
Minimum taxes and other	(78)	(18)
Income tax benefit / (expense)	**(374)**	**(478)**
Effective tax rate	**410.9%**	**98.2%**

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EXPLANATORY NOTES TO THE EFFECTIVE TAX RATE

Reason	Explanation
Different tax rates in different jurisdictions	Certain jurisdictions in which VEON operates have income tax rates which are different to the Dutch statutory tax rate of 25%. Profitability in countries with higher tax rates (including Pakistan, Uzbekistan and Bangladesh) has a negative impact on the effective tax rate.
Non-deductible expenses	Impairment losses on property and equipment, intangible assets and goodwill are generally treated as non-deductible expenses for tax purposes, except where the impairment loss results in a change to a temporary difference. In 2018, impairment losses described in Note 11 had a negative impact on the effective tax rate, except for Bangladesh, where existing deferred tax liabilities on these assets had the effect of offsetting this impact.
Non-taxable income	The Group earns non-taxable income primarily in its holding companies, relating to gains on sale of subsidiaries, unrealized foreign exchange gains and certain income classified as non-taxable in accordance with the Final Tax Regime in Pakistan.
Adjustments in respect of previous years	The tax legislation in the markets in which VEON operates is unpredictable and gives rise to significant uncertainties (see 'Sources of estimation uncertainty' below). The effect of prior year adjustments mainly related to updated tax positions in these countries.
Movement in (un)recognized deferred tax assets	Movements in recognized deferred tax assets are primarily caused by tax losses for which no deferred tax asset has been recognized. This generally occurs in holding entities in the Netherlands (2018: $147, 2017: $112, 2016: $247) and in GTH (2018: $213, 2017: $49, 2016: $21).
Withholding taxes	Withholding taxes are recognized to the extent that dividends from foreign operations are expected to be paid in the foreseeable future. In 2018, the cancellation of dividends in Pakistan resulted in a reversal of withholding tax liabilities equal to US$45. In previous years, expenses relating to withholding taxes were primarily influence by dividends expected from Russia, Algeria and Pakistan.
Tax claims	Tax claims relate primarily to increases in uncertain tax positions in GTH.
Change in income tax rate	Changes in tax rates impact the valuation of existing temporary differences. The nominal tax rates in decreased Uzbekistan in 2018 and 2017, and also decreased in Pakistan in 2018 and 2016. Minimum taxes and other relate primarily to the recording of alternative minimum taxes in Pakistan.
Minimum taxes and other	Minimum taxes and other relate primarily to the recording of alternative minimum and local taxes in Pakistan.

DEFERRED TAXES

The Group reported the following deferred tax assets and liabilities in the statement of financial position as of December 31:

	2018	2017
Deferred tax assets	197	336
Deferred tax liabilities	(180)	(376)
Net deferred tax position	**17**	**(40)**

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The following table shows the movements of the deferred tax assets and liabilities in 2018:

		Movement in deferred taxes				
	Opening balance	**Net income statement movement**	**Changes in composition of the group**	**Other comprehensive & other**	**Currency translation**	**Closing balance**
Property and equipment	(443)	126	-	(3)	45	(275)
Intangible assets	(165)	94	-	(2)	13	(60)
Trade receivables	36	(6)	-	3	(1)	32
Provisions	33	2	-	(5)	-	30
Accounts payable	133	7	-	(11)	(16)	113
Withholding tax on distributed earnings	(116)	70	-	(3)	(1)	(50)
Tax losses and other balances carried forwards	2,021	(191)	-	(2)	(51)	1,777
Non-recognized deferred tax assets	(1,567)	-	-	8	-	(1,559)
Other	28	14	-	(33)	-	9
Net deferred tax positions	**(40)**	**116**	**-**	**(48)**	**(11)**	**17**

The following table shows the movements of the deferred tax assets and liabilities in 2017:

		Movement in deferred taxes				
	Opening balance	**Net income statement movement**	**Changes in composition of the group**	**Other comprehensive & other**	**Currency translation**	**Closing balance**
Property and equipment	(420)	(6)	-	(13)	(4)	(443)
Intangible assets	(166)	-	-	(4)	5	(165)
Trade receivables	30	19	-	(4)	(9)	36
Provisions	29	3	-	(3)	4	33
Accounts payable	94	38	-	28	(27)	133
Withholding tax on distributed earnings	(73)	(43)	-	1	(1)	(116)
Tax losses and other balances carried forwards	1,857	(47)	-	261	(50)	2,021
Non-recognized deferred tax assets	(1,436)	-	-	(131)	-	(1,567)
Other	97	(67)	-	(35)	33	28
Net deferred tax positions	**12**	**(103)**	**-**	**100**	**(49)**	**(40)**

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Unused tax losses and other credits carried forwards

VEON recognizes a deferred tax asset for unused tax losses and other credits carried forwards, to the extent that it is probable that the deferred tax asset will be utilized. The amount and expiry date of unused tax losses and other carry forwards for which no deferred tax asset is recognized are as follows:

As of December 31, 2018	0-5 years	6-10 years	More than 10 years	Indefinite	Total
Tax losses expiry					
Recognized losses	(83)	-	-	(425)	**(508)**
Recognized DTA	17	-	-	146	**163**
Non-recognized losses	(968)	(487)	-	(6,347)	**(7,802)**
Non-recognized DTA	197	102	-	1,260	**1,559**
Other credits carried forwards expiry					
Recognized credits	(55)	-	-	-	(55)
Recognized DTA	55	-	-	-	55
Non-recognized credits	-	-	-	-	-
Non-recognized DTA	-	-	-	-	-

As of December 31, 2017	0-5 years	6-10 years	More than 10 years	Indefinite	Total
Tax losses expiry					
Recognized losses	(347)	(12)	-	(833)	**(1,192)**
Recognized DTA	85	3	-	234	**322**
Non-recognized losses	(217)	(1,163)	-	(6,396)	**(7,777)**
Non-recognized DTA	45	291	-	1,232	**1,567**
Other credits carried forwards expiry					
Recognized credits	(68)	-	-	-	**(68)**
Recognized DTA	68	-	-	-	**68**
Non-recognized credits	-	-	-	-	**-**
Non-recognized DTA	-	-	-	-	**-**

Losses mainly relate to our holding entities in Luxembourg (2018: US$6,135; 2017: US$6,531) and the Netherlands (2018: US$828; 2017: US$704).

VEON reports the tax effect of the existence of undistributed profits that will be distributed in the foreseeable future. The Company has a deferred tax liability of US$50 (2017: US$116), relating to the tax effect of the undistributed profits that will be distributed in the foreseeable future, primarily in its Russian, Algerian and Pakistan operations.

As of December 31, 2018, undistributed earnings of VEON's foreign subsidiaries (outside the Netherlands) which are indefinitely invested and will not be distributed in the foreseeable future, amounted to US$6,330 (2017: US$6,833). Accordingly, no deferred tax liability is recognized for this amount of undistributed profits.

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TAXES RECORDED OUTSIDE THE INCOME STATEMENT

In 2018, the amount of current and deferred taxes reported outside of the income statement amounts to US$(69) comprising of US$(22) current tax charge and US$(47) deferred tax charge.

INCOME TAX ASSETS

The Company reported both current and non-current income tax assets, totaling US$144 (2017: US$258), see Note 7. These tax assets mainly relate to advance tax payments in Pakistan, Bangladesh and Ukraine which can only be offset against income tax liabilities in fiscal periods subsequent to balance sheet date.

ACCOUNTING POLICIES

Income taxes

Income tax expense represents the aggregate amount determined on the profit for the period based on current tax and deferred tax.

In cases where the tax relates to items that are charged to other comprehensive income or directly to equity, the tax is also charged respectively to other comprehensive income or directly to equity.

Uncertain tax positions

The Group's policy is to comply with the applicable tax regulations in the jurisdictions in which its operations are subject to income taxes. The Group's estimates of current income tax expense and liabilities are calculated assuming that all tax computations filed by the Company's subsidiaries will be subject to a review or audit by the relevant tax authorities. The Company and the relevant tax authorities may have different interpretations of how regulations should be applied to actual transactions (refer below for details regarding risks and uncertainties).

Deferred taxation

Deferred taxes are recognized using the liability method and thus are computed as the taxes recoverable or payable in future periods in respect of deductible or taxable temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Company's financial statements.

SOURCE OF ESTIMATION UNCERTAINTY

Tax risks

The tax legislation in the markets in which VEON operates is unpredictable and gives rise to significant uncertainties, which could complicate our tax planning and business decisions. Tax laws in many of the emerging markets in which we operate have been in force for a relatively short period of time as compared to tax laws in more developed market economies. Tax authorities in our markets are often somewhat less advanced in their interpretation of tax laws, as well as in their enforcement and tax collection methods.

Any sudden and unforeseen amendments of tax laws or changes in the tax authorities' interpretations of the respective tax laws and/or double tax treaties, could have a material adverse effect on our future results of operations, cash flows or the amounts of dividends available for distribution to shareholders in a particular period (e.g. introduction of transfer pricing rules, Controlled Foreign Operation (**"CFC"**) legislation and more strict tax residency rules).

Management believes that VEON has paid or accrued all taxes that are applicable. Where uncertainty exists, VEON has accrued tax liabilities based on management's best estimate. From time to time, we may also identify tax contingencies for which we have not recorded an accrual. Such unaccrued tax contingencies could materialize and require us to pay additional amounts of tax.

Recoverability of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that the assets will be realized. Significant judgment is required to determine the amount that can be recognized and depends foremost on the expected timing, level of

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taxable profits, tax planning strategies and the existence of taxable temporary differences. Estimates made relate primarily to losses carried forward in some of the Group's foreign operations. When an entity has a history of recent losses, the deferred tax asset arising from unused tax losses is recognized only to the extent that there is convincing evidence that sufficient future taxable profit will be generated. Estimated future taxable profit is not considered such evidence unless that entity has demonstrated the ability by generating significant taxable profit for the current year or there are certain other events providing sufficient evidence of future taxable profit. New transactions and the introduction of new tax rules may also affect judgments due to uncertainty concerning the interpretation of the rules and any transitional rules.

Uncertain tax positions

Uncertain tax positions are recognized when it is probable that a tax position will not be sustained, and the amount can be reliably measured. The expected resolution of uncertain tax positions is based upon management's judgment of the likelihood of sustaining a position taken through tax audits, tax courts and/or arbitration, if necessary. Circumstances and interpretations of the amount or likelihood of sustaining a position may change through the settlement process. Furthermore, the resolution of uncertain tax positions is not always within the control of the Group and it is often dependent on the efficiency of the legal processes in the relevant taxing jurisdictions in which the Group operates. Issues can, and often do, take many years to resolve.

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INVESTING ACTIVITIES OF THE GROUP

10 SIGNIFICANT TRANSACTIONS

Sale of Italy Joint Venture

On July 3, 2018, VEON entered into an agreement with CK Hutchison Holdings Ltd for the sale of its 50% stake in the Italy Joint Venture. The Italy Joint Venture included VIP-CKH Luxembourg S.à r.l and its subsidiaries, which hold the combined businesses of Wind and 3 Italia, and the financing company VIP-CKH Ireland Limited.

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 years:

Discontinued operations	2018	2017
Share of profit / (loss) of Italy Joint Venture	(300)	(390)
Share of other comprehensive income / (loss) of Italy Joint Venture	(18)	(12)

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 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:

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	Balance sheet as reported	Retrospective depreciation recorded in 2017	Reclassification	Adjusted balance sheet
Assets				
Property and equipment	6,086	(37)	177	6,226
Goodwill	4,394	-	224	4,618
Deferred tax assets	272	-	64	336
Other non-current assets	93	-	2	95
Other current assets	2,439	-	44	2,483
Assets classified as held for sale	533	-	(511)	22
Equity				
Equity attributable to equity owners of the parent	4,530	(21)	-	4,509
Equity of non-controlling interest	(425)	(16)	-	(441)
Liabilities				
Non-current liabilities	10,568	-	7	10,575
Current liabilities	4,717	-	28	4,745
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 completed on February 22, 2018 and was accounted for as an asset acquisition, primarily the acquisition of contract-based intangible assets (see Note 13) 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.

ACCOUNTING POLICIES

Transactions with non-controlling interests that do not result in loss of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction or loss of control rather than through continuing use, and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Assets and liabilities of a disposal group classified as held for sale are presented separately from the other assets and liabilities in the statement of financial position.

A discontinued operation is a component that is classified as held for sale and that represents a separate major line of business or geographical area of operations. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount in the income statement. All other Notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

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11 IMPAIRMENT OF ASSETS

Property and equipment and intangible assets are tested regularly for impairment. The Company assesses, at the end of each reporting period, whether there exist any indicators that an asset may be impaired (i.e. asset becoming idle, damaged or no longer in use). If there are such indicators, the Company estimates the recoverable amount of the asset. Impairment losses of continuing operations are recognized in the income statement in a separate line item.

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 (Level 3 in the fair value hierarchy) 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.

Impairment losses in 2018

In 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 as of September 30, 2018.

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
Other	37	1	-	38
	335	**260**	**224**	**819**

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.

Additionally, in regard with the Company's commitment to network modernization, the Company continuously reevaluates the plans for its existing network, including equipment purchased but not installed and intangible assets, and consequently recorded an impairment loss of US$38.

Impairment losses in 2017

During the 2017 annual impairment test, the Company recognized impairment losses in respect of the subsidiaries in Armenia and Kyrgyzstan in amounts of US$34 and US$17, respectively, allocated to the existing carrying value of goodwill. The impairments were concluded largely due to lower cash flow outlook in those countries.

2017	Property and equipment	Goodwill	Total impairment
Armenia	-	34	34
Kyrgyzstan	-	17	17
Other	15	-	15
	15	**51**	**66**

Additionally, in connection with the rollout of the Company's transformation strategy and commitment to network modernization, the Company continuously re-evaluates the plans for its existing network, including equipment purchased but not installed, and consequently recorded an impairment loss of US$15.

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Impairment losses in 2016

During the 2016 annual impairment test, the Company concluded impairments for the CGUs Georgia and Kyrgyzstan in amounts of US$29 and US$49, respectively. The impairments were concluded largely due to lower operating performances in those countries. The recoverable amounts of US$53 and US$219, respectively, were determined based on a fair value less costs of disposal calculation using the latest cash flow projections (Level 3 fair value). The Company applied a post-tax discount of 10.3% and 14.5%, respectively.

For the Georgia CGU, the carrying amount of goodwill was already nil prior to the impairment test. As such, the total amount of the impairment loss was allocated to the carrying amounts of property and equipment and intangible assets based on relative carrying value before the impairment.

2016	Property and equipment	Intangible assets	Goodwill	Other assets*	Total impairment
Georgia	16	13	-	-	29
Kyrgyzstan	-	-	49	-	49
Tajikistan	54	1	21	12	88
Other	30	-	8	-	38
	100	**14**	**78**	**12**	**204**

** Other assets include trade and other receivables and deferred tax assets. Impairment of these assets has been recognized on the income statement accounts relating to these assets, i.e. Selling, general and administrative expenses and Income tax expense.*

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KEY ASSUMPTIONS

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.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGUs. These budgets and forecast calculations are prepared for a period of five years. A long-term growth rate is applied to project future cash flows after the fifth year.

The table below shows key assumptions used in fair value less costs of disposal calculations.

	Discount rate (local currency)		Average annual revenue growth rate during forecast period		Terminal growth rate	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Russia	10.3%	10.6%	1.1%	1.9%	1.3%	1.0%
Ukraine	16.3%	17.1%	4.4%	3.9%	4.0%	2.0%
Algeria	11.1%	10.7%	0.7%	1.0%	0.9%	3.0%
Pakistan	14.4%	15.0%	3.5%	5.0%	4.0%	4.0%
Bangladesh	12.2%	12.7%	0.6%	5.0%	4.0%	4.6%
Kazakhstan	8.4%	10.8%	2.8%	3.2%	1.1%	2.4%
Kyrgyzstan	14.8%	15.5%	2.8%	(1.5)%	5.0%	3.5%
Uzbekistan	13.1%	15.3%	5.5%	6.9%	6.3%	6.5%
Armenia	12.5%	13.0%	0.2%	(1.0)%	0.8%	3.0%
Georgia	10.6%	11.0%	2.1%	5.6%	3.0%	1.0%

	Average operating margin		Average CAPEX as a percentage of revenue	
	2018	**2017**	**2018**	**2017**
Russia	34.6%	36.4%	19.8%	15.7%
Ukraine	54.0%	49.9%	16.3%	15.6%
Algeria	44.0%	46.2%	15.1%	14.8%
Pakistan	47.9%	43.6%	16.7%	15.3%
Bangladesh	35.4%	38.7%	14.9%	14.3%
Kazakhstan	46.5%	44.5%	17.7%	17.9%
Kyrgyzstan	39.9%	42.0%	17.2%	16.4%
Uzbekistan	43.9%	42.9%	16.2%	14.1%
Armenia	23.6%	29.7%	21.0%	19.6%
Georgia	24.5%	25.2%	23.8%	23.3%

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Assumption	Description
Discount rate	Discount rates are initially determined in US$ based on the risk-free rate for 20-year maturity bonds of the United States Treasury, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific CGU relative to the market as a whole. The equity market risk premium used was 5.4% (2017: 6.0%). The systematic risk, beta, represents the median of the raw betas of the entities comparable in size and geographic footprint with the ones of the Company (**"Peer Group"**). The debt risk premium is based on the median of Standard & Poor's long-term credit rating of the Peer Group. The weighted average cost of capital is determined based on target debt-to-equity ratios representing the median historical five-year capital structure for each entity from the Peer Group. The discount rate in functional currency of a CGU is adjusted for the long-term inflation forecast of the respective country in which the business operates, as well as the applicable country risk premium.
Projected revenue growth rates	The revenue growth rates vary based on numerous factors, including size of market, GDP (Gross Domestic Product), foreign currency projections, traffic growth, market share and others.
Projected average operating margin	The Company estimates operating margin based on Adjusted EBITDA divided by Total Operating Revenue for each CGU and each future year. The forecasted operating margin is based on the budget of the following year and assumes cost optimization initiatives which are part of on-going operations, as well as regulatory and technological changes known to date, such as telecommunication license issues and price regulation among others.
Average capital expenditure as a percentage of revenue	Capital expenditure (**"CAPEX"**) is defined as purchases of property and equipment and intangible assets other than goodwill. The cash flow forecasts for capital expenditure are based on past experience and amounts budgeted for the following year(s) and include the network roll-outs plans and license requirements.
Projected license and spectrum payments	The cash flow forecasts for license and spectrum payments for each operating company for the initial five years include amounts for expected renewals and newly available spectrum. Beyond that period, a long-run cost of spectrum is assumed.
Long-term growth rate	A long-term growth rate into perpetuity is estimated based on a percentage that is lower than or equal to the country long-term inflation forecast, depending on the CGU.

SOURCE OF ESTIMATION UNCERTAINTY

The Group has significant investments in property and equipment, intangible assets, goodwill and other investments.

Estimating recoverable amounts of assets and CGUs must, in part, be based on management's evaluations, including the determination of the appropriate CGUs, the relevant discount rate, estimation of future performance, the revenue-generating capacity of assets, timing and amount of future purchases of property and equipment, assumptions of future market conditions and the long-term growth rate into perpetuity (terminal value). In doing this, management needs to assume a market participant perspective. Changing the assumptions selected by management, in particular, the discount rate and growth rate assumptions used to estimate the recoverable amounts of assets, could significantly impact the Group's impairment evaluation and hence results.

A significant part of the Group's operations is in countries with emerging markets. The political and economic situation in these countries may change rapidly and recession may potentially have a significant impact on these countries. On-going recessionary effects in the world economy and increased macroeconomic risks impact our assessment of cash flow forecasts and the discount rates applied.

There are significant variations between different markets with respect to growth, mobile penetration, average revenue per user (**"ARPU"**), market share and similar parameters, resulting in differences in operating margins. The future development of operating margins is important in the Group's impairment assessments, and the long-term estimates of these margins are highly uncertain. This is particularly the case for emerging markets that are not yet in a mature phase.

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12 Property and equipment

The following table summarizes the movement in the net book value of property and equipment for the years ended December 31:

Net book value	Telecomm-unications equipment	Land, buildings and constructions	Office and other equipment	Equipment not installed and assets under construction	Total
As of January 1, 2017	**5,163**	**241**	**454**	**855**	**6,713**
Additions	36	10	26	1,194	**1,266**
Disposals	(36)	-	(6)	(6)	**(48)**
Depreciation charge for the year	(1,305)	(31)	(152)	-	**(1,488)**
Impairment	(4)	-	-	(10)	**(14)**
Transfers	1,440	16	147	(1,603)	**-**
Reclassified to assets held for sale	(13)	(1)	(2)	(1)	**(17)**
Translation adjustment	(155)	-	3	(34)	**(186)**
As of December 31, 2017	**5,126**	**235**	**470**	**395**	**6,226**
Additions	51	7	14	1,169	**1,241**
Disposals	(51)	(2)	(10)	(5)	**(68)**
Depreciation charge for the year	(1,162)	(30)	(144)	-	**(1,336)**
Impairment	(282)	(8)	(8)	(37)	**(335)**
Transfers	979	23	136	(1,138)	**-**
Reclassified to assets held for sale	(16)	(1)	-	-	**(17)**
Translation adjustment	(641)	(25)	(64)	(56)	**(786)**
As of December 31, 2018	**4,004**	**199**	**394**	**328**	**4,925**
Cost	*10,596*	*425*	*1,260*	*457*	***12,738***
Accumulated depreciation and impairment	*(6,592)*	*(226)*	*(866)*	*(129)*	***(7,813)***

There were no material changes in estimates related to property and equipment in 2018 other than the impairment described in Note 11 of US$335 (2017: US$15).

During 2018, VEON acquired property and equipment in the amount of US$345 (2017: US$441), which were not paid for as of year-end.

Property and equipment pledged as security for bank borrowings amounts to US$750 as of December 31, 2018 (2017: US$875), and primarily relate to securities for borrowings of PMCL (refer to Note 16 for details regarding amounts borrowed).

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COMMITMENTS

Capital commitments for the future purchase of equipment are as follows as of December 31:

	2018	2017
Less than 1 year	433	555
Between 1 and 5 years	4	262
Total commitments	**437**	**817**

Telecom license capital commitments

VEON's ability to generate revenue in the countries it operates is dependent upon the operation of the wireless telecommunications networks authorized under its various licenses under GSM-900/1800 and "3G" (UMTS / WCDMA) mobile radiotelephony communications services and "4G" (LTE).

Under the license agreements, operating companies are subject to certain commitments, such as territory or population coverage, level of capital expenditures, and number of base stations to be fulfilled within a certain timeframe. If we are found to be involved in practices that do not comply with applicable laws or regulations, we may be exposed to significant fines, the risk of prosecution or the suspension or loss of our licenses, frequency allocations, authorizations or various permissions, any of which could harm our business, financial condition, results of operations, or cash flows.

After expiration of the license, our operating companies might be subject to additional payments for renewals, as well as new license capital and other commitments.

In July 2012, PJSC VimpelCom was awarded a mobile license, a data transmission license, a voice transmission license and a telematic license for the provision of LTE services in Russia. The roll-out of the LTE network will occur through a phased approach based on a pre-defined schedule pursuant to the requirements of the license. The LTE services were launched in the middle of 2013 and offered in six regions in Russia by the end of the year. The services must be extended to a specific number of additional regions each year through to December 1, 2019 by when services must cover all of Russia. PJSC VimpelCom is required to comply with the following conditions among others under the terms of the license: (i) invest at least RUB 15 billion (US$260) in each calendar year, for which the Company continues to comply with to date in the construction of its federal LTE network until the network is completed, which must occur before December 1, 2019; (ii) provide certain data transmission services in all secondary and higher educational institutions in specified areas with population over 50 thousand; and (iii) provide interconnection capability to telecommunications operators that provide mobile services using virtual networks in any five regions in Russia not later than July 25, 2016. The latter requirement was fulfilled by PJSC VimpelCom within the required time.

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ACCOUNTING POLICIES

Property and equipment is stated at cost, net of any accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Class of property and equipment	Useful life
Telecommunication equipment	3 – 20 years
Buildings and constructions	10 – 50 years
Office and other equipment	3 – 10 years

Each asset's residual value, useful life and method of depreciation is reviewed at the end of each financial year and adjusted prospectively, if necessary.

SOURCE OF ESTIMATION UNCERTAINTY

Depreciation and amortization of non-current assets

Depreciation and amortization expenses are based on management estimates of useful life, residual value and amortization method of property and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the amortization or depreciation charges. Technological developments are difficult to predict and our views on the trends and pace of development may change over time. Some of the assets and technologies, in which the Group invested several years ago, are still in use and provide the basis for new technologies.

The useful lives of property and equipment and intangible assets are reviewed at least annually, taking into consideration the factors mentioned above and all other relevant factors. Estimated useful lives for similar types of assets may vary between different entities in the Group due to local factors such as growth rate, maturity of the market, historical and expected replacements or transfer of assets and quality of components used.

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13 INTANGIBLE ASSETS

The following table summarizes the movement in the net book value of intangible assets for the years ended December 31:

Net book value	Telecommunication licenses, frequencies & permissions	Software	Brands and trademarks	Customer relationships	Other intangible assets	Total
As of January 1, 2017	**1,128**	**348**	**359**	**337**	**53**	**2,225**
Additions	332	157	-	-	8	**497**
Disposals	(1)	(2)	-	-	(1)	**(4)**
Amortization charge for the year	(160)	(198)	(83)	(75)	(12)	**(528)**
Transfer	-	5	-	-	(5)	**-**
Translation adjustment	(42)	(2)	(14)	(7)	-	**(65)**
As of December 31, 2017	**1,257**	**308**	**262**	**255**	**43**	**2,125**
Additions	526	156	-	-	18	**700**
Disposals	(6)	(1)	-	-	-	**(7)**
Amortization charge for the year	(176)	(167)	(74)	(54)	(12)	**(483)**
Impairment	(247)	(11)	-	-	(2)	**(260)**
Transfer	-	4	-	-	(4)	**-**
Translation adjustment	(158)	(35)	(11)	(26)	(4)	**(234)**
As of December 31, 2018	**1,196**	**254**	**177**	**175**	**39**	**1,841**
Cost	*2,340*	*903*	*507*	*1,663*	*205*	***5,618***
Accumulated amortization and impairment	*(1,144)*	*(649)*	*(330)*	*(1,488)*	*(166)*	***(3,777)***

During 2018, there were no material change in estimates related to intangible assets 2018 other than the impairment described in Note 11 of US$260 (2017: nil, 2016: US$14).

During 2018, VEON acquired intangible assets in the amount of US$100 (2017: US$92), which were not yet paid for as of year-end.

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. All approvals and licenses were obtained, and company successfully launched 4G throughout Ukraine on 08.04.2018 at 2600 MHZ and on 01.07.2018 at 1800 Mhz.

Kyivstar has fulfilled all its current license obligations for 2600 MHz and 1800 MHz licenses required, some license obligations will arise in the future and will be fulfilled on ongoing basis. 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).

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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.

COMMITMENTS

Capital commitments for the future purchase of intangible assets are as follows as of December 31:

	2018	2017
Less than 1 year	23	40
Between 1 and 5 years	-	4
Total commitments	**23**	**44**

ACCOUNTING POLICIES

Intangible assets acquired separately are measured initially at cost and are subsequently measured at cost less accumulated amortization and impairment losses.

Intangible assets with a finite useful life are generally amortized with the straight-line method over the estimated useful life of the intangible asset. The amortization period and the amortization method for intangible assets with finite useful lives are reviewed at least annually.

SOURCE OF ESTIMATION UNCERTAINTY

Depreciation and amortization of non-current assets

Refer also to Note 12 for further details regarding source of estimation uncertainty.

Significant estimates in the evaluation of useful lives for intangible assets include, but are not limited to, the estimated average customer relationship based on churn, the remaining license or concession period and the expected developments in technology and markets.

The actual economic lives of intangible assets may be different than estimated useful lives, thereby resulting in a different carrying value of intangible assets with finite lives. We continue to evaluate the amortization period for intangible assets with finite lives to determine whether events or circumstances warrant revised amortization periods. A change in estimated useful lives is a change in accounting estimate, and depreciation and amortization charges are adjusted prospectively.

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14 GOODWILL

The movement in goodwill for the Group, per cash generating unit (**"CGU"**), consisted of the following as of December 31, 2018:

CGU	December 31, 2018	Impairment	Currency translation	December 31, 2017
Russia	2,018	-	(416)	2,434
Algeria	1,176	(125)	(39)	1,340
Pakistan	371	-	(97)	468
Kazakhstan	153	-	(24)	177
Kyrgyzstan	54	(74)	-	128
Uzbekistan	44	-	(2)	46
Armenia	-	(25)	-	25
Total	**3,816**	**(224)**	**(578)**	**4,618**

CGU	December 31, 2017	Impairment	Translation adjustment	December 31, 2016
Russia	2,434	-	122	2,312
Algeria	1,340	-	(53)	1,393
Pakistan	468	-	(29)	497
Kazakhstan	177	-	1	176
Kyrgyzstan	128	(17)	-	145
Uzbekistan	46	-	(68)	114
Armenia	25	(34)	-	59
Total	**4,618**	**(51)**	**(27)**	**4,696**

ACCOUNTING POLICIES

Goodwill is recognized for the future economic benefits arising from net assets acquired that are not individually identified and separately recognized. Goodwill is not amortized but is tested for impairment annually and as necessary when circumstances indicate that the carrying value may be impaired.

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15 INVESTMENTS IN SUBSIDIARIES

The Company held investments in the material subsidiaries for the years ended December 31 as detailed in the table below. The equity interest presented represents the economic rights available to the Company.

			Equity interest held by the Group	
Name of significant subsidiary	**Country of incorporation**	**Nature of subsidiary**	**2018**	**2017**
PJSC VimpelCom	Russia	Operating	100%	100%
JSC "Kyivstar"	Ukraine	Operating	100%	100%
LLP "KaR-Tel"	Kazakhstan	Operating	75.0%	75.0%
LLC "Unitel"	Uzbekistan	Operating	100%	100%
LLC "VEON Georgia"	Georgia	Operating	80.0%	80.0%
CJSC "VEON Armenia"	Armenia	Operating	100%	100%
LLC "Sky Mobile"	Kyrgyzstan	Operating	50.1%	50.1%
VEON Luxembourg Holdings S.à r.l.	Luxembourg	Holding	100%	100%
VEON Luxembourg Finance Holdings S.à r.l.	Luxembourg	Holding	100%	100%
VEON Luxembourg Finance S.A.	Luxembourg	Holding	100%	100%
Global Telecom Holding S.A.E	Egypt	Holding	57.7%	57.7%
Omnium Telecom Algérie S.p.A.*	Algeria	Holding	26.3%	26.3%
Optimum Telecom Algeria S.p.A.*	Algeria	Operating	26.3%	26.3%
Pakistan Mobile Communications Limited	Pakistan	Operating	49.0%	49.0%
Banglalink Digital Communications Limited	Bangladesh	Operating	57.7%	57.7%
LLC "Tacom" **	Tajikistan	Operating	-	98.0%
VimpelCom Lao Co. Ltd. **	Lao PDR	Operating	-	78.0%

** The Group has concluded that it controls Omnium Telecom Algérie S.p.A and Optimum Telecom Algeria S.p.A even though its subsidiary, Global Telecom Holding S.A.E. owns less than 50% of the ordinary shares. This is because the Company can exercise operational control through terms of a shareholders' agreement.*

*** During 2018, the Group sold its operations in Tajikistan and Laos, see below in this Note for further details.*

Pursuant to local laws and regulations and covenants in agreements relating to indebtedness, subsidiaries may be restricted from declaring or paying dividends to VEON.

The company holds and controls its investments in Omnium Telecom Algérie S.p.A., Optimum Telecom Algeria S.p.A, Pakistan Mobile Communications Limited, Warid Telecom Limited and Banglalink Digital Communications Limited (**"Banglalink"**) through its subsidiary GTH, in which it holds a 57.7% interest as of balance sheet date.

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GAIN ON SALE OF SUBSIDIARIES

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.

Other gains

In December 2018, the Group completed the liquidation of Ring Distribution Company S.A.E., one of its subsidiaries in Egypt, which resulted in a gain of US$10.

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MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests (**"NCIs"**) is provided below:

	Equity interest held by NCIs		Book values of material NCIs		Profit / (loss) attributable to material NCIs	
Name of significant subsidiary	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
LLP "KaR-Tel" (**"Kar-Tel"**)	25.0%	25.0%	228	252	19	8
LLC "Sky Mobile" (**"Sky Mobile"**)	49.8%	49.8%	133	167	(32)	3
Global Telecom Holding S.A.E (**"GTH"**)	42.3%	42.3%	(1,190)	(793)	(217)	(40)
Omnium Telecom Algérie S.p.A. (**"OTA"**)	73.7%	73.7%	1,091	1,235	1	100

The summarized financial information of these subsidiaries before intercompany eliminations for the years ended December 31 are detailed below. Note that the amount of non-controlling interests presented for OTA of 73.7% represents the non-controlling interests in Algeria of 54.4% and the non-controlling interests in GTH, the intermediate parent company in Egypt, of 42.3%.

Summarized income statement

	Kar-Tel		Sky Mobile		GTH		OTA	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Operating revenue	410	348	81	108	2,828	3,015	813	915
Operating expenses	(319)	(296)	(144)	(97)	(2,810)	(2,421)	(754)	(703)
Other (expenses) / income	6	(7)	-	(2)	(377)	(450)	(11)	(27)
Profit / (loss) before tax	**97**	**45**	**(63)**	**9**	**(359)**	**144**	**48**	**185**
Income tax expense	(20)	(13)	(1)	(4)	(124)	(375)	(47)	(49)
Profit / (loss) for the year	**77**	**32**	**(64)**	**5**	**(483)**	**(231)**	**1**	**136**
Total comprehensive income / (loss)	**77**	**32**	**(64)**	**5**	**(483)**	**(231)**	**1**	**136**
Attributed to NCIs	19	8	(32)	3	(204)	(56)	1	100
Dividends paid to NCIs	**-**	**-**	**-**	**-**	**80**	**116**	**76**	**82**

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Summarized statement of financial position

	Kar-Tel		Sky Mobile		GTH		OTA	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Property and equipment	192	184	76	79	1,652	2,166	498	517
Intangible assets	69	92	10	12	1,042	1,324	214	291
Other non-current assets	177	204	55	131	1,766	2,094	1,178	1,361
Trade and other receivables	13	22	3	6	263	260	48	31
Cash and cash equivalents	29	14	43	32	420	385	53	125
Other current assets	15	74	12	12	317	363	88	66
Financial liabilities	-	-	-	-	(2,938)	(3,072)	(63)	(128)
Provisions	(4)	(5)	(2)	(4)	(312)	(348)	(25)	(31)
Other liabilities	(85)	(84)	(19)	(22)	(1,690)	(1,865)	(355)	(400)
Total equity	**406**	**501**	**178**	**246**	**520**	**1,307**	**1,636**	**1,832**
Attributed to:								
Equity holders of the parent	178	249	45	79	1,710	2,100	545	597
Non-controlling interests	228	252	133	167	(1,190)	(793)	1,091	1,235

Summarized statement of cash flows

	Kar-Tel		Sky Mobile		GTH		OTA	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Net operating cash flows	148	105	29	23	900	877	245	345
Net investing cash flows	(42)	(73)	(18)	(24)	(695)	(924)	(118)	(172)
Net financing cash flows	(90)	(48)	-	-	(110)	(157)	(193)	(350)
Effect of exchange rate changes on cash and cash equivalents	(3)	-	-	-	(60)	(18)	(5)	(7)
Net increase / (decrease) in cash equivalents	**13**	**(16)**	**11**	**(1)**	**35**	**(222)**	**(71)**	**(184)**

SIGNIFICANT ACCOUNTING JUDGEMENT

Control over subsidiaries

Subsidiaries, which are those entities over which the Company is deemed to have control, are consolidated. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In certain circumstances, significant judgment is required to assess if the Company is deemed to have control over entities where the Company's ownership interest does not exceed 50%.

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FINANCING ACTIVITIES OF THE GROUP

16 FINANCIAL ASSETS AND LIABILITIES

Set out below is the carrying value and fair value of the Company's financial instruments as of December 31. Details regarding how fair value is determined for each class of financial instruments is disclosed later in this Note.

FINANCIAL ASSETS

The Company holds the following financial assets as of December 31:

	Carrying value		Fair value	
Financial assets	**2018**	**2017**	**2018**	**2017**
Financial assets at fair value through profit or loss				
Derivatives not designated as hedges	14	10	14	10
Derivatives designated as net investment hedges	45	-	45	-
Investments in debt instruments *	36	71	36	71
Other	3	-	3	-
	98	**81**	**98**	**81**
Financial assets at amortized cost				
Loans granted and interest accrued (see Note 21)	673	145	673	145
Bank deposits and interest accrued	3	70	3	70
Cash pledged as collateral **	31	998	31	998
Other investments	14	15	14	15
	721	**1,228**	**721**	**1,228**
Total financial assets	**819**	**1,309**	**819**	**1,309**
Non-current	58	34		
Current	761	1,275		

** Investments in debt instruments relate primarily to government bonds and are measured at fair value through other comprehensive income (with recycling). Balances in the comparative year were classified as Available for sale financial asset, see Note 24 for further details.*

*** Amount in 2017 relates to the mandatory tender offer in relation to GTH, which was subsequently withdrawn, see Note 10 for further details.*

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FINANCIAL LIABILITIES

The Company holds the following financial liabilities as of December 31:

Financial Liabilities	Carrying value 2018	Carrying value 2017	Fair value 2018	Fair value 2017
Financial liabilities at fair value through profit or loss				
Derivatives not designated as hedges	65	-	65	-
Derivatives designated as net investment hedges	-	59	-	59
Contingent consideration	40	49	40	49
Other	3	1	3	1
	108	**109**	**108**	**109**
Financial liabilities at amortized cost				
Bank loans and bonds, principal (see below)	7,297	10,641	7,348	11,094
Interest accrued	81	129	81	129
Discounts, unamortized fees, hedge basis adjustment	(12)	(22)	-	-
Bank loans and bonds at amortized cost	7,366	10,748	7,429	11,223
Put-option liability over non-controlling interest	306	310	306	310
Other financial liabilities	77	15	77	15
	7,749	**11,073**	**7,812**	**11,548**
Total financial liabilities	**7,857**	**11,182**	**7,920**	**11,657**
Non-current	6,567	10,039		
Current	1,290	1,143		

Subsequent to the sale of the Italy joint-venture, the Company entered into cross-currency interest rate swaps opposite to those originally used for hedging the euro exposure (arising on the net investment in the joint-venture) which resulted in locking-in the valuation of the original instruments. Although the opposite swaps were entered into with original counterparties, the transactions do not meet the criteria for set-off according to IFRS.

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Bank loans and bonds

The Company had the following principal amounts outstanding for interest-bearing loans and bonds at December 31:

						Principal amount outstanding	
Borrower	**Type of debt**	**Guarantor**	**Currency**	**Interest rate**	**Maturity**	**2018**	**2017**
VEON Holdings	Loans	None	RUB	8.75% - 10.0%	2022	2,051	2,474
VEON Holdings	Notes	None	US$	5.2% - 5.95%	2019 -2023	1,100	1,554
VEON Holdings	Notes	None	US$	3.95% - 4.95%	2021 - 2024	1,133	1,500
VEON Holdings	Loans	None	EUR	3mEURIBOR + 1.9% - 2.75%	2022	-	752
VEON Holdings	Notes	PJSC VimpelCom	US$	7.5%	2022	417	628
VEON Holdings	Syndicated loan (RCF)	None	US$	1mLIBOR + 2.25%	2018	-	250
VEON Holdings	Notes	None	RUB	9.0%	2018	-	208
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$	7.748% 2017: 7.748% - 9.1%	2021	262	543
PMCL	Loans	None	PKR	6mKIBOR + 0.35% - 0.8%	2020 -2022	256	379
PMCL	Loans	EKN *	US$	6mLIBOR + 1.9%	2020	137	212
Banglalink	Senior Notes	None	US$	8.6%	2019	300	300
Banglalink	Loans	None	BDT	Average bank deposit rate + 3.0% - 4.25%	2020 - 2022	146	-
PJSC VimpelCom	Ruble Bonds	None	RUB	10.0% - 11.9%	2017	-	19
	Other loans					295	622
	Total bank loans and bonds					**7,297**	**10,641**

** Exportkreditnämnden (The Swedish Export Credit Agency)*

Termination of Guarantees

On June 30, 2017, the guarantees issued by the Company under each of the RUB 12,000 million 9.00% notes due 2018 (the **"RUB Notes"**), the US$600 5.20% notes due 2019 (the **"2019 Notes"**) and the US$1,000 5.95% notes due 2023 (the **"2023 Notes"**, and together with the RUB Notes and the 2019 Notes, the **"Guaranteed Notes"**), issued by PJSC VimpelCom, were terminated. VEON exercised its option to terminate the guarantees pursuant to the terms of the trust deeds entered into in respect of the Notes, between the Company, PJSC VimpelCom and BNY Mellon Corporate Trustee Services Limited, each dated February 13, 2013 (together the **"Trust Deeds"**).

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Reconciliation of cash flows from financing activities

Bank loans and bonds at amortized cost	**2018**	**2017**
Balance as of January 1	**10,748**	**9,128**
Cash flows		
Proceeds from borrowings, net of fees paid	807	6,193
Repayment of borrowings	(3,662)	(5,822)
Interest paid	(724)	(792)
Non-cash movements		
Interest accrued	678	746
Early redemption premium accrued *	44	168
Foreign currency translation	(573)	138
Unwinding of fees for borrowings	37	-
Dividends in-kind (transfer of loan from VEON Amsterdam)	-	1,000
Other non-cash movements	10	(11)
Balance as of December 31	**7,365**	**10,748**

** Early redemption premium accrued in respect of the settlement of the cash tender offer for certain outstanding debt securities, see below for further information. The amount accrued relates to the excess of purchase price over the principal amount outstanding, which, together with the release of unamortized debt issuance costs and unamortized fair value hedge basis adjustment, resulted in a loss from early debt redemption of US$30 (2017: US$124), recorded within "Other non-operating gains/losses" (refer to Note 5).*

Cash tender offer for certain outstanding bonds and modification of covenants

In November, 2018 the Company commenced a cash tender offer in respect of (A) any and all of the outstanding (i) US$1,000 7.748% Loan Participation Notes due 2021 issued by, but with limited recourse to, VIP Finance Ireland Limited (the **"2021 Notes"**), (ii) US$1,500 7.5043% Guaranteed Notes due 2022 issued by the Company (the **"2022 Notes"**), (iii) US$1,000 5.95% Notes due 2023 issued by the Company (the **"2023 Notes"**, and together with the 2021 Notes and the 2022 Notes, the **"Any and All Notes"**), and (B) up to maximum tender consideration of US$400 of the US$900 4.950% Notes due 2024 issued by the Company (the **"2024 Notes"**, and together with the Any and All Notes, the **"Notes"**).

The aggregate principal amount of the Notes accepted for repurchase was US$1,147, which was settled on December 17, 2018 for the 2024 Notes, and on December 31, 2018 for the Any and All Notes. The unamortized debt issuance costs and unamortized fair value hedge basis adjustment were released to the income statement at the date of the closing, which, together with the early redemption premium, resulted in a loss from early debt redemption of US$30, recorded within "Other non-operating gains/losses" (refer to Note 5).

Simultaneously with the tender, the Company requested bondholders' consent to amend or remove certain covenants contained in the Any and All Notes, including the negative pledge covenant. Supplemental trust deeds and an amendment agreement documenting those changes were executed on December 28, 2018.

Issuance of new notes and cash tender offer for certain outstanding debt securities

On May 30, 2017, the Company announced a cash tender offer (the **"Offer"**) in respect of the outstanding (i) U.S.$1,000 9.125% Loan Participation Notes due 2018 issued by, but with limited recourse to, VIP Finance Ireland Limited (the **"2018 Notes"**), (ii) U.S.$1,000 7.748% Loan Participation Notes due 2021 issued by, but with limited recourse to, VIP Finance Ireland Limited (the **"2021 Notes"**) and (iii) U.S.$1,500 7.5043% Guaranteed Notes due 2022 issued by the Company (the **"2022 Notes"** and together with the 2018 Notes and the 2021 Notes, the **"Existing Notes"**).

The aggregate principal amount accepted for repurchase was US$1,259, which was settled on or before June 29, 2017. The unamortized debt issuance costs and unamortized fair value hedge basis adjustment were released to the income statement at the date of the closing, which, together with the early redemption premium, resulted in a loss from early debt redemption of US$124, recorded within "Other non-operating gains/losses" (refer to Note 5).

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On June 16, 2017, VEON issued US$600 3.95% Senior Notes due 2021 and US$900 4.95% Senior Notes due 2024 (together, the **"New Notes"**). The net proceeds of the New Notes were used to finance the purchase of the Existing Notes and for general corporate purposes.

FAIR VALUES

The fair value of financial assets and liabilities is 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 balance sheet date. The fair values were estimated based on quoted market prices for our bonds, derived from market prices or by discounting contractual cash flows at the rate applicable for the 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 the discounted cash flows technique. Observable inputs (Level 2) used in the valuation techniques include LIBOR, EURIBOR, swap curves, basis swap spreads, foreign exchange rates and credit default spreads.

Fair value hierarchy

As of December 31, 2018 and 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; it does not depend on the type of valuation techniques used:

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

As of December 31, 2018 and 2017, all financial assets or financial liabilities carried at fair value were measured based on Level 2 inputs, except for Contingent consideration, for which fair value is classified as Level 3.

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 years ended December 31, 2018 and 2017, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

The following table summarizes the movements relating to financial instruments classified as Level 3 in the fair value hierarchy for the years ended December 31, 2018 and 2017:

	Financial assets at fair value	Financial liabilities at fair value
	Available for sale	**Contingent consideration**
As of January 1, 2017	**29**	**47**
Impairment loss	(20)	-
Change in fair value recognized in other comprehensive income	(9)	-
Change in fair value recognized in the income statement	-	2
As of December 31, 2017	**-**	**49**
Change in fair value recognized in the income statement	-	(9)
As of December 31, 2018	**-**	**40**

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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.

HEDGE ACCOUNTING

The following table sets out the Company's hedging instruments designated as net investment hedges as of December 31:

Hedging instruments*	Designated rate	Excluded component	Hedged item	Currency	Aggregated designated nominal value of hedged items, mln	
					2018	**2017**
Cross currency interest rate swaps **	Forward	foreign currency basis spread	Italy Joint Venture	EUR	-	537 ***
Euro-denominated loans **	Spot	n/a	Italy Joint Venture	EUR	-	627
Foreign currency forward contracts	Forward	foreign currency basis spread	PJSC VimpelCom	RUB	68,639 ****	-

** Refer to Note 16 for information regarding the carrying amounts of the hedging instruments.*
*** Hedging relationships were terminated due to disposal of the hedged item. Refer to Note 10 for further details.*
**** Exchanged to US$600 at maturity on June 16, 2021.*
***** Hedging instruments have a weighted average term to maturity of 2 years as of December 31, 2018.*

There is economic relationship between the hedged net investments and the hedging instruments because the hedged items create a translation risk that matches the foreign exchange risk of the hedging instruments. The hedge ratio for each of the above relationships was set at 1:1 as the underlying risk of the hedging instruments is identical to the hedged risk and the nominal value of hedging instruments has not exceeded the amounts of respective net investments. The hedge ineffectiveness might arise from:

- the value of a net investment falling below the related designated nominal value of the hedging items, or
- counterparties' credit risk impacting the hedging item (where applicable) but not the hedged net investment.

During the periods covered by these consolidated financial statements, the value of ineffectiveness was immaterial for all hedging relationships.

Impact of hedge accounting on equity

The below table sets out the reconciliation of each component of equity and the analysis of other comprehensive income:

	Foreign currency translation reserve	Cost of hedging reserve
As of January 1, 2017	**(4,915)**	**-**
Foreign currency revaluation of the foreign operations and other	(433)	-
Effective portion of foreign currency revaluation of the hedging instruments *	(125)	-
As of December 31, 2017	**(5,473)**	**-**
Foreign currency revaluation of the foreign operations	(744)	
Effective portion of foreign currency revaluation of the hedging instruments *	83	-
Change in fair value of foreign currency basis spreads	-	(4)
Amortization of time-period related foreign currency basis spreads	-	5
Net investment hedge amount reclassified to profit or loss – sale of Italy joint-venture	80	4
Disposal of subsidiaries – reclassification to profit or loss	(159)	
As of December 31, 2018	**(6,213)**	**5**

** Amounts represent the changes in fair value of the hedging financial instruments and closely approximate the changes in value of the hedged items used to recognize hedge ineffectiveness.*

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OFFSETTING FINANCIAL ASSETS AND LIABILITIES

For financial assets and liabilities subject to netting arrangements, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities are settled on a gross basis.

The major arrangements applicable for the Group are agreements with national and international interconnect operators and agreements with roaming partners.

Several entities of the Group have entered into International Swaps and Derivatives Association, Inc. (**"ISDA"**) Master Agreements or equivalent documents with their counterparties, governing the derivative transactions entered into between these entities and their counterparties. These documents provide for set-off of outstanding derivative positions in the event of termination if an Event of Default of either entity or the counterparty occurs.

				Related amounts not set off in the statement of financial position		
	Gross amounts recognized	Gross amounts set off in the statement of financial position	Net amounts presented in the statement of financial position	Financial instruments	Cash collateral received	Net amount
As of December 31, 2018						
Other financial assets (non-current)	58	-	58	-	-	58
Other financial liabilities (non-current)	6,567	-	6,567	-	-	6,567
Other financial assets (current)	873	-	873	-	-	873
Other financial liabilities (current)	1,290	-	1,290	-	-	1,290
Trade and other receivables	731	(40)	691	-	-	691
Trade and other payables	1,815	(40)	1,775	-	-	1,775
As of December 31, 2017						
Other financial assets (non-current)	34	-	34	-	-	34
Other financial liabilities (non-current)	10,039	-	10,039	-	-	10,039
Other financial assets (current)	1,275	-	1,275	-	-	1,275
Other financial liabilities (current)	1,143	-	1,143	-	-	1,143
Trade and other receivables	894	(72)	822	-	-	822
Trade and other payables	1,902	(72)	1,830	-	-	1,830

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ACCOUNTING POLICIES

Put options over non-controlling interest

Put options over non-controlling interest of a subsidiary are accounted for as financial liabilities in the Company's consolidated financial statements. The put-option redemption liability is measured at the discounted redemption amount. Interest over the put-option redemption liability will accrue in line with the effective interest rate method, until the options have been exercised or are expired.

Derivative contracts

VEON enters into derivative contracts, including swaps and forward contracts, to manage certain foreign currency and interest rate exposures. Any derivative instruments for which no hedge accounting is applied are recorded at fair value with any fair value changes recognized directly in profit or loss. Although some of the derivatives entered into by the Company have not been designated in hedge accounting relationships, they act as economic hedges and offset the underlying transactions when they occur.

Hedges of a net investment

The Company applies net investment hedge accounting to mitigate foreign currency translation risk related to the Company's investments in foreign operations. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income within the "Foreign currency translation" line item. Where the hedging instrument's foreign currency retranslation is greater (in absolute terms) than that of the hedged item, the excess amount is recorded in profit or loss as ineffectiveness. The gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment on the disposal or partial disposal of the foreign operation. Cash flows arising from derivative instruments for which hedge accounting is applied are reported in the statement of cash flows within the line item where the underlying cash flows of the hedged item are recorded.

SOURCE OF ESTIMATION UNCERTAINTY

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques, including discounted cash flows model. The inputs to these models are taken from observable markets, but when this is not possible, a degree of judgment is required in establishing fair values. The judgments include considerations regarding inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents are comprised of cash at bank and on hand and highly liquid investments that are readily convertible to known amounts of cash, are subject to only an insignificant risk of changes in value and have an original maturity of less than three months.

Cash and cash equivalents consisted of the following items as of December 31:

	December 31, 2018	December 31, 2017
Cash and cash equivalents at banks and on hand	714	801
Cash equivalents with original maturity of less than three months	1,053	462
Cash and cash equivalents	**1,767**	**1,263**
Less overdrafts	(16)	-
Cash and cash equivalents, net of overdrafts, as presented in the consolidated statement of cash flows	**1,751**	**1,263**

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

The imposition of currency exchange controls or other similar restrictions on currency convertibility in the countries in which VEON operates could limit VEON's ability to convert local currencies or repatriate local cash in a timely manner or at all, as well as remit dividends from the respective countries. As of December 31, 2018, there were no restricted cash and cash equivalent balances (2017: nil).

Cash balances include investments in money market funds of US$349 (2017: US$91).

As of December 31, 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$16 (2017: US$ 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.

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18 FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities consist of loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has trade and other receivables, cash and short-term deposits that are derived directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Company's Board of Directors manages these risks with support of the treasury function, who proposes the appropriate financial risk governance framework for the Group, identifies and measures financial risks and suggests mitigating actions. The Company's Board of Directors, supported by its Finance Committee, approves the financial risk management framework and oversees its enforcement.

MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk and foreign currency risk.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations. The Company manages its interest rate risk exposure through a portfolio of fixed and variable rate borrowings and hedging activities.

As of December 31, 2018, after taking into account the effect of interest rate swaps, approximately 91% of the Company's borrowings are at a fixed rate of interest (2017: 80%).

The Group is exposed to possible changes in interest rates on variable interest loans and borrowings, partially mitigated through related derivative financial instruments, cash and cash equivalents and current deposits. With all other variables held constant, the Company's profit before tax is affected through changes in the floating rate of borrowings while the Company's equity is affected through the impact of a parallel shift of the yield curve on the fair value of hedging derivatives. An increase or decrease of 100 basis points in interest rates would have an immaterial impact on the Company's income statement and other comprehensive income.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the debt denominated in currencies other than the functional currency of the relevant entity, the Company's operating activities (predominantly capital expenditures at subsidiary level denominated in a different currency from the subsidiary's functional currency) and the Company's net investments in foreign subsidiaries.

The Company manages its foreign currency risk by selectively hedging committed exposures.

The Company hedges part of its exposure to fluctuations on the translation into U.S. dollars of its foreign operations by holding the borrowings in foreign currencies or by foreign exchange swaps and forwards. During the periods covered by these financial statements, the Company used cross currency interest rate swaps and foreign exchange forwards to mitigate foreign currency translation risk related to the Company's net investments in the Italy Joint Venture and PJSC VimpelCom.

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Foreign currency sensitivity

The following table demonstrates the sensitivity to a possible change in exchange rates against the US dollar with all other variables held constant. Additional sensitivity changes to the indicated currencies are expected to be approximately proportionate. The table shows the effect on the Company's profit before tax (due to changes in the value of monetary assets and liabilities, including foreign currency derivatives) and equity (due to application of hedge accounting or existence of quasi equity loans). The Company's exposure to foreign currency changes for all other currencies is not material.

	Effect on profit / (loss) before tax		**Effect on other comprehensive income**	
Change in foreign exchange rate against US$	10% depreciation	10% appreciation	10% depreciation	10% appreciation
2018				
Euro	(2)	3	-	-
Russian Ruble	(32)	35	70	(77)
Bangladeshi Taka	(76)	83	-	-
Pakistani Rupee	(19)	20	-	-
Georgian Lari	(34)	37	-	-
Other currencies	(0)	0	-	-
2017				
Euro	(18)	20	132	(145)
Russian Ruble	44	(48)	-	-
Bangladeshi Taka	(69)	76	-	-
Pakistani Rupee	(27)	30	-	-
Georgian Lari	(32)	35	-	-
Other currencies	(11)	12	-	-

CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily from trade receivables), and from its treasury activities, including deposits with banks and financial institutions, derivative financial instruments and other financial instruments. See Note 17 for further information on restrictions on cash balances.

Trade receivables consist of amounts due from customers for airtime usage and amounts due from dealers and customers for equipment sales. VEON's credit risk arising from the services the Company provides to customers is mitigated to a large extent due to the majority of its active customers being subscribed to a prepaid service as of December 31, 2018 and 2017, and accordingly not giving rise to credit risk. For postpaid services, in certain circumstances, VEON requires deposits as collateral for airtime usage. Equipment sales are typically paid in advance of delivery, except for equipment sold to dealers on credit terms.

VEON's credit risk arising from its trade receivables from dealers is mitigated due to the risk being spread across a large number of dealers. Management periodically reviews the history of payments and credit worthiness of the dealers. The Company also has receivables from other local and international operators from interconnect and roaming services provided to their customers, as well as receivables from customers using fixed-line services, such as business services, wholesale services and services to residents. Receivables from other operators for roaming services are settled through clearing houses, which helps to mitigate credit risk in this regard.

VEON holds available cash in bank accounts, as well as other financial assets with financial institutions in countries where it operates. To manage credit risk associated with such asset holdings, VEON allocates its available cash to a variety of local banks and local affiliates of international banks within the limits set forth by its treasury policy. Management periodically reviews the creditworthiness of the banks with which it holds assets. In respect of financial instruments used by the Company's treasury function, the aggregate credit risk the Group may have with one

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counterparty is managed by reference to, amongst others, the long-term credit ratings assigned for that counterparty by Moody's, Fitch Ratings and Standard & Poor's and CDS spreads of that counterparty. Counterparty credit limits are reviewed and approved by the Company's CFO. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

Value Added Tax (**"VAT"**) is recoverable from tax authorities by offsetting it against VAT payable to the tax authorities on VEON's revenue or direct cash receipts from the tax authorities. Management periodically reviews the recoverability of the balance of input value added tax and believes it is fully recoverable.

VEON issues advances to a variety of its vendors of property and equipment for its network development. The contractual arrangements with the most significant vendors provide for equipment financing in respect of certain deliveries of equipment. VEON periodically reviews the financial position of vendors and their compliance with the contract terms.

The Company's maximum exposure to credit risk for the components of the statement of financial position at December 31, 2018 and 2017 is the carrying amount as illustrated in Note 7, Note 16 and 17.

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LIQUIDITY RISK

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares and lease arrangements. The Company's policy is to create a balanced debt maturity profile. As of December 31, 2018, 17% of the Company's debt (2017: 10%) will mature in less than one year based on the carrying value of bank loans, bonds and other borrowings reflected in the financial statements. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low based on liquidity in the markets the Company has access to, and recent history of refinancing. The Company believes that access to sources of funding is sufficiently available and the Company's policy is to diversify the funding sources where possible.

Available facilities

The Company had the following available facilities as of balance sheet date for the years indicated below:

	Amounts in millions of transactional currency				US$ equivalent amounts		
	Final availability period	Facility amount	Utilized	Available	Facility amount	Utilized	Available
2018							
VEON Holdings B.V. – Revolving Credit Facility	Feb 2022	US$1,688 *	-	US$1,688	1,688	-	1,688
Pakistan Mobile Communications Limited - Syndicated Term Loan Facility	Jun 2019	PKR 26,750	PKR 17,000	PKR 9,750	191	122	69
Pakistan Mobile Communications Limited - Term Loan Facility	Jun 2019	PKR 10,000	PKR 5,463	PKR 4,537	72	39	33

** Facility amount of US$1,688 is available until February 2020. Subsequently a reduced facility amount of US$1,586 is available until February 2021 and further reduced facility amount of US$ 1,382 is available until February 2022.*

	Amounts in millions of transactional currency				US$ equivalent amounts		
	Final availability period	Facility amount	Utilized	Available	Facility amount	Utilized	Available
2017							
VEON Holdings B.V. – Revolving Credit Facility	Feb 2021	US$1,688 *	US$250	US$1,438	1,688	250	1,438
VEON Holdings B.V. – Term Loan Facility	May 2018	RUB 45,000	RUB 30,000	RUB 15,000	781	520	261
Banglalink Digital Communications Ltd. – Syndicated Term Loan Facility	Sep 2018	BDT 29,300	-	BDT 29,300	353	-	353
Pakistan Mobile Communications Limited - Syndicated Term Loan Facility	Jun 2018	PKR 26,750	PKR 17,000	PKR 9,750	242	154	88
Pakistan Mobile Communications Limited - Term Loan Facility	Jun 2018	PKR 10,000	PKR 5,000	PKR 5,000	90	45	45

** Facility amount of US$1,688 is available until February 2020. Subsequently a reduced facility amount of US$1,586 is available until February 2021.*

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Maturity profile

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments. Payments related to variable interest rate financial liabilities and derivatives are included based on the interest rates and foreign currency exchange rates applicable as of December 31, 2018 and 2017, respectively. The total amounts in the table differ from the carrying amounts as stated in Note 16 as the below table includes both undiscounted principal amounts and interest while the carrying amounts are measured using the effective interest rate method.

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
At December 31, 2018					
Bank loans and bonds	1,696	3,866	2,642	579	8,783
Derivative financial liabilities					
Gross cash inflows	(368)	(54)	-	-	(422)
Gross cash outflows	394	68	-	-	462
Trade and other payables	1,425	-	-	-	1,425
Other financial liabilities	-	62	-	-	62
Warid non-controlling interest put option liability	-	306	-	-	306
Total financial liabilities	**3,147**	**4,248**	**2,642**	**579**	**10,616**
Related derivatives financial assets					
Gross cash inflows	(300)	(610)	(330)	-	(1,240)
Gross cash outflows	286	634	354	-	1,274
Related derivative financial assets	**(14)**	**24**	**24**	**-**	**34**
Total financial liabilities, net of derivative assets	**3,133**	**4,272**	**2,666**	**579**	**10,650**

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
At December 31, 2017					
Bank loans and bonds	1,724	3,876	4,869	2,763	13,232
Loans from others	1	3	16	-	20
Derivative financial liabilities					
Gross cash inflows	(37)	(49)	(12)	-	(98)
Gross cash outflows	29	27	51	-	107
Trade and other payables and dividend payables	1,830	-	-	-	1,830
Other financial liabilities	-	62	-	-	62
Warid non-controlling interest put option liability	-	310	-	-	310
Total financial liabilities	**3,547**	**4,229**	**4,924**	**2,763**	**15,463**
Related derivatives financial assets					
Gross cash inflows	(275)	-	-	-	(275)
Gross cash outflows	270	-	-	-	270
Related derivative financial assets	**(5)**	**-**	**-**	**-**	**(5)**
Total financial liabilities, net of derivative assets	**3,542**	**4,229**	**4,924**	**2,763**	**15,458**

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CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios, so as to secure access to debt and capital markets at all times and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. Current credit ratings of the Company support its capital structure objectives. There were no changes made in the Company's objectives, policies or processes for managing capital during 2018.

The Net Debt to Adjusted EBITDA ratio is an important measure used by the Company to assess its capital structure. Net Debt represents the principal amount of interest-bearing debt less cash and cash equivalents and bank deposits. Adjusted EBITDA is defined as last twelve months earnings before interest, tax, depreciation, amortization and impairment, loss on disposals of non-current assets, other non-operating losses and share of profit / (loss) of joint ventures. For reconciliation of Adjusted EBITDA to Profit / (loss) before tax, refer to Note 2.

Further, this ratio is included as a financial covenant in the credit facilities of the Company. For most of our credit facilities the Net Debt to Adjusted EBITDA ratio is calculated at consolidated level of VEON Ltd. and is "pro-forma" adjusted for acquisitions and divestments of any business bought or sold during the relevant period. Under these credit facilities, the Company is required to maintain the Net Debt to Adjusted EBITDA ratio below 3.5x. The Company has not breached any financial covenants during the periods ended.

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19 ISSUED CAPITAL AND RESERVES

The following table details the common shares of the Company as of December 31:

	2018	2017
Authorized common shares (nominal value of EUR1 per share)	**70,000,000**	**70,000,000**
Issued and outstanding shares	**30,099,998**	**30,099,998**

As of December 31, 2018, the Company had 70,000,000 authorized common shares (2017: 70,000,000) with a nominal value of EUR 1 per share, of which 30,099,998 shares were issued, outstanding and are fully paid-up (2017: 30,099,998).

Nature and purpose of reserves

Other capital reserves are mainly used to recognize the results of transactions that do not result in a change of control with non-controlling interest (see Note 15). The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries, net of any related hedging activities (see Note 16).

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20 DIVIDENDS PAID AND PROPOSED

The Company declared and made distributions to its shareholder of US$340 on March 9, 2018, and US$262 on March 29, 2018.

On July 11, 2018, the Company's immediate parent, VimpelCom Amsterdam B.V., made a cash capital contribution to the Company of US$85.

DIVIDENDS DECLARED TO NON-CONTROLLING INTERESTS

During the 2018 and 2017 years, certain subsidiaries of the Company declared dividends, of which a portion was paid or payable to non-controlling interests.

Name of subsidiary	Dividend declared	Dividend paid	Paid or payable to non-controlling interests
Omnium Telecom Algeria S.p.A	June 21, 2018	August 29, 2018	76
TNS Plus LLP	April 19, 2018	August 29, 2018	2
Rascom CJSC	June 27, 2018	July 24, 2018	2
TNS Plus LLP	April 19, 2018	April 23, 2018	11
VIP Kazakhstan Holding AG	October 6, 2017	October 10, 2017	11
Omnium Telecom Algeria S.p.A	June 21, 2017	August 18, 2017	82
TNS Plus LLP	May 12, 2017	May 15, 2017	12
VIP Kyrgyzstan Holding AG	February 13, 2017	February 16, 2017	55
TNS Plus LLP	January 24, 2017	January 25, 2017	7

In 2018, PMCL, a subsidiary of the Company, declared dividends to its shareholders, of which US$11 (2017: US$54) was declared to the non-controlling interest holders of PMCL. Dividends declared to non-controlling interests reduces the principal amount of the put-option liability over non-controlling interest on the date of declaration. As of December 31, 2018, an amount of US$7 (2017: US$26) remained payable to non-controlling interests.

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ADDITIONAL INFORMATION

21 RELATED PARTIES

The Company is indirectly wholly-owned subsidiary of VEON Ltd., which in turn has two major shareholders, LetterOne Holding S.A. (**"LetterOne"**) and Telenor East Holding II AS (**"Telenor"**).

The following table provides the total amount of transactions that have been entered into with related parties and their affiliates for the years ended December 31:

	2018	2017
Revenue from		
VEON Wholesale Services B.V.	51	9
Telenor	-	68
Others	8	32
Finance income	7	14
	66	**123**
Services from		
VEON Wholesale Services B.V.	78	38
VEON Ltd.	58	128
Telenor	-	67
Others	8	29
	144	**262**

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

	2018	2017
Accounts receivable due from		
VEON Ltd.	95	87
Others	32	46
Financial asset receivable from		
VEON Amsterdam B.V.	520	-
VC ESOP N.V.	150	146
Interest accrued	3	2
	800	**281**
Accounts payable to related parties		
VEON Ltd.	380	341
Others	38	30
Financial liabilities to related parties	3	16
	421	**387**

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RELATED PARTY TRANSACTIONS WITH TELENOR AND ITS AFFILIATES

A number of our operating companies have roaming agreements with Telenor and its affiliates.

As a result of changes to the composition of the Board of Directors of VEON Ltd., announced on December 8, 2017, Telenor is no longer represented on Board of Directors of VEON Ltd., and as such, Telenor and its affiliates are no longer considered to be a related party.

COMPENSATION TO DIRECTORS AND SENIOR MANAGERS OF THE COMPANY

The following table sets forth the total compensation paid to our directors and senior managers:

	2018	2017
Short-term employee benefits	35	44
Long-term employee benefits	-	1
Share-based payments	-	1
Termination benefits	2	1
Total compensation paid to key management personnel *	**37**	**47**

** The number of directors and senior managers is different in 2018 and 2017.*

Under the Company's bye-laws, the Board of Directors of the Company established a Compensation Committee, which has the overall responsibility for approving and evaluating the compensation and benefit plans, policies and programs of the Company's directors, officers and employees and for supervising the administration of the Company's equity incentive plans and other compensation and incentive programs.

Compensation of key senior managers

The following tables sets forth the total compensation paid to the key senior managers in 2018 and 2017 (gross amounts in whole euros and whole US$ equivalents):

(in Euros)	**Ursula Burns** Group CEO and Chairman (iii)	**Jean-Yves Charlier** Former Group CEO (iv)	**Trond Westlie** Group CFO(v)	**Andrew Davies** Former Group CFO(v)	**Kjell Johnsen** Group COO	**Scott Dresser** Group General Counsel
2018						
Short-term employee benefits						
Base salary / compensation(i)	4,602,902	1,902,600	1,500,000	-	1,425,000	1,233,333
Annual incentive(ii)	-	7,717,900	127,313	-	-	405,899
Other	104,645	489,070	21,695	-	70,442	927,489
Long-term employee benefits	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-
Termination benefits	-	1,340,278	-	-	-	-
Total gross remuneration	**4,707,547**	**11,449,848**	**1,649,008**	**-**	**1,495,442**	**2,566,721**
2017						
Short-term employee benefits						
Base salary / compensation(i)	-	2,500,000	375,000	1,125,000	-	925,000
Annual incentive(ii)	-	4,125,000	-	3,518,295	-	977,272
Other	-	91,916	5,400	1,284,248	-	31,186
Long-term employee benefits	-	-	-	-	-	-
Share-based payments	-	709,661	-	-	-	-
Termination benefits	-	-	-	250,000	-	-
Total gross remuneration	**-**	**7,426,577**	**380,400**	**6,177,543**	**-**	**1,933,458**

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(in US Dollars)	**Ursula Burns** Group CEO and Chairman (iii)	**Jean-Yves Charlier** Former Group CEO (iii)	**Trond Westlie** Group CFO(iv)	**Andrew Davies** Former Group CFO(iv)	**Kjell Johnsen** Group COO	**Scott Dresser** Group General Counsel
2018						
Short-term employee benefits						
Base salary / compensation(i)	5,429,871	2,244,426	1,769,494	-	1,681,019	1,454,917
Annual incentive(ii)	-	9,104,518	150,186	-	-	478,824
Other	123,446	576,938	25,593	-	83,098	1,094,124
Long-term employee benefits	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-
Termination benefits	-	1,581,076	-	-	-	-
Total gross remuneration	**5,553,317**	**13,506,958**	**1,945,273**	**-**	**1,764,117**	**3,027,865**
2017						
Short-term employee benefits						
Base salary / compensation(i)	-	2,819,125	422,869	1,268,606	-	1,043,076
Annual incentive(ii)	-	4,651,556	-	3,967,405	-	1,102,021
Other	-	103,649	6,089	1,448,182	-	35,166
Long-term employee benefits	-	-	-	-	-	-
Share-based payments	-	800,249	-	-	-	-
Termination benefits	-	-	-	281,912	-	-
Total gross remuneration	**-**	**8,374,579**	**428,958**	**6,966,105**	**-**	**2,180,263**

(i) Base salary includes holiday and/or pension allowances pursuant to the terms of an individual's employment agreement.

(ii) Annual Incentive includes amounts paid under the short-term incentive in respect of performance during the previous year, except for amounts shown for Jean-Yves Charlier and Andrew Davies during 2018 and 2017, respectively, which also include amounts paid under the STI Scheme in respect of performance during that year.

(iii) Includes total compensation paid to Ursula Burns in respect of her roles as Chairman of the VEON Ltd. board of directors through March 26, 2018, Executive Chairman and Chairman of the VEON Ltd. board of directors from March 27, 2018 to December 11, 2018, and as newly appointed Group CEO and Chairman of the VEON Ltd. board of directors from December 12, 2018.

(vi) Jean-Yves Charlier stepped down from the role of Group CEO on March 27, 2018.

(v) Andrew Davies stepped down from the role of Group CFO, and Trond Westlie commenced duties as newly appointed Group CFO on November 9, 2017.

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Compensation of Board of Directors

The following table sets forth the total compensation paid to the members of the Board of Directors members in 2018 and 2017 (gross amounts in whole euros and whole US$ equivalents):

	Retainer		Committees		Other compensation		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Guillaume Bacuvier								
In whole euros	105,000	-	21,000	-	-	-	126,000	-
US$ equivalent	123,869	-	24,774	-	-	-	148,643	-
Osama Bedier								
In whole euros	105,000	-	10,500	-	-	-	115,500	-
US$ equivalent	123,869	-	12,387	-	-	-	136,256	-
Ursula Burns *								
In whole euros	-	436,213	-	12,500	-	1,517,500	-	1,966,213
US$ equivalent	-	491,896	-	14,096	-	1,711,209	-	2,217,201
Stan Chudnovsky								
In whole euros	145,833	193,918	-	-	-	-	145,833	193,918
US$ equivalent	172,039	218,672	-	-	-	-	172,039	218,672
Mikhail Fridman								
In whole euros	40,000	40,000	-	-	-	-	40,000	40,000
US$ equivalent	47,188	45,106	-	-	-	-	47,188	45,106
Gennady Gazin								
In whole euros	250,000	194,048	65,500	55,000	-	4,757	315,500	253,805
US$ equivalent	294,925	218,818	77,270	62,021	-	5,364	372,195	286,203
Andrei Gusev								
In whole euros	40,000	40,000	-	-	-	-	40,000	40,000
US$ equivalent	47,188	45,106	-	-	-	-	47,188	45,106
Gunnar Holt								
In whole euros	250,000	133,950	50,000	20,833	-	-	300,000	154,783
US$ equivalent	294,925	151,049	58,985	23,492	-	-	353,910	174,541
Sir Julian Horn-Smith								
In whole euros	250,000	194,048	10,500	-	-	5,145	260,500	199,193
US$ equivalent	294,925	218,818	12,387	-	-	5,802	307,312	224,620
Nils Katla								
In whole euros	-	36,666	-	-	-	-	-	36,666
US$ equivalent	-	41,346	-	-	-	-	-	41,346
Jørn P. Jensen								
In whole euros	163,333	195,538	-	30,000	-	-	163,333	225,538
US$ equivalent	192,684	220,498	-	33,829	-	-	192,684	254,327
Robert Jan van de Kraats								
In whole euros	105,000	-	12,600	-	-	-	117,600	-
US$ equivalent	123,869	-	14,864	-	-	-	138,733	-
Guy Laurence								
In whole euros	250,000	110,619	41,600	20,833	16,250	1,250	307,850	132,702
US$ equivalent	294,925	124,740	49,076	23,492	19,170	1,410	363,171	149,642
Alexander Pertsovsky								
In whole euros	40,000	-	-	-	-	-	40,000	-
US$ equivalent	47,188	-	-	-	-	-	47,188	-
Alexey M. Reznikovich								
In whole euros	-	40,000	-	-	-	-	-	40,000
US$ equivalent	-	45,106	-	-	-	-	-	45,106
Total (in whole euros)	**1,744,166**	**1,615,000**	**211,700**	**139,166**	**16,250**	**1,528,652**	**1,972,116**	**3,282,818**
Total (US$ equivalent)	**2,057,594**	**1,821,155**	**249,743**	**156,930**	**19,170**	**1,723,785**	**2,326,507**	**3,701,870**

** Ursula Burns was appointed Group CEO and Chairman of the VEON Ltd. board of directors on December 12, 2018. Accordingly, her total compensation for 2018 has been included in the section "Compensation of Key Senior Managers" above.*

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Members of our Board of Directors are eligible to participate in a value growth cash-based long-term incentive plan discussed below.

Value growth cash-based long-term incentive plans

To stimulate and reward leadership efforts that result in sustainable success, the value growth cash-based long-term incentive plan (the **"LTI Plan"**) has been designed for members of our recognized leadership community. The participants in the LTI Plan may receive cash payouts after the end of each relevant award performance period. The vesting of each award is subject to continued employment (except in limited "good leaver" circumstances) of a specific Qualifying Period. For participants joining after the start, or leaving before the end of a Qualifying Period, vested awards will be subject to pro-rata reduction in accordance with the actual period of employment during this Qualifying Period. Awards may vest early upon the occurrence of certain corporate events relating to VEON, subject to the Compensation Committee's determination of the attainment of Key Performance Indicators (**"KPIs"**) at the time of the relevant event and a potential pro-rata reduction to reflect the early vesting.

As of December 31, 2018, the total target amount (all unvested) granted for awards launched under the LTI Plan was equal to US$59 (2017: US$127). The carrying value of obligations under the LTI Plan as of December 31, 2018, was equal to US$19 (2017: US$27). Included within 'Selling, general and administrative expenses' for 2018 is a gain of US$4 (2017: expense of US$16) relating to share-based payment expense under the LTI Plan. The awards launched under the LTI Plan are detailed below.

Tranche	Grant date	Performance period	KPIs based on	Other information
2015 Tranche	March 2016	January 1, 2015 to June 30, 2018 (42 months)	TSR evolution compared to peer companies in the markets in which VEON operates	The Compensation Committee regularly reviews the peer group to ensure that its composition is still appropriate.
2016 Tranche	October 2017	January 1, 2016 to June 30, 2019 (42 months)	TSR evolution compared to peer companies in the markets in which VEON operates	The Compensation Committee regularly reviews the peer group to ensure that its composition is still appropriate.
2017 Tranche	October 2017	January 1, 2017 to June 30, 2020 (42 months)	Absolute share price performance target	KPIs designed to create a direct link between management focus and real return to shareholders.
2018 Tranche	July 2018	July 1, 2017 to December 31, 2020 (42 months)	Absolute share price performance target	KPIs designed to create a direct link between management focus and real return to shareholders.

Short-Term Incentive Scheme

The Company's Short-Term Incentive ("STI") Scheme provides cash pay-outs to participating employees based on the achievement of established KPIs over the period of one calendar year. KPIs are set every year at the beginning of the year and evaluated in the first quarter of the next year. The KPIs are partially based on the financial and operational results (such as EBITDA and total operating revenue) of the Company, or the affiliated entity employing the employee, and partially based on individual targets that are agreed upon with the participant at the start of the performance period based on his or her specific role and activities. The weight of each KPI is decided on an individual basis.

Pay-out of the STI award is scheduled in March of the year following the assessment year and is subject to continued active employment during the year of assessment (except in limited "good leaver" circumstances in which case there is a pro-rata reduction) and is also subject to a pro-rata reduction if the participant commenced employment after the start of the year of assessment. Pay-out of the STI award is dependent upon final approval by the Compensation Committee.

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22 EVENTS AFTER THE REPORTING PERIOD

Mandatory tender offer application in relation to Global Telecom Holding S.A.E.

On February 10, 2019, VEON submitted an application to the Egyptian Financial Regulatory Authority (the "**FRA**") to approve a mandatory tender offer ("**MTO**") for any and all of the outstanding shares of GTH which are not owned by VEON (up to 1,997,639,608 shares, representing approximately 42.31% of GTH's issued shares). The MTO will be funded by cash on hand and/or the utilization of undrawn credit facilities. The proposed offer price under the MTO is EGP 5.30 per share. The MTO is currently being reviewed by the FRA and will commence when FRA approval is granted. Any increase of the Company's interest in GTH will be accounted for directly in equity upon closing of the transaction.

Revised technology infrastructure partnership with Ericsson

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

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23 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION

These special purpose consolidated financial statements have been prepared to comply with reporting requirements to the bond and note holders of the Company (see Note 16).

These special purpose consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (**"IFRS"**) as issued by the International Accounting Standards Board, effective at the time of preparing the consolidated financial statements and applied by VEON.

The consolidated income statement has been presented based on the nature of the expense, other than 'Selling, general and administrative expenses', which has been presented based on the function of the expense.

The consolidated financial statements have been prepared on a historical cost basis, unless otherwise disclosed. Certain comparative amounts have been reclassified to conform to the current period presentation.

BASIS OF CONSOLIDATION

The special purpose consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Company has control. Please refer to Note 15 for a list of material subsidiaries.

Intercompany transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

When the Group ceases to consolidate a subsidiary due to loss of control, the related subsidiary's assets (including goodwill), liabilities, non-controlling interest and other components of equity are de-recognized. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss. Any consideration received is recognized at fair value, and any investment retained is re-measured to its fair value, and this fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest. Any resultant gain or loss is recognized in the income statement.

FOREIGN CURRENCY TRANSLATION

The special purpose consolidated financial statements of the Group are presented in U.S. dollars. Each entity in the Group determines its own functional currency and amounts included in the financial statements of each entity are measured using that functional currency.

Upon consolidation, the assets and liabilities measured in the functional currency are translated into U.S. dollars at exchange rates prevailing on the balance sheet date; whereas revenue, expenses, gains and losses are translated into U.S. dollars at historical exchange rates prevailing on the transaction dates. Foreign currency translation adjustments resulting from the process of translating financial statements into U.S. dollars are reported in other comprehensive income and accumulated within a separate component of equity.

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24 Significant accounting policies

Significant accounting judgments, estimates and assumptions

The preparation of these special purpose consolidated financial statements has required management to apply accounting policies and methodologies based on complex and subjective judgments, as well as 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 these special purpose consolidated financial statements. 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.

The sources of uncertainty identified by the Group are described together with the applicable note, as follows:

Significant accounting judgement / source of estimation uncertainty	Described in
Revenue recognition	Note 3
Deferred tax assets and uncertain tax positions	Note 8 and Note 9
Provisions	Note 8
Impairment of non-current assets	Note 11
Control over subsidiaries	Note 15
Depreciation and amortization of non-current assets	Note 12 and Note 13
Fair value of financial instruments	Note 16

Changes in accounting policies and disclosures

Accounting policies are included as relevant in the Notes to these special purpose consolidated financial statements. A number of new or amended standards became effective as of January 1, 2018. As a result, the Company has amended its accounting policies accordingly.

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"**) 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.

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		Impact of IFRS 9		Impact of IFRS 15	
	December 31, 2017	**Classification and measurement**	**Impairment**	**Revenue and customer acquisition costs**	**January 1, 2018**
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	95	-	-	93	**188**
Current assets					
Trade and other receivables					
Trade and other receivables, gross	991	-	-	-	**991**
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	628	-	-	(4)	**624**
Equity					
Equity attributable to equity owners of the parent	4,509	(25)	(16)	87	**4,555**
Non-controlling interests	(441)	-	(4)	15	**(430)**
Liabilities					
Other liabilities (current)	1,381	-	-	(1)	**1,380**
Deferred tax liabilities	376	-	(2)	14	**388**

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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 accounting policies applied prior to January 1, 2018, the impact of IFRS 15 on revenue recognition by the Group was immaterial, as shown in the table presented earlier in this Note.

Costs of obtaining a contract with customer

Under IFRS 15, certain incremental costs incurred in acquiring a contract with a customer (**"customer acquisition 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.

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. The impact that adoption of IFRS 15 has had on the Group's profit / (loss) for 2018, if compared to accounting policies that were applied in previous years, was immaterial.

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.

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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.

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

IFRIC 23 'Uncertainty over income tax treatments'

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

IFRS 16 'Leases'

IFRS 16 replaces 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.

During 2018, the Group has performed a detailed impact assessment of IFRS 16. In summary the impact of IFRS 16 adoption is expected to be, as follows:

	December 31, 2018	Impact of IFRS 16	January 1, 2019
Assets			
Non-current assets			
Property and equipment			
Property and equipment	4,925	(71)	4,854
Right-of-use assets	-	2,003	2,003
Intangible assets	1,841	(15)	1,826
Goodwill	3,816	-	3,816
Deferred tax assets	197	-	197
Other financial assets	193	(1)	192
Total non-current assets	**10,972**	**1,916**	**12,888**
Current assets			
Trade and other receivables	691	(61)	630
Other current assets	3,138	-	3,138
Total current assets	**3,829**	**(61)**	**3,768**
Assets classified as held for sale	17	4	21
Total assets	**14,818**	**1,859**	**16,677**
Equity			
Equity attributable to equity owners of the parent	4,180	(3)	4,177
Non-controlling interests	(891)	(1)	(892)
Total equity	**3,289**	**(4)**	**3,285**
Non-current liabilities			
Financial liabilities	6,567	(45)	6,522
Provisions	93	-	93
Lease liabilities	-	1,617	1,617
Deferred tax liabilities	180	-	180
Other liabilities	37	(9)	28
Total non-current liabilities	**6,877**	**1,563**	**8,440**
Current liabilities			
Trade and other payables	1,775	(53)	1,722
Other financial liabilities	1,290	(6)	1,284
Lease liabilities	-	361	361
Provisions	350	(3)	347
Other liabilities	1,233	(3)	1,230
	4,648	**296**	**4,944**
Liabilities associated with assets held for sale	4	4	8
Total equity and liabilities	**14,818**	**1,859**	**16,677**

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

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

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

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

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

Leases which are short term in nature (less than 12 months including extension options) and leases of low value items will continue to be expensed in the Income Statement as incurred.

Transition

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

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

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

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

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

Significant judgements upon adoption IFRS 16

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

A significant portion of the lease contracts included within Company's lease portfolio includes lease contracts which are extendable through mutual agreement between VEON and the lessor or lease contracts which are cancelable by the Company on immediately or on short notice. In assessing the lease term for the adoption of IFRS 16, the Company

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concluded that these cancelable future lease periods should be included within the lease term, which represents an increase to the future lease payments used in determining the lease liability upon initial recognition. The reasonably certain period used to determine the lease term is based on facts and circumstances related to the underlying leased asset and lease contracts.

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

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

Amsterdam, April 2, 2019

VEON Holdings B.V.

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Report of Independent Auditors

To: the board of directors of VEON Holdings B.V.

We have audited the accompanying special purpose consolidated financial statements of VEON Holdings B.V. and its subsidiaries (the 'Company'), which comprise the consolidated statements of financial position as of December 31, 2018 and December 31, 2017 and the related consolidated income statements, statements of comprehensive income, changes in equity and cash flows for the years then ended.

Board of directors' responsibilities for the special purpose consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the special purpose consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal controls relevant to preparation and fair presentation of the special purpose consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the special purpose consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risk of material misstatements of the special purpose consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the special purpose consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion.

An audit also includes evaluation the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the special purpose consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the special purpose consolidated financial statements referred to above present fairly, in all material respects, the financial position of VEON Holdings B.V. and its subsidiaries as of December 31, 2018 and December 31, 2017, and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Original has been signed by F.P. Izeboud RA, CPA
PricewaterhouseCoopers Accountants N.V.
Amsterdam, the Netherlands
April 2, 2019