Unaudited interim condensed
consolidated financial statements

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

As of and for the nine and three-month periods
ended September 30, 2021

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INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

for the nine and three-month periods ended September 30:

		Nine-month period		Three-month period	
(In millions of U.S. dollars, except per share amounts)	**Note**	**2021**	**2020***	**2021**	**2020***
Service revenues		5,279	5,113	1,821	1,684
Sale of equipment and accessories		357	266	147	108
Other revenue		96	84	33	28
Total operating revenues	2	**5,732**	**5,463**	**2,001**	**1,820**
Other operating income		2	3	1	1
Service costs		(1,031)	(998)	(346)	(339)
Cost of equipment and accessories		(346)	(261)	(139)	(100)
Selling, general and administrative expenses		(1,751)	(1,697)	(601)	(530)
Depreciation		(1,141)	(1,084)	(391)	(352)
Amortization		(218)	(231)	(79)	(73)
Impairment (loss) / reversal		(5)	(790)	—	(790)
Gain / (loss) on disposal of non-current assets		(9)	(16)	(5)	(4)
Operating profit		**1,233**	**389**	**441**	**(367)**
Finance costs		(515)	(562)	(190)	(176)
Finance income		16	49	10	14
Other non-operating gain / (loss)		7	101	—	—
Net foreign exchange gain / (loss)		—	(9)	(8)	7
Profit / (loss) before tax		**741**	**(32)**	**253**	**(522)**
Income tax expense	3	(280)	(237)	(107)	(102)
Profit / (loss) from continuing operations		**461**	**(269)**	**146**	**(624)**
Profit / (loss) after tax from discontinued operations	4	88	59	68	24
Profit / (loss) for the period		**549**	**(210)**	**214**	**(600)**
Attributable to:					
The owners of the parent (continuing operations)		424	(243)	133	(587)
The owners of the parent (discontinued operations)		40	27	31	11
Non-controlling interest		85	6	50	(24)
		549	**(210)**	**214**	**(600)**

- *Prior year comparatives are adjusted following the classification of Algeria as a discontinued operation (see Note 4)*

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the nine and three-month periods ended September 30:

		Nine-month period		Three-month period	
(In millions of U.S. dollars)	**Note**	**2021**	**2020**	**2021**	**2020**
Profit / (loss) for the period		**549**	**(210)**	**214**	**(600)**
Items that may be reclassified to profit or loss					
Foreign currency translation	4	(94)	(707)	(101)	(219)
Other		—	8	—	6
Items reclassified to profit or loss					
Other		2	(13)	—	(8)
Other comprehensive income / (loss) , net of tax		**(92)**	**(712)**	**(101)**	**(221)**
Total comprehensive income / (loss) , net of tax		**457**	**(922)**	**113**	**(821)**
Attributable to:					
The owners of the parent		403	(848)	72	(793)
Non-controlling interests		54	(74)	41	(28)
		457	**(922)**	**113**	**(821)**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of:

(In millions of U.S. dollars)	Note	September 30, 2021	December 31, 2020
Assets			
Non-current assets			
Property and equipment	5	6,400	6,853
Intangible assets	6	3,123	4,142
Investments and derivatives	7	1,379	1,951
Deferred tax assets		185	186
Other assets		201	179
Total non-current assets		**11,288**	**13,311**
Current assets			
Inventories		112	111
Trade and other receivables		786	690
Investments and derivatives*	7	378	263
Current income tax assets		35	70
Other assets		307	329
Cash and cash equivalents*	8	1,468	1,573
Total current assets		**3,086**	**3,036**
Assets classified as held for sale	4	2,346	—
Total assets		**16,720**	**16,347**
Equity and liabilities			
Equity			
Equity attributable to equity owners of the parent		1,734	1,528
Non-controlling interests		892	850
Total equity		**2,626**	**2,378**
Non-current liabilities			
Debt and derivatives	7	8,606	9,119
Provisions		91	141
Deferred tax liabilities		174	127
Other liabilities		31	27
Total non-current liabilities		**8,902**	**9,414**
Current liabilities			
Trade and other payables*		1,959	2,171
Debt and derivatives*	7	1,605	1,252
Provisions		93	110
Current income tax payables		212	175
Dividend payable		2	—
Other liabilities		760	847
Total current liabilities		**4,631**	**4,555**
Liabilities associated with assets held for sale	4	561	—
Total equity and liabilities		**16,720**	**16,347**

** 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 nine-month period ended September 30, 2021:

		Attributable to equity owners of the parent								
(In millions of U.S. dollars)	Note	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, 2020		**30,099,998**	**39**	**12,993**	**(2,390)**	**(2,541)**	**(6,573)**	**1,528**	**850**	**2,378**
Profit / (loss) for the period		—	—	—	—	464	—	464	85	549
Other comprehensive income / (loss)		—	—	—	—	(3)	(58)	(61)	(31)	(92)
Total comprehensive income / (loss)		—	—	—	—	461	(58)	403	54	457
Dividends declared to non-controlling interest		—	—	—	—	—	—	—	(78)	(78)
Acquisition of non controlling interest		—	—	—	(76)	—	—	(76)	69	(7)
(Distributions to) and capital contributions from parent	9	—	—	36	—	—	—	36	—	36
Other*	7	—	—	—	(158)	1	—	(157)	(3)	(160)
As of September 30, 2021		**30,099,998**	**39**	**13,029**	**(2,624)**	**(2,079)**	**(6,631)**	**1,734**	**892**	**2,626**

* "*Other*" includes US$152 relating to transfer of a loan to the shareholder, for further details please refer Note 7

for the nine-month period ended September 30, 2020:

		Attributable to equity owners of the parent								
(In millions of U.S. dollars)	Note	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		—	—	—	—	(216)	—	(216)	6	(210)
Other comprehensive income / (loss)		—	—	—	(8)	(3)	(621)	(632)	(80)	(712)
Total comprehensive income / (loss)		—	—	—	(8)	(219)	(621)	(848)	(74)	(922)
Dividends declared to non-controlling interest		—	—	—	—	—	—	—	(64)	(64)
(Distributions to) and capital contributions from parent	9	—	—	(393)	—	—	—	(393)	—	(393)
Other		—	—	—	(2)	27	(27)	(2)	1	(1)
As of September 30, 2020		**30,099,998**	**39**	**12,993**	**(2,388)**	**(2,599)**	**(6,759)**	**1,286**	**857**	**2,143**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the nine-month period ended September 30:

		Nine-month period	
(In millions of U.S. dollars)	**Note**	**2021**	**2020***
Operating activities			
Profit / (loss) before tax		741	(32)
Non-cash adjustments to reconcile profit before tax to net cash flows			
Depreciation, amortization and impairment loss / (reversal)		1,364	2,105
(Gain) / loss on disposal of non-current assets		9	16
Finance costs		515	562
Finance income		(16)	(49)
Other non-operating (gain) / loss		(7)	(101)
Net foreign exchange (gain) / loss		—	9
Changes in trade and other receivables and prepayments		(178)	(20)
Changes in inventories		(8)	44
Changes in trade and other payables		35	6
Changes in provisions, pensions and other		14	—
Interest paid		(443)	(474)
Interest received		18	37
Income tax paid		(191)	(234)
Net cash flows from operating activities from continuing operations		**1,853**	**1,869**
Net cash flow from operating activities from discontinued operations		**209**	**168**
Investing activities			
Purchase of property, plant and equipment and intangible assets		(1,320)	(1,205)
Loans granted		(15)	(330)
Receipts from / (payment on) deposits		(33)	(84)
Receipts from / (investment in) financial assets****		(33)	34
Other proceeds from investing activities, net		6	(11)
Net cash flows from / (used in) investing activities from continuing operations		**(1,395)**	**(1,596)**
Net cash flow from / (used in) investing activities from discontinued operations		**(89)**	**(78)**
Financing activities			
Proceeds from borrowings, net of fees paid**	7	835	3,214
Repayment of debt		(1,085)	(3,239)
Acquisition of non-controlling interest		(279)	(1)
(Distributions to) / contributions from owners of the parent		—	(393)
Dividends paid to non-controlling interests		(6)	(43)
Net cash flows from / (used in) financing activities from continuing operations		**(535)**	**(462)**
Net cash flow from / (used in) financing activities from discontinued operations		**(62)**	**(65)**
Net (decrease) / increase in cash and cash equivalents		(19)	(164)
Net foreign exchange difference		(17)	(59)
Cash and cash equivalents classified as discontinued operations/held for sale	4		
at the end of period		(92)	—
Cash and cash equivalents at beginning of period****		1,566	1,193
Cash and cash equivalents at end of period, net of overdrafts* **	8	**1,438**	**970**

* *Prior year comparatives are adjusted following the classification of Algeria as a discontinued operation (see Note 4)*

** *Fees paid for borrowings were US$22 (2020: US$20).*

*** *Overdrawn amount was US$30 (2020: US$157)*

**** *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.

Notes to the interim condensed consolidated financial statements

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

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 October 28, 2021. 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 nine-month period ended September 30, 2021

Financing activities

In March 2021, VEON successfully entered into a new multi-currency revolving credit facility agreement (the "**RCF**") of US$1,250. The RCF replaces the revolving credit facility signed in February 2017, which is now cancelled. Refer to Note 7 for further details.

In March 2021, VEON successfully amended and restated its existing RUB 30 billion (US$396), bilateral term loan agreement with Alfa Bank by adding a new floating rate tranche of RUB 15 billion (US$198). Refer to Note 7 for further details.

In March 2021, PMCL successfully entered into a new PKR 15 billion (US$98) syndicated facility with Muslim Commercial Bank as agent and PKR 5 billion (US$33) bilateral term loan facility with United Bank Limited. Both these floating rate facilities have a tenor of seven years.

In April 2021, the proceeds from Alfa Bank new tranche of RUB 15 billion (US$198) were used to early repay RUB 15 billion (US$198) of loans from Sberbank, originally maturing in June 2023.

In June 2021, Pakistan Mobile Communication Limited (PMCL) secured a PKR 50 billion (US$320) syndicated credit facility from a banking consortium led by Habib Bank Limited. This 10-year facility will be used to finance the company's ongoing 4G network rollouts and technology upgrades, as well as to address upcoming maturities.

In September 2021, VEON Holdings B.V. issued senior unsecured notes of RUB 20 billion (US$273) under the Global Medium Term Note Programme established in April 2020 (the "GMTN Programme"), maturing in September 2026 and proceeds were used to early repay RUB 20 billion ((US$273) of loans from Sberbank, originally maturing in June 2023.

Other developments

In March 2021, VEON successfully concluded the acquisition of the 15% minority stake in PMCL from the Dhabi Group for US$273. Refer to Note 7 for further details.

In March 2021, VEON's operating company in Bangladesh acquired spectrum following successful bids at an auction held by the BTRC. Refer to Note 4 for further details.

In September 2021, VEON's operating company in Pakistan recognized the ex-Warid license. Refer to Note 4 for further details.

Exercised Put option to sell entirety stake in Omnium Telecom Algerie SpA

On July 1, 2021 VEON exercised its put option to sell the entirety of its 45.57% stake in its Algerian subsidiary, Omnium Telecom Algerie SpA (Algeria" to the Fonds National d'Investissement (FNI). Omnium owns Algerian mobile network operator, Djezzy. Under the terms of the Shareholders' Agreement, the transaction is expected to be completed next year.

The Company classified its operations in Algeria as a held-for-sale and discontinued operations. In connection with this classification, the Company no longer accounts for depreciation and amortization expenses of Algeria assets. The results for

Notes to the interim condensed consolidated financial statements

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

Algeria in the consolidated income statements and the consolidated statements of cash flows for 2020 have been presented separately. (see Note 4 Significant Transactions).

Agreement between VEON and Service Telecom regarding the sale of its Russian tower assets

On September 5, 2021, the Company and VEON Ltd., the ultimate parent of the Company, signed an agreement for the sale of its direct subsidiary, National Tower Company ("NTC"), with Service Telecom Group of Companies LLC for approximately US$970. The transaction is subject to regulatory approvals and consummation of other customary closing conditions which are expected to be completed by the end of 2021. Under the terms of the deal, Russia entered into a long-term lease agreement with NTC under which Russia will lease space upon NTC's portfolio of 15,400 towers for a period of 8 years and an additional 5,000 towers to be leased in the duration of the lease term.The agreement was signed on October 15, 2021.

As a result of this anticipated transaction, the Company expects to transfer control of NTC and therefore classified the assets and liabilities in NTC as held-for-sale in these consolidated financial statements. In connection with this classification, the Company no longer accounts for depreciation and amortization expenses of the NTC assets (see Note 4 Significant Transactions).

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.

Financial information by reportable segment for the nine and three-month periods ended September 30, 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. Subsequent to its discontinued operation classification Algeria is not reported in the tables below.

For the nine-month period ended September 30:

	Service revenue				Sale of equipment and accessories		Other revenue		Total Revenue	
	Mobile		Fixed							
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Our cornerstone										
Russia	2,140	2,220	404	395	333	252	7	7	2,884	2,874
Our growth engines										
Pakistan	978	837	—	—	13	7	76	64	1,067	908
Ukraine	718	648	50	44	—	—	4	4	772	696
Kazakhstan	336	289	67	57	11	3	1	1	415	350
Uzbekistan	142	149	1	1	—	—	—	—	143	150
Our frontier markets										
Bangladesh	412	396	—	—	—	—	8	7	420	403
Other frontier markets	59	82	—	20	—	4	—	—	59	106
Other										
HQ and eliminations	(14)	(25)	(14)	—	—	—	—	1	(28)	(24)
Total segments	**4,771**	**4,596**	**508**	**517**	**357**	**266**	**96**	**84**	**5,732**	**5,463**

Notes to the interim condensed consolidated financial statements

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

	Adjusted EBITDA		CAPEX exc. licenses and ROU	
	2021	2020	2021	2020
Our cornerstone				
Russia	1,100	1,161	728	632
Our growth engines				
Pakistan	490	468	239	173
Ukraine	523	472	136	135
Kazakhstan	224	188	68	69
Uzbekistan	67	51	20	38
Our frontier markets				
Bangladesh	174	173	54	77
Other frontier markets	33	32	12	24
Other				
HQ and eliminations	(5)	(35)	—	2
Total segments	**2,606**	**2,510**	**1,257**	**1,150**

For the three-month period ended September 30:

	Service revenue				Sale of equipment and accessories		Other revenue		Total Revenue	
	Mobile		Fixed							
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Our cornerstone										
Russia	745	713	138	130	140	101	2	2	1,025	946
Our growth engines										
Pakistan	320	278	—	—	3	4	26	21	349	303
Ukraine	252	220	17	14	—	—	2	1	271	235
Kazakhstan	122	100	23	20	5	1	—	1	150	122
Uzbekistan	51	48	1	—	—	—	—	—	52	48
Our frontier markets										
Bangladesh	142	133	—	—	—	—	3	3	145	136
Other frontier markets	22	28	—	6	—	2	—	—	22	36
Other										
HQ and eliminations	(7)	(6)	(5)	—	(1)	—	—	—	(13)	(6)
Total segments	**1,647**	**1,514**	**174**	**170**	**147**	**108**	**33**	**28**	**2,001**	**1,820**

Notes to the interim condensed consolidated financial statements

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

	Adjusted EBITDA		CAPEX exc. licenses and ROU	
	2021	2020	2021	2020
Our cornerstone				
Russia	385	377	230	217
Our growth engines				
Pakistan	173	188	58	20
Ukraine	183	160	45	39
Kazakhstan	86	64	24	17
Uzbekistan	27	6	7	12
Our frontier markets				
Bangladesh	62	60	12	18
Other frontier markets	9	8	6	5
Other				
HQ and eliminations	(9)	(11)	(1)	—
Total segments	**916**	**852**	**381**	**328**

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

	Nine-month period		Three-month period	
	2021	2020	2021	2020
Profit / (loss) before tax	**741**	**(32)**	**253**	**(522)**
Adjustments to reconcile Profit / (loss) before tax to Total Adjusted EBITDA				
Depreciation	1,141	1,084	391	352
Amortization	218	231	79	73
Impairment loss / (reversal)	5	790	—	790
(Gain) / loss on disposal of non-current assets	9	16	5	4
Finance costs	515	562	190	176
Finance income	(16)	(49)	(10)	(14)
Other non-operating (gain) / loss	(7)	(101)	—	—
Net foreign exchange (gain) / loss	—	9	8	(7)
Total Adjusted EBITDA	**2,606**	**2,510**	**916**	**852**

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

3 INCOME TAXES

Income tax expense is the total of the current and deferred 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. Deferred income tax is the tax asset or liability resulting from a difference in income recognition between enacted or substantively enacted local tax law and group IFRS accounting.

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

	Nine-month period		Three-month period	
	2021	**2020**	**2021**	**2020**
Current income taxes	258	302	94	161
Deferred income taxes	22	(65)	13	(59)
Income tax expense	**280**	**237**	**107**	**102**
Effective tax rate	37.8 %	(740.6)%	42.3 %	(19.5)%

The difference between the statutory tax rate in the Netherlands (25.0%) and the effective corporate income tax rate for the Group in the nine and three-month periods ending September 30, 2021 (37.8% and 42.3%, respectively) 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 forecasted dividends from our operating companies.

The difference between the statutory tax rate in the Netherlands (25.0%) and the effective corporate income tax rate for the Group in the nine and three-month periods ending September 30, 2020 ((740.6)% and (19.5)%, respectively) was primarily driven by the recognition of non-deductible impairment losses in respect of our operating activities in Russia and Kyrgyzstan. In addition, the effective tax rate was impacted 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 and paid for dividends (forecasted and received) from our operating companies.

Notes to the interim condensed consolidated financial statements

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

INVESTING ACTIVITIES OF THE GROUP

4 SIGNIFICANT TRANSACTIONS

During the nine-month period ended September 30, 2021

VEON subsidiary Banglalink successfully acquires 9.4MHz in spectrum auction

In March 2021, Banglalink, the Company's wholly-owned subsidiary in Bangladesh, acquired 4.4MHz spectrum in the 1800MHz band and 5MHz spectrum in 2100MHz band following successful bids at an auction held by the Bangladesh Telecommunication Regulatory Commission (BTRC). The newly acquired spectrum will see Banglalink increase its total spectrum holding from 30.6MHz to 40MHz. Banglalink will invest BDT 10 billion (US$115) to purchase the spectrum.

PMCL Warid License Capitalization

The ex-Warid license renewal was due in May 2019. Pursuant to directions from the Islamabad High Court, the Pakistan Telecommunication Authority ("PTA") issued a license renewal decision on July 22, 2019 requiring payment of US$40 per MHz for 900 MHz spectrum and US $30 per MHz for 1800 MHz spectrum, equating to an aggregate price of approximately US$450 (excluding applicable taxes of approximately 13%). On August 17, 2019, Jazz appealed the PTA's order to the Islamabad High Court. On August 21, 2019, the Islamabad High Court suspended the PTA's order pending the outcome of the appeal and subject to Jazz making payment in the form of security (under protest) as per the options given in the PTA's order. As a result, PMCL deposited US$326 including the initial 50% payment of license as well as subsequent installments in order to maintain its appeal in the Islamabad High Court regarding the PTA's underlying decision on the license renewal

On July 19, 2021, Islamabad High Court dismissed Jazz's appeal. Based on the dismissal of appeal by the court, subsequent legal opinion obtained and acceptance of the total license price, the license was recognized amounting US$384, net of service cost liability of US$65. Consequently, the security deposit balance of US$326 was also adjusted. Subsequently, on October 18, 2021 PMCL and PTA signed the license document.

Held for sale and discontinued operations

The following table provides the details over assets and liabilities classified as held-for-sale as of September 30, 2021

	Assets held-for-sale	Liabilities held-for-sale
Algeria	1,816	409
NTC	497	152
Ukraine towers	25	—
Other individual assets	8	—
Total assets and liabilities held for sale	**2,346**	**561**

Exercised Put option to sell entirety stake in Omnium Telecom Algerie SpA

On July 1, 2021 VEON exercised its put option to sell the entirety of its 45.57% stake in its Algerian subsidiary, Omnium Telecom Algerie SpA (Algeria" to the Fonds National d'Investissement (FNI). Omnium owns Algerian mobile network operator, Djezzy. Under the terms of the Shareholders' Agreement, the transaction is expected to be completed next year.

The Company classified its operations in Algeria as a held-for-sale and discontinued operations. In connection with this classification, the Company no longer accounts for depreciation and amortization expenses of Algeria assets. The results for Algeria in the consolidated income statements and the consolidated statements of cash flows for 2020 have been presented separately.

The following table shows the profit/(loss) and other comprehensive income relating to Algeria operations for the nine and three-month periods ended September 30, 2021:

Notes to the interim condensed consolidated financial statements

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

	Nine-month period		Three-month period	
Income statement and statement of comprehensive income	**2021**	**2020**	**2021**	**2020**
Operating revenue	493	519	170	173
Operating expenses	(377)	(427)	(91)	(137)
Other expenses	(13)	(12)	(3)	(4)
Profit / (loss) before tax for the period	103	80	76	32
Income tax benefit / (expense)	(15)	(21)	(8)	(8)
Profit / (loss) after tax for the period	88	59	68	24
Other comprehensive income / (loss)*	(53)	(125)	(28)	(1)
Total comprehensive income / (loss)	35	(66)	40	23

*other comprehensive income is relating to the foreign currency translation

The following table shows the assets and liabilities classified as held-for-sale relating to Algeria as of September 30, 2021:

	2021
Property and equipment	488
Intangible assets excl. goodwill	108
Goodwill	1,013
Deferred tax assets	35
Other current assets	172
Total assets held for sale	1,816
Non-current liabilities	96
Current liabilities	313
Total liabilities held for sale	409

Agreement between VEON and Service Telecom regarding the Sale of its Russian tower assets

On September 5, 2021, the Company and VEON Ltd., the ultimate parent of the Company, signed an agreement for the sale of its direct subsidiary, NTC, with Service Telecom Group of Companies LLC for approximately US$970. The transaction is subject to regulatory approvals and consummation of other customary closing conditions which are expected to be completed by the end of 2021. Under the terms of the deal, Russia entered into a long-term lease agreement with NTC under which Russia will lease space upon NTC's portfolio of 15,400 towers for a period of 8 years and an additional 5,000 towers to be leased in the duration of the lease term. The agreement was signed on October 15, 2021.

As a result of this anticipated transaction and assessment that control of NTC will be transferred, on September 5, 2021, the Company classified NTC as a disposal group held-for-sale, including goodwill allocated to NTC from Russia based on its relative fair values at September 30, 2021. Following the classification as disposal group held-for-sale, the Company no longer accounts for depreciation and amortization expenses of NTC assets.

The following table shows the assets and liabilities classified as held-for-sale relating to NTC as of September 30, 2021:

Notes to the interim condensed consolidated financial statements

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

	2021
Property and equipment	264
Goodwill	215
Other current assets	18
Total assets held for sale	497
Non-current liabilities	126
Current liabilities	26
Total liabilities held for sale	152

Ukraine Tower Carve out

In June 2021, Kyivstar (a wholly owned subsidiary of VEON group) formalized the plan to carve out its tower related passive infrastructure to a newly incorporated entity, Ukraine Tower Holdings B.V.(an entity indirectly held by VEON Ltd. outside of VEON holdings group). All board approvals to form this carve out were obtained and accordingly the net book value of towers was classified as held for sale.

During the nine-month period ended September 30, 2020

GTH restructuring

During the first half of 2020, VEON continued with the restructuring of Global Telecom Holding S.A.E. ("**GTH**"), with the intragroup transfer of Mobilink Bank and GTH Finance B.V. completed in March and April 2020, respectively. 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 these intragroup transfers. For further details on GTH restructuring, refer to the Group's audited annual consolidated financial statements as of and for the year ended December 31, 2019.

Significant movements in exchange rates

An increase in demand for hard currencies, in part due to the coronavirus outbreak, resulted in the devaluation of exchange rates in the countries in which VEON operates. As such, in the first nine months of 2020, the book value of assets and liabilities of our foreign operations, in U.S. dollar terms, decreased significantly, with a corresponding loss of US$707 recorded against the foreign currency translation reserve in the Statement of Comprehensive Income.

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 nine-month period ended September 30:

	Nine-month period	
	2021	**2020**
Balance as of January 1	**6,853**	**7,324**
Additions*	1,498	1,221
Disposals	(23)	(32)
Depreciation	(1,141)	(1,191)
Held for sale	(771)	—
Impairment	(4)	(41)
Translation adjustment	(5)	(1,178)
Other	(7)	42
Balance as of September 30	**6,400**	**6,145**

*There were no material changes in estimates other than lease term reassessments in Russia which had the effect of increasing right-of-use assets by US$108 (2020-US$13).

Notes to the interim condensed consolidated financial statements

(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 nine-month period ended September 30:

	Nine-month period	
	2021	**2020**
Balance as of January 1	**4,142**	**5,675**
Acquisition of subsidiary (Note 4)	—	—
Additions*	591	172
Amortization	(218)	(257)
Held for sale	(1,356)	—
Impairment	—	(731)
Translation adjustment	(32)	(827)
Other	(4)	22
Balance as of September 30	**3,123**	**4,054**

- Additions for the period include capitalization of ex-Warid license in Pakistan amounting to US$384, please refer to Note 4 for further information

Goodwill

Included within total intangible asset movements for the nine month periods ended September 30, 2021, as shown above, are the following movements in goodwill for the group, per cash generating unit **("CGU")**:

CGU *	**September 30, 2021**	**Others and transfers**	**Held for sale**	**Currency translation**	**January 1, 2021**
Russia**	935	2	(215)	17	1,131
Algeria	—	—	(1,034)	(19)	1,053
Pakistan	299	(6)	—	(19)	324
Kazakhstan	138	—	—	(2)	140
Uzbekistan	34	—	—	—	34
Total	**1,406**	**(4)**	**(1,249)**	**(23)**	**2,682**

** There is no goodwill allocated to the CGUs of Ukraine, Bangladesh, Kyrgyzstan or Georgia*

Impairment analysis

Goodwill is tested for impairment annually or when circumstances indicate the carrying value may be impaired. 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"**).

VEON performed its annual impairment testing at September 30, 2021. For further details regarding calculations and assumptions used for impairment testing, refer to the Group's audited annual consolidated financial statements as of and for the year ended December 31, 2020.

There was no goodwill impairment recorded for the nine month periods ended September 30, 2021

Impairment losses in 2020

During the nine-month period ended September 30, 2020, Beeline Russia has seen a decline in its subscriber and revenue market share on the back of competitive pressures in the market, which have impacted both revenues and profitability. This underperformance has negatively impacted the fair value of our Russian business, and over time has eroded the existing headroom over the book value of the business. The impact of a weaker Russian ruble, along with ongoing COVID lockdowns and associated travel restrictions, have had a negative impact on consumer spending, which weakened during the quarter. Together with a slower than anticipated recovery in Beeline's ARPU, which has in turn impacted our future projected revenue, a revision to our previous estimates has been deemed necessary.

Based on these revisions, VEON recorded an impairment of US$723 against the carrying value of goodwill in Russia in the third quarter of 2020. The recoverable amount of the CGU of US$3,001 was determined based on fair value less costs of disposal calculations (Level 3 in the fair value hierarchy) using a discounted cash flow model, based on cash flow projections from business plans prepared by management.

Also in the third quarter of 2020, due to the unstable political environment and uncertainties arising with respect to the recoverability of our operating assets in Kyrgyzstan, VEON has fully impaired the carrying value of all operating assets of Kyrgyzstan. As a result, the Company recorded a total impairment loss of US$64, allocated against the carrying value of property and equipment (US$38), intangible assets (US$8) and other assets (US$18).

The Company also performed impairment testing for Algeria CGU during the third quarter of 2020. Based on the recoverable amount of the CGU of US$1,433, the headroom remaining for the Algeria CGU is limited although no impairment loss was recorded during the third quarter of 2020.

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

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FINANCING ACTIVITIES OF THE GROUP

7 INVESTMENTS, DEBT AND DERIVATIVES

The Company holds the following investments and derivative assets:

	September 30, 2021	December 31, 2020
At fair value		
Derivatives not designated as hedges	—	20
Derivatives designated as net investment hedges	—	3
	—	**23**
At amortized cost		
Loans granted to subsidiaries of the ultimate parent	1,699	1,837
Security deposits and cash collateral	39	325
Other investments	19	29
	1,757	**2,191**
Total investments and derivatives	**1,757**	**2,214**
Non-current	1,379	1,951
Current	378	263

The Company holds the following debt and derivative liabilities:

	September 30, 2021	December 31, 2020
At fair value		
Derivatives not designated as hedges	—	52
Derivatives designated as net investment hedges	9	1
	9	**53**
At amortized cost		
Principal amount outstanding	7,721	7,675
Interest accrued	105	85
Discounts, unamortized fees, hedge basis adjustment	(9)	(5)
Bank loans and bonds	**7,817**	**7,755**
Loans received from subsidiaries of the ultimate parent	305	304
Lease liabilities	1,819	1,894
Put-option liability over non-controlling interest	—	273
Other financial liabilities*	261	92
	10,202	**10,318**
Total debt and derivatives	**10,211**	**10,371**
Non-current	8,606	9,119
Current	1,605	1,252

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

Significant changes in financial assets and financial liabilities

There were no significant changes in financial assets and liabilities in the nine-month period ended September 30, 2021, except for the 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, 2020.

Acquisition of minority stake in PMCL

In March 2021, VEON successfully concluded the acquisition of the 15% minority stake in Pakistan Mobile Communications Limited ("PMCL"), its operating company in Pakistan, from the Dhabi Group for US$273. This transaction follows the Dhabi Group's exercise of its put option in September 2020 and gives VEON 100% ownership of PMCL. The transaction is presented within 'Acquisition of non-controlling interest' within the Consolidated Statement of Cash Flows.

VEON enters into a US$1,250 multi-currency revolving credit facility agreement

In March 2021, VEON successfully entered into a new multi-currency revolving credit facility agreement (the "RCF") of US$1,250. The RCF replaces the revolving credit facility signed in February 2017, which is now cancelled. The RCF has an initial tenor of three years, with the Company having the right to request two one-year extensions, subject to lender consent. International banks from Asia, Europe and the US have committed to the RCF. The new RCF caters for USD LIBOR cessation with the secured overnight financing rate ("SOFR") administered by the Federal Reserve Bank of New York USA agreed as the replacement risk free rate with credit adjustment spreads agreed for interest periods with a one month, three month and six month tenor. SOFR will apply to interest periods commencing on and from October 31, 2021 (or earlier if USD LIBOR is no longer published or ceases to be representative prior to that date). The Company will have the option to make each drawdown in either U.S. dollars or euro.

PMCL enters into PKR 20 billion (US$131) loan facilities

In March 2021, PMCL successfully entered into a new PKR 15 billion (US$98) syndicated facility with MCB Bank as agent and PKR 5 billion (US$33) bilateral term loan facility with United Bank Limited. Both these floating rate facilities have a tenor of seven years.

VEON increases facility with Alfa-Bank

In March 2021, VEON successfully amended and restated its existing RUB 30 billion (US$396) bilateral term loan agreement with Alfa Bank and increased the total facility size to RUB 45 billion (US$594), by adding a new floating rate tranche of RUB 15 billion (US$198). The new tranche has a five-year term.

In April 2021, the proceeds from Alfa Bank new tranche of RUB 15 billion (US$198) were used to early repay RUB 15 billion (US$198) of loans from Sberbank, originally maturing in June 2023.

PMCL secures syndicated credit facility

In June 2021, PMCL secured a PKR 50 billion (US$320) syndicated credit facility from a banking consortium led by Habib Bank Limited. This 10-year facility will be used to finance the company's ongoing 4G network rollouts and technology upgrades, as well as to address upcoming maturities.

Novation of VC-ESOP loan from Luxembourg Finance S.A. to VEON Amsterdam B.V.

In August 2021, VEON Luxembourg Finance S.A and VEON Amsterdam B.V. signed a transfer deed whereby VEON Luxembourg Finance S.A. (a subsidiary of the Company) transferred the rights and all obligation relating to loan receivable from VC-ESOP (a subsidiary of the ultimate parent company) for US$152 to VEON Amsterdam B.V. for a consideration of one US dollar and is considered as deemed dividend for these financials.

Global Medium Term Note programme

In September 2021, VEON Holdings B.V. issued senior unsecured notes of RUB 20 billion (US$273) under its existing Global Medium Term Note program with a programme limit of US$6.5 billion, or the equivalent thereof in other currencies. This new tranche will mature in September 2026 and proceeds were used to early repay RUB 20 billion ((US$273) of loans from Sberbank, originally maturing in June 2023.

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:

Notes to the interim condensed consolidated financial statements

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

- 'Bank loans and bonds, including interest accrued', for which fair value is equal to US$8,291 at September 30, 2021 (December 31, 2020: US$8,330); 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 September 30, 2021 and December 31, 2020, the Group recognized financial instruments at fair value in the statement of financial position, all of which were measured based on Level 2 inputs. Observable inputs (Level 2) used in valuation techniques include inter-bank interest rates, bond yields, swap curves, basis swap spreads, foreign exchange rates and credit default spreads. During the nine-month period ended September 30, 2021, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

All impairment losses and changes in fair values of investments, debt and derivatives are unrealized and are recorded in "Other non-operating gain / (loss)" in the consolidated income statement.

8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following items:

	September 30, 2021	December 31, 2020
Cash at banks and on hand	750	598
Short-term deposits with original maturity of less than three months*	718	975
Cash and cash equivalents	**1,468**	**1,573**
Less overdrafts	(30)	(7)
Cash and cash equivalents, net of overdrafts (as presented in the consolidated statement of cash flows)**	**1,438**	**1,566**

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

*** Cash and cash equivalents include an amount of US$ 86 relating to banking operations in Pakistan.*

As of September 30, 2021 and December 31, 2020, there were no restricted cash and cash equivalent balances. Cash balances as of September 30, 2021 include investments in money market funds of US$561 (December 31, 2020: US$543).

As of September 30, 2021, 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$30 (2020: US$7). Even though the total balance of the cash pool remained positive, the Company has no legally enforceable right-of-offset 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 2021, the Company received a capital contribution of US$36.

In March, June and September 2020, the Company made capital distributions to its shareholder of US$270, US$71 and US$52 respectively.

Notes to the interim condensed consolidated financial statements

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

ADDITIONAL INFORMATION

10 RELATED PARTIES

The immediate parent and ultimate controlling shareholder of the Company are, respectively, VEON Amsterdam B.V. and VEON Ltd.

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

	Nine-month period		Three-month period	
	2021	**2020**	**2021**	**2020**
Services from				
VEON Wholesale Services B.V	2	3	1	1
VEON Ltd.	(18)	2	—	1
Finance cost	9	5	4	3
Finance income	(7)	(31)	(6)	(9)
	(14)	**(21)**	**(1)**	**(4)**

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

	September 30, 2021	December 31, 2020
Accounts receivable from		
VEON Ltd.	98	100
Others	22	20
Financial assets receivable from		
VEON Amsterdam B.V.	1,351	1,328
VEON Digital Amsterdam B.V.	302	302
VC ESOP N.V.*	—	152
VEON Digital Limited	6	33
VEON Ventures B.V	12	—
Interest accrued	40	22
	1,831	**1,957**
Accounts payable to		
VEON Ltd.	107	213
Others	29	29
Financial liabilities to		
VEON Digital Amsterdam B.V.	300	300
Interest accrued	5	4
	441	**546**

* Refer to Note 7 for details

11 RISKS, COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

Other than disclosed below and elsewhere in these interim condensed consolidated financial statements, there were no material changes to risks, commitments, contingencies and uncertainties that occurred during the nine-month period ended September 30, 2021.

12 EVENTS AFTER THE REPORTING PERIOD

As of October 28, 2021, there were no events to be reported.

13 BASIS OF PREPARATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION

The interim condensed consolidated financial statements for the nine and three-month periods ended September 30, 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (**"IASB"**).

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, 2020.

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, 2020 balances were reclassified in the consolidated statement of financial position:

- Short term investments for treasury bills shorter than 3 months maturity relating to micro finance bank operations of US$75 is now presented in cash and cash equivalents. Accordingly the cash flow movement of US$39 relating to treasury bills has also been presented as cash and cash equivalent.
- Short term portion of license fee payable of US$31 is now presented as other financial liabilities within current debt and derivative liabilities.

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, 2020.

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.

A number of new and amended standards became effective as of January 1, 2021, 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, October 28, 2021

VEON Holdings B.V.