Special purpose
unaudited interim condensed
consolidated financial statements

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

As of and for the three-month period
ended March 31, 2019

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INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

for the three-month period ended March 31

(In millions of U.S. dollars, except per share amounts)	Note	2019	2018*
Service revenues		2,005	2,157
Sale of equipment and accessories		89	61
Other revenues / other income		31	33
Total operating revenues	2	**2,125**	**2,251**
Service costs		(370)	(439)
Cost of equipment and accessories		(90)	(59)
Selling, general and administrative expenses		(683)	(839)
Depreciation		(402)	(354)
Amortization		(93)	(123)
Impairment (loss) / reversal		(6)	(3)
Gain / (loss) on disposal of non-current assets		(7)	(17)
Operating profit		**474**	**417**
Finance costs		(207)	(211)
Finance income		16	16
Other non-operating gain / (loss), net		5	(12)
Net foreign exchange gain / (loss)		12	11
Profit / (loss) before tax from continuing operations		**300**	**221**
Income tax expense	3	(81)	(120)
Profit / (loss) for the period from continuing operations		**219**	**101**
Profit / (loss) after tax from discontinued operations		-	(130)
Profit / (loss) for the period from discontinued operations		**-**	**(130)**
Profit / (loss) for the period		**219**	**(29)**
Attributable to:			
The owners of the parent (continuing operations)		184	77
The owners of the parent (discontinued operations)		-	(130)
Non-controlling interest		35	24
		219	**(29)**

** Prior year comparatives are restated following the disposal of Italy Joint Venture and retrospective reversal of reclassification of Deodar assets and liabilities as held for sale and retrospective recognition of depreciation and amortization charges in respect of Deodar in 2018*

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the three-month period ended March 31

(In millions of U.S. dollars)	**Note**	**2019**	**2018***
Profit / (loss) for the period		**219**	**(29)**
Items that may be reclassified to profit or loss			
Net movement on cash flow hedges		-	(3)
Share of other comprehensive income / (loss) of joint ventures		-	(12)
Foreign currency translation		52	33
Other comprehensive income / (loss) for the period, net of tax		**52**	**18**
Total comprehensive income / (loss) for the period, net of tax		**271**	**(11)**
Attributable to:			
The owners of the parent		249	(25)
Non-controlling interests		22	14
		271	**(11)**

** Prior year comparatives are restated following the disposal of Italy Joint Venture and retrospective reversal of reclassification of Deodar assets and liabilities as held for sale and retrospective recognition of depreciation and amortization charges in respect of Deodar in 2018*

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of

(In millions of U.S. dollars)	**Note**	**March 31, 2019**	**December 31, 2018**
Assets			
Non-current assets			
Property and equipment	5	7,091	4,925
Intangible assets	6	1,808	1,841
Goodwill	6	3,951	3,816
Deferred tax assets		190	197
Other assets		150	193
Total non-current assets		**13,190**	**10,972**
Current assets			
Inventories		166	141
Trade and other receivables		953	691
Other financial assets	7	1,721	761
Current income tax assets		114	112
Other assets		308	357
Cash and cash equivalents	8	1,225	1,767
Assets classified as held for sale		21	17
Total current assets		**4,508**	**3,846**
Total assets		**17,698**	**14,818**
Equity and liabilities			
Equity			
Equity attributable to equity owners of the parent		4,775	4,180
Non-controlling interests		(898)	(891)
Total equity		**3,877**	**3,289**
Non-current liabilities			
Other financial liabilities	7	8,329	6,567
Provisions		107	93
Deferred tax liabilities		174	180
Other liabilities		27	37
Total non-current liabilities		**8,637**	**6,877**
Current liabilities			
Trade and other payables		1,858	1,775
Other financial liabilities	7	1,734	1,290
Provisions		159	186
Current income tax payables		195	196
Other liabilities		1,229	1,201
Liabilities associated with assets held for sale		9	4
Total current liabilities		**5,184**	**4,652**
Total equity and liabilities		**17,698**	**14,818**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the three-month period ended March 31, 2019

(In millions of U.S. dollars)	Note	Attributable to equity owners of the parent: Number of shares outstanding	Issued capital	Capital Surplus	Other capital reserves	Accumulated deficit	Foreign currency translation	Total	Non-controlling interests	Total equity
As of December 31, 2018*		**30,099,998**	**39**	**13,035**	**256**	**(2,940)**	**(6,213)**	**4,177**	**(892)**	**3,285**
Profit / (loss) for the period		-	-	-	-	184	-	184	35	219
Other comprehensive income / (loss)		-	-	-	(1)	(2)	68	65	(13)	52
Total comprehensive income / (loss)		**-**	**-**	**-**	**(1)**	**182**	**68**	**249**	**22**	**271**
(Distributions to) and capital contributions from parent	4	-	-	350	-	-	-	350	-	350
Dividends declared to non-controlling interest		-	-	-	-	-	-	-	(24)	(24)
Other		-	-	-	1	(2)	-	(1)	(4)	(5)
As of March 31, 2019		**30,099,998**	**39**	**13,385**	**256**	**(2,760)**	**(6,145)**	**4,775**	**(898)**	**3,877**

for the three-month period ended March 31, 2018

(In millions of U.S. dollars)	Note	Attributable to equity owners of the parent: Number of shares outstanding	Issued capital	Capital Surplus	Other capital reserves	Accumulated deficit	Foreign currency translation	Total	Non-controlling interests	Total equity
As of December 31, 2017		**30,099,998**	**39**	**13,553**	**245**	**(3,855)**	**(5,473)**	**4,509**	**(441)**	**4,068**
Adjustments arising due to new accounting standards		-	-	-	-	46	-	46	11	57
As of January 1, 2018		**30,099,998**	**39**	**13,553**	**245**	**(3,809)**	**(5,473)**	**4,555**	**(430)**	**4,125**
Profit / (loss) for the period		-	-	-	-	(53)	-	(53)	24	(29)
Other comprehensive income / (loss)		-	-	-	(18)	(8)	54	28	(10)	18
Total comprehensive income / (loss)		**-**	**-**	**-**	**(18)**	**(61)**	**54**	**(25)**	**14**	**(11)**
(Distributions) and capital contributions from parent	9	-	-	(602)	-	-	-	(602)	-	(602)
Other		-	-	-	1	(1)	-	-	-	-
As of March 31, 2018		**30,099,998**	**39**	**12,951**	**228**	**(3,871)**	**(5,419)**	**3,928**	**(416)**	**3,512**

** Opening balance 2018 are restated following the adoption of IFRS 16 (see Note 13)*

*** Prior year comparatives are restated following retrospective reversal of reclassification of Deodar assets and liabilities as held for sale and retrospective recognition of depreciation and amortization charges in respect of Deodar in 2018.*

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the three-month period ended March 31

(In millions of U.S. dollars)	Note	2019	2018*
Operating activities			
Profit / (loss) before tax from continuing operations		300	221
Non-cash adjustments to reconcile profit before tax to net cash flows			
Depreciation, amortization and impairment loss / (reversal)		501	480
Gain / (loss) on disposal of non-current assets		7	17
Finance income		(16)	(16)
Finance costs		207	211
Other non-operating losses		(5)	12
Net foreign exchange gain		(12)	(11)
Changes in trade and other receivables and prepayments		(108)	1
Changes in inventories		(20)	(50)
Changes in trade and other payables		66	128
Changes in provisions and pensions		20	8
Interest paid		(144)	(188)
Interest received		12	18
Income tax paid		(96)	(104)
Net cash flows from operating activities		**712**	**727**
Investing activities			
Purchase of property, plant and equipment and intangible assets		(388)	(672)
Loans granted		(320)	-
Receipts from / (payment on) deposits		(640)	1,007
Receipts from / (investment in) financial assets		-	21
Other proceeds from investing activities, net		3	12
Net cash flows from / (used in) investing activities		**(1,345)**	**368**
Financing activities			
Acquisition of non-controlling interest		(5)	-
Proceeds from borrowings, net of fees paid **	7	793	390
Repayment of borrowings		(786)	(840)
Repayment of lease liabilities (principal element of lease payments)		(77)	-
(Distributions to) / contributions from owners of the parent	4	175	(602)
Dividends paid to non-controlling interests		(30)	-
Net cash flows from / (used in) financing activities		**70**	**(1,052)**
Net (decrease) / increase in cash and cash equivalents		(563)	43
Net foreign exchange difference		11	11
Cash and cash equivalents at beginning of period		1,751	1,263
Cash and cash equivalents at end of period, net of overdraft * **	8	**1,199**	**1,317**

** Prior year comparatives are restated following the disposal of Italy Joint Venture and retrospective reversal of reclassification of Deodar assets and liabilities as held for sale and retrospective recognition of depreciation and amortization charges in 2018.*
*** Fees paid for borrowings were US$4 (2018: US$5)*
**** Overdrawn amount was US$26 (2018: US$ nil)*

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

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 March 31, 2019, the Company operated telecommunications services in Russia, Pakistan, Algeria, Bangladesh, Ukraine, Uzbekistan, Kazakhstan, Armenia, Georgia and Kyrgyzstan.

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

Major developments in Q1 2019

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

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 Global Telecom Holding S.A.E. ("**GTH**") which are not owned by VEON. For more details please refer to Note 4.

In February 2019 the VEON Ltd. announced a revised arrangement with Ericsson to upgrade its core IT systems in several countries in the coming years. The parties have signed binding terms to vary the existing agreements and as a result the Company will receive US$350 during the first half of 2019. Please see Note 4 for more details.

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

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 and other non-operating gains / losses (**"Adjusted EBITDA"**) along with assessing the capital expenditures excluding certain costs such as those for telecommunication licenses (**"Capital expenditures"**).

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

Financial information by reportable segment for the three-month period ended March 31 is presented in the following tables.

	External customers		Inter-segment		Total revenue		Of which: Mobile		Of which: Fixed	
Revenue	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Russia	1,042	1,162	6	4	1,048	1,166	919	1,010	129	156
Pakistan	352	367	10	1	362	368	362	368	-	-
Algeria	192	201	-	2	192	203	192	203	-	-
Bangladesh	134	129	-	-	134	129	134	129	-	-
Ukraine	180	151	8	5	188	156	175	145	13	11
Uzbekistan	64	76	-	-	64	76	63	75	1	1
Other	161	165	(24)	(12)	137	153	116	133	21	20
Total segments	**2,125**	**2,251**	**-**	**-**	**2,125**	**2,251**	**1,961**	**2,063**	**164**	**188**

	Adjusted EBITDA		Capital expenditures excluding licenses*	
Other disclosures	**2019**	**2018****	**2019**	**2018*****
Russia	468	443	226	158
Pakistan	183	175	51	66
Algeria	89	91	18	14
Bangladesh	60	47	14	55
Ukraine	118	89	29	26
Uzbekistan	32	34	25	9
Other	32	35	26	27
Total segments	**982**	**914**	**389**	**355**

** Excluding right-of-use assets recognized upon adoption of IFRS 16*

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

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

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

The following table provides the reconciliation of consolidated Adjusted EBITDA to Profit / (loss) before tax for the three-month period ended March 31:

	2019	2018
Total Segments Adjusted EBITDA	**982**	**914**
Depreciation	(402)	(354)
Amortization	(93)	(123)
Impairment (loss) / reversal	(6)	(3)
Gain / (loss) on disposal of non-current assets	(7)	(17)
Finance costs	(207)	(211)
Finance income	16	16
Other non-operating gain / (loss), net	5	(12)
Net foreign exchange gain	12	11
Profit / (loss) before tax	**300**	**221**

The following table provides the details that the adoption of IFRS 16 had on Adjusted EBITDA for the three-month period ended March 31, 2019 for each operating segment:

	Adjusted EBITDA pre-IFRS 16	Impact of IFRS 16	Adjusted EBITDA post-IFRS 16
Russia	386	82	468
Pakistan	170	13	183
Algeria	81	8	89
Bangladesh	50	10	60
Ukraine	113	5	118
Uzbekistan	31	1	32
Other	25	7	32
Total segments	**856**	126	**982**

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

3 INCOME TAXES

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

Income tax expense consisted of the following for the three-month period ended March 31:

	2019	2018*
Current income taxes	89	135
Deferred income taxes	(8)	(15)
Income tax expense	**81**	**120**
Effective tax rate	**27.0%**	**54.3%**

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

The difference between the statutory tax rate in the Netherlands (25.0%) and the effective corporate income tax rate for the Group in the three-month period ended March 31, 2019 (27.0%) was driven mainly by profitability in countries with a higher nominal rate and income tax losses, primarily within holding entities in the Netherlands offset by previous years unrecognized losses.

In the first quarter of 2018, the difference between the statutory tax rate in the Netherlands (25.0%) and the effective corporate income tax rate for the Group (54.3%) was mainly driven by profitability in countries with a higher nominal rate and income tax losses, primarily within holding entities in the Netherlands, for which no deferred tax-asset has been recognized.

INVESTING ACTIVITIES OF THE GROUP

4 SIGNIFICANT TRANSACTIONS

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. Following the submission of the MTO application, the Company deposited US$645, which is recorded as other financial asset on the statement of financial position and represents a cash outflow from investing activities in the statement of cash flows.

Revised technology infrastructure partnership with Ericsson

On February 25, 2019, VEON Ltd. 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, under which, a settlement of US$350 will be transferred to the Company during the first half of 2019.

As the settlement amount is payable to VEON Ltd. but will be received and retained by the Company, the settlement amount has been recorded in the equity statement as a contribution made by the parent.

In March 2019, the Company collected US$175 with a remaining balance to be received in June 2019. The amount was recorded in the statement of financial position as 'Other receivables' for the remaining portion. In the statement of cash flows it represented a cash inflow from financing activities.

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

5 PROPERTY AND EQUIPMENT

The movement in property and equipment for the three-month period ended March 31 included the following:

	2019	**2018**
Right-of-use assets upon adoption of IFRS 16 (Note 13)	2,003	-
Cost of acquired assets	392	314
Net book value of assets disposed	19	24

Right-of-use assets arising from lease contract primarily relate to land for network sites, network infrastructure and equipment and buildings.

6 INTANGIBLE ASSETS

There were no material changes to intangible assets during the three-month period ended March 31, 2019.

GOODWILL

The movement in goodwill for the Group, per cash generating unit (**"CGU"**), consisted of the following for the three-month period ended March 31, 2019:

CGU	**March 31, 2019**	**Currency translation**	**December 31, 2018**
Russia	2,166	148	2,018
Algeria	1,163	(13)	1,176
Pakistan	369	(2)	371
Kazakhstan	155	2	153
Kyrgyzstan	54	-	54
Uzbekistan	44	-	44
Total	**3,951**	**135**	**3,816**

Goodwill is tested for impairment annually (at October 1) or when circumstances indicate the carrying value may be impaired. The Company's impairment test for goodwill is primarily based on fair value less cost of disposal calculations that use a discounted cash flow model. The key assumptions used to determine the recoverable amount for the different CGU's were disclosed in the annual consolidated financial statements as of and for the year ended December 31, 2018.

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 CGU when reviewing for indicators of impairment in interim periods.

There was no goodwill impairment recorded in the first quarter of 2019 or 2018.

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

FINANCING ACTIVITIES OF THE GROUP

7 OTHER FINANCIAL ASSETS AND LIABILITIES

The other financial assets and financial liabilities consisted of the following as of each reporting date:

Financial assets	**March 31, 2019**	**December 31, 2018**
Financial assets at fair value through profit or loss		
Derivatives not designated as hedges	7	14
Derivatives designated as net investment hedges	-	45
Investments in debt instruments *	34	36
Other	4	3
	45	**98**
Financial assets at amortized cost		
Loans granted to the parent and its subsidiaries	999	673
Cash pledged as collateral (see Note 4)	664	31
Other investments	23	17
	1,686	**721**
Total financial assets	**1,731**	**819**
Non-current	10	58
Current	1,721	761

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

Financial Liabilities	**March 31, 2019**	**December 31, 2018**
Financial liabilities at fair value through profit or loss		
Derivatives not designated as hedges	57	65
Derivatives designated as net investment hedges	45	-
Contingent consideration	40	40
Other	-	3
	142	**108**
Financial liabilities at amortized cost		
Bank loans and bonds	7,509	7,366
Put-option liability over non-controlling interest	317	306
Lease liabilities	2,045	-
Other financial liabilities	50	77
	9,921	**7,749**
Total financial liabilities	**10,063**	**7,857**
Non-current	8,329	6,567
Current	1,734	1,290

There were no significant changes in financial assets and liabilities in the three-month period ended March 31, 2019, except for the scheduled repayments of debt, new borrowing related to MTO (see Note 4) and adoption of IFRS 16 *Leases*. Furthermore, there were no changes in risks and risk management policies as disclosed in the Group's annual consolidated financial statements as of and for the year ended December 31, 2018.

As mentioned in Note 2 of these interim condensed consolidated financial statements, upon transition to IFRS 16, the Company has recognized the lease liability measured upon initial recognition at the present value of the future lease and related fixed services payments over the lease term, discounted with the country specific incremental borrowing rate. See also Note 13 for more details.

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

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.

As of March 31, 2019, the fair values of all financial assets and liabilities are equal to or approximate their respective carrying amounts as shown in the table above, with the exception of Bank loans and bonds, including interest accrued, for which fair value is equal to US$7,667 (2018: US$7,429) and lease liabilities, for which fair value has not been determined.

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 March 31, 2019, and December 31, 2018, 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 March 31, 2019, and December 31, 2018, 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 three-month period ended March 31, 2019, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

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

Financial liabilities at fair value through profit or loss	Contingent consideration
As of December 31, 2018	**40**
As of March 31, 2019	**40**

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

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

8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following items:

	March 31, 2019	December 31, 2018
Cash and cash equivalents at banks and on hand	804	714
Short-term deposits with original maturity of less than three months	421	1,053
Cash and cash equivalents	**1,225**	**1,767**
Less overdrafts	(26)	(16)
Cash and cash equivalents, net of overdrafts, as presented in the consolidated statement of cash flows	**1,199**	**1,751**

As of March 31, 2019, and December 31, 2018, there were no restricted cash and cash equivalent balances. Cash balances as of March 31, 2019 include investments in money market funds of US$169 (December 31, 2018: US$349).

As of March 31, 2019, some bank accounts forming part of a cash pooling program and being an integral part of the Company's cash management remained overdrawn by US$26 (2018: US$16). Even though the total balance of the cash pool remained positive, the Company has no legally enforceable right of set-off and therefore the overdrawn accounts are presented as financial liabilities within the statement of financial position. At the same time, because the overdrawn accounts are an integral part of the Company's cash management, they were included as cash and cash equivalents within the statement of cash flows.

9 DIVIDENDS AND CAPITAL DISTRIBUTIONS

During the three-month period ended March 31, 2019, VIP Kazakhstan Holding AG, a subsidiary of the Company, has declared dividends of which an amount of US$24 is payable to non-controlling interest.

There were no dividends or capital distributions to the owners of the Company's parent during the three-month period ended March 31, 2019 (2018: US$602).

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

ADDITIONAL INFORMATION

10 RELATED PARTIES

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

The following table provides the total amount of transactions that have been entered into with related parties and their affiliates for the three-month periods ended March 31:

	2019	2018
Revenue from		
VEON Wholesale Services B.V.	23	5
Others	1	8
	24	**13**
Services from		
VEON Wholesale Services B.V.	17	14
VEON Ltd.	17	17
Others	-	8
	34	**39**

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

	March 31, 2019	December 31, 2018
Accounts receivable due from		
VEON Ltd.	97	95
Others	35	32
Financial asset receivable, including interest accrued, from		
VEON Amsterdam B.V.	848	523
VC ESOP N.V.	152	150
	1,132	**800**
Accounts payable to related parties		
VEON Ltd.	391	380
Others	31	38
Financial liabilities to related parties	-	3
	422	**421**

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

Value growth cash-based long-term incentive plans

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

11 RISKS, COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

There were no material risks, commitments, contingencies and uncertainties that occurred during the three-month period ended March 31, 2019, and there were no material changes during the same period to the risks, commitments, contingencies and uncertainties as disclosed in the Note 8 and Note 9 in the Company's special purpose annual consolidated financial statements as of and for the year ended December 31, 2018.

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

12 EVENTS AFTER THE REPORTING PERIOD

Banglalink Digital Communications Limited announced new syndicated term facility agreement

On April 25, 2019, the Company announced that its subsidiary, Banglalink Digital Communications Limited ("Banglalink"), has entered into a new US$300 syndicated term facility agreement with several international banks. The facility is guaranteed by the Company for nil consideration. The facility has a tenor of 12 months with extension options for another 24 months upon agreement with the lenders, and will be used to refinance the principal amount of Banglalink's US$300 bond that matures on May 6, 2019. The Ordinary General Assembly meeting that is scheduled for June 26, 2019 related to the rights issue remains unchanged.

Dispute concerning sale of Telecel Globe Limited

GTH and Niel Natural Resources Investments S.A. ("Niel") entered into a Share Purchase Agreement on 28 March 2013, as amended from time to time (the "SPA") in relation to the proposed purchase by Niel of GTH's majority stake in Telecel Globe Limited ("Telecel") and telecommunications operations in the Central African Republic and Burundi. The parties subsequently entered into three amendments to the original SPA between April and August 2013 due to Niel's failure to timely close the intended transaction. Pursuant to the terms of the amendments, the parties extended the Longstop Date each time in exchange for payments of deposits by Niel. As Niel ultimately failed to close the intended transaction, the deposits paid to GTH were not refunded (US$50), which was in accordance with the terms of the SPA which is no longer in force. GTH completed the sale of Telecel in October 2014 to another purchaser for consideration less than had been agreed with Niel. In 2019, Niel commenced an LCIA arbitration in relation to the deposit monies retained by GTH and, in the Dutch courts, obtained an ex parte order freezing GTH's bank accounts in The Netherlands and other pre-award security. GTH plans to vigorously contest Niel's arbitration claims and otherwise defend against all proceedings and actions.

13 Basis of preparation of the interim condensed consolidated financial statements

Basis of preparation

The interim condensed consolidated financial statements for the three-month period ended March 31, 2019 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements as of and for the year ended December 31, 2018.

The preparation of these interim condensed consolidated financial statements has required management to apply accounting policies and methodologies based on complex and subjective judgments, estimates based on past experience and assumptions determined to be reasonable and realistic based on the related circumstances. The use of these judgements, estimates and assumptions affects the amounts reported in the statement of financial position, income statement, statement of cash flows, statement of changes in equity, as well as the notes. The final amounts for items for which estimates and assumptions were made in the consolidated financial statements may differ from those reported in these statements due to the uncertainties that characterize the assumptions and conditions on which the estimates are based.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as of and for the year ended December 31, 2018.

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

IFRIC 23 'Uncertainty over income tax treatments'

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

IFRS 16 'Leases'

IFRS 16 replaced IAS 17 *Leases*, the former lease accounting standard and became effective on January 1, 2019. Under the new lease standard assets leased by the Company are being recognized on the statement of financial position of the Company with a corresponding liability.

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

In 2018, the Group has performed a detailed impact assessment of IFRS 16 and the impact on its adoption was 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	-	691
Other current assets	3,138	(61)	3,077
Total current assets	**3,829**	**(61)**	**3,768**
Assets classified as held for sale	17	4	21
Total assets	**14,818**	**1,859**	**16,677**
Equity			
Equity attributable to equity owners of the parent	4,180	(3)	4,177
Non-controlling interests	(891)	(1)	(892)
Total equity	**3,289**	**(4)**	**3,285**
Non-current liabilities			
Financial liabilities	6,567	(45)	6,522
Provisions	93	-	93
Lease liabilities	-	1,617	1,617
Deferred tax liabilities	180	-	180
Other liabilities	37	(9)	28
Total non-current liabilities	**6,877**	**1,563**	**8,440**
Current liabilities			
Trade and other payables	1,775	(53)	1,722
Other financial liabilities	1,290	(6)	1,284
Lease liabilities	-	361	361
Provisions	350	(3)	347
Other liabilities	1,233	(3)	1,230
	4,648	**296**	**4,944**
Liabilities associated with assets held for sale	4	4	8
Total equity and liabilities	**14,818**	**1,859**	**16,677**

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

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

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

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

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

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

Transition

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

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

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

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

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

Significant judgements upon adoption IFRS 16

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

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

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

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

	US$
Operating lease commitments as of December 31, 2018	608
Increase in lease commitments of cancelable leases included in reasonably certain lease term	1,846
Use of IFRS 16 practical expedients (old lease accounting continues for exceptions)	(4)
Leases commencing subsequent to transition date committed to as of December 31, 2018	(47)
Accruals included in the lease liability calculation	59
Other	22
Total undiscounted lease payments which are reasonably certain	**2,484**
Discounting effect using incremental borrowing rate	(556)
IAS 17 finance lease liabilities recognized on balance sheet as of December 31, 2018 (discounted)	54
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, [May 2], 2019

VEON Holdings B.V.