Special purpose
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, 2020

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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**	**2020**	**2019**	**2020**	**2019**
Service revenues		5,629	6,162	1,856	2,076
Sale of equipment and accessories		269	322	109	121
Other revenue		83	125	28	27
Total operating revenues	2	**5,981**	**6,609**	**1,993**	**2,224**
Other operating income		4	—	2	—
Service costs		(1,130)	(1,156)	(384)	(396)
Cost of equipment and accessories		(264)	(323)	(101)	(117)
Selling, general and administrative expenses		(1,856)	(2,047)	(577)	(676)
Depreciation		(1,191)	(1,214)	(388)	(405)
Amortization		(257)	(295)	(82)	(93)
Impairment (loss) / reversal	6	(790)	(99)	(789)	(90)
Gain / (loss) on disposal of non-current assets		(16)	(28)	(4)	(13)
Gain / (loss) on disposal of subsidiaries		—	1	—	—
Operating profit / (loss)		**481**	**1,448**	**(330)**	**434**
Finance costs		(570)	(664)	(178)	(248)
Finance income		49	61	14	24
Other non-operating gain / (loss)		101	15	—	—
Net foreign exchange gain / (loss)		(13)	(32)	5	(23)
Profit / (loss) before tax		**48**	**828**	**(489)**	**187**
Income tax expense	3	(258)	(364)	(111)	(102)
Profit / (loss) for the period		**(210)**	**464**	**(600)**	**85**
Attributable to:					
The owners of the parent		(216)	428	(576)	89
Non-controlling interest		6	36	(24)	(4)
		(210)	**464**	**(600)**	**85**

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**	**2020**	**2019**	**2020**	**2019**
Profit / (loss) for the period		**(210)**	**464**	**(600)**	**85**
Items that may be reclassified to profit or loss					
Foreign currency translation	1	(707)	(8)	(219)	(26)
Other		8	3	6	3
Items reclassified to profit or loss					
Other		(13)	—	(8)	—
Other comprehensive income / (loss), net of tax		**(712)**	**(5)**	**(221)**	**(23)**
Total comprehensive income / (loss), net of tax		**(922)**	**459**	**(821)**	**62**
Attributable to:					
The owners of the parent		(848)	491	(793)	82
Non-controlling interests		(74)	(32)	(28)	(20)
		(922)	**459**	**(821)**	**62**

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, 2020	December 31, 2019
Assets			
Non-current assets			
Property and equipment	5	6,145	7,324
Intangible assets	6	4,054	5,675
Investments and derivatives	7	1,920	236
Deferred tax assets		176	134
Other assets		165	163
Total non-current assets		**12,460**	**13,532**
Current assets			
Inventories		98	169
Trade and other receivables		650	744
Investments and derivatives	7	368	1,554
Current income tax assets		31	16
Other assets		279	330
Cash and cash equivalents	8	1,055	1,183
Total current assets		**2,481**	**3,996**
Total assets		**14,941**	**17,528**
Equity and liabilities			
Equity			
Equity attributable to equity owners of the parent		1,286	2,530
Non-controlling interests		857	994
Total equity		**2,143**	**3,524**
Non-current liabilities			
Debt and derivatives	7	7,347	7,744
Provisions		116	138
Deferred tax liabilities		108	140
Other liabilities		25	32
Total non-current liabilities		**7,596**	**8,054**
Current liabilities			
Trade and other payables		2,008	2,177
Debt and derivatives	7	2,101	2,562
Provisions		118	155
Current income tax payables		161	102
Other liabilities		814	954
Total current liabilities		**5,202**	**5,950**
Total equity and liabilities		**14,941**	**17,528**

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, 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		—	—	—	—	(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		—	—	(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**

for the nine-month period ended September 30, 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		—	—	—	—	428	—	428	36	464
Other comprehensive income / (loss)		—	—	—	6	(3)	60	63	(68)	(5)
Total comprehensive income / (loss)		—	—	—	6	425	60	491	(32)	459
Dividends declared to non-controlling interest		—	—	—	—	—	—	—	(108)	(108)
(Distributions to) and capital contributions from parent	4	—	—	350	—	—	—	350	—	350
Changes in ownership interest in a subsidiary that do not result in loss of control	4	—	—	—	(2,563)	—	—	(2,563)	1,965	(598)
Other		—	—	—	1	(9)	—	(8)	1	(7)
As of September 30, 2019		**30,099,998**	**39**	**13,385**	**(2,300)**	**(2,524)**	**(6,153)**	**2,447**	**934**	**3,381**

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**	**2020**	**2019**
Operating activities			
Profit / (loss) before tax		48	828
Non-cash adjustments to reconcile profit before tax to net cash flows			
Depreciation, amortization and impairment loss / (reversal)		2,238	1,608
(Gain) / loss on disposal of non-current assets		16	28
(Gain) / loss on disposal of subsidiaries		—	(1)
Finance costs		570	664
Finance income		(49)	(61)
Other non-operating (gain) / loss		(101)	(15)
Net foreign exchange (gain) / loss		13	32
Changes in trade and other receivables and prepayments		(86)	(187)
Changes in inventories		45	(19)
Changes in trade and other payables		58	95
Changes in provisions, pensions and other		5	64
Interest paid		(478)	(511)
Interest received		37	42
Income tax paid		(279)	(371)
Net cash flows from operating activities		**2,037**	**2,196**
Investing activities			
Purchase of property, plant and equipment and intangible assets		(1,284)	(1,195)
Loans granted		(330)	(719)
Payment on deposits		(113)	(913)
Receipts from deposits		30	693
Receipts from / (investment in) financial assets		(5)	4
Other cash flows from / (used in) investing activities, net		(11)	25
Net cash flows from / (used in) investing activities		**(1,713)**	**(2,105)**
Financing activities			
Proceeds from borrowings, net of fees paid*	7	3,214	1,910
Repayment of debt	7	(3,258)	(2,121)
Acquisition of non-controlling interest		(1)	(604)
(Distributions to) / contributions from owners of the parent		(393)	350
Dividends paid to non-controlling interests		(88)	(134)
Net cash flows from / (used in) financing activities		**(526)**	**(599)**
Net (decrease) / increase in cash and cash equivalents		(202)	(508)
Net foreign exchange difference		(59)	(21)
Cash and cash equivalents at beginning of period		1,159	1,751
Cash and cash equivalents at end of period, net of overdrafts**	**8**	**898**	**1,222**

* *Fees paid for borrowings were US$20 (2019: US$19).*

** *Overdrawn amount was US$157 (2019: US$(73))*

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 October 29, 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 nine-month period ended September 30, 2020

Financing activities

In July 2020, VEON Holdings B.V. successfully refinanced its existing RUB30 billion (US$422) bilateral term loan agreement with VTB Bank. For further details please refer to Note 7.

In June 2020, VEON Holdings B.V. entered into a new RUB bilateral term loan agreement with Sberbank for a total amount of RUB100 billion (US$1,450), which was used to refinance the existing Sberbank facilities. Currently, RUB80 billion remains outstanding under the new facilities. For further details please refer to Note 7.

In April 2020, VEON Holdings B.V. established a Global Medium Term Note program for the issuance of bonds in multiple currencies, with a limit equivalent to US$6,500. In June and September 2020, VEON Holdings B.V. issued senior unsecured notes of RUB20 billion (US$288) and RUB10 billion (US$135), respectively, under the program. For further details please refer to Note 7.

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 second quarter saw the full impact on our operations of the lockdowns imposed across our markets in response to the COVID-19 pandemic. This resulted in material disruption to our retail operations following store closures, which impacted gross connections and airtime sales. Restrictions on travel resulted in a significant decline in roaming revenues and the loss of migrant customers from our subscriber base, particularly in Russia.

Although VEON's operations remained impacted by lockdown measures throughout the third quarter, a gradual lifting of restrictions enabled the start of economic activity normalization and a sequential recovery in the performance of our operating markets.

Revenue trends remained divergent. Demand for our data services remains strong, enabling us to continue to grow our data revenues at a double-digit pace. We also experienced a continued shift in data traffic from mobile to fixed networks as lockdowns encouraged home working and schooling alongside a greater use of devices through our domestic broadband services.

An increase in demand for hard currencies has resulted in the devaluation of exchange rates in the countries in which VEON operates. As such, during the nine-month period ended September 30, 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.

Our management has taken appropriate measures to keep our 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.

Other developments

In September 2020, the Dhabi Group exercised its put option to sell VEON its 15% shareholding in Pakistan Mobile Communications Ltd (**"PMCL"**), the Company's subsidiary in Pakistan. For further details please refer to Note 7.

In September 2020, VEON recorded impairment losses in respect of its operations in Russia and Kyrgyzstan of US$723 and US$64, respectively. For further details please refer to Note 6.

In the third quarter of 2020, as a result of a change in estimate, PMCL reversed a non-income tax provision of PKR11.2 billion (US$68).

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 nine and three-month periods ended September 30, 2019 have been adjusted to reflect this change.

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.

For the nine-month period ended September 30

	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	2,220	2,617	395	396	252	308	7	8	2,874	3,329
Our growth engines										
Pakistan	837	926	—	—	7	5	64	65	908	996
Ukraine	648	589	44	38	—	—	4	3	696	630
Kazakhstan	289	279	57	49	3	2	1	40	350	370
Uzbekistan	149	195	1	1	—	—	—	—	150	196
Our frontier markets										
Algeria	516	575	—	—	3	1	—	—	519	576
Bangladesh	396	397	—	—	—	1	7	8	403	406
Other frontier markets	82	102	20	22	4	5	—	1	106	130
Other										
HQ and eliminations	(25)	(24)	—	—	—	—	—	—	(25)	(24)
Total segments	**5,112**	**5,656**	**517**	**506**	**269**	**322**	**83**	**125**	**5,981**	**6,609**

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

	Adjusted EBITDA		CAPEX exc. licenses and ROU	
	2020	2019	2020	2019
Our cornerstone				
Russia	1,161	1,491	632	631
Our growth engines				
Pakistan	468	509	173	150
Ukraine	472	405	135	114
Kazakhstan	188	212	69	71
Uzbekistan	51	103	38	42
Our frontier markets				
Algeria	224	262	64	69
Bangladesh	173	170	77	62
Other frontier markets	32	45	24	22
Other				
HQ and eliminations	(34)	(114)	2	2
Total segments	**2,735**	**3,083**	**1,214**	**1,163**

For the three-month period ended September 30

	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	713	903	130	136	101	116	2	2	946	1,157
Our growth engines										
Pakistan	278	265	—	—	4	2	21	21	303	288
Ukraine	220	216	14	13	—	—	1	1	235	230
Kazakhstan	100	99	20	16	1	—	1	—	122	115
Uzbekistan	48	65	—	—	—	—	—	—	48	65
Our frontier markets										
Algeria	172	197	—	—	1	—	—	—	173	197
Bangladesh	133	133	—	—	—	—	3	3	136	136
Other frontier markets	28	36	6	7	2	3	—	—	36	46
Other										
HQ and eliminations	(6)	(10)	—	—	—	—	—	—	(6)	(10)
Total segments	**1,686**	**1,904**	**170**	**172**	**109**	**121**	**28**	**27**	**1,993**	**2,224**

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	377	525	217	170
Our growth engines				
Pakistan	188	140	20	32
Ukraine	160	149	39	48
Kazakhstan	64	60	17	18
Uzbekistan	6	36	12	3
Our frontier markets				
Algeria	79	89	26	21
Bangladesh	60	55	18	25
Other frontier markets	8	17	5	8
Other				
HQ and eliminations	(9)	(36)	—	1
Total segments	**933**	**1,035**	**354**	**326**

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	
	2020	2019	2020	2019
Profit / (loss) before tax	**48**	**828**	**(489)**	**187**
Adjustments to reconcile Profit / (loss) before tax to Total Adjusted EBITDA				
Depreciation	1,191	1,214	388	405
Amortization	257	295	82	93
Impairment loss / (reversal)	790	99	789	90
(Gain) / loss on disposal of non-current assets	16	28	4	13
(Gain) / loss on disposal of subsidiaries	—	(1)	—	—
Finance costs	570	664	178	248
Finance income	(49)	(61)	(14)	(24)
Other non-operating (gain) / loss	(101)	(15)	—	—
Net foreign exchange (gain) / loss	13	32	(5)	23
Total Adjusted EBITDA	**2,735**	**3,083**	**933**	**1,035**

(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	
	2020	**2019**	**2020**	**2019**
Current income taxes	325	360	170	108
Deferred income taxes	(67)	4	(59)	(6)
Income tax expense	**258**	**364**	**111**	**102**
Effective tax rate	537.5 %	44.0 %	(22.7)%	54.5 %

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, 2020 (537.5% and -22.7%, respectively) was primarily driven by the recognition of non-deductible impairment losses in respect of our operating activities in Russia and Kyrgyzstan (see Note 6). 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.

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, 2019 (44.0% and 54.5%, respectively) was primarily driven by a number of non-deductible expenses in various countries recorded in our consolidated income statement, impairment charge for Kyrgyzstan and withholding taxes paid on dividends received from the operating countries.

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

Significant transactions in 2020

GTH restructuring

In 2020, VEON continued 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 transactions in 2019

Mandatory tender offer for shares of GTH

In August, 2019, VEON completed the purchase of 1,914,322,110 shares, representing approximately 40.55% of GTH's issued shares, in connection with its Mandatory Tender Offer (**"MTO"**) which commenced in July, 2019. The total price for the purchase of such shares was EGP 9,725 million (approximately US$587), reflecting the offer price per share of EGP 5.08. Following the completion of the MTO and further purchases by GTH, as of September 30, 2020, VEON and GTH hold approximately 99.59% of GTH's total outstanding equity. The MTO was funded by a combination of cash on hand and utilization of undrawn credit facilities.

The transactions represent a purchase of non-controlling interests without a change of control. Consequently, the difference between the book value of non-controlling interests acquired and cash paid were recorded directly within 'Other capital reserves' in the Consolidated Statement of Equity.

Settlement of GTH Taxes

In June 2019, GTH reached agreement with the Egyptian Tax Authority (**"ETA"**) to settle all outstanding tax liabilities of GTH and its Egyptian subsidiaries for a total amount of US$136 (the **"GTH Tax Settlement"**). The GTH Tax Settlement is in respect of tax liabilities of GTH and its Egyptian subsidiaries for the tax years 2000 through 2018. Effective June, 2019, following the first settlement payment of US$54 by GTH to the ETA, GTH is released in relation to tax years from 2006 through 2007 and 2010 through 2018. Effective September 2019, following the second settlement payment of US$82, GTH has resolved all outstanding tax liabilities in Egypt for the tax years 2000 through 2018.

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 nine-month period ended September 30:

	Nine-month period	
	2020	2019
Balance as of January 1	**7,324**	**4,925**
Adjustment due to new accounting standard (IFRS 16)	—	1,932
Additions	1,221	1,149
Disposals	(32)	(53)
Depreciation	(1,191)	(1,214)
Impairment (see Note 6)	(41)	(42)
Currency translation	(1,178)	201
Other	42	86
Balance as of September 30	**6,145**	**6,984**

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	
	2020	2019
Balance as of January 1	**5,675**	**5,657**
Adjustment due to new accounting standard (IFRS 16)	—	(15)
Additions	172	142
Amortization	(257)	(295)
Impairment (see below)	(731)	(57)
Currency translation	(827)	112
Other	22	26
Balance as of September 30	**4,054**	**5,570**

Goodwill

Included within total intangible asset movements for the nine-month period ended September 30, 2020, as shown above, are the following movements in goodwill for the group, per cash generating unit **("CGU")**:

CGU	September 30, 2020	Impairment	Currency translation	Other	December 31, 2019
Russia	1,049	(723)	(506)	13	2,265
Algeria	1,076	—	(91)	—	1,167
Pakistan	313	—	(22)	—	335
Kazakhstan	137	—	(17)	—	154
Uzbekistan	36	—	(2)	—	38
Total	**2,611**	**(723)**	**(638)**	**13**	**3,959**

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

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"**). In addition to the above, the Company also considered the impact of COVID-19 when reviewing for indicators of impairment (refer to Note 1).

VEON performed its annual impairment testing at September 30, 2020. 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, 2019.

Impairment losses in 2020

In recent years, 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.

	September 30, 2020			June 30, 2020		
Key assumptions – Russia CGU	**Explicit forecast period**	**Terminal period**	**Combined average ***	**Explicit forecast period**	**Terminal period**	**Combined average ***
Discount rate			**10.1 %**			**9.6 %**
Average annual revenue growth rate	4.3 %	1.8 %	**3.9 %**	6.6 %	1.6 %	**5.8 %**
Average operating margin	31.2 %	35.7 %	**32.0 %**	32.4 %	35.5 %	**32.9 %**
Average CAPEX / revenue **	27.9 %	21.0 %	**26.8 %**	30.0 %	19.2 %	**28.2 %**

** Combined average based on explicit forecast period of five years (2021-2025) and terminal period (2026), excludes intervening period of 2020*

*** CAPEX excludes licenses and ROU*

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.

	September 30, 2020		
Key assumptions – Algeria CGU	**Explicit forecast period**	**Terminal period**	**Combined average ***
Discount rate			11.6 %
Average annual revenue growth rate	4.3 %	1.0 %	3.8 %
Average operating margin	39.9 %	40.4 %	40.0 %
Average CAPEX / revenue **	15.2 %	14.0 %	15.0 %

** Combined average based on explicit forecast period of five years (2021-2025) and terminal period (2026), excludes intervening period of 2020*

*** CAPEX excludes licenses and ROU*

Notes to the interim condensed consolidated financial statements

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

Sensitivity analysis

The following table illustrates the potential additional impairment for the Russia CGU and the potential impairment or remaining headroom for the Algeria CGU if certain key parameters would adversely change by one percentage point within both the explicit forecast and terminal periods ('+/- 1.0 pp'), as well as the change in key assumptions required in order for the recoverable amount of the CGU to be equal to its book value ('Break-even').

Any additional adverse changes in the key parameters by more than one percentage point would increase the amount of impairment exposure approximately proportionally.

	Russia			Algeria		
Sensitivity analysis	Combined average *	+/- 1.0 pp	Break-even **	Combined average *	+/- 1.0 pp	Break-even
Discount rate	**10.1%**	**11.1%**		**11.6%**	**12.6%**	**12.2%**
Change in key assumption	0.0 pp	1.0 pp		0.0 pp	1.0 pp	0.6 pp
Headroom / (impairment)	—	*(473)*		*75*	*(44)*	—
Average annual revenue growth rate	**3.9%**	**2.9%**		**3.8%**	**2.8%**	**2.9%**
Change in key assumption	0.0 pp	(1.0) pp		0.0 pp	(1.0) pp	(0.9) pp
Headroom / (impairment)	—	*(250)*		*75*	*(12)*	—
Average operating margin	**32.0%**	**31.0%**		**40.0%**	**39.0%**	**38.7%**
Change in key assumption	0.0 pp	(1.0) pp		0.0 pp	(1.0) pp	(1.3) pp
Headroom / (impairment)	—	*(375)*		*75*	*19*	—
Average CAPEX / revenue	**26.8%**	**27.8%**		**15.0%**	**16.0%**	**16.4%**
Change in key assumption	0.0 pp	1.0 pp		0.0 pp	1.0 pp	1.4 pp
Headroom / (impairment)	—	*(380)*		*75*	*22*	—

** Combined average based on explicit forecast period of five years (2021-2025) and terminal period (2026), excludes intervening period of 2020*

*** Following the recognition of an impairment loss in the third quarter of 2020, the book value of the Russia CGU is equal to its recoverable amount. As such, the 'break-even' assumptions for the Russia are equivalent to the 'Combined average' assumptions*

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.

Impairment losses in 2019

During the third quarter of 2019, due to operational underperformance of its operations in Kyrgyzstan, the Company has revised its previous estimates and assumptions regarding the future cash flows of the Kyrgyzstan CGU. As a result, the Company recorded an impairment of US$90 against the carrying values of Kyrgyzstan CGU during the three-month period ended September 30, 2019. The impairment loss for Kyrgyzstan was allocated first to the existing carrying value of goodwill (US$54) and then subsequently to property and equipment (US$33) and intangible assets (US$3), based on relative carrying values.

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:

	September 30, 2020	December 31, 2019
At fair value		
Derivatives not designated as hedges	2	11
Derivatives designated as net investment hedges	71	—
Investments in debt instruments	68	34
	141	**45**
At amortized cost		
Loans granted to subsidiaries of the ultimate parent	1,796	1,479
Security deposits and cash collateral	324	256
Other investments	27	10
	2,147	**1,745**
Total investments and derivatives	**2,288**	**1,790**
Non-current	1,920	236
Current	368	1,554

The Company holds the following debt and derivative liabilities:

	September 30, 2020	December 31, 2019
At fair value		
Derivatives not designated as hedges	45	52
Derivatives designated as net investment hedges	—	161
Contingent consideration	—	41
	45	**254**
At amortized cost		
Principal amount outstanding	6,950	7,497
Interest accrued	94	82
Discounts, unamortized fees, hedge basis adjustment	(7)	(10)
Bank loans and bonds	**7,037**	**7,569**
Loans received from subsidiaries of the ultimate parent	305	—
Lease liabilities	1,635	2,064
Put-option liability over non-controlling interest	331	342
Other financial liabilities	95	77
	9,403	**10,052**
Total debt and derivatives	**9,448**	**10,306**
Non-current	7,347	7,744
Current	2,101	2,562

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, 2020, 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, 2019.

Net investment hedge

During 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$227 gain, at its peak, recorded against the foreign currency translation reserve. This gain partially offset the translation loss related to our foreign operations described in Note 1.

Exercise of 15% PMCL put option

In September 2020, the Dhabi Group exercised its put option to sell VEON its 15% shareholding in PMCL, the Company's subsidiary in Pakistan. The transaction, which requires an independent valuation to determine the fair value of the shareholding, is expected to close in the fourth quarter of 2020. Once completed, VEON will own 100% of PMCL.

Global Medium Term Note program

In April 2020, the Company established a Global Medium Term Note program for the issuance of bonds (the **"MTN Program"**), with a program limit of US$6,500, or the equivalent thereof in other currencies. In June and September 2020, the Company issued senior unsecured notes of RUB20 billion (US$288) and RUB10 billion (US$135), respectively, under the MTN Program, maturing in June and September 2025.

Refinancing of loan agreement with VTB

In July 2020, the Company successfully refinanced its existing RUB30 billion (US$422), bilateral term loan agreement with VTB Bank. This refinancing extended the final maturity of the existing loan between VTB Bank and the Company to July 2025 and amended the interest cost from a fixed rate of 8.75% to floating rate equal to CBR Key Rate + 1.85 p.p.

Refinancing of RUB debt with Sberbank

In June 2020, the Company entered into a new RUB bilateral term loan agreement with Sberbank. The agreement comprises four facilities for a total amount of RUB100 billion (US$1,450) with final maturity dates ranging between two and four years. Shortly after the agreement was signed, the Company fully utilized three facilities for a total amount of RUB87.5 billion (US$1,281) and used the proceeds to prepay all outstanding amounts under the Sberbank term facilities agreement signed in May 2017.

In July 2020, the Company drew down the remaining RUB12.5 billion available under the facility agreement. Subsequently, in September 2020, the Company repaid this facility, originally maturing in June 2022, in full with no significant fees. The repaid facility cannot be re-borrowed.

Ex-Warid license renewal

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$39.5 per MHz for 900 MHz spectrum and US$29.5 per MHz for 1800 MHz spectrum, equating to an aggregate price of approximately US$450 (excluding advance tax of 10%). 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. In September 2019, Jazz deposited approximately US$225 in order to maintain its appeal in the Islamabad High Court regarding the PTA's underlying decision on the license renewal. There were no specific terms and conditions attached to the deposit. The deposit is recorded as a non-current financial asset in the statement of financial position.

In May, 2020 a further US$57 was paid under protest, presented within 'Receipts from / (payment on) deposits' in the statement of cash flows. The Court heard arguments on October 21, 2020 and the matter has been adjourned for a further hearing on October 29, 2020.

Extension and extinguishment of Banglalink syndicated loan

In April 2020, Banglalink Digital Communications Limited, a wholly-owned subsidiary, extended the maturity of its US$300 syndicated loan by an additional two years to 2022. Following this extension, VEON Digital Amsterdam B.V., a subsidiary of the Company's parent, acquired the loan from the original lenders. No material transactional costs were incurred.

Loan granted to VEON Digital Amsterdam B.V.

In April 2020, the Company granted a loan of US$300 to VEON Digital Amsterdam B.V under the same terms as the Banglalink syndicate loan(above). The initial term of the loan is two years.

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. All outstanding drawdowns under the RCF have been fully repaid during June 2020 (US$100) and July 2020 (US$500).

Refinancing of RUB debt - AO "Alfa-Bank"

In March 2020, the Company amended and restated the existing facility with AO "Alfa-Bank", increasing its size and utilization from RUB17.5 billion to RUB30 billion (US$165). Following this amendment and restatement, the final maturity of this facility has been set to March, 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, 2020.

US$300 tap issuance of existing senior notes

In January 2020, the Company issued US$300 in senior unsecured notes due 2025, which are 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$7,516 at September 30, 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 September 30, 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 nine-month period ended September 30, 2020, 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.

Notes to the interim condensed consolidated financial statements

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

Contingent consideration

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

	Contingent consideration
As of December 31, 2019	**41**
Fair value changes recognized in the income statement	(41)
As of September 30, 2020	**—**

In 2015, International Wireless Communications Pakistan Limited and Pakistan Mobile Communications Ltd (**"PMCL"**), each indirect subsidiaries of the Company, signed an agreement with Warid Telecom Pakistan LLC and Bank Alfalah Limited, to combine their operations in Pakistan. In July 2016, the transaction was closed and PMCL acquired 100% of the voting shares in Warid Telecom (Pvt) Limited (**"Warid"**) for a consideration of 15% of the shares in PMCL. As a result, VEON gained control over Warid.

As part of the share purchase agreement, an earn-out payment was agreed in the event that a tower transaction is effected by PMCL within four years from the acquisition date. The earn-out would also apply if another telecommunications operator in Pakistan effects a tower transaction, provided the transaction meets certain parameters, in the same timeframe. The contingent consideration would be settled with a transfer of PMCL shares. As of June 2020, the probability of completion of a tower deal in Pakistan prior to the relevant deadline, upon which contingent consideration would be paid, became remote. As a result, the fair value of Contingent consideration was revised downwards to zero, with a corresponding gain in the consolidated income statement.

8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following items:

	September 30, 2020	December 31, 2019
Cash at banks and on hand	739	867
Short-term deposits with original maturity of less than three months	316	316
Cash and cash equivalents	**1,055**	**1,183**
Less overdrafts	(157)	(24)
Cash and cash equivalents, net of overdrafts (as presented in the consolidated statement of cash flows)	**898**	**1,159**

As of September 30, 2020 and December 31, 2019, there were no restricted cash and cash equivalent balances. Cash balances as of September 30, 2020 include investments in money market funds of US$177 (December 31, 2019: US$155).

As of September 30, 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$157 (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, June and September 2020, the Company made capital distributions to its shareholder of US$270, US$71 and US$52 respectively.

There were no dividends or capital distributions to the Company's shareholder during the nine-month period ended September 30, 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, L1T VIP Holdings S.à r.l. (LetterOne).

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	
	2020	**2019**	**2020**	**2019**
Revenue from				
VEON Wholesale Services B.V.	—	59	—	13
Others	—	—	—	—
	—	**59**	**—**	**13**
Services from				
VEON Wholesale Services B.V.	3	48	1	13
VEON Ltd.	2	14	1	5
	5	**62**	**2**	**18**

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

	September 30, 2020	December 31, 2019
Accounts receivable from related parties		
VEON Ltd.	100	96
Others	20	19
Loans receivable from related parties		
VEON Amsterdam B.V.	1,300	1,289
VEON Digital Amsterdam B.V.	300	—
VC ESOP N.V.	149	155
VEON Digital limited	30	19
Interest accrued	17	15
	1,916	**1,593**
Accounts payable to related parties		
VEON Ltd.	319	326
Others	30	36
Loans payable to related parties		
VEON Digital Amsterdam B.V.	302	—
Others	3	3
	654	**365**

COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE COMPANY

Value growth cash-based long-term incentive plans

The carrying value of obligations under the Value-growth cash based long-term incentive plan (the **"LTI Plan"**) as of September 30, 2020 and December 31, 2019, respectively, was equal to US$5 and US$7. Included within 'Selling, general and administrative expenses' for the nine and three-month periods ended September 30, 2020, respectively, is a gain of US$1 (2019: gain of US$10) and US$0 (2019: gain of US$0) relating to share-based payment expense under the LTI Plan.

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, 2020.

VEON is involved in a number of disputes, litigation and regulatory proceedings in the ordinary course of its business, including those pertaining to income and other tax claims in Pakistan of approximately PKR 37 billion (approximately US$223).

Settlement of dispute concerning sale of Telecel Globe Limited

In 2013, GTH and Niel Natural Resources Investments S.A. ("**Niel**") entered into a Share Purchase Agreement (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. Pursuant to the terms of the SPA and subsequent amendments agreed, deposits of US$50 were received by GTH from Niel and recorded within other financial liabilities. Upon Niel's failure to close the intended transaction and in accordance with the terms of the SPA, the deposits paid were not refunded. GTH completed the sale of Telecel in October 2014, to another purchaser for consideration less than had been agreed with Niel.

During 2019, Niel commenced legal activities in relation to the deposit monies retained by GTH. For further details, refer to the Group's audited annual consolidated financial statements as of and for the year ended December 31, 2019.

In June 2020, a settlement agreement was reached between GTH and Niel, which remains subject to Niel's satisfaction of certain conditions precedent, whereby GTH will pay US$9 to Niel to resolve all claims and counterclaims at issue in the dispute, as well as associated proceedings brought by Niel in the Netherlands and Egypt. The US$41 remainder of the value deferred on the balance sheet was released to profit and loss, within 'Other non-operating gain / (loss)'.

12 EVENTS AFTER THE REPORTING PERIOD

Sale of Armenian operations

In October 2020, VEON concluded an agreement for the sale of CJSC "VEON Armenia", VEON's operating subsidiary in Armenia, to Team LLC for consideration of US$51. The transaction was closed on October 29, 2020.

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, 2020 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, 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.

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 did not have a material impact on VEON financial statements. The Group has not early adopted any other standards, interpretations or amendments that have been issued but have not yet become effective.

In May 2020, the IASB issued an amendment to IFRS 16 'Leases', providing an option to apply a practical expedient in respect of accounting for certain rent concessions arising as a direct consequence of covid-19, such as rent holidays and temporary rent reductions. Under this amendment, which became effective as of June 30, 2020, lessees are exempted from having to consider whether these rent concessions are lease modifications. The Group has chosen not to apply the practical expedient available, and will therefore account for any rent concessions as lease modifications.

Amsterdam, October 29, 2020

VEON Holdings B.V