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, 2020

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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	Three-month period 2020	Three-month period 2019
Service revenues		1,978	2,005
Sale of equipment and accessories		88	89
Other revenue		31	31
Total operating revenues	2	**2,097**	**2,125**
Service costs		(380)	(370)
Cost of equipment and accessories		(89)	(90)
Selling, general and administrative expenses		(668)	(683)
Depreciation		(415)	(402)
Amortization		(91)	(93)
Impairment (loss) / reversal		—	(6)
Gain / (loss) on disposal of non-current assets		(7)	(7)
Operating profit		**447**	**474**
Finance costs		(205)	(207)
Finance income		17	16
Other non-operating gain / (loss)		15	5
Net foreign exchange gain / (loss)		(29)	12
Profit / (loss) before tax		**245**	**300**
Income tax expense	3	(80)	(81)
Profit / (loss) for the period		**165**	**219**
Attributable to:			
The owners of the parent		153	184
Non-controlling interest		12	35
		165	**219**

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	Three-month period 2020	2019
Profit / (loss)		**165**	**219**
Items that may be reclassified to profit or loss			
Foreign currency translation		(581)	52
Other		2	—
Items reclassified to profit or loss			
Other		(5)	—
Other comprehensive income / (loss), net of tax		**(584)**	**52**
Total comprehensive income / (loss), net of tax		**(419)**	**271**
Attributable to:			
The owners of the parent		(364)	249
Non-controlling interests		(55)	22
		(419)	**271**

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, 2020	December 31, 2019
Assets			
Non-current assets			
Property and equipment	5	6,196	7,324
Intangible assets	6	4,921	5,675
Investments and derivatives	7	260	236
Deferred tax assets		117	134
Other assets		163	163
Total non-current assets		**11,657**	**13,532**
Current assets			
Inventories		114	169
Trade and other receivables *		538	628
Investments and derivatives *	7	1,854	1,670
Current income tax assets		20	16
Other assets		308	330
Cash and cash equivalents	8	1,409	1,183
Total current assets		**4,243**	**3,996**
Total assets		**15,900**	**17,528**
Equity and liabilities			
Equity			
Equity attributable to equity owners of the parent		1,884	2,530
Non-controlling interests		949	994
Total equity		**2,833**	**3,524**
Non-current liabilities			
Debt and derivatives	7	6,929	7,744
Provisions		114	138
Deferred tax liabilities		135	140
Other liabilities		26	32
Total non-current liabilities		**7,204**	**8,054**
Current liabilities			
Trade and other payables *		1,713	1,972
Debt and derivatives *	7	3,050	2,767
Provisions		99	155
Current income tax payables		81	102
Other liabilities		920	954
Total current liabilities		**5,863**	**5,950**
Total equity and liabilities		**15,900**	**17,528**

** Certain comparative amounts have been reclassified to conform to the current period presentation, refer to Note 13 for further details.*

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, 2020

(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, 2019		**30,099,998**	**39**	**13,386**	**(2,378)**	**(2,407)**	**(6,111)**	**2,529**	**994**	**3,523**
Profit / (loss) for the period		—	—	—	—	153	—	153	12	165
Other comprehensive income / (loss)		—	—	—	(4)	—	(513)	(517)	(67)	(584)
Total comprehensive income / (loss)		—	—	—	(4)	153	(513)	(364)	(55)	(419)
(Distributions to) and capital contributions from parent	9	—	—	(270)	—	—	—	(270)	—	(270)
Other		—	—	—	(2)	(9)	—	(11)	10	(1)
As of March 31, 2020		**30,099,998**	**39**	**13,116**	**(2,384)**	**(2,263)**	**(6,624)**	**1,884**	**949**	**2,833**

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**	**(2,937)**	**(6,213)**	**4,180**	**(891)**	**3,289**
Adjustments arising due to IFRS 16		—	—	—	—	(3)	—	(3)	(1)	(4)
As of January 1, 2019		**30,099,998**	**39**	**13,035**	**256**	**(2,940)**	**(6,213)**	**4,177**	**(892)**	**3,285**
Profit / (loss) for the period		—	—	—	—	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 to non-controlling interests		—	—	—	—	—	—	—	(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**

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	Three-month period 2020	2019
Operating activities			
Profit / (loss) before tax		245	300
Non-cash adjustments to reconcile profit before tax to net cash flows			
Depreciation, amortization and impairment loss / (reversal)		506	501
(Gain) / loss on disposal of non-current assets		7	7
Finance costs		205	207
Finance income		(17)	(16)
Other non-operating (gain) / loss		(15)	(5)
Net foreign exchange (gain) / loss		29	(12)
Changes in trade and other receivables and prepayments***		(87)	(98)
Changes in inventories		23	(20)
Changes in trade and other payables***		34	81
Changes in provisions, pensions and other		(25)	20
Interest paid		(157)	(144)
Interest received		7	12
Income tax paid		(72)	(95)
Net cash flows from operating activities		**683**	**738**
Investing activities			
Purchase of property, equipment and intangible assets		(449)	(388)
Loans granted		—	(320)
Payments on deposits		(20)	(640)
Receipts from / (investment in) financial assets***		(36)	(9)
Other proceeds from investing activities, net		3	3
Net cash flows from / (used in) investing activities		**(502)**	**(1,354)**
Financing activities			
Proceeds from borrowings, net of fees paid *		1,087	793
Repayment of debt***		(717)	(880)
Acquisition of non-controlling interest		(1)	(5)
(Distributions to) / contributions from owners of the parent		(270)	175
Dividends paid to non-controlling interests		—	(30)
Net cash flows from / (used in) financing activities		**99**	**53**
Net (decrease) / increase in cash and cash equivalents		280	(563)
Net foreign exchange difference		(69)	11
Cash and cash equivalents at beginning of period		1,159	1,751
Cash and cash equivalents at end of period, net of overdrafts **	8	**1,370**	**1,199**

* *Fees paid for borrowings were US$8 (2019: US$6).*

** *Overdrawn amount was US$39 (2019: US$ 26).*

*** *Certain comparative amounts have been reclassified to conform to the current period presentation.*

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 generates revenue from the provision of voice, data and other telecommunication services through a range of mobile and fixed-line technologies, as well as selling equipment and accessories.

The special purpose consolidated financial statements were authorized by the Directors for issuance on May 7, 2020. The Company has the ability to amend and reissue the consolidated financial statements.

The interim condensed consolidated financial statements are presented in United States dollars (**"U.S. dollar"** or **"US $"**). In these notes, U.S. dollar amounts are presented in millions, unless otherwise indicated.

Major developments during the three-month period ended March 31, 2020

Coronavirus Outbreak

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide.

The COVID-19 pandemic is increasing dependency on and demand for essential communications, connectivity and digital services across a number of markets. Operationally, this has resulted in divergent trends across our business.

While we are seeing some initial positive usage trends in both our voice and data services, we are facing a number of challenges across the business. These include disruption in our distribution channels, migration of our customer base away from urban areas and a migration in data utilization from our mobile to our fixed networks. These have had a direct financial impact on our business in recent weeks, particularly on roaming revenues, device sales and prepaid top-up volumes.

Furthermore, an increase in demand for hard currencies has resulted in the devaluation of exchange rates in the countries in which VEON operates. As such, in the first quarter of 2020, the book value of assets and liabilities of our foreign operations, in US dollar terms, has decreased significantly, with a corresponding loss of US$581 recorded against the foreign currency translation reserve in the Statement of Comprehensive Income.

Our management has taken appropriate measures to keep its personnel safe and secure. As of the date of these financial statements, we have not observed any particular material adverse impacts to our business, financial condition, and results of operations, other than as described above, and the group liquidity is sufficient to fund the business operations for at least another 12 months.

Notes to the interim condensed consolidated financial statements

(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. All the segments are grouped and analyzed as three main markets - our cornerstone, our growth engines and our frontier markets - representing the Company's strategy and capital allocation framework.

Management evaluates the performance of the Company's segments on a regular basis, primarily based on earnings before interest, tax, depreciation, amortization, impairment, gain / loss on disposals of non-current assets, other non-operating gains / losses and share of profit / loss of joint ventures and associates (**"Adjusted EBITDA"**) along with assessing the capital expenditures excluding certain costs such as those for telecommunication licenses and right-of-use assets (**"CAPEX exc. licenses and ROU"**). Management does not analyze assets or liabilities by reportable segments.

As of December 31, 2019, management decided to include Kazakhstan as a separate reportable segment due to the increased impact of Kazakhstan operations on the overall business (as described in the Group's audited annual consolidated financial statements as of and for the year ended December 31, 2019). In addition, management decided to show the financial impact of HQ and eliminations separately from operating companies. Comparative figures for three-month period ended March 31, 2019 have been adjusted to reflect this change.

Financial information by reportable segment for the three-month periods ended March 31 is presented in the following tables. Inter-segment transactions between segments are not material, and are made on terms which are comparable to transactions with third parties.

	Service revenue				Sale of equipment and accessories		Other revenue		Total revenue	
	Mobile		Fixed							
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Our cornerstone										
Russia	794	831	138	129	83	85	5	3	1,020	1,048
Our growth engines										
Pakistan	294	338	—	—	1	1	21	23	316	362
Ukraine	222	175	15	12	—	—	1	1	238	188
Kazakhstan	98	86	18	16	1	1	1	—	118	103
Uzbekistan	55	64	—	—	—	—	—	—	55	64
Our frontier markets										
Algeria	184	192	—	—	1	—	—	—	185	192
Bangladesh	134	131	—	—	—	—	3	3	137	134
Other frontier markets	30	31	6	7	2	2	—	1	38	41
Other										
HQ and eliminations	(10)	(7)	—	—	—	—	—	—	(10)	(7)
Total segments	**1,801**	**1,841**	**177**	**164**	**88**	**89**	**31**	**31**	**2,097**	**2,125**

Notes to the interim condensed consolidated financial statements

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

	Adjusted EBITDA		CAPEX exc. licenses and ROU	
	2020	2019	2020	2019
Our cornerstone				
Russia	427	468	166	226
Our growth engines				
Pakistan	147	183	68	51
Ukraine	161	118	38	29
Kazakhstan	63	55	25	11
Uzbekistan	25	32	5	25
Our frontier markets				
Algeria	81	89	15	18
Bangladesh	59	60	44	14
Other frontier markets	14	14	7	15
Other				
HQ and eliminations	(17)	(37)	—	—
Total segments	**960**	**982**	**368**	**389**

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

	Three-month period	
	2020	2019
Total Segments Adjusted EBITDA	**960**	**982**
Depreciation	(415)	(402)
Amortization	(91)	(93)
Impairment (loss) / reversal	—	(6)
Gain / (loss) on disposal of non-current assets	(7)	(7)
Finance costs	(205)	(207)
Finance income	17	16
Other non-operating gain / (loss), net	15	5
Net foreign exchange gain / (loss)	(29)	12
Profit / (loss) before tax from continuing operations	**245**	**300**

(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 the reporting date, and any adjustment to tax payable or receivable in respect of previous years.

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

	Three-month period	
	2020	**2019**
Current income taxes	59	89
Deferred income taxes	21	(8)
Income tax expense	**80**	**81**
Effective tax rate	32.7%	27.0%

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 ending March 31, 2020 (32.7%) was primarily driven by a number of non-deductible expenses incurred by the Group in various countries, which are recorded in our consolidated income statement, as well as withholding taxes accrued for dividends expected from our operating companies.

For the three-month period ending March 31, 2019 difference between the statutory tax rate in the Netherlands (25.0%) and the effective corporate income tax rate for the Group (27.0%) was mainly driven by income within holding entities in the Netherlands offset by previous years unrecognized losses.

INVESTING ACTIVITIES OF THE GROUP

4 SIGNIFICANT TRANSACTIONS

GTH restructuring

During the first quarter of 2020, VEON continued with the restructuring of Global Telecom Holding S.A.E. (**"GTH"**), with the intragroup transfer of Mobilink Bank completing in March 2020. As the operating assets of GTH had previously been, and will continue to be, fully consolidated within the balance sheet of the VEON Group, there was no material impact on these consolidated financial statements stemming from this intragroup transfer. For further details on this transaction, refer to the Group's audited annual consolidated financial statements as of and for the year ended December 31, 2019.

Revised technology infrastructure partnership with Ericsson

In February 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. The parties signed binding terms to vary the existing agreements and as a result VEON received US$350 during the first half of 2019. As the settlement amount is payable to VEON Ltd. but was received and retained by the Company, the settlement amount was recorded in the equity statement as a contribution made by the parent.

Notes to the interim condensed consolidated financial statements

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

5 PROPERTY AND EQUIPMENT

The following table summarizes the movement in the net book value of property and equipment for the three-month period ended March 31:

	Three-month period	
	2020	**2019**
Balance as of January 1	**7,324**	**4,925**
Adjustment due to new accounting standard (IFRS 16)	—	1,932
Additions	359	392
Disposals	(12)	(19)
Depreciation	(415)	(402)
Impairment	—	(6)
Translation adjustment	(1,074)	264
Other	14	5
Balance as of March 31	**6,196**	**7,091**

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

6 INTANGIBLE ASSETS

The following table summarizes the movement in the net book value of intangible assets, including goodwill, for the three-month period ended March 31:

	Three-month period	
	2020	**2019**
Balance as of January 1	**5,675**	**5,657**
Adjustment due to new accounting standard (IFRS 16)	—	(15)
Additions	75	52
Amortization	(91)	(93)
Translation adjustment	(738)	158
Balance as of March 31	**4,921**	**5,759**

Goodwill

Included within total intangible asset movements for the three-month period ended March 31, 2020, as shown above, are the following movements in goodwill for the Group, per cash generating unit (**"CGU"**):

CGU*	**March 31, 2020**	**Currency translation**	**December 31, 2019**
Russia	1,804	(461)	2,265
Algeria	1,115	(52)	1,167
Pakistan	312	(23)	335
Kazakhstan	131	(23)	154
Uzbekistan	38	—	38
Total	**3,400**	**(559)**	**3,959**

** The following CGUs' have no goodwill allocated to them: Armenia, Bangladesh, Georgia, Kyrgyzstan and Ukraine*

Impairment analysis

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. When reviewing for indicators of impairment in interim periods, the Company considers, amongst others, the relationship between its market capitalization and its book value, as well as weighted average cost of capital and the quarterly financial performances of each cash-generating unit ("**CGU**"). In addition to the above, in the first quarter of 2020, the Company also considered the impact of COVID-19 when reviewing for indicators of impairment (refer Note 1 for further details).

As a result of the above, the Company performed impairment testing for the Algeria, Bangladesh and Kyrgyzstan CGUs as of March 31, 2020. Based on the recoverable amounts calculated and the carrying values of these CGUs, no impairment loss was recorded in the first quarter of 2020.

Although we believe that judgments made supporting our impairment assessment are reasonable (relying on information reasonably available to us), the COVID-19 pandemic makes it challenging for us to estimate the future performance of our CGUs. As circumstances change and/or new information becomes available, we may be required to record impairments in future periods.

Notes to the interim condensed consolidated financial statements

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

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.

	Algeria	Bangladesh	Kyrgyzstan
Discount rate	11.1%	12.4%	12.4%
Average annual revenue growth rate *	4.2%	6.3%	16.9%
Long-term growth rate	2.0%	4.0%	4.0%
Average operating margin *	40.0%	32.1%	43.8%
Average CAPEX / revenue *,**	13.9%	14.5%	31.8%

** During the explicit forecast period of five years*

*** CAPEX excludes licenses and ROU*

Sensitivity to changes in assumptions

The following table illustrates the CGUs' remaining headroom if certain key parameters would adversely change by one percentage point within both the explicit forecast period and the terminal period. Any additional adverse changes in the key parameters by more than one percentage point would further proportionally decrease the headroom.

	Algeria	Bangladesh	Kyrgyzstan
Existing headroom	**159**	**144**	**9**
Discount rate (+ 1 pp)	4	85	3
Average growth rate (- 1 pp)	82	109	6
Average operating margin (- 1 pp)	96	105	—
Average CAPEX / revenue (+ 1 pp) *	100	108	—
Terminal growth rate (- 1 pp)	38	88	5

** CAPEX excludes licenses and ROU*

Notes to the interim condensed consolidated financial statements

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

FINANCING ACTIVITIES OF THE GROUP

7 INVESTMENTS, DEBT AND DERIVATIVES

The Company holds the following investments and derivative assets:

	March 31, 2020	December 31, 2019
At fair value		
Derivatives not designated as hedges	70	11
Derivatives designated as net investment hedges	115	—
Investments in debt instruments	51	34
Other	—	—
	236	**45**
At amortized cost		
Loans granted to the parent and its subsidiaries	1,494	1,479
Security deposits and cash collateral	259	256
Loans granted to customers - microfinance banking *	115	116
Other investments	10	10
	1,878	**1,861**
Total investments and derivatives	**2,114**	**1,906**
Non-current	260	236
Current	1,854	1,670

The Company holds the following debt and derivative liabilities:

	March 31, 2020	December 31, 2019
At fair value		
Derivatives not designated as hedges	112	52
Derivatives designated as net investment hedges	—	161
Contingent consideration	38	41
	150	**254**
At amortized cost		
Principal amount outstanding	7,458	7,497
Interest accrued	102	82
Discounts, unamortized fees, hedge basis adjustment	(1)	(10)
Bank loans and bonds	**7,559**	**7,569**
Lease liabilities	1,705	2,064
Put-option liability over non-controlling interest	321	342
Customer deposits - microfinance banking *	178	186
Other financial liabilities *	66	96
	9,829	**10,257**
Total debt and derivatives	**9,979**	**10,511**
Non-current	6,929	7,744
Current	3,050	2,767

** Certain comparative amounts have been reclassified to conform to the current period presentation, refer to Note 14 for further details.*

Significant changes in financial assets and liabilities

There were no significant changes in financial assets and liabilities in the three-month period ended March 31, 2020, except for scheduled repayments of debt or as described below. Furthermore, there were no changes in risk management policies as disclosed in the Group's annual consolidated financial statements as of and for the year ended December 31, 2019.

Net investment hedge

In the first quarter of 2020, the fair values of the Company's derivatives designated as net investment hedges increased significantly due to depreciation of the Russian ruble, resulting in a US$275 gain recorded against the foreign currency translation reserve, which partially offset the translation loss related to our foreign operations (refer Note 1 for further details).

Drawdowns under the Revolving Credit Facility

In March 2020, the Company executed two drawdowns under the existing Revolving Credit Facility for an aggregate amount of US$600. Although these drawdowns are short-term in nature, the Company has an enforceable right to roll them over until final maturity date of the facility in February 2022.

Refinancing of RUB debt

In March 2020, the Company amended and restated the existing facility with AO "Alfa-Bank", increasing its size and utilization from RUB 17.5 billion to RUB 30 billion (US$165). Following this amendment and restatement, the final maturity of this facility has been set to March 10, 2025.

GTH bonds prepayment

In February 2020, GTH Finance B.V., the Company's subsidiary, repaid at par the US$500 6.25% bonds, originally maturing April 26, 2020.

US$300 tap issuance of existing senior notes

In January 2020, the Company issued US$300 in senior unsecured notes due in 2025, to be consolidated and form a single series with the US$700 4.00% senior notes due in 2025 issued by the Company in October 2019. VEON used the net proceeds of the tap issuance to refinance certain existing outstanding debt.

Fair values

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

- 'Bank loans and bonds, including interest accrued', for which fair value is equal to US$7,556 at March 31, 2020 (December 31, 2019: US$7,867); and
- 'Lease liabilities', for which fair value has not been determined.

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

As of March 31, 2020 and December 31, 2019, the Group recognized financial instruments at fair value in the statement of financial position, all of which were measured based on Level 2 inputs, except for Contingent consideration, for which fair value is classified as Level 3. Observable inputs (Level 2) used in valuation techniques include inter-bank interest rates, bond yields, swap curves, basis swap spreads, foreign exchange rates and credit default spreads. During the three-month period ended March 31, 2020, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

Notes to the interim condensed consolidated financial statements

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

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

Level 3 fair value movements	**Contingent consideration**
As of December 31, 2019	**41**
Fair value changes recognized in the income statement	(3)
As of March 31, 2020	**38**

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, 2020	December 31, 2019
Cash at banks and on hand	783	867
Short-term deposits with original maturity of less than three months	626	316
Cash and cash equivalents	**1,409**	**1,183**
Less overdrafts	(39)	(24)
Cash and cash equivalents, net of overdrafts (as presented in the consolidated statement of cash flows)	**1,370**	**1,159**

As of March 31, 2020 and December 31, 2019, there were no restricted cash and cash equivalent balances. Cash balances as of March 31, 2020 include investments in money market funds of US$477 (December 31, 2019: US$155).

As of March 31, 2020, 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$39 (2019: US$24). 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

In March 2020, the Company made a capital distribution to its shareholder of US$270.

There were no dividends or capital distributions to the Company's shareholder during the three-month period ended March 31, 2019.

Notes to the interim condensed consolidated financial statements

(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 period ended March 31:

	Three month period	
	2020	**2019**
Revenue from		
VEON Wholesale Services B.V.	—	23
Others	—	1
	—	**24**
Services from		
VEON Wholesale Services B.V.	1	17
VEON Ltd.	5	17
	6	**34**

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

	March 31, 2020	**December 31, 2019**
Accounts receivable due from		
VEON Ltd.	97	96
Others	20	19
Financial asset receivable, including interest accrued, from		
VEON Amsterdam B.V.	1,299	1,289
VC ESOP N.V.	156	155
VEON Digital limited	25	19
Interest accrued	14	15
	1,611	**1,593**
Accounts payable to related parties		
VEON Ltd.	332	326
Others	30	36
Financial liabilities to related parties	—	3
	362	**365**

11 RISKS, COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

Other than disclosed elsewhere in these interim condensed consolidated financial statements, there were no material risks, commitments, contingencies and uncertainties that occurred during the three-month period ended March 31, 2020, and there were no material changes during the same period to the risks, commitments, contingencies and uncertainties as disclosed in the Note 8 and Note 9 in the Group's annual consolidated financial statements as of and for the year ended December 31, 2019.

12 EVENTS AFTER THE REPORTING PERIOD

Global Medium Term Note programme

In April 2020, the Company established a Global Medium Term Note programme for the issuance of bonds (the "**MTN Programme**"), with a programme limit of US$6.5 billion or the equivalent thereof in other currencies.

In connection with the establishment of the MTN Programme, VEON also prepared a base offering memorandum, which was approved by the Luxembourg Stock Exchange, in order to enable bonds issued under the MTN Programme to be admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market of the Luxembourg Stock Exchange. Following the establishment of the MTN Programme, VEON is monitoring the international capital markets and is considering potential offerings of notes during 2020 under the MTN Programme, denominated across the various currencies of our operations, subject to funding needs and market conditions.

Extension of Banglalink syndicated loan

In April 2020, Banglalink Digital Communications Limited (“Banglalink”), the Company's wholly-owned subsidiary, extended the maturity of its US$300 syndicated loan (“Banglalink loan”), denominated in U.S. dollars, by an additional two years to 2022.

Furthermore, the Company has entered into a credit facility agreement providing US$300 to VEON Digital Amsterdam B.V., a wholly-owned subsidiary of the Company's parent. The facility has a term of 2 years and bears interest at a rate equal to that of the Banglalink loan minus 0.1pp.

VEON Digital Amsterdam B.V. has since used the proceeds to acquire the Banglalink loan from the original lenders.

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, 2020 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements as of and for the year ended December 31, 2019.

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

Certain comparative amounts have been reclassified to conform to the current period presentation. Specifically, the following December 31, 2019 balances were reclassified in the consolidated statement of financial position:

- Loans granted to customers relating to microfinance banking operations of US$116 is now presented within current Investments and derivatives (previously within Trade and other receivables); and
- Customer deposits and other liabilities relating to microfinance banking of US$186 and US$19, respectively, are now presented within current Debt and derivatives (previously within Trade and other payables).

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, 2019.

A number of new and amended standards became effective as of January 1, 2020, which are not expected to have a material impact on VEON financial statements in current or future reporting periods or on foreseeable future transactions. The Group has not early adopted any other standards, interpretations or amendments that have been issued but have not yet become effective.

Amsterdam, May 7, 2020

VEON Holdings B.V.