Special purpose
Consolidated financial statements

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

As of and for the year ended
December 31, 2021

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CONSOLIDATED INCOME STATEMENT

for the years ended December 31

(In millions of U.S. dollars)	Note	2021	2020*
Service revenues		7,128	6,786
Sale of equipment and accessories		508	388
Other revenues		134	117
Total operating revenues	3	**7,770**	**7,291**
Other operating income		5	4
Service costs		(1,379)	(1,334)
Cost of equipment and accessories		(487)	(378)
Selling, general and administrative expenses	4	(2,435)	(2,282)
Depreciation	12	(1,542)	(1,429)
Amortization	13	(302)	(306)
Impairment (loss) / reversal	11	(20)	(784)
Gain / (loss) on disposal of non-current assets		(13)	(37)
Gain / (loss) on disposal of subsidiaries	9	101	(78)
Operating profit		**1,698**	**667**
Finance costs		(702)	(677)
Finance income		28	64
Other non-operating gain / (loss)	15	12	111
Net foreign exchange gain / (loss)		4	(49)
Profit / (loss) before tax from continuing operations		**1,040**	**116**
Income tax expense	8	(255)	(316)
Profit / (loss) from continuing operations		**785**	**(200)**
Profit / (loss) after tax from discontinued operations	10	**151**	**79**
Profit / (loss) for the period		**936**	**(121)**
Attributable to:			
The owners of the parent (continuing operations)		740	(190)
The owners of the parent (discontinued operations)		69	36
Non-controlling interest		127	33
		936	**(121)**

** Prior year comparatives are adjusted following the classification of Algeria as a discontinued operation (see Note 10)*

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the years ended December 31

(In millions of U.S. dollars)	Note	2021	2020
Profit / (loss)		**936**	**(121)**
Items that may be reclassified to profit or loss			
Foreign currency translation	9	(200)	(622)
Other		—	1
Items reclassified to profit or loss			
Reclassification of accumulated foreign currency translation reserve to profit or loss upon disposal of foreign operation	9	—	96
Other	16	(3)	(15)
Other comprehensive income / (loss) for the period, net of tax		**(203)**	**(540)**
Total comprehensive income / (loss) for the period, net of tax		**733**	**(661)**
Attributable to:			
The owners of the parent		648	(604)
Non-controlling interests		85	(57)
		733	**(661)**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of December 31

(In millions of U.S. dollars)	Note	2021	2020
Assets			
Non-current assets			
Property and equipment	12	6,705	6,853
Intangible assets	13	3,220	4,142
Investments and derivatives	16	1,412	1,951
Deferred tax assets	8	227	186
Other assets	6	217	179
Total non-current assets		**11,781**	**13,311**
Current assets			
Inventories		111	111
Trade and other receivables	5	797	690
Investments and derivatives*	16	456	263
Current income tax assets	8	70	70
Other assets	6	333	329
Cash and cash equivalents*	17	2,170	1,573
Total current assets		**3,937**	**3,036**
Assets classified as held for sale	10	**1,882**	—
Total assets		**17,600**	**16,347**
Equity and liabilities			
Equity			
Equity attributable to equity owners of the parent	19	1,981	1,528
Non-controlling interests		913	850
Total equity		**2,894**	**2,378**
Non-current liabilities			
Debt and derivatives	16	9,397	9,119
Provisions	7	85	141
Deferred tax liabilities	8	115	127
Other liabilities	6	36	27
Total non-current liabilities		**9,633**	**9,414**
Current liabilities			
Trade and other payables		2,072	2,171
Debt and derivatives	16	1,535	1,252
Provisions	7	100	110
Current income tax payables	8	228	175
Other liabilities	6	746	847
Total current liabilities		**4,681**	**4,555**
Liabilities associated with assets held for sale	10	392	—
Total equity and liabilities		**17,600**	**16,347**

**Certain comparative amounts have been reclassified , refer to Note 23 for further details*

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2021

(In millions of U.S. dollars, except for share amounts)	Note	Number of shares outstanding	Attributable to equity owners of the parent						Non-controlling interests	Total equity
			Issued capital	Capital Surplus	Other capital reserves	Accumulated deficit *	Foreign currency translation	Total		
As of January 1, 2021		**30,099,998**	**39**	**12,992**	**(2,392)**	**(2,537)**	**(6,573)**	**1,529**	**850**	**2,379**
Profit / (loss) for the period		—	—	—	—	809	—	809	127	936
Other comprehensive income / (loss)		—	—	—	(1)	(2)	(158)	(161)	(42)	(203)
Total comprehensive income / (loss)		**—**	**—**	**—**	**(1)**	**807**	**(158)**	**648**	**85**	**733**
Dividends declared	20	—	—	—	—	—	—	—	(89)	(89)
(Distributions to) / capital contributions from parent		—	—	36	—	—	—	36	—	36
Acquisition of non-controlling interest		—	—	—	(76)	—	—	(76)	69	(7)
Loan Novation	16	—	—	—	(150)	—	—	(150)	—	(150)
Other		—	—	—	(7)	1	—	(6)	(2)	(8)
As of December 31, 2021		**30,099,998**	**39**	**13,028**	**(2,626)**	**(1,729)**	**(6,731)**	**1,981**	**913**	**2,894**

for the year ended December 31, 2020

(In millions of U.S. dollars, except for share amounts)	Note	Number of shares outstanding	Attributable to equity owners of the parent						Non-controlling interests	Total equity
			Issued capital	Capital Surplus	Other capital reserves	Accumulated deficit *	Foreign currency translation	Total		
As of January 1, 2020		**30,099,998**	**39**	**13,385**	**(2,377)**	**(2,406)**	**(6,111)**	**2,530**	**994**	**3,524**
Profit / (loss) for the period		—	—	—	—	(153)	—	(153)	33	(120)
Other comprehensive income / (loss)		—	—	—	(10)	(4)	(436)	(450)	(90)	(540)
Total comprehensive income / (loss)		**—**	**—**	**—**	**(10)**	**(157)**	**(436)**	**(603)**	**(57)**	**(660)**
Dividends declared	20	—	—	—	—	—	—	—	(89)	(89)
(Distributions to) / capital contributions from parent		—	—	(393)	—	—	—	(393)	—	(393)
Other		—	—	—	(5)	26	(26)	(5)	2	(3)
As of December 31, 2020		**30,099,998**	**39**	**12,992**	**(2,392)**	**(2,537)**	**(6,573)**	**1,529**	**850**	**2,379**

** Certain of the consolidated entities by VEON Ltd. are restricted from remitting funds in the form of cash dividends or loans by a variety of regulations, contractual or local statutory requirements.*

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the years ended December 31

(In millions of U.S. dollars)	**Note**	**2021**	**2020***
Operating activities			
Profit / (loss) before tax		1,040	116
Non-cash adjustments to reconcile profit before tax to net cash flows			
Depreciation, amortization and impairment loss / (reversal)		1,864	2,519
(Gain) / loss on disposal of non-current assets		13	37
(Gain) / loss on disposal of subsidiaries		(101)	78
Finance costs		702	677
Finance income		(28)	(64)
Other non-operating (gain) / loss		(12)	(111)
Net foreign exchange (gain) / loss		(4)	49
Changes in trade and other receivables and prepayments		(261)	(18)
Changes in inventories		(7)	39
Changes in trade and other payables		64	(41)
Changes in provisions, pensions and other		30	(11)
Interest paid	16	(630)	(645)
Interest received		27	44
Income tax paid		(289)	(328)
Net cash flows from operating activities from continuing operations		**2,408**	**2,341**
Net cash flows from operating activities from discontinued operations		**263**	**212**
Investing activities			
Purchase of property, plant and equipment and intangible assets		(1,774)	(1,673)
Receipts from / (Payments) on deposits		(58)	(72)
Outflows on loan granted		(111)	(395)
Inflows on loan granted		46	6
Proceeds from sales of share in subsidiaries, net of cash		861	36
Receipts from / (investment in) financial assets****		(43)	14
Other proceeds from investing activities, net		15	(8)
Net cash flows from / (used in) investing activities from continuing operations		**(1,064)**	**(2,092)**
Net cash flows from / (used in) investing activities from discontinued operations		**(114)**	**(102)**
Financing activities			
Proceeds from borrowings, net of fees paid **	16	2,063	4,622
Repayment of debt	16	(2,466)	(4,051)
Acquisition of non-controlling interest	16	(279)	(1)
Contributions from / (Distributions to) owners of the parent	20	—	(393)
Dividends paid to non-controlling interests		(19)	(42)
Net cash flows from / (used in) financing activities from continuing operations		**(701)**	**135**
Net cash flows from / (used in) financing activities from discontinued operations		**(68)**	**(71)**
Net increase / (decrease) in cash and cash equivalents		724	423
Net foreign exchange difference		(20)	(47)
Cash and cash equivalents classified as discontinued operations/held for sale at the end of period		(113)	—
Cash and cash equivalents at beginning of period****		1,566	1,190
Cash and cash equivalents at end of period, net of overdraft * **	17	**2,157**	**1,566**

** Prior year comparatives are adjusted following the classification of Algeria as a discontinued operation (see note 10)*

*** Fees paid for borrowings were US$32 (2020: US$28)*

*** *Overdrawn amount was US$13 (2020): US$7)*

***** Certain comparative amounts have been reclassified, refer to Note 23 for further details.*

The accompanying notes are an integral part of these 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 Board of Directors for issuance on May 24, 2022. The special purpose consolidated financial statements have been prepared to comply with reporting requirements to bond and note holders of the Company, and do not constitute statutory financial statements prepared in accordance with Title 9 of Book 2 of the Dutch Civil Code.

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

Due to the ongoing conflict between Russia and Ukraine, material uncertainties have been identified that may cast significant doubt on the Company's ability to continue as a going concern which are discussed in detail in Note 23 of these consolidated financial statements.

Major developments during the year ended December 31, 2021

Financing activities

In March 2021, VEON successfully entered into a new multi-currency revolving credit facility agreement (the "RCF") of US$1.25 billion. The RCF replaced the revolving credit facility signed in February 2017, which is now cancelled. For further details, refer to Note 16.

In March 2021, VEON successfully amended and restated its existing RUB30 billion (US$396), bilateral term loan agreement with Alfa Bank by adding a new floating rate tranche of RUB15 billion ((US$198)). For further details please refer to Note 16.

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 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, PMCL secured a PKR 50 billion (US$320) syndicated credit facility from a banking consortium led by Habib Bank Limited. This ten years 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), maturing in September 2026. The notes were issued under the Global Medium Term Note Programme established in April 2020 (the "GMTN Programme") and proceeds were used for the early repayment of RUB 20 billion (US$273) of outstanding loans to Sberbank that were originally maturing in June 2023.

In December 2021, VEON Finance Ireland Designated Activity Company signed a RUB 45 billion (US$612) Term Facilities Agreement with Alfa Bank which includes a RUB 30 billion (US$408) fixed rate tranche and a RUB 15 billion (US$204) floating rate tranche, both with a maturity date of December 2026. The facilities are guaranteed by VEON Holdings B.V.. The proceeds from the Alfa Bank facilities have been used to finance intercompany loans to PJSC Vimpel-Com.

In December 2021, VEON Finance Ireland Designated Activity Company signed a RUB 45 billion (US$611) Term Facility Agreement with Sberbank with a floating rate. Maturity date of the facility is December 2026 and it is guaranteed by VEON Holdings B.V.. The proceeds from the Sberbank facility have been used to finance an intercompany loan to PJSC Vimpel-Com.

In December 2021, VEON Holdings B.V. repaid RUB 45 billion (US$611) of outstanding loans to Alfa Bank, comprising of a RUB 30 billion loan (US$407) originally maturing in March 2025 and a RUB 15 billion (US$204) loan originally maturing in March 2026.

n December 2021, VEON Holdings B.V. repaid RUB 45 billion (US$612) of outstanding loans to Sberbank, comprising of a RUB 15 billion (US$204) loan originally maturing in June 2023 and a RUB 30 billion (US$408) loan originally maturing in June 2024.

Other developments

In March 2021, VEON successfully concluded the acquisition of the 15% minority stake in PMCL from the Dhabi Group for US$273. For further details please refer to Note 16.

In March 2021, VEON's operating company in Bangladesh acquired spectrum following successful bids at an auction held by the BTRC. For further details please refer to Note 9.

In September 2021, VEON's operating company in Pakistan recognized the ex-Warid license. For further details please refer to Note 9.

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 in 2022.

The Company classified its operations in Algeria as 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 2021, 2020 and 2019 have been presented separately (see Note 10 Held for Sale and Discontinued Operations).

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

On September 5, 2021, the Company and VEON Holdings B.V., a subsidiary of the Company, signed an agreement for the sale of its direct subsidiary, National Tower Company ("NTC"), with Service Telecom Group of Companies LLC, ("ST"), which was completed on December 1, 2021 (see Note 9 Significant Transactions).

OPERATING ACTIVITIES OF THE GROUP

2 SEGMENT INFORMATION

Management analyzes the Company's operating segments separately because of different economic environments and stages of development in different geographical areas, requiring different investment and marketing strategies.

Management 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 excl. licenses and ROU"**). Management does not analyze assets or liabilities by reportable segments.

Reportable segments consist of Russia, Pakistan, Ukraine, Kazakhstan, Uzbekistan and Bangladesh. We also present our results of operations for "Others" and "HQ and eliminations" separately, although these are not reportable segments. "Others" represents our operations in Kyrgyzstan and Georgia and "HQ and eliminations" represents transactions related to management activities within the group.

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

	Total revenue		Adjusted EBITDA		CAPEX excl licenses and ROU	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Russia	3,950	3,819	1,476	1,504	1,019	1,017
Pakistan	1,408	1,233	643	612	318	249
Ukraine	1,055	933	704	630	203	179
Kazakhstan	569	479	307	265	134	119
Uzbekistan	194	198	89	68	34	52
Bangladesh	564	537	235	228	89	126
Others	81	125	41	22	25	33
HQ and eliminations	(51)	(33)	(21)	(28)	—	19
Total	**7,770**	**7,291**	**3,474**	**3,301**	**1,822**	**1,794**

The following table provides the reconciliation of consolidated Profit / (loss) before tax from continuing operations to Adjusted EBITDA for the years ended December 31:

	2021	**2020**
Profit / (loss) before tax from continuing operations	**1,040**	**116**
Depreciation	1,542	1,429
Amortization	302	306
Impairment loss / (reversal)	20	784
(Gain) / loss on disposal of non-current assets	13	37
(Gain) / loss on disposal of subsidiaries	(101)	78
Finance costs	702	677
Finance income	(28)	(64)
Other non-operating (gain) / loss	(12)	(111)
Net foreign exchange (gain) / loss	(4)	49
Total Adjusted EBITDA	**3,474**	**3,301**

3 OPERATING REVENUE

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

Revenue from contracts with customers

The table below provides a breakdown of revenue from contracts with customers for the years ended December 31. In 2020, the Company presented 'Service revenue' (Mobile and Fixed) separately from 'Sale of equipment and accessories' and 'Other revenue', for each reportable segment.

	Service revenue				Sale of Equipment and accessories		Other revenue		Total revenue	
	Mobile		Fixed							
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Russia	2,916	2,917	552	523	472	366	10	13	3,950	3,819
Pakistan	1,285	1,134	—	—	18	11	105	88	1,408	1,233
Ukraine	980	869	68	59	—	—	7	5	1,055	933
Kazakhstan	459	392	91	78	17	7	2	2	569	479
Uzbekistan	193	196	1	1	—	—	—	1	194	198
Bangladesh	553	527	—	—	—	—	11	10	564	537
Others	81	102	—	19	—	4	—	—	81	125
HQ and eliminations	(33)	(31)	(18)	—	1	—	(1)	(2)	(51)	(33)
Total	**6,434**	**6,106**	**694**	**680**	**508**	**388**	**134**	**117**	**7,770**	**7,291**

Assets and liabilities arising from contracts with customers

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

	December 31, 2021	December 31, 2020
Contract balances		
Receivables (billed)	777	735
Receivables (unbilled)	49	41
Contract liabilities	(231)	(233)
Capitalized costs		
Customer acquisition costs	149	128

ACCOUNTING POLICIES

Revenue from contracts with customers

Service revenue

Service revenue includes revenue from airtime charges from contract and prepaid customers, monthly contract fees, interconnect revenue, roaming charges and charges for value added services (**"VAS"**). VAS includes short messages, multimedia messages, caller number identification, call waiting, data transmission, mobile internet, downloadable content, mobile finance services, machine-to-machine and other services. The content revenue relating to VAS is presented net of related costs when VEON's performance obligation is to arrange the provision of the services by another party (VEON acts as an agent), and gross when VEON is primarily responsible for fulfilling the obligation to provide such services to the customer.

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

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

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

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

All service revenue is recognized over time as services are rendered.

Sale of equipment and accessories

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

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

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

Contract balances

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

Contract liabilities, often referred to as ‘Deferred revenue’, relate primarily to non-refundable cash received from prepaid customers for fixed-term tariff plans or pay-as-you-use tariff plans. Contract liabilities are presented as ‘Long-term deferred revenue’, ‘Short-term deferred revenue’ and ‘Customer advances’ in Note 6. All current contract liabilities outstanding at the beginning of the year have been recognized as revenue during the year.

Customer acquisition costs

Certain incremental costs incurred in acquiring a contract with a customer (**“customer acquisition costs”**), are deferred in the consolidated statement of financial position, within 'Other assets' (see Note 6). Such costs generally relate to commissions paid to third-party dealers and are amortized on a straight-line basis over the average customer life, within ‘Selling, general and administrative expenses’.

The Group applies the practical expedient available for customer acquisition costs for which the amortization would have been shorter than 12 months. Such costs relate primarily to commissions paid to third-parties upon top-up of prepaid credit by customers and sale of top-up cards.

SOURCE OF ESTIMATION UNCERTAINTY

Average customer life

Management estimates the average customer life for revenue (such as upfront fees) from contracts with an indefinite term and for customer acquisition costs. The average customer life is calculated based on historical data, specifically churn rates which are impacted by relevant country or market characteristics, customer demographic and the nature and terms of the product (such as mobile and fixed line, prepaid and postpaid).

4 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

	2021	2020
Network and IT costs	748	713
Personnel costs	730	660
Customer associated costs	654	602
Losses on receivables	27	55
Taxes, other than income taxes	80	55
Other	196	197
Total selling, general and administrative expenses	**2,435**	**2,282**

In 2020, our subsidiary in Pakistan recorded a gain of PKR8.6 billion (US$52) in ‘Taxes, other than income taxes’, relating to the reversal of a non-income tax provision. Refer to Note 7 for further details.

LEASES

On January 1, 2019, the Company adopted IFRS 16 *Leases*. The Company applied a modified retrospective approach, which means that prior period comparatives were not restated.

Short-term leases and leases for low value items are immediately expensed as incurred and are immaterial in the aggregate.

ACCOUNTING POLICIES

Customer associated costs

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

5 TRADE AND OTHER RECEIVABLES

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

	2021	2020
Trade receivables (gross)*	826	776
Expected credit losses**	(159)	(225)
Trade receivables (net)	**667**	**551**
Other receivable, net of expected credit losses allowance	130	139
Total trade and other receivables	**797**	**690**

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

*** Certain comparative amounts have been reclassified , refer to Note 23 for further details.*

The following table summarizes the movement in the allowance for expected credit losses for the years ended December 31:

	2021	2020
Balance as of January 1	**225**	**198**
Accruals for expected credit losses	35	76
Recoveries	(9)	(13)
Accounts receivable written off	(28)	(17)
Reclassification as held for sale	(56)	—
Foreign currency translation adjustment	(5)	(19)
Other movements	(3)	—
Balance as of December 31	**159**	**225**

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

			Days past due			
	Contract assets	**Current**	**< 30 days**	**Between 31 and 120 days**	**> 120 days**	**Total**
December 31, 2021						
Expected loss rate, %	0.0%	0.9%	3.7%	44.4%	95.7%	
Trade receivables	49	540	54	45	138	**826**
Expected credit losses	—	(5)	(2)	(20)	(132)	**(159)**
Trade receivables, net	**49**	**535**	**52**	**25**	**6**	**667**
December 31, 2020						
Expected loss rate, %	1.0%	1.3%	13.6%	88.9%	96.4%	
Trade receivables	41	468	44	27	196	**776**
Expected credit losses	—	(6)	(6)	(24)	(189)	**(225)**
Trade receivables, net	**41**	**462**	**38**	**3**	**7**	**551**

ACCOUNTING POLICIES

Trade and other receivables

Trade and other receivables are measured at amortized cost and include invoiced amounts less expected credit losses.

Expected credit losses

The expected credit loss allowance (**"ECL"**) is recognized for all receivables measured at amortized cost at each reporting date. This means that an ECL is recognized for all receivables even though there may not be objective evidence that the trade receivable has been impaired.

VEON applies the simplified approach (i.e. provision matrix) for calculating a lifetime ECL for its trade and other receivables, including unbilled receivables (contract assets). The provision matrix is based on the historical credit loss experience over the life of the trade receivables and is adjusted for forward-looking estimates if relevant. The provision matrix is reviewed on a quarterly basis.

6 OTHER ASSETS AND LIABILITIES

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

	2021	2020
Other non-current assets		
Customer acquisition costs (see Note 3)	149	128
Tax advances (non-income tax)	33	33
Other non-financial assets	35	18
Total other non-current assets	**217**	**179**
Other current assets		
Advances to suppliers	99	89
Input value added tax	153	155
Prepaid taxes	24	43
Other assets	57	42
Total other current assets	**333**	**329**

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

	2021	2020
Other non-current liabilities		
Long-term deferred revenue (see Note 3)	20	17
Other liabilities	16	10
Total other non-current liabilities	**36**	**27**
Other current liabilities		
Taxes payable (non-income tax)	311	371
Short-term deferred revenue (see Note 3)	154	158
Customer advances (see Note 3)	57	58
Other payments to authorities	52	95
Due to employees	134	133
Other liabilities	38	32
Total other current liabilities	**746**	**847**

7 PROVISIONS AND CONTINGENT LIABILITIES

PROVISIONS

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

	Non-income tax provisions	Decommi-ssioning provision	Legal provision	Other provisions	Total
As of January 1, 2020	**124**	**138**	**17**	**14**	**293**
Arising during the year	24	10	—	1	35
Utilized	(48)	(1)	—	—	(49)
Unused amounts reversed	(10)	—	—	(6)	(16)
Discount rate adjustment and imputed interest (change in estimate)	—	9	—	—	9
Translation adjustments and other	(4)	(15)	(3)	1	(21)
As of December 31, 2020	**86**	**141**	**14**	**10**	**251**
Non-current	—	141	—	—	**141**
Current	86	—	14	10	**110**
As of January 1, 2021	**86**	**141**	**14**	**10**	**251**
Arising during the year	19	31	4	2	**56**
Utilized	(11)	(1)	—	—	**(12)**
Unused amounts reversed	—	(19)	—	(15)	**(34)**
Reclassification as held for sale	—	(71)	(12)	—	**(83)**
Discount rate adjustment and imputed interest (change in estimate)	—	7	—	—	**7**
Translation adjustments and other	(6)	(3)	—	9	**—**
As of December 31, 2021	**88**	**85**	**6**	**6**	**185**
Non-current	—	85	—	—	**85**
Current	88	—	6	6	**100**

The timing of payments in respect of provisions is, with some exceptions, not contractually fixed and cannot be estimated with certainty. In addition, with respect to legal proceedings, given inherent uncertainties, the ultimate outcome may differ from VEON's current expectations.

See 'Source of estimation uncertainty' below in this Note 7 for further details regarding assumptions and sources of uncertainty. For further details regarding risks associated with income tax and non-income tax positions, please refer to 'Source of estimation uncertainty' in Note 8.

In 2020, as a result of a change in estimate, Pakistan Mobile Communications Limited (**"PMCL"**) reversed a non-income tax provision of PKR11.2 billion (US$68), of which PKR8.6 billion (US$52) was recorded as a gain in Selling, general and administration expenses.

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

CONTINGENT LIABILITIES

The Group had contingent liabilities as of December 31, 2021 as set out below.

VAT on Replacement SIMs

SIM Cards Issued June 2009 to December 2011

On April 1, 2012, the National Board of Revenue (**"NBR"**) issued a demand to Banglalink Digital Communications Limited (**"Banglalink"**) for BDT 7.74 billion (US$90) for unpaid SIM tax (VAT and supplementary duty). The NBR alleged that Banglalink evaded SIM tax on new SIM cards by issuing them as replacements. On the basis of 5 random SIM card purchases made by the NBR, the NBR concluded that all SIM card replacements issued by Banglalink between June 2009 and December 2011 (7,021,834 in total) were new SIM connections and subject to tax. Similar notices were sent to three other operators in Bangladesh. Banglalink and the other operators filed separate petitions in the High Court, which stayed enforcement of the demands.

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

The NBR Chairman and operators' representative agreed that the BTRC would prepare further guidelines for verification of SIM users. Although the BTRC submitted its guidelines (under which Banglalink's exposure was determined to be 8.5% of the original demand), the Convenor of the Review Committee submitted a supplementary report which disregarded the BTRC's guidelines and assessed Banglalink's liability for SIM tax to be BDT 7.62 billion (US$89). The operators refused to sign the supplementary report.

On May 18, 2015, Banglalink received an updated demand from the LTU claiming Banglalink had incorrectly issued 6,887,633 SIM cards as replacement SIM cards between June 2009 and December 2011 and required Banglalink to pay BDT 5.32 billion (US$62) in SIM tax. The demand also stated that interest may be payable. Similar demands were sent to the other operators.

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

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

SIM Cards Issued July 2012 to June 2015

On November 20, 2017, the LTU issued a final demand to Banglalink for BDT 1.69 billion (US$20) for unpaid tax on SIM card replacements issued by Banglalink between July 2012 and June 2015. On February 20, 2018, Banglalink filed its appeal against this demand before the Appellate Tribunal and deposited 10% of the amount demanded in order to proceed. By its judgment dated February 10, 2020, the Appellate Tribunal rejected Banglalink's appeal. Banglalink appealed to the High Court Division. Before hearing the appeal, the Court *suo moto* took up as a preliminary question whether, based on new law, the matter is subject to an appeal or an application for revision. On March 2, 2021, the Court determined that an application for revision is the correct procedure and dismissed the appeal. Banglalink filed an appeal before the Appellate Division and the appeal is pending for hearing. If the Appellate Division rejects the appeal, then Banglalink will be obligated to deposit 10% of the disputed amount in order to continue its challenge.

As of December 31, 2021, the Company has recorded a provision, for the cases discussed above of, US$11 (2020: US$11).

Other contingencies and uncertainties

In addition to the individual matters mentioned above, the Company is involved in other disputes, litigation and regulatory inquiries and investigations, both pending and threatened, in the ordinary course of its business. The Company's dispute with the Pakistan Telecommunication Authority over its license renewal in Pakistan, explained in Note 16 below, is an example of such a matter. The total value of all other individual contingencies that are able to be quantified and are above US$5, other than disclosed above and Note 8, amounts to US$442 (2020: US$484). Due to the high level of estimation uncertainty, as described in 'Source of estimation uncertainty' in this Note 7 and in Note 8, the Company is unable to make a reliable estimate of the financial effect for certain contingencies and therefore no financial effect has been included within the preceding disclosure. The Company does not expect any liability arising from these contingencies to have a material effect on the results of operations, liquidity, capital resources or financial position of the Company. Furthermore, the Company believes it has provided for all probable liabilities.

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

ACCOUNTING POLICIES

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are discounted using a current pre-tax rate if the time value of money is significant. Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

SOURCE OF ESTIMATION UNCERTAINTY

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

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

8 INCOME TAXES

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

Income tax payable

Current income tax payable consisted of the following items as of December 31:

	2021	2020
Current tax payable	70	30
Uncertain tax provisions	158	145
Total income tax payable	**228**	**175**

The 2020 balance of uncertain tax provisions is shown net of income tax assets which can be utilized to offset future tax charges should they arise, resulting in an increase of the prior period provision by US$10, with the gross amount being US$155. No such adjustment is required in 2021

VEON is involved in a number of disputes, litigation and regulatory proceedings in the ordinary course of its business, pertaining to income tax claims. The total value of these individual contingencies that are able to be quantified amounts to US$158 (2020: US$175) . Due to the high level of estimation uncertainty, as described in 'Source of estimation uncertainty' disclosed below in this Note 8, it is not practicable for the Company to reliably estimate the financial effect for certain contingencies and therefore no financial effect has been included within the preceding disclosure. The Company does not expect any liability arising from these contingencies to have a material effect on the results of operations, liquidity, capital resources or financial position of the Company, however we note that an unfavorable outcome of some or all of the specific matters could have a material adverse impact on results of operations or cash flows for a particular period. This assessment is based on our current understanding of relevant facts and circumstances. As such, our view of these matters is subject to inherent uncertainties and may change in the future. For further details on with respect to VEON's uncertain tax provisions and tax risks, please refer to the 'Accounting policies' and 'Source of estimation uncertainty' disclosed below.

Income tax assets

The Company reported current income tax assets of US$70 (2020: US$70)

These tax assets mainly relate to advance tax payments in our operating companies which can only be offset against income tax liabilities in that relevant jurisdiction, in fiscal periods subsequent to the balance sheet date.

Income tax expense

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

	2021	2020
Current income taxes		
Current year	296	377
Adjustments in respect of previous years	43	(1)
Total current income taxes	**339**	**376**
Deferred income taxes		
Movement of temporary differences and losses*	(64)	(71)
Changes in tax rates	—	—
Changes in recognized deferred tax assets	—	2
Adjustments in respect of previous years	(22)	9
Other	2	—
Total deferred tax expense / (benefit)	**(84)**	**(60)**
Income tax expense	**255**	**316**

**In 2021, a tower sale and subsequent lease transaction took place for which a deferred tax asset of US$146 was recorded in relation to the lease liability and a deferred tax liability of US$23m was recorded in relation to the Right of Use asset.*

Effective tax rate

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

	2021	2020	Explanatory notes
Profit / (loss) before tax from continuing operations	1,040	116	
Income tax benefit / (expense) at statutory tax rate (25.0%)	**(260)**	**(29)**	
Difference due to the effects of:			
Different tax rates in different jurisdictions	8	(29)	Certain jurisdictions in which VEON operates have income tax rates which are different to the Dutch statutory tax rate of 25%. Profitability in countries with lower tax rates (i.e. Russia, Ukraine) has a positive impact on the effective tax rate, partially offset with profitability in countries with higher rate (i.e. Pakistan, Bangladesh).
Non-deductible expenses	(37)	(206)	The Group incurs certain expenses which are non-deductible in the relevant jurisdictions. In 2021, such expenses mainly include intra-group expenses (i.e. interest on internal loans), certain non-income tax charges (i.e. minimum tax regimes) and other. In 2020, as in previous years, such expenses include impairment losses (unless resulting in a change in temporary differences), certain non-income tax charges (i.e. minimum tax regimes) and intra-group expenses (i.e. interest on internal loans).
Non-taxable income	192	37	The Group earns certain income which is non-taxable in the relevant jurisdiction. In 2021, non-taxable income included gain from sale of NTC Tower company. In 2020, non-taxable income included the revaluation of contingent consideration liability, as well as a gain relating to the settlement in connection with the dispute concerning the sale of Telecel Globe Limited. For further details, , refer to Note 16 and Note 7, respectively.
Adjustments in respect of previous years	(21)	(7)	In 2021, adjustments mainly relates to corrections in prior year filings in Pakistan, as part of the ADRC process. The effect of prior years' adjustments relates to various updated tax positions
Movements in (un)recognized deferred tax assets	(46)	(34)	Movements in (un)recognized deferred tax assets are primarily caused by tax losses and other credits for which no deferred tax asset has been recognized. This primarily occurs in holding entities in the Netherlands (2021: US$73, 2020: US$101, 2019: US$42) and in GTH (2021: US$(5)), 2020: US$—, 2019: US$43.
Withholding taxes	(69)	(59)	Withholding taxes are recognized to the extent that dividends from foreign operations are expected to be paid in the foreseeable future. In 2021, similar to previous years, expenses relating to withholding taxes were primarily influenced by dividends from Pakistan, Russia, Ukraine, Algeria and Uzbekistan.
Uncertain tax positions	(21)	1	The tax legislation in the markets in which VEON operates is unpredictable and gives rise to significant uncertainties (see 'Source of estimation uncertainty' below). During 2021, provisions were made for disputes in Russia, Italy. The impact of movements in uncertain tax positions is presented net of any corresponding deferred tax assets recognized.
Other	(1)	10	
Income tax benefit / (expense)	**(255)**	**(316)**	
Effective tax rate	**24.5%**	**272.4%**	

Deferred taxes

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

	2021	2020
Deferred tax assets	227	186
Deferred tax liabilities	(115)	(127)
Net deferred tax position	112	59

The following table shows the movements of net deferred tax positions in 2021:

		Movement in deferred taxes			
	Opening balance	Net income statement movement	Held for sale	Other movements	Closing balance
Property and equipment	(274)	125	7	42	(100)
Intangible assets	(14)	33	19	(2)	36
Trade receivables	43	7	(15)	(3)	32
Provisions	28	2	(6)	(8)	16
Accounts payable	140	7	(23)	(34)	90
Withholding tax on undistributed earnings	(60)	(39)	—	1	(98)
Tax losses and other balances carried forwards	1,690	45	—	(76)	1,659
Non-recognized deferred tax assets	(1,494)	(99)	—	62	(1,531)
Other	—	3	—	5	8
Net deferred tax positions	59	84	(18)	(13)	112

In 2021, a tower sale and subsequent lease transaction took place for which a deferred tax asset of US$146 was recorded in relation to the lease liability and a deferred tax liability of US$23m was recorded in relation to the Right of Use asset.

The following table shows the movements of net deferred tax positions in 2020:

		Movement in deferred taxes		
	Opening balance	Net income statement movement	Other movements	Closing balance
Property and equipment	(288)	(23)	37	(274)
Intangible assets	(38)	19	5	(14)
Trade receivables	47	1	(5)	43
Provisions	31	1	(4)	28
Accounts payable	156	7	(23)	140
Withholding tax on undistributed earnings	(52)	(8)	—	(60)
Tax losses and other balances carried forwards	1,647	113	(70)	1,690
Non-recognized deferred tax assets	(1,515)	(46)	67	(1,494)
Other	6	(3)	(3)	—
Net deferred tax positions	(6)	61	4	59

Unused tax losses and other credits carried forwards

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

As of December 31, 2021	0-5 years	6-10 years	More than 10 years	Indefinite	Total
Tax losses expiry					
Recognized losses	(15)	—	—	(173)	(188)
Recognized DTA	3	—	—	50	53
Non-recognized losses	—	—	(707)	(6,536)	(7,243)
Non-recognized DTA	—	—	131	1,276	1,407
Other credits carried forwards expiry					
Recognized credits	(2)	(73)	—	—	(75)
Recognized DTA	2	73	—	—	75
Non-recognized credits	—	—	—	(519)	(519)
Non-recognized DTA	—	—	—	124	124

As of December 31, 2020	0-5 years	6-10 years	More than 10 years	Indefinite	Total
Tax losses expiry					
Recognized losses	—	(107)	—	(172)	(279)
Recognized DTA	—	27	—	49	76
Non-recognized losses	(119)	(370)	—	(6,660)	(7,149)
Non-recognized DTA	30	92	—	1,272	1,394
Other credits carried forwards expiry					
Recognized credits	(19)	(102)	—	—	(121)
Recognized DTA	19	102	—	—	121
Non-recognized credits	—	—	—	(429)	(429)
Non-recognized DTA	—	—	—	100	100

Losses mainly relate to our holding entities in Luxembourg (2021: US$6,431; 2020: US$6,285) and the Netherlands (2021: US$414; 2020: US$596).

VEON reports the tax effect of the existence of undistributed profits that will be distributed in the foreseeable future. The Company has a deferred tax liability of US$98 (2020: US$60), relating to the tax effect of the undistributed profits that will be distributed in the foreseeable future, primarily in its Russian, Ukrainian and Pakistan operations.

As of December 31, 2021, undistributed earnings of VEON's foreign subsidiaries (outside the Netherlands) which are indefinitely invested and will not be distributed in the foreseeable future, amounted to US$7,403 (2020: US$5,241). Accordingly, no deferred tax liability is recognized for this amount of undistributed profits.

ACCOUNTING POLICIES

Income taxes

Income tax expense represents the aggregate amount determined on the profit for the period based on current tax and deferred tax. In cases where the tax relates to items that are charged to other comprehensive income or directly to equity, the tax is also charged respectively to other comprehensive income or directly to equity.

Uncertain tax positions

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

Deferred taxation

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

SOURCE OF ESTIMATION UNCERTAINTY

Tax risks

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

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

Management believes that VEON has paid or accrued all taxes that are applicable. Where uncertainty exists, VEON has accrued tax liabilities based on management's best estimate. From time to time, we may also identify tax contingencies for which we have not recorded an accrual. Such unaccrued tax contingencies could materialize and require us to pay additional amounts of tax. The potential financial effect of such tax contingencies are disclosed in Note 7 and above in this Note 8, unless not practicable to do so.

Uncertain tax positions

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

Recoverability of deferred tax assets

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

INVESTING ACTIVITIES OF THE GROUP

9 SIGNIFICANT TRANSACTIONS

SIGNIFICANT TRANSACTIONS IN 2021

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

On September 5, 2021, the Company and VEON Holdings B.V., a subsidiary of the Company, signed an agreement for the sale of its direct subsidiary, NTC, with Service Telecom Group of Companies LLC, ST, for RUB 70,650 (US$945). The transaction was subject to regulatory approvals which was obtained on November 12, 2021, and consummation of other customary closing conditions which were completed on December 1, 2021. Under the terms of the deal, Russia, an operating segment of the Company, 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, with up to ten optional renewal periods of 8 years each. Under the same agreement, an additional 5,000 towers are committed to be leased. The lease agreement was signed on October 15, 2021.

On September 5, 2021, the Company classified NTC as a disposal group held-for-sale, including goodwill allocated of US$215 to NTC from Russia based on its relative fair values as NTC is a subset of the Russia CGU. Following the classification as disposal group held-for-sale, the Company did not account for depreciation and amortization expenses of NTC assets.

On December 1, 2021, upon completion of the sale agreement with ST, control of NTC was transferred to ST. As a result of applying sale and leaseback accounting principles to the lease agreement under the terms of the deal, the Company recognized a gain on sale of subsidiary of US$101 and Russia recognized right-of-use assets of US$101 representing the proportional fair value of assets retained with respect to book value of assets sold and lease liabilities of US$718 based on an 8 lease term, which are at market rates, as well as a proportionate amount of goodwill, with respect to the portion of cash generating assets retained through the lease, of US$168. A portion of goodwill was also retained within Russia as assets held-for-sale for future sites to be sold under the agreement, refer to Note 10.

The following table shows the assets and liabilities disposed of relating to NTC on December 1, 2021:

	2021
Property and equipment	264
Goodwill	222
Other current assets	24
Total assets disposed	510
Non-current liabilities	127
Current liabilities	23
Total liabilities disposed	**150**

Lease commitments for the additional 5,000 towers to be leased in the duration of the lease term at December 31, 2021 are US$263. For further details on the total commitments at December 31, 2021, refer to Note 12.

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 total investment will amount to 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.

SIGNIFICANT TRANSACTIONS IN 2020

Sale of Armenian operations

In October 2020, VEON concluded an agreement for the sale of its operating subsidiary in Armenia, to Team LLC for a consideration of US$51. Accordingly the net carrying value of assets amounting US$33 was derecognized along with reclassification of cumulative foreign currency translation reserve of US$96 to profit and loss, resulting in the net loss of US$78.

GTH restructuring

In 2020, VEON continued the restructuring of Global Telecom Holding S.A.E. (**"GTH"**) which commenced in 2019 (see further details below), 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. The intragroup transfer for Djezzy is continuing.

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 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$622 recorded against the foreign currency translation reserve in the Statement of Comprehensive Income.

10 HELD FOR SALE AND DISCONTINUED OPERATIONS

The following table provides the details over assets and liabilities classified as held-for-sale as of December 31, 2021:

	Assets held-for-sale	Liabilities held-for-sale
Algeria	1,846	392
Ukraine Towers	17	—
Other individual assets	19	—
Total assets and liabilities held for sale	**1,882**	**392**

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 in Q2 2022 for a sale price of US$682.

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 as of July 01, 2021. The results for Algeria in the consolidated income statements and the consolidated statements of cash flows for 2021, 2020 and 2019 have been presented separately.

There were no triggering events indicating any impairment or decline in the fair value of Algeria subsequent to its measurement as held for sale and discontinued operation. As such, the net assets of Algeria are presented at lower of cost and fair value less costs to sell.

The following table shows the profit/(loss) and other comprehensive income relating to Algeria operations for the period ended December 31, 2021:

Income statement and statement of comprehensive income	2021	2020
Operating revenue	659	689
Operating expenses	(470)	(564)
Other expenses	(17)	(17)
Profit / (loss) before tax for the period	172	108
Income tax benefit / (expense)	(21)	(29)
Profit / (loss) after tax for the period	151	79
Other comprehensive income / (loss)*	(68)	(157)
Total comprehensive income / (loss)	83	(78)

*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 December 31, 2021:

	2021
Property and equipment	527
Intangible assets excl. goodwill	111
Goodwill	1,001
Deferred tax assets	35
Other current assets	172
Total assets held for sale	**1,846**
Non-current liabilities	106
Current liabilities	286
Total liabilities held for sale	**392**

Net assets of the discontinued operations of Algeria includes US$667 relating to cumulative currency translation losses as of December 31, 2021, which will be recycled through the consolidated income statement upon the completion of the sale.

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.

ACCOUNTING POLICIES

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 without restating the prior period comparatives.

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 and cash flow statement with in operating, investing and financing activities. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

11 IMPAIRMENT OF ASSETS

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

Goodwill is tested for impairment annually (at September 30) or when circumstances indicate the carrying value may be impaired. Refer to Note 13 for an overview of the carrying value of goodwill per cash-generating unit ("CGU"). The Company's impairment test is primarily based on fair value less cost 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. The Company considers the relationship between its market capitalization and its book value, as well as weighted average cost of capital and the quarterly financial performances of each CGU when reviewing for indicators of impairment in interim periods.

Impairment losses in 2021

	Property and equipment	Intangible assets	Goodwill	Other	Total impairment
2021					
Kyrgyzstan	12	5	—	2	19
Russia	(7)	—	—	—	(7)
Other	8	—	—	—	8
	13	**5**	**—**	**2**	**20**

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 particularly during the third quarter of 2020. 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.

Additionally, in regard with the Company's commitment to network modernization, the Company continuously re-evaluates the plans for its existing network, primarily with respect to equipment purchased but not installed, and consequently recorded an impairment loss of US$5.

	Property and equipment	Intangible assets	Goodwill	Other	Total impairment
2020					
Russia	—	—	723	—	723
Kyrgyzstan	38	8	—	18	64
Other	5	—	—	(7)	(2)
	43	**8**	**723**	**11**	**785**

KEY ASSUMPTIONS

The recoverable amounts of CGUs have been determined based on fair value less costs of disposal calculations, using cash flow projections from business plans prepared by management.

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

The tables below show key assumptions used in fair value less costs of disposal calculations for CGUs with material goodwill or those CGUs for which an impairment has been recognized.

Discount rates

Discount rates are initially determined in US dollars based on the risk-free rate for 20-year maturity bonds of the United States Treasury, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific CGU relative to the market as a whole.

The equity market risk premium is sourced from independent market analysts. The systematic risk, beta, represents the median of the raw betas of the entities comparable in size and geographic footprint with the ones of the Company (**"Peer Group"**). The debt risk premium is based on the median of Standard & Poor's long-term credit rating of the Peer Group. The weighted average cost of capital is determined based on target debt-to-equity ratios representing the median historical five year capital structure for each entity from the Peer Group.

The discount rate in functional currency of a CGU is adjusted for the long-term inflation forecast of the respective country in which the business operates, as well as applicable country risk premium.

	Discount rate (local currency)	
	2021	**2020**
Russia	9.3 %	10.1 %
Algeria**	— %	11.6 %
Pakistan	14.7 %	18.2 %
Kazakhstan	9.4 %	10.3 %
Kyrgyzstan *	—	— %
Uzbekistan	11.8 %	13.8 %

** In 2020, VEON fully impaired the carrying value of all operating assets of Kyrgyzstan, therefore discount rate was not determined*

***In 2021 no parameters were estimated for Algeria as it was classified as held for sale and discontinued operation, please refer to Note 10*

Revenue growth rates

The revenue growth rates during the forecast period vary based on numerous factors, including size of market, GDP (Gross Domestic Product), foreign currency projections, traffic growth, market share and others. A long-term growth rate into perpetuity is estimated based on a percentage that is lower than or equal to the country long-term inflation forecast, depending on the CGU.

	Average annual revenue growth rate during forecast period		Terminal growth rate	
	2021	**2020**	**2021**	**2020**
Russia	4.6 %	4.3 %	1.6 %	1.8 %
Algeria**	— %	4.3 %	— %	1.0 %
Pakistan	6.4 %	9.7 %	5.5 %	5.8 %
Kazakhstan	6.6 %	5.3 %	1.0 %	3.1 %
Kyrgyzstan *	—	— %	—	— %
Uzbekistan	3.7 %	3.2 %	3.0 %	5.1 %

** In 2020, VEON fully impaired the carrying value of all operating assets of Kyrgyzstan, therefore revenue growth rates were not determined*

***In 2021 no parameters were estimated for Algeria as it was classified as held for sale and discontinued operation, please refer to Note 10*

Operating margin

The Company estimates operating margin based on pre-IFRS 16 Adjusted EBITDA divided by Total Operating Revenue for each CGU and each future year. The forecasted operating margin is based on the budget and forecast calculations and assumes cost optimization initiatives which are part of on-going operations, as well as regulatory and technological changes known to date, such as telecommunication license issues and price regulation among others.

	Average operating margin during the forecast period		Terminal period operating margin	
	2021	**2020**	**2021**	**2020**
Russia	33.1 %	31.2 %	35.5 %	35.7 %
Algeria**	— %	39.9 %	— %	40.4 %
Pakistan	43.4 %	42.0 %	42.0 %	44.6 %
Kazakhstan	48.8 %	49.5 %	47.0 %	50.0 %
Kyrgyzstan *	—	— %	—	— %
Uzbekistan	40.9 %	34.0 %	34.0 %	34.0 %

** In 2020, VEON fully impaired the carrying value of all operating assets of Kyrgyzstan, therefore operating margin assumptions were not determined*

***In 2021 no parameters were estimated for Algeria as it was classified as held for sale and discontinued operation, please refer to Note 10*

CAPEX

CAPEX is defined as purchases of property and equipment and intangible assets excluding licenses, goodwill and right-of-use assets. The cash flow forecasts for capital expenditures are based on the budget and forecast calculations and include the network roll-outs plans and license requirements.

The cash flow forecasts for license and spectrum payments for each operating company for the initial five years include amounts for expected renewals and newly available spectrum. Beyond that period, a long-run cost of spectrum is assumed. Payments for right-of-use assets are considered in the operating margin as described above.

	Average CAPEX as a percentage of revenue during the forecast period		Terminal period CAPEX as a percentage of revenue	
	2021	**2020**	**2021**	**2020**
Russia	25.5 %	27.9 %	21.0 %	21.0 %
Algeria**	— %	15.2 %	— %	14.0 %
Pakistan	22.0 %	19.6 %	20.0 %	18.9 %
Kazakhstan	19.9 %	19.8 %	20.0 %	19.0 %
Kyrgyzstan *	—	— %	—	— %
Uzbekistan	20.2 %	21.4 %	21.0 %	21.0 %

** In 2020, VEON fully impaired the carrying value of all operating assets of Kyrgyzstan, therefore CAPEX assumptions were not determined*

***In 2021 no parameters were estimated for Algeria as it was classified as held for sale and discontinued operation, please refer to Note 10*

SOURCE OF ESTIMATION UNCERTAINTY

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

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

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

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

12 PROPERTY AND EQUIPMENT

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

Net book value	Telecomm-unications equipment	Land, buildings and constructions	Office and other equipment	Equipment not installed and assets under construction	Right-of-use assets	Total
As of January 1, 2020	**4,304**	**214**	**417**	**415**	**1,974**	**7,324**
Additions	47	2	16	1,626	446	**2,137**
Disposals	(50)	(5)	(10)	(12)	(15)	**(92)**
Depreciation charge for the year	(1,009)	(28)	(123)	—	(413)	**(1,573)**
Impairment	(28)	(1)	(2)	(7)	(5)	**(43)**
Transfers	1,282	5	111	(1,396)	(2)	—
Translation adjustment	(498)	(30)	(57)	(59)	(256)	**(900)**
As of December 31, 2020	**4,048**	**157**	**352**	**567**	**1,729**	**6,853**
Additions	47	2	18	1,559	755	**2,381**
Disposals*	(197)	(1)	(5)	(7)	(100)	**(310)**
Depreciation charge for the year	(990)	(19)	(125)	—	(408)	**(1,542)**
Reclassification as held for sale	(385)	(6)	(9)	(42)	(80)	**(522)**
Impairment	(12)	—	(1)	2	(2)	**(13)**
Transfers	1,416	16	182	(1,620)	(2)	**(8)**
Translation adjustment	(100)	—	(5)	(8)	(21)	**(134)**
As of December 31, 2021	**3,827**	**149**	**407**	**451**	**1,871**	**6,705**
Cost	11,020	359	1,400	553	2,901	**16,233**
Accumulated depreciation and impairment	(7,193)	(210)	(993)	(102)	(1,030)	**(9,528)**

**This includes disposal of NTC as explained in Note 9.*

There were no material changes in estimates related to property and equipment in 2021 other than the impairment described in Note 11 of US$13 (2020: US$43) and lease term reassessments in Russia (included in 'Additions') which had the effect of increasing right-of-use assets by US$171. Please refer to Note 16 for more information regarding Source of estimation uncertainty for lease terms.

During 2021, VEON acquired property and equipment in the amount of US$726 (2020: US$601), which were not paid for as of year-end.

Property and equipment pledged as security for bank borrowings amounts to US$919 as of December 31, 2021 (2020: US$865), and primarily relate to securities for borrowings of PMCL.

The following table summarizes the movement in the net book value of right-of-use assets (**"ROU"**) for the year ended December 31:

Net book value	ROU - Telecommunications Equipment	ROU - Land, Buildings and Constructions	ROU - Office and Other Equipment	Total
As of January 1, 2020	**1,638**	**333**	**3**	**1,974**
Additions	339	102	5	446
Disposals	(15)	—	—	(15)
Depreciation charge for the year	(308)	(103)	(2)	(413)
Impairment	(1)	(4)	—	(5)
Transfers	—	(2)	—	(2)
Translation adjustment	(213)	(42)	(1)	(256)
As of December 31, 2020	**1,440**	**284**	**5**	**1,729**
Additions	682	69	4	755
Disposals	(100)	—	—	(100)
Depreciation charge for the year	(321)	(84)	(3)	(408)
Reclassification as held for sale	(71)	(9)	—	(80)
Impairment	—	(2)	—	(2)
Transfers	(4)	2	—	(2)
Translation adjustment	(18)	(3)	—	(21)
As of December 31, 2021	**1,608**	**257**	**6**	**1,871**
Cost	2,376	513	12	2,901
Accumulated depreciation and impairment	(768)	(256)	(6)	(1,030)

COMMITMENTS

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

	2021	2020
Less than 1 year	709	747
Between 1 and 5 years	62	19
More than 5 years	198	—
Total commitments	**969**	**766**

The above table for 2021 includes future lease commitments relating to the lease agreements between Russia and NTC (Less than 1 year: US$4, Between 1 and 5 years: US$61 and More than 5 years: US$198). For further details on this transaction, refer to Note 9 (Agreement between VEON and Service Telecom regarding the Sale of its Russian tower assets).

Capital commitments arising from telecommunications licenses

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

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

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

ACCOUNTING POLICIES

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

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The useful of life of VEON's assets generally fall within the following ranges:

Class of property and equipment	Useful life
Telecommunication equipment	3 – 20 years
Buildings and constructions	10 – 50 years
Office and other equipment	3 – 10 years
Right-of-use assets	Equivalent lease term

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

Where applicable, the Company has applied sale and leaseback accounting principles, where as the right-of-use asset arising from the leaseback is measured at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the VEON. Accordingly, VEON recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

SOURCE OF ESTIMATION UNCERTAINTY

Depreciation and amortization of non-current assets

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

The useful lives of property and equipment and intangible assets are reviewed at least annually, taking into consideration the factors mentioned above and all other relevant factors. Estimated useful lives for similar types of assets may vary between different entities in the Group due to local factors such as growth rate, maturity of the market, historical and expected replacements or transfer of assets and quality of components used. Estimated useful life for right-of-use assets is directly impacted by the equivalent lease term, refer to Note 16 for more information regarding Source of estimation uncertainty for lease terms.

13 INTANGIBLE ASSETS

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

Net book value	Telecommuni-cation licenses, frequencies & permissions	Software	Brands and trademarks	Customer relationships	Other intangible assets	Goodwill	Total
As of January 1, 2020	**1,100**	**304**	**149**	**142**	**21**	**3,959**	**5,675**
Additions	53	188	3	5	5	13	**267**
Disposals	—	(6)	—	—	—	—	**(6)**
Amortization charge for the year	(139)	(155)	(23)	(15)	(7)	—	**(339)**
Impairment	(5)	(3)	—	—	—	(723)	**(731)**
Transfer	—	6	—	—	(6)	—	**—**
Translation adjustment	(88)	(42)	(12)	(16)	1	(567)	**(724)**
As of December 31, 2020	**921**	**292**	**117**	**116**	**14**	**2,682**	**4,142**
Additions	482	182	—	—	13	14	**691**
Disposals*	(1)	(1)	—	—	1	(51)	**(52)**
Amortization charge for the year	(162)	(131)	8	(15)	(2)	—	**(302)**
Reclassification as held for sale	(34)	(9)	(73)	—	—	(1,034)	**(1,150)**
Impairment	(4)	(1)	—	—	—	—	**(5)**
Transfer	40	11	(39)	—	(6)	(7)	**(1)**
Translation adjustment	(40)	(1)	1	(3)	2	(62)	**(103)**
As of December 31, 2021	**1,202**	**342**	**14**	**98**	**22**	**1,542**	**3,220**
Cost	*2,430*	*900*	*240*	*674*	*77*	*3,539*	***7,860***
Accumulated amortization and impairment	*(1,228)*	*(558)*	*(226)*	*(576)*	*(55)*	*(1,997)*	***(4,640)***

**This includes disposal of NTC as explained in Note 9.*

During 2021, there were no material change in estimates related to intangible assets other than the impairment described in Note 11 of US$5 (2020: US$731).

During 2021, VEON acquired intangible assets in the amount of US$171 (2020: US$56), which were not yet paid for as of year-end.

Additions for the period include capitalization of ex-Warid license in Pakistan amounting to US$384, please refer to Note 9 for further information.

GOODWILL

During the year, the movement in goodwill for the Group, per CGU, consisted of the following:

CGU*	December 31, 2021	Translation adjustment	Addition	Reclassification as held for sale	Disposal	Other	December 31, 2020
Russia**	1,084	(10)	14	—	(51)	—	1,131
Algeria	—	(19)	—	(1,034)	—	—	1,053
Pakistan	287	(30)	—	—	—	(7)	324
Kazakhstan	136	(4)	—	—	—	—	140
Uzbekistan	35	1	—	—	—	—	34
Total	**1,542**	**(62)**	**14**	**(1,034)**	**(51)**	**(7)**	**2,682**

CGU	December 31, 2020	Impairment	Translation adjustment	Addition	December 31, 2019
Russia	1,131	(723)	(424)	13	2,265
Algeria	1,053	—	(114)	—	1,167
Pakistan	324	—	(11)	—	335
Kazakhstan	140	—	(14)	—	154
Uzbekistan	34	—	(4)	—	38
Total	**2,682**	**(723)**	**(567)**	**13**	**3,959**

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

*** In 2021, VEON acquired a majority stake in OTM, a technology platform for the automation and planning of online advertising and IBS DataFort, a cloud IT infrastructure provider in Russia.*

COMMITMENTS

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

	2021	2020
Less than 1 year	58	31
Total commitments	**58**	**31**

ACCOUNTING POLICIES

Intangible assets acquired separately are carried at cost less accumulated amortization and impairment losses.

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

Class of intangible asset	Useful life
Telecommunications licenses, frequencies and	3-20 years
Software	3-10 years
Brands and trademarks	3-15 years
Customer relationships	10-21 years
Other intangible assets	4-10 years

Goodwill is recognized for the future economic benefits arising from net assets acquired that are not individually identified and separately recognized. Goodwill is not amortized but is tested for impairment annually and as necessary when circumstances indicate that the carrying value may be impaired, see Note 11 for further details.

SOURCE OF ESTIMATION UNCERTAINTY

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

Depreciation and amortization of non-current assets

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

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

14 INVESTMENTS IN SUBSIDIARIES

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

Name of significant subsidiary	Country of incorporation	Nature of subsidiary	Equity interest held by the Group 2021	Equity interest held by the Group 2020
PJSC VimpelCom	Russia	Operating	100.0 %	100.0 %
JSC “Kyivstar”	Ukraine	Operating	100.0 %	100.0 %
LLP “KaR-Tel”	Kazakhstan	Operating	75.0 %	75.0 %
LLC “Unitel”	Uzbekistan	Operating	100.0 %	100.0 %
LLC “VEON Georgia”	Georgia	Operating	100.0 %	80.0 %
VEON Finance Ireland Designated Activity Company	Ireland	Holding	100.0 %	— %
LLC “Sky Mobile”	Kyrgyzstan	Operating	50.1 %	50.1 %
VEON Luxembourg Holdings S.à r.l.	Luxembourg	Holding	100.0 %	100.0 %
VEON Luxembourg Finance Holdings S.à r.l.	Luxembourg	Holding	100.0 %	100.0 %
VEON Luxembourg Finance S.A.	Luxembourg	Holding	100.0 %	100.0 %
Global Telecom Holding S.A.E	Egypt	Holding	99.6 %	99.6 %
Omnium Telecom Algérie S.p.A.*	Algeria	Holding	45.6 %	45.4 %
Optimum Telecom Algeria S.p.A.*	Algeria	Operating	45.6 %	45.4 %
Pakistan Mobile Communications Limited	Pakistan	Operating	100.0 %	85.0 %
Banglalink Digital Communications Limited	Bangladesh	Operating	100.0 %	100.0 %

** The Group has concluded that it controls Omnium Telecom Algérie S.p.A and Optimum Telecom Algeria S.p.A, see 'Significant accounting judgments' below for further details.*

The Company is subject to legal restrictions to distribute accumulated profits from Algeria by virtue of local shareholding agreement (i.e. it is allowed only to distribute 42.5% of current year profit), and the rest is restricted. Further restrictions on dividend distributions relate to withholding tax in respect of dividends mainly from Russia, Kazakhstan and Uzbekistan. The total amount of dividend restrictions amounts to US$ 1 billion (PY: US$525 million). The increase as compared to prior year relates mainly to the increase of the withholding tax from 5% to 15% for dividends from Russia to the Netherlands.

MATERIAL PARTLY-OWNED SUBSIDIARIES

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

Name of significant subsidiary	Equity interest held by NCIs 2021	Equity interest held by NCIs 2020	Book values of material NCIs 2021	Book values of material NCIs 2020	Profit / (loss) attributable to material NCIs 2021	Profit / (loss) attributable to material NCIs 2020
LLP “KaR-Tel” (**“Kar-Tel”**)	25.0 %	25.0 %	96	97	29	26
Omnium Telecom Algérie S.p.A. (**“OTA”**)	54.4 %	54.4 %	732	783	29	43

The summarized financial information of these subsidiaries before intercompany eliminations for the years ended December 31 are detailed below.

Summarized income statement

	Kar-Tel		OTA	
	2021	2020	2021	2020
Operating revenue	529	446	658	689
Operating expenses	(370)	(316)	(567)	(564)
Other (expenses) / income	(9)	4	(16)	(17)
Profit / (loss) before tax	150	134	75	108
Income tax expense	(32)	(28)	(21)	(29)
Profit / (loss) for the year	118	106	54	79
Total comprehensive income / (loss)	118	106	54	79
Attributed to NCIs	29	26	29	43
Dividends paid to NCIs	—	—	(43)	46

Summarized statement of financial position

	Kar-Tel		OTA	
	2021	2020	2021	2020
Property and equipment	300	276	442	492
Intangible assets	213	233	1,100	1,168
Other non-current assets	28	23	35	18
Trade and other receivables	29	21	31	31
Cash and cash equivalents	46	37	113	67
Other current assets	33	31	28	50
Debt and derivatives	(102)	(75)	(122)	(102)
Provisions	(6)	(6)	(37)	(23)
Other liabilities	(158)	(152)	(250)	(267)
Total equity	383	388	1,340	1,434
Attributed to:				
Equity holders of the parent	287	291	608	651
Non-controlling interests	96	97	732	783

Summarized statement of cash flows

	Kar-Tel		OTA	
	2021	2020	2021	2020
Net operating cash flows	231	184	263	211
Net investing cash flows	(106)	(88)	(114)	(102)
Net financing cash flows	(114)	(97)	(99)	(103)
Net foreign exchange difference	(1)	(2)	(5)	(5)
Net increase / (decrease) in cash equivalents	10	(3)	45	1

SIGNIFICANT ACCOUNTING JUDGMENTS

Control over subsidiaries

Subsidiaries, which are those entities over which the Company is deemed to have control, are consolidated. In certain circumstances, significant judgment is required to assess if the Company is deemed to have control over entities where the Company's ownership interest does not exceed 50%. The Group has concluded that it controls Omnium Telecom Algérie S.p.A and Optimum Telecom Algeria S.p.A even though its subsidiary, Global Telecom Holding S.A.E. owned less than 50% of the ordinary shares. This is because the Company can exercise operational control through terms of a shareholders' agreement. Our partner in Algeria can acquire our shares at fair market value under call option arrangements exercisable solely at its discretion between October 1, 2021 and December 31, 2021. Concurrently, we have a right to require our partner in Algeria to acquire our shares under put option arrangements exercisable solely at our discretion between July 1, 2021 and September 30, 2021. 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). Both option arrangements did not have any impact on our ability to consolidate Omnium Telecom Algérie S.p.A and Optimum Telecom Algeria S.p.A.

FINANCING ACTIVITIES OF THE GROUP

15 OTHER NON-OPERATING GAIN / (LOSS)

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

	2021	2020
Ineffective portion of hedging activities	3	15
Change of fair value of other derivatives	(4)	6
Gain /(loss) from money market funds	7	12
Other gains / (losses)	6	78
Other non-operating gain / (loss), net	**12**	**111**

Included in ‘Other gains / (losses)' in 2021 a gain of US$3 relating to Correction on data migration and a gain of US$3 on write off of certain payables.

Included in ‘Other gains / (losses)' in 2020 is a gain of US$41 relating to the revaluation of contingent consideration liability, as well as a gain of US$41 relating to the settlement in connection with the dispute concerning the sale of Telecel Globe Limited.

16 INVESTMENTS, DEBT AND DERIVATIVES

INVESTMENTS AND DERIVATIVES

The Company holds the following investments and derivatives assets as of December 31:

	Carrying value	
	2021	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	1,720	1,837
Security deposits and cash collateral	49	325
Other investments	99	29
	1,868	**2,191**
Total investments and derivatives	**1,868**	**2,214**
Non-current	1,412	1,951
Current	456	263

Loans granted to subsidiaries of the ultimate parent include Loans to VEON Amsterdam B.V. amounting US$1,361 at December 31, 2021, are callable on demand. The amounts receivable accrue interest at a variable rate of LIBOR +0.4%. As of December 31, 2021, the Company did not expect to call the loan or collect repayments within 12 months following the balance sheet date. In February 2021, the Company entered into a deed of amendment with VEON Amsterdam B.V. to extend the term of this short-term loan by a further 12 months, with an automatic extension option up to a maximum of a further 36 months, resulting in a maximum final maturity date of August 2024.

Security deposits

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.

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 most recent hearing on this matter was concluded before the Islamabad High Court on March 1, 2021.

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 and accordingly the security deposit balance of was also adjusted against the license fee payable.

DEBT AND DERIVATIVES

The Company holds the following outstanding debt and derivatives liabilities as of December 31:

	Carrying value	
	2021	**2020**
At fair value		
Derivatives not designated as hedges	4	52
Derivatives designated as net investment hedges	4	1
	8	**53**
At amortized cost		
Principal amount outstanding	7,569	7,675
Interest accrued	86	85
Discounts, unamortized fees, hedge basis adjustment	(14)	(5)
Bank loans and bonds	7,641	7,755
Loans received from subsidiaries of the ultimate parent	302	304
Lease liabilities	2,691	1,894
Put-option liability over non-controlling interest	—	273
Other financial liabilities*	290	92
	10,924	**10,318**
Total debt and derivatives	**10,932**	**10,371**
Non-current	9,397	9,119
Current	1,535	1,252

.*Certain comparative amounts have been reclassified, refer to Note 23 for further details.

Bank loans and bonds

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

Borrower	Type of debt	Guarantor	Currency	Interest rate	Maturity	Principal amount outstanding 2021	2020
VEON Holdings	Loans	None	RUB	7.35% to 7.50%	2021	—	812
VEON Holdings	Loans	None	RUB	CBR Key Rate + 2.20%	2021	—	677
VEON Holdings	Notes	PJSC VimpelCom	US$	7.50%	2022	417	417
VEON Holdings	Notes	None	US$	5.95% to 7.25%	2023	1,229	1,229
VEON Holdings	Notes	None	US$	4.95%	2024	533	533
VEON Holdings	Loan	None	RUB	CBR Key Rate + 1.85%	2025	404	406
VEON Holdings	Notes	None	US$	4.00%	2025	1,000	1,000
VEON Holdings	Notes	None	RUB	6.30% to 6.50 %	2025	404	406
VEON Holdings	Notes	None	RUB	8.13%	2026	269	—
VEON Holdings	Notes	None	US$	3.38%	2027	1,250	1,250
VEON Finance Ireland DAC	Loans	VEON Holdings	RUB	CBR Key Rate + 1.90% to 2.15%	2026	807	—
VEON Finance Ireland DAC	Loan	VEON Holdings	RUB	10.10%	2026	404	—
PJSC VimpelCom, via VIP Finance Ireland	Notes	None	US$	7.75%	2021	—	262
PMCL	Loans	None	PKR	6M KIBOR + 0.35%	2022	24	80
PMCL	Loans	None	PKR	6M KIBOR + 0.55%	2026	272	273
PMCL	Loan	None	PKR	3M KIBOR + 0.55%	2028	28	—
PMCL	Loan	None	PKR	6M KIBOR + 0.55%	2028	85	—
PMCL	Loan	None	PKR	3M KIBOR + 0.88%	2031	57	—
PJSC Kyivstar	Loan	None	UAH	NBU Key rate + 3.00%	2023	61	56
PJSC Kyivstar	Loan	VEON Holdings	UAH	NBU Key rate + 3.50%	2024	47	—
PJSC Kyivstar	Loan	VEON Holdings	UAH	Treasury Bill Rate + 3.00%	2024	50	—
PJSC Kyivstar	Loans	None	UAH	10.15% to 11.00%	2023-2025	97	85
Banglalink	Loans	None	BDT	Average bank deposit rate + 4.25%	2022	46	80
	Other bank loans and bonds					85	109
	Total bank loans and bonds					**7,569**	**7,675**

SIGNIFICANT CHANGES IN DEBT AND DERIVATIVES

Reconciliation of cash flows from financing activities

	Bank loans and bonds	Lease liabilities	Total
Balance as of January 1, 2020	**7,569**	**2,064**	**9,633**
Cash flows			
Proceeds from borrowings, net of fees paid	4,622	—	**4,622**
Repayment of debt	(3,754)	(297)	**(4,051)**
Interest paid	(499)	(146)	**(645)**
Repayment of debt relating to Algeria discontinued operations	—	(25)	**(25)**
Interest paid relating to Algeria discontinued operations	—	(4)	**(4)**
Non-cash movements			
Interest and fee accruals	544	155	**699**
Lease additions, disposals, impairment and modifications	—	431	**431**
Foreign currency translation	(398)	(284)	**(682)**
Other non-cash movements*	(329)	—	**(329)**
Balance as of December 31, 2020	**7,755**	**1,894**	**9,649**
Cash flows			
Proceeds from borrowings, net of fees paid	2,063	—	**2,063**
Repayment of debt	(2,129)	(340)	**(2,469)**
Interest paid	(472)	(147)	**(619)**
Non-cash movements			
Interest and fee accruals	513	144	**657**
Lease additions, disposals, impairment and modifications	—	1,270	**1,270**
Held for sale - Note 10	—	(122)	**(122)**
Foreign currency translation	(67)	(8)	**(75)**
Other non-cash movements	(22)	—	**(22)**
Balance as of December 31, 2021	**7,641**	**2,691**	**10,332**

** Included in "Other non-cash movements" in 2020 is a reclassification of US$300 from "Bank loans and bonds" to "Loans received from subsidiaries of the ultimate parent" relating to the extension and extinguishment of Banglalink syndicated loan*

FINANCING ACTIVITIES 2021

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 entered 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 replaced the revolving credit facility signed in February 2017, which is now cancelled. The RCF has an initial tenor of three years, with VEON 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 months and six months tenor. SOFR will apply to interest periods commencing on and from October 31, 2021. VEON 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 years term. In April 2021, the proceeds from Alfa Bank new tranche of RUB15 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 ten years 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$150 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), maturing in September 2026. The notes were issued under its existing Global Medium Term Note Programme with a Programme limit of US$6.5 billion, or the equivalent thereof in other currencies. The proceeds were used for early repayment of RUB 20 billion (US$273) of outstanding loans to Sberbank that were originally maturing in June 2023.

Loan agreement Alfa Bank

In December 2021, VEON Finance Ireland Designated Activity Company signed a RUB 45 billion (US$612) Term Facilities Agreement with Alfa Bank which includes a RUB 30 billion (US$408) fixed rate tranche and a RUB 15 billion (US$204) floating rate tranche, both with a maturity date of December 2026. The facilities are guaranteed by VEON Holdings B.V.. The proceeds from the Alfa Bank facilities have been used to finance intercompany loans to PJSC Vimpel-Com.

Loan agreement Sberbank

In December 2021, VEON Finance Ireland Designated Activity Company signed a RUB 45 billion (US$611) Term Facility Agreement with Sberbank with a floating rate. Maturity date of the facility is December 2026 and it is guaranteed by VEON Holdings B.V.. The proceeds from the Sberbank facility have been used to finance an intercompany loan to PJSC Vimpel-Com.

Alfa Bank loans repayment

In December 2021, VEON Holdings B.V. repaid RUB 45 billion (US$611) of outstanding loans to Alfa Bank, comprising of a RUB 30 billion loan (US$407) originally maturing in March 2025 and a RUB 15 billion (US$204) loan originally maturing in March 2026.

Sberbank loans repayment

In December 2021, VEON Holdings B.V. repaid RUB 45 billion (US$612) of outstanding loans to Sberbank, comprising of a RUB 15 billion (US$204) loan originally maturing in June 2023 and a RUB 30 billion (US$408) loan originally maturing in June 2024.

FINANCING ACTIVITIES IN 2020

Optional early redemption of US$600 million 3.95% Senior notes due June 2021

In December 2020, VEON Holdings B.V. completed optional early redemption of all of its outstanding US$ 600 million 3.95% Senior Notes due June 2021, pursuant to Condition 5.3 of the 2021 Notes. The Notes were redeemed in full at a redemption price equal to 101.00% of the principal amount thereof, plus accrued and unpaid interest and additional amounts due thereon.

Financing activities in Ukraine

In December 2020, VEON's operating company in Ukraine, Kyivstar, signed three bilateral unsecured loan agreements with Raiffeisen Bank Aval Joint Stock Company ("Raiffeisen"), Joint Stock Company Alfa-Bank ("Alfa-Bank") and Joint Stock Company OTP Bank ("OTP"), for an aggregate amount of UAH4.1 billion (US$146). The loan agreement with Raiffeisen has a 5-year term with a fixed interest rate of 11.00%, and the loan agreements with Alfa-Bank and OTP each have a 3-year term with a floating rate equal to NBU Key Rate + 3.00% and a fixed interest rate of 10.15% respectively.

Exercise of 15% PMCL put option

In September 2020, the Dhabi Group exercised its put option to sell us its 15% shareholding in PMCL, the Company's subsidiary in Pakistan. VEON updated the fair value of its put option liability following the completion of an independent valuation process which determined a fair value for the shareholding of US$273, resulting in a gain of US$59 recorded in 'Finance costs' within the Consolidated Income Statement. During 2021, the transaction was completed and VEON indirectly owns 100% of PMCL.

Global Medium Term Note Programme

In April 2020, VEON Holdings B.V. established a Global Medium Term Note programme for the issuance of bonds (the "GMTN Programme"), with a programme limit of US$6,500, or the equivalent thereof in other currencies. In June, September and November 2020, VEON Holdings B.V. issued senior unsecured notes of RUB20 billion (US$288), RUB10 billion (US$135) and US$1.25 billion, respectively, under the GMTN Programme, maturing in June 2025, September 2025 and November 2027.

Refinancing of loan agreement with VTB

In July 2020, VEON Holdings B.V. 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 VEON Holdings B.V. 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 loan agreement with Sberbank

In June 2020, VEON Holdings B.V. 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, VEON Holdings B.V. 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, VEON drew down the remaining RUB12.5 billion available under the facility agreement. Subsequently, in September 2020, VEON repaid one of the facilities of RUB20 billion, originally maturing in June 2022, in full with no fees. The repaid facility cannot be re-borrowed.

Contingent consideration

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 of US$41 recognized in the consolidated income statement.

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.

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 mentioned above. The initial term of the loan is two years.

Drawdowns under the Revolving Credit Facility

In March 2020, VEON Holdings B.V., the Company's wholly-owned subsidiary, executed two drawdowns under its existing revolving credit facility for an aggregate amount of US$600. Although these drawdowns are short-term in nature, VEON Holdings B.V. has an enforceable right to roll them over until final maturity date of the facility in February 2022. All outstanding drawdowns under this facility have been fully repaid during June 2020 (US$100) and July 2020 (US$500). In March 2021, VEON entered into a new multi-currency revolving credit facility agreement.

Refinancing of RUB debt - AO "Alfa-Bank"

In March 2020, VEON Holdings B.V. 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, VEON Holdings B.V., 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 VEON Holdings B.V. in October 2019. VEON used the net proceeds of the tap issuance to refinance certain existing outstanding debt.

FAIR VALUES

As of December 31, 2021, the carrying amounts of all financial assets and liabilities are equal to or approximate their respective fair values as shown in the table at the beginning of this note, with the exception of:

- 'Bank loans and bonds, including interest accrued', for which fair value is equal to US$7,986 (2020: US$8,330); and
- 'Lease liabilities', for which fair value has not been determined.

As of December 31, 2021 and December 31, 2020, all of the Group's financial instruments carried at fair value in the statement of financial position were measured based on Level 2 inputs, except for the Contingent consideration, for which fair value is classified as Level 3.

All movements in Contingent consideration in the years ended December 31, 2021 and 2020 relate to changes in fair value, which are unrealized, and are recorded in “Other non-operating gain / (loss)” within the consolidated income statement.

Fair values are estimated based on quoted market prices for our bonds, derived from market prices or by discounting contractual cash flows at the rate applicable for the instruments with similar maturity and risk profile. Observable inputs (Level 2) used in valuation techniques include interbank interest rates, bond yields, swap curves, basis swap spreads, foreign exchange rates and credit default spreads.

On a quarterly basis, the Company reviews if there are any indicators for a possible transfer between fair value hierarchy levels. This depends on how the Company is able to obtain the underlying input parameters when assessing the fair valuations. During the years ended December 31, 2021 and 2020, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

HEDGE ACCOUNTING

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

Hedging instruments *	Designated rate	Excluded component	Hedged item	Currency	Aggregated designated nominal value of hedged items, million	
					2021	2020
Foreign currency forward contracts	Forward	foreign currency basis spread	PJSC VimpelCom	RUB	6,986 **	26,758 **

** Refer to the Debt and Derivatives section above in this Note for information regarding the carrying amounts of the hedging instruments.*

*** Hedging instruments have a weighted average term to maturity of less than 1 year as of December 31, 2021 (2020: 1 year).*

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

- the value of a net investment falling below the related designated nominal value of the hedging instrument, or
- counterparties' credit risk impacting the hedging instrument but not the hedged net investment.

During the periods covered by these consolidated financial statements, the amount of ineffectiveness was immaterial.

During 2021, the Company recorded a loss of US$18 on derivatives designated as net investment hedge.

Impact of hedge accounting on equity

The below table sets out the reconciliation of each component of equity and the analysis of other comprehensive income (all of which are attributable to the equity owners of the parent):

	Foreign currency translation reserve	Cost of hedging reserve **
As of January 1, 2020	**(6,111)**	**9**
Foreign currency revaluation of the foreign operations and other	(614)	—
Effective portion of foreign currency revaluation of the hedging instruments *	178	—
Change in fair value of foreign currency basis spreads	—	7
Amortization of time-period related foreign currency basis spreads	(26)	(15)
As of December 31, 2020	**(6,573)**	**1**
Foreign currency revaluation of the foreign operations	(140)	—
Effective portion of foreign currency revaluation of the hedging instruments *	(18)	—
Change in fair value of foreign currency basis spreads	—	2
Amortization of time-period related foreign currency basis spreads	—	(3)
Other movements in foreign currency translation reserve	—	—
As of December 31, 2021	**(6,731)**	**0**

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

*** Movements in the cost of hedging reserve are included within "Other" in respective section of statement of other comprehensive income.*

Put options over non-controlling interest

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

Derivative contracts

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

Hedges of a net investment

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

Fair value of financial instruments

All financial assets and liabilities are measured at amortized cost, except those which are measured at fair value as presented within this Note.

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

Measurement of lease liabilities

Lease liabilities are measured upon initial recognition at the present value of the future lease and related fixed services payments over the lease term, discounted with the country specific incremental borrowing rate as the rate implicit in the lease is generally not available. Subsequently lease liabilities are measured at amortized cost using the effective interest rate method.

A significant portion of the lease contracts included within Company's lease portfolio includes lease contracts which are extendable through mutual agreement between VEON and the lessor, or lease contracts which are cancellable by the Company immediately or on short notice. The Company includes these cancellable future lease periods within the assessed lease term, which increases the future lease payments used in determining the lease liability upon initial recognition, except when it is not reasonably certain at the commencement of the lease that these will be exercised.

The Company continuously assesses whether a revision of lease terms is required due to a change in management judgment regarding, for example, the exercise of extension and/or termination options. When determining whether an extension option is not reasonably certain to be exercised, VEON considers all relevant facts and circumstances that creates an economic incentive to exercise the extension option, or not to exercise a termination option, such as strategic plans, future technology changes, and various economic costs and penalties.

17 CASH AND CASH EQUIVALENTS

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

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

	2021	2020
Cash and cash equivalents at banks and on hand	1,403	598
Cash equivalents with original maturity of less than three months*	767	975
Cash and cash equivalents**	**2,170**	**1,573**
Less overdrafts	(13)	(7)
Cash and cash equivalents, net of overdrafts, as presented in the consolidated statement of cash flows	**2,157**	**1,566**

*Certain comparative amounts have been reclassified, refer to Note 23 for further details.

** Cash and cash equivalents include an amount of US$98 relating to banking operations in Pakistan.

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

The imposition of currency exchange controls or other similar restrictions on currency convertibility in the countries in which VEON operates could limit VEON's ability to convert local currencies or repatriate local cash in a timely manner or at all, as well as remit dividends from the respective countries. As of December 31, 2021 US$ 71 (DZD) equivalent was considered restricted and included in cash and cash equivalent balances, as it was pending completion of local regulatory processes and approvals . The amounts were paid out of Algeria on March 24, 2022 and received in the bank. (2020: nil).

Cash balances include investments in money market funds of US$397 (2020: US$543), which are carried at fair value through profit or loss with gains presented within 'Other non-operating gain / (loss)' within the consolidated income statement.

As of December 31, 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$13 (2020: US$7). 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 debt and derivatives 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.

18 FINANCIAL RISK MANAGEMENT

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

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

INTEREST RATE RISK

The Company is exposed to the risk of changes in market interest rates primarily due to the its long-term debt obligations. The Company manages its interest rate risk exposure through a portfolio of fixed and variable rate borrowings.

As of December 31, 2021, approximately 72% of the Company's borrowings are at a fixed rate of interest (2020: 76%).

The Group is exposed to possible changes in interest rates on variable interest loans and borrowings, partially mitigated through cash and cash equivalents and current deposits. An increase or decrease of 100 basis points in interest rates would have an immaterial impact on the Company's income statement and other comprehensive income.

FOREIGN CURRENCY RISK

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the debt denominated in currencies other than the functional currency of the relevant entity, the Company's operating activities (predominantly capital expenditures at subsidiary level denominated in a different currency from the subsidiary's functional currency) and the Company's net investments in foreign subsidiaries.

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

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

Foreign currency sensitivity

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

	Effect on profit / (loss) before tax		**Effect on other comprehensive income**	
Change in foreign exchange rate against US$	10% depreciation	10% appreciation	10% depreciation	10% appreciation
2021				
Russian Ruble	18	(24)	9	(10)
Bangladeshi Taka	(30)	33	—	—
Pakistani Rupee	(3)	4	—	—
Georgian Lari	(37)	41	—	—
Other currencies (net)	(5)	5	—	—
2020				
Russian Ruble	35	(39)	32	(39)
Bangladeshi Taka	(30)	33	—	—
Pakistani Rupee	(4)	4	—	—
Georgian Lari	(36)	40	—	—
Other currencies (net)	8	(9)	4	(4)

CREDIT RISK

The Company is exposed to credit risk from its operating activities (primarily from trade receivables), and from its treasury activities, including deposits with banks and financial institutions, loans granted to subsidiaries of the ultimate parent, derivative financial instruments and other financial instruments. See Note 17 for further information on restrictions on cash balances.

Trade receivables consist of amounts due from customers for airtime usage and amounts due from dealers and customers for equipment sales. VEON's credit risk arising from the services the Company provides to customers is mitigated to a large extent due to the majority of its active customers being subscribed to a prepaid service as of December 31, 2021 and 2020, and accordingly not giving rise to credit risk. For postpaid services, in certain circumstances, VEON requires deposits as collateral for airtime usage. Equipment sales are typically paid in advance of delivery, except for equipment sold to dealers on credit terms.

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

VEON holds available cash in bank accounts, as well as other financial assets with financial institutions in countries where it operates. To manage credit risk associated with such asset holdings, VEON allocates its available cash to a variety of local banks and local affiliates of international banks within the limits set forth by its treasury policy. Management periodically reviews the creditworthiness of the banks with which it holds assets. In respect of financial instruments used by the Company's treasury function, the aggregate credit risk the Group may have with one counterparty is managed by reference to, amongst others, the long-term credit ratings assigned for that counterparty by Moody's, Fitch Ratings and Standard & Poor's and CDS spreads of that counterparty. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

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

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

The Company's maximum exposure to credit risk for the components of the statement of financial position at December 31, 2021 and 2020 is the carrying amount as illustrated in Note 5, Note 16, Note 17 and within this Note 18.

LIQUIDITY RISK

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bonds, bank overdrafts, bank loans and lease contracts. The Company's policy is to create a balanced debt maturity profile. As of December 31, 2021, 11% of the Company's debt (2020: 5%) will mature in less than one year based on the carrying value of bank loans, bonds and other borrowings reflected in the financial statements. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low based on liquidity in the markets the Company has access to, and recent history of refinancing, except for the additional risks identified in Note 23.The Company believes that access to sources of funding is sufficiently available and the Company's policy is to diversify the funding sources where possible.

Available facilities

The Company had the following available facilities as of December 31:

	Amounts in millions of transactional currency				US$ equivalent amounts		
	Final availability period	**Facility amount**	**Utilized**	**Available**	**Facility amount**	**Utilized**	**Available**
2021							
VEON Holdings B.V. – Revolving Credit Facility	Feb 2024	US$1,250	—	US$1,250	1,250	—	1,250
PMCL - Term Facility	Jun 2022	PKR 50,000	PKR 10,000	PKR 40,000	283	57	226
TNS -Plus LLC - Term Facilities*	Oct 2023	KZT 4,000	KZT 2,783	KZT 1,217	9	6	3

** Facility amount of US$ 0.3 is available until October 2025.*

	Amounts in millions of transactional currency				US$ equivalent amounts		
	Final availability period	**Facility amount**	**Utilized**	**Available**	**Facility amount**	**Utilized**	**Available**
2020							
VEON Holdings B.V. – Revolving Credit Facility *	Feb 2022	US$1,586	—	US$1,586	1,586	—	1,586
PMCL - Syndicated Term Facility and Islamic Finance Facility	Sep 2021	PKR 14,369	PKR 9,999	PKR 4,370	90	62	28
PMCL - Term Facility	Nov 2023	PKR 10,000	PKR 5,000	PKR 5,000	24	12	12

** Facility amount of US$1,586 was available until February 2021. Subsequently a reduced facility amount of US$1,382 was available until March 2021. In March 2021, VEON entered into a new multi-currency revolving credit facility agreement.*

Maturity profile

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments. Payments related to variable interest rate financial liabilities and derivatives are included based on the interest rates and foreign currency exchange rates applicable as of December 31, 2021 and 2020, respectively. The total amounts in the table differ from the carrying amounts as stated in Note 16 as the below table includes both undiscounted principal amounts and interest while the carrying amounts are measured using the effective interest rate method.

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
As of December 31, 2021					
Bank loans and bonds	1,047	3,169	3,652	1,393	9,261
Loans from related parties	306	—	—	—	306
Lease liabilities	609	1,084	744	737	3,174
Derivative financial liabilities					
Gross cash inflows	—	—	—	—	—
Gross cash outflows	8	—	—	—	8
Trade and other payables*	2,072	—	—	—	2,072
Other financial liabilities	120	144	21	15	300
Put option liability	—	—	—	—	—
Total financial liabilities	4,162	4,397	4,417	2,145	15,121
Related derivatives financial assets					
Gross cash inflows	—	—	—	—	—
Gross cash outflows	—	—	—	—	—
Related derivative financial assets	—	—	—	—	—
Total financial liabilities, net of derivative assets	**4,162**	**4,397**	**4,417**	**2,145**	**15,121**

** Certain comparative amounts have been reclassified, refer to Note 23 for further details.*

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
As of December 31, 2020					
Bank loans and bonds	842	3,803	3,123	1,408	9,176
Loan from related parties	11	305	—	—	316
Lease liabilities	525	896	639	239	2,299
Derivative financial liabilities					
Gross cash inflows	(228)	—	—	—	(228)
Gross cash outflows	237	—	—	—	237
Trade and other payables*	2,171	—	—	—	2,171
Other financial liabilities	1	60	—	—	61
Warid non-controlling interest put option liability	273	—	—	—	273
Total financial liabilities	3,832	5,064	3,762	1,647	14,305
Related derivatives financial assets					
Gross cash inflows	152	—	—	—	152
Gross cash outflows	(149)	—	—	—	(149)
Related derivative financial assets	3	—	—	—	3
Total financial liabilities, net of derivative assets	**3,835**	**5,064**	**3,762**	**1,647**	**14,308**

** Certain comparative amounts have been reclassified, refer to Note 23 for further details.*

CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios, so as to secure access to debt and capital markets at all times and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. In September 2019, VEON announced a dividend policy that targets paying at least 50% of prior year Equity Free Cash Flow after licenses while Company's Net Debt to Adjusted EBITDA ratio below 2.4x. See the paragraph below for more information on how the Company's Net Debt to Adjusted EBITDA ratio is calculated. Dividend payments remain subject to the review by the Company's Board of Directors of medium-term investment opportunities and the Company's capital structure. There were no changes made in the Company's objectives, policies or processes for managing capital during 2021.

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

Further, this ratio is included as a financial covenant in the credit facilities of the Company. For most of our credit facilities the Net Debt to Adjusted EBITDA ratio is calculated at consolidated level of VEON Ltd. and is "pro-forma" adjusted for acquisitions and divestments of any business bought or sold during the relevant period. Under these credit facilities, the Company is required to maintain the Net Debt to Adjusted EBITDA ratio at or below 3.75x (on the basis of the so called "GAAP freeze" principle). The Company has not breached any financial covenants during the period covered by these financial statements.

19 ISSUED CAPITAL AND RESERVES

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

	2021	2020
Authorized common shares (nominal value of EUR 1 per share)	70,000,000	70,000,000
Issued and outstanding shares	30,099,998	30,099,998

As of December 31, 2021, the Company had 70,000,000 authorized common shares (2020: 70,000,000) with a nominal value of EUR 1 per share, of which 30,099,998 shares were issued, outstanding and are fully paid-up (2020: 30,099,998).

Nature and purpose of reserves

Other capital reserves are mainly used to recognize the results of transactions that do not result in a change of control with non-controlling interest (see Note 14). The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries, net of any related hedging activities (see Note 16).

20 DIVIDENDS PAID AND PROPOSED

There were no dividends declared by the Company in respect of the year 2021.

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

DIVIDENDS DECLARED TO NON-CONTROLLING INTERESTS

During 2021 and 2020, certain subsidiaries of the Company declared dividends, of which a portion was paid or payable to non-controlling interests as shown in the table below:

Name of subsidiary	2021	2020
Omnium Telecom Algeria S.p.A	44	45
VIP Kazakhstan Holding AG	27	24
TNS Plus LLP	8	16
Other	10	2
Total dividends declared to non-controlling interests	**89**	**87**

In 2020, PMCL, a subsidiary of the Company, declared dividends to its shareholders, of which US$25 was declared to non-controlling shareholders of PMCL. Dividends declared to non-controlling interests of PMCL reduces the principal amount of the put-option liability over non-controlling interest on the date of declaration.

ADDITIONAL INFORMATION

21 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 years ended December 31:

	2021	2020
Finance income	12	43
Net gain on transfer of towers to Ukraine Tower Company	4	—
	16	**43**
Services from		
VEON Wholesale Services B.V.	2	3
VEON Ltd.	(15)	(9)
Finance cost	12	8
	(1)	**2**

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

	2021	2020
Accounts receivable due from		
VEON Ltd.	98	100
Others	21	20
Financial asset receivable from		
VEON Amsterdam B.V.	1,361	1,328
VEON Digital Amsterdam B.V.	300	302
VC ESOP N.V.	—	152
VEON Ventures BV	12	—
VEON Digital limited	16	33
Interest accrued	43	22
	1,851	**1,957**
Accounts payable to related parties		
VEON Ltd.	40	213
Others	32	29
Financial liabilities to related parties		
VEON Digital Amsterdam B.V.	300	300
Ukraine Tower Company	77	—
Interest accrued	2	4
	451	**546**

As of December 31, 2021, the Company has no ultimate controlling shareholder. See also Note 19 for details regarding ownership structure.

COMPENSATION TO DIRECTORS AND SENIOR MANAGERS OF THE COMPANY

VEON Holdings B.V, and its consolidated subsidiaries are part of the VEON Group and their operations are managed by the Members of the Board of Directors of VEON Ltd. (i.e. the ultimate parent company). Consequently, the Company considers the Board of Directors of VEON Ltd. together with the directors of the Company to be the key senior managers and finds it appropriate to disclose the compensation of the key management of the VEON Group. The statutory directors of VEON Holdings B.V. are Kaan Terzioğlu, Jochem Benjamin Postma and Paulus (Paul) Klaassen.

The following table sets forth the total compensation paid to our directors and senior managers, who are considered to be key management of the company:

	2021	2020
Short-term employee benefits	39	35
Long-term employee benefits	—	1
Share-based payments	9	—
Termination benefits	7	4
Total compensation to directors and senior management *	**55**	**40**

** The number of directors and senior managers vary from year to year. Total compensation paid to directors and senior management approximates the amount charged in the consolidated income statement for that year.*

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

Compensation of Key Senior Managers

The following table sets forth the total remuneration expense to the key senior managers in 2021 and 2020 (gross amounts in whole euro and whole US$ equivalents). For further details on compensation and changes to key senior managers, please refer to the Explanatory notes below.

In whole euros	**Kaan Terzioglu** Group CEO	**Sergi Herrero** Group Co-CEO	**Ursula Burns** Group CEO	**Serkan Okandan** Group CFO	**Trond Westlie** Group CFO	**Murat Kirkgoz** Deputy Group CFO	**Kjell Johnsen** Group COO	**Scott Dresser** Group General Counsel	**Alex Kazbegi** Group Chief Strategy Officer	**Joop Brakenhoff** Group Chief Internal Audit & Compliance Officer	**Alex Bolis** Group Head of Corporate Development, Communications and Investor Relations	**Dmitry Shvets** Group Head of Portfolio Management	**Michael Schulz** Group Chief People Officer
2021													
Short-term employee benefits													
Base salary	1,323,000	628,199	—	1,296,000	—	—	—	1,300,000	143,100	540,000	272,448	365,854	237,741
Annual incentive	1,695,094	623,036	—	1,192,320	—	—	—	1,300,000	128,437	496,800	239,754	372,351	197,107
Other	205,350	5,512,172	—	1,276,225	—	—	—	1,013,859	143,936	96,600	77,000	11,271	27,862
Long-term employee benefits	166,518	(144,764)	—	—	—	—	—	—	—	—	—	—	—
Share-based payments	2,158,098	(60,701)	(103,954)	1,066,672	—	(26,417)	—	277,390	—	467,471	330,726	491,760	469,127
Termination benefits	—	2,936,759	—	—	—	—	—	2,625,000	579,675	—	—	—	—
Total remuneration expense *	**5,548,060**	**9,494,701**	**(103,954)**	**4,831,217**	**—**	**(26,417)**	**—**	**6,516,249**	**995,148**	**1,600,871**	**919,928**	**1,241,236**	**931,837**
2020													
Short-term employee benefits													
Base salary	1,323,000	1,181,368	1,162,750	864,000	16,810	211,600	—	1,300,000	553,500	224,100	—	—	—
Annual incentive	930,418	769,643	540,984	525,730	—	80,302	—	2,300,000	338,378	147,813	—	—	—
Other	439,657	2,158,022	554,328	297,341	212,631	40,360	299,333	24,100	104,124	39,908	—	—	—
Long-term employee benefits	76,366	706,925	—	—	—	—	—	—	—	—	—	—	—
Share-based payments	88,056	58,707	111,403	76,316	(217,080)	(7,954)	(217,080)	(65,526)	—	8,775	—	—	—
Termination benefits	—	—	—	—	—	—	—	—	—	—	—	—	—
Total remuneration expense *	**2,857,497**	**4,874,665**	**2,369,465**	**1,763,387**	**12,361**	**324,308**	**82,253**	**3,558,574**	**996,002**	**420,596**	**—**	**—**	**—**

** * Total remuneration expense for 2021 excludes accrued payroll taxes of EUR-3 million (US$-3) (2020: EUR9 million (US$10) recorded in 'Selling, general and administrative expenses' incurred by the Company pertaining to payments made to Ursula Burns (2020: Ursula Burns and Kjell Johnsen).*

In whole US dollars	**Kaan Terzioglu**	**Sergi Herrero**	**Ursula Burns**	**Serkan Okandan**	**Trond Westlie**	**Murat Kirkgoz**	**Kjell Johnsen**	**Scott Dresser**	**Alex Kazbegi**	**Joop Brakenhoff**	**Alex Bolis**	**Dmitry Shvets**	**Michael Schulz**
	Group CEO	Group Co-CEO	Group CEO	Group CFO	Group CFO	Deputy Group CFO	Group COO	Group General Counsel	Group Chief Strategy Officer	Group Chief Internal Audit & Compliance Officer	Group Head of Corporate Development, Communications and Investor Relations	Group Head of Portfolio Management	Group Chief People Officer
2021													
Short-term employee benefits													
Base salary	1,564,015	742,676	—	1,532,096	—	—	—	1,536,825	169,169	638,373	322,081	433,078	281,051
Annual incentive	2,003,894	736,572	—	1,409,528	—	—	—	1,536,825	151,835	587,303	283,431	440,768	233,014
Other	242,759	6,516,660	—	1,508,718	—	—	—	1,198,557	170,158	114,198	91,027	13,342	32,938
Long-term employee benefits	196,853	(171,144)	—	—	—	—	—	—	—	—	—	—	—
Share-based payments	2,551,245	(71,763)	(122,891)	1,260,991	—	(31,230)	—	327,923	—	552,631	390,975	582,119	554,589
Termination benefits	—	3,471,927	—	—	—	—	—	3,103,204	685,276	—	—	—	—
Total remuneration expense *	**6,558,766**	**11,224,928**	**(122,891)**	**5,711,333**	**—**	**(31,230)**	**—**	**7,703,334**	**1,176,438**	**1,892,505**	**1,087,514**	**1,470,412**	**1,101,592**
2020													
Short-term employee benefits													
Base salary	1,508,380	1,346,902	1,325,676	985,064	19,165	241,250	—	1,482,157	631,057	255,501	—	—	—
Annual incentive	1,060,789	877,486	616,787	599,396	—	91,554	—	2,622,278	385,792	168,525	—	—	—
Other	501,262	2,460,406	632,001	339,005	242,425	46,015	341,276	27,477	118,714	45,500	—	—	—
Long-term employee benefits	87,066	805,980	—	—	—	—	—	—	—	—	—	—	—
Share-based payments	100,394	66,933	127,013	87,009	(247,497)	(9,069)	(247,497)	(74,708)	—	10,005	—	—	—
Termination benefits	—	—	—	—	—	—	—	—	—	—	—	—	—
Total remuneration expense *	**3,257,891**	**5,557,707**	**2,701,477**	**2,010,474**	**14,093**	**369,750**	**93,779**	**4,057,204**	**1,135,563**	**479,531**	**—**	**—**	**—**

** Total remuneration expense for 2021 excludes accrued payroll taxes of EUR-3 million (US$-3 (2020: EUR9 million (US$10) recorded in 'Selling, general and administrative expenses' incurred by the Company pertaining to payments made to Ursula Burns (2020: Ursula Burns and Kjell Johnsen).*

Explanatory notes

Base salary includes any holiday allowances pursuant to the terms of an individual's employment agreement. Annual incentive expense includes amounts accrued under the short-term incentive in respect of performance during the current year, as well as any special recognition bonus. Other short-term employee benefits include certain allowances (for example, pension allowance or reimbursement of certain losses etc.) and support (for example, relocation support).

Share-based payment expense relates to amounts related to the long-term incentive scheme and the deferred shared plan as well as amounts accrued under the value growth cash-based multi-year incentive plans, see below for further details.

Changes in Key Senior Managers

Ursula Burns stepped down as Group CEO with effect from March 1, 2020. Sergi Herrero and Kaan Terzioğlu were appointed as Group Co-CEOs with effective from March 1, 2020, having previously served as Joint Group COOs since September 2, 2019 and November 1, 2019, respectively. Sergi Herrero stepped down from the role of Group Co-CEO on June 30, 2021 and Kaan Terzioğlu has continued his role as Group CEO.

On May 1, 2020, Serkan Okandan joined VEON as Group CFO. Trond Westlie stepped down from the role of Group CFO on September 30, 2019 and Murat Kirkgoz served as Deputy Group CFO from August 1, 2019 to April 30, 2020.

Kjell Johnsen stepped down from the role of Group COO on November 1, 2019, Alex Kazbegi stepped down from the role of Group Chief Strategy Officer on March 31, 2021, and Scott Dresser stepped down from the role of Group General Counsel on December 31, 2021.

In addition, Joop Brakenhoff was appointed Group Chief Internal Audit & Compliance Officer, effective July 1, 2020, Alex Bolis was appointed Group Head of Corporate Strategy, Communications and Investor Relations, effective April 1, 2021, Dmitry Shvets was appointed Group Head of Portfolio and Performance Management, effective April 15, 2021, and Michael Schulz was appointed Group Chief People Officer, effective July 1, 2021.

Compensation of Board of Directors

The following table sets forth the total remuneration expense to the members of the Board of Directors members in 2021 and 2020 (gross amounts in whole euro and whole US dollar equivalents). For details on changes in Board of Directors, please refer to explanations below.

	Retainer		Committees		Other compensation		Total	
In whole euros	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Hans Holger Albrecht	487,500	204,167	136,458	72,917	1,098,610	—	**1,722,568**	277,084
Guillaume Bacuvier	—	105,114	—	23,125	—	—	—	128,239
Osama Bedier	155,556	308,333	44,444	68,750	—	—	**200,000**	377,083
Ursula Burns	—	323,864	—	—	—	—	—	323,864
Mariano De Beer	—	204,167	—	87,500	—	—	—	291,667
Peter Derby	155,556	204,167	66,667	87,500	—	—	**222,223**	291,667
Mikhail Fridman	75,000	60,417	—	—	—	—	**75,000**	60,417
Gennady Gazin	842,708	629,167	57,292	33,333	1,971,749	—	**2,871,749**	662,500
Amos Genish	155,556	204,167	66,667	87,500	—	—	**222,223**	291,667
Yaroslav Glazunov	75,000	13,350	—	—	—	—	**75,000**	13,350
Andrei Gusev	75,000	60,417	—	—	—	500,000	**75,000**	560,417
Gunnar Holt	350,000	308,333	150,000	118,750	—	—	**500,000**	427,083
Sir Julian Horn-Smith	—	105,114	—	10,511	—	—	—	115,625
Robert Jan van de Kraats	350,000	308,333	125,000	85,417	—	—	**475,000**	393,750
Guy Laurence	—	104,167	—	12,500	—	—	—	116,667
Alexander Pertsovsky	—	47,917	—	—	—	—	—	47,917
Steve Pusey	189,583	204,167	53,125	58,333	—	—	**242,708**	262,500
Leonid Boguslavsky	335,417	—	23,958	—	—	—	**359,375**	—
Sergi Herrero	195,417	—	13,958	—	—	—	**209,375**	—
Irene Shvakman	195,115	—	27,874	—	—	—	**222,989**	—
Vasily Sidorov	195,115	—	111,494	—	—	—	**306,609**	—
Total compensation	**3,832,523**	**3,395,361**	**876,937**	**746,136**	**3,070,359**	**500,000**	**7,779,819**	**4,641,497**

In whole US dollars	Retainer 2021	Retainer 2020	Committees 2021	Committees 2020	Other compensation 2021	Other compensation 2020	Total 2021	Total 2020
Hans Holger Albrecht	576,323	232,775	161,321	83,134	1,298,776	—	**2,036,420**	315,909
Guillaume Bacuvier	—	119,843	—	26,365	—	—	—	146,208
Osama Bedier	183,898	351,537	52,542	78,383	—	—	**236,440**	429,920
Ursula Burns	—	369,244	—	—	—	—	—	369,244
Mariano De Beer	—	232,775	—	99,761	—	—	—	332,536
Peter Derby	183,898	232,775	78,813	99,761	—	—	**262,711**	332,536
Mikhail Fridman	88,665	68,883	—	—	—	—	**88,665**	68,883
Gennady Gazin	996,250	717,326	67,730	38,004	2,331,001	—	**3,394,981**	755,330
Amos Genish	183,898	232,775	78,813	99,761	—	—	**262,711**	332,536
Yaroslav Glazunov	88,665	15,221	—	—	—	—	**88,665**	15,221
Andrei Gusev	88,665	68,883	—	—	—	570,060	**88,665**	638,943
Gunnar Holt	413,770	351,537	177,330	135,389	—	—	**591,100**	486,926
Sir Julian Horn-Smith	—	119,843	—	11,984	—	—	—	131,827
Robert Jan van de Kraats	413,770	351,537	147,775	97,386	—	—	**561,545**	448,923
Guy Laurence	—	118,763	—	14,252	—	—	—	133,015
Alexander Pertsovsky	—	54,631	—	—	—	—	—	54,631
Steve Pusey	224,125	232,775	62,804	66,507	—	—	**286,929**	299,282
Leonid Boguslavsky	396,530	—	28,323	—	—	—	424,853	—
Sergi Herrero	231,022	—	16,502	—	—	—	247,524	—
Irene Shvakman	230,665	—	32,952	—	—	—	263,617	—
Vasily Sidorov	230,665	—	131,808	—	—	—	362,473	—
Total compensation	**4,530,809**	**3,871,123**	**1,036,713**	**850,687**	**3,629,777**	**570,060**	**9,197,299**	**5,291,870**

Explanatory notes

In 2021, equity-settled awards were granted to Group Chairman Gennady Gazin (1,224,086) and Group Digital and Innovation Committee Chairman Hans-Holger Albrecht (1,360,095). The share awards will vest on June 10, 2022 and the shares are subject to a holding period through to July 16, 2023. The fair value of these awards were determined using the Black-Scholes Model and an expense of US$2 was incurred as of December 31, 2021 which is included in other compensation.

Changes in Board of Directors

Ursula Burns was appointed Group CEO and Chairman of the VEON Ltd. board of directors on December 12, 2018. Accordingly, her total compensation for until March 1, 2020, has been included in the section “Compensation of Key Senior Managers” above, except for payments received in respect of her role on Board Committees. Ursula Burns stepped down as Group CEO on March 1, 2020, and later stepped down as Chairman on June 1, 2020.

On June 1, 2020, VEON announced the results of the elections conducted at its Annual General Meeting of Shareholders. Shareholders elected five new members to the Company’s Board of Directors, Hans-Holger Albrecht, Mariano De Beer, Peter Derby, Amos Genish and Stephen Pusey, as well as seven previously serving directors: Osama Bedier, Mikhail Fridman, Gennady Gazin, Andrei Gusev, Gunnar Holt, Robert Jan van de Kraats and Alexander Pertsovsky. Following the election of the directors, Gennady Gazin was appointed as Chairman of VEON’s Board of Directors, effective June 1, 2020 and on October 28, 2020, Yaroslav Glazunov was appointed as an alternate director for Alexander Pertsovsky.

On June 10, 2021, VEON announced the results of the elections conducted at its Annual General Meeting of Shareholders. Shareholders elected three new members to the Company's Board of Directors, Vasily Sidorov, Irene Shvakman and Sergi Herrero, as well as nine previously serving directors: Hans-Holger Albrecht, Leonid Boguslavsky, Mikhail Fridman, Gennady Gazin, Yaroslav Glazunov, Andrei Gusev, Gunnar Holt, Stephen Pusey and Robert Jan van de Kraats. Stephen Pusey stepped down as a director from the Company's Board of Directors on July 15, 2021.

Changes in Directors of VEON Holdings B.V.

On January 7, 2020, Kaan Terzioglu was appointed as a statutory director of the Company.

On June 30, 2021 and September 30, 2021, Jochem Benjamin Postma and Paul Klaassen were appointed statutory directors of the Company, respectively. Sergi Herrero and Murat Kirkgoz stepped down as statutory directors of the Company on June 30, 2021 and September 30, 2021, respectively.

The total remuneration expense for the Company's statutory directors for the year ended December 31, 2021 was US$0.2 million (2020: US$0).

Short Term Incentive Scheme

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

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

Deferred Share Plan

In 2021, equity-settled awards were granted to certain key senior managers and directors under the Deferred Shares Plan ("**DSP**"), which are subject to a two year vesting period from the grant date. The fair value of the awards were determined using the Black-Scholes Model and an expense of US$5 was incurred as of December 31, 2021.

Long Term Incentive Scheme

In 2021, equity-settled awards were granted to certain key senior managers under the Long-Term Incentive Plan ("**LTIP**"), which are subject to a three year vesting period from the date of the grant as well as a performance condition in line with shareholder interests. The fair value of the awards were determined using the Black-Scholes Model and an expense of US$4 was incurred as of December 31, 2021.

Value growth cash-based multi-year incentive plans

To stimulate and reward leadership efforts that result in sustainable success, value growth cash-based multi-year incentive plan (**"Incentive Plans**") were designed for members of our recognized leadership community. The participants in the Incentive Plans may receive cash payouts after the end of each relevant award performance period.

Vesting is based on the attainment of certain Key Performance Indicators ("**KPIs**"), such as absolute share price, total return per share or value growth of certain VEON businesses. Options may be exercised by the participant at any time during a defined exercise period, subject to the Company's insider trading policy.

ACCOUNTING POLICIES

Equity-settled share-based payments are measured at the grant date fair value, which is expensed over the vesting period, taking into account expected forfeitures and performance conditions, if any, with a corresponding increase in equity.

Cash-settled share-based payments are measured at the grant date fair value and recorded as a liability. The Company remeasures the fair value of the liability at the end of each reporting period until the date of settlement, with any changes in fair value recognized in the income statement.

Other short-term benefits not related to share-based payments are expensed in the period when services are received.

22 EVENTS AFTER THE REPORTING PERIOD

Ongoing conflict between Russia and Ukraine

As of May 24, 2022, the conflict between Russia and Ukraine remains ongoing. Please refer to Note 23 for further details.

Financing activities

In February 2022, VEON Holdings B.V. repaid RUB 30 billion (US$396) of outstanding loans to VTB Bank originally maturing in July 2025.
In February 2022, VEON Finance Ireland DAC signed a RUB 30 billion (US$400) Term Facility Agreement with VTB Bank with a floating rate. This facility is guaranteed by VEON Holding B.V. and has a Maturity of February 2029. The proceeds from this facility will be used for general corporate purposes, including the financing of intercompany loans to PJSC VimpelCom.

In February 2022, the maturity of the revolving credit facility (RCF) was extended one year until March 2025.

In February 2022, VEON Holdings B.V. has drawn US$430 under the RCF. The outstanding balance can be rolled over until maturity in 2025.

In February 2022, VEON Holdings B.V. repaid the 7.50% Note of US$417 which became due in March 2022.

In February 2022, Jazz, a subsidiary of the Company in Pakistan, fully utilized the remaining PKR 40 billion (US$222) available under their line of credit.

In March 2022, VEON Finance Ireland DAC prepaid a RUB 30 billion (US$259) Term Facility Agreement with VTB Bank in accordance with its terms, and the facility has been cancelled.

In March 2022, Alfa Bank (US$125 commitment) and Raiffeisen Bank Russia (US$70 commitment) notified the Agent under the RCF that as a result of new Russian currency regulations following a presidential decree, they could no longer participate in the RCF. As a result, their available commitments were cancelled and the total available credit under the RCF reduced from US$1,250 to US$1,055.

In April 2022, the drawn portion from Alfa Bank under the RCF (US$43) was repaid. The drawn portion from Raiffeisen Bank Russia (US$24) is to be repaid by the end of May 2022.

In April 2022, VEON novated two group-level loans, with Sberbank and Alfa Bank respectively, and totaling RUB 90 billion (US$1,070), to PJSC VimpelCom, with the former borrower, VEON Finance Ireland DAC and the former guarantor, VEON Holdings B.V., having been released from their obligations.

In April 2022, VEON Holdings BV and VEON Digital Amsterdam BV extended the maturity of the intercompany loan until April 2023.

In March 2022, Kyivstar, a subsidiary of the Company in Ukraine, prepaid a UAH 1,350 million (US$46) loan with JSC CitiBank, prepaid a portion of a UAH 1,677 million loan with Alfa Bank (UAH 1,003 million (US$34) repaid), and in April 2022 prepaid a portion of a UAH 1,275 million loan with JSC Credit Agricole (UAH 940 million (US$32) repaid).

In April 2022, Jazz signed a PKR 40 billion (US$220) syndicated loan with a 10 year maturity.

In April 2022, Banglalink, a subsidiary of the Company in Bangladesh, signed a BDT 12 billion (US$139) syndicated loan with a five years maturity.

In April and May 2022, VEON Holdings B.V. has received US$610 following a utilization under the RCF. This amount can be rolled until maturity.

Other developments

On March 31, 2022, Banglalink acquired new spectrum for a fee of US$205 payable in installments over eleven years, doubling its spectrum holding in Bangladesh. Banglalink acquired 40 MHz of spectrum from the 2,300 MHz band.

On April 12, 2022, Jazz signed a 4G license renewal with the PTA for a fee of PKR 45 billion (US$486) for fifteen years, of which 50% has been settled, and the remaining amount will be paid in five equal annual installments.

In March 2022, the Company entered into an agreement for the sale of Georgia, an operating segment of the Company, and obtained regulatory and corporate approvals in May 2022. The transaction is expected to be completed in Q2 2022 for a sale price of US$45. The net assets of Georgia includes material cumulative currency translation losses as of December 31, 2021, which will be recycled through the consolidated income statement upon the completion of the sale.

Changes to Board of Directors

On January 5, 2022, VEON announced the appointment of Karen Linehan to the Board of Directors as a non-executive director, following the resignation of Steve Pusey in 2021.

On March 1, 2022, VEON announced the resignation of Mikhail Fridman from the Board of Directors, effective from February 28, 2022.

On March 8, 2022, VEON announced the resignation of Robert Jan van de Kraats from the Board of Directors, effective from March 7, 2022.

On March 16, 2022, VEON announced the appointment of Michiel Soeting to the Board of Directors as a non-executive director and Chairman of the Audit and Risk Committee, following the resignation of Robert Jan van de Kraats on March 7, 2022.

Notification from NASDAQ on Minimum Share Price Requirement

On April 12, 2022, VEON confirmed that on April 7, 2022 VEON received notification from the Listing Qualifications Department of NASDAQ that VEON is not in compliance with the minimum bid price requirement set forth in NASDAQ’s Listing Rule 5550(a)(2). This does not impact current NASDAQ listing and trading, and VEON will evaluate options to return to compliance.

VEON announced its intention to establish a new parent holding company in the United Kingdom

On February 3, 2022, VEON announced its intention to move its group parent company to the United Kingdom, with the introduction of a newly formed UK incorporated public limited company (the “new UK Parent Company”) as the top holding company of the VEON Group. It was expected that the new UK Parent Company would replace VEON Ltd. as the VEON Group’s ultimate parent company by way of a Bermuda court-approved scheme of arrangement. VEON has since suspended all activities related to the previously proposed re-domiciliation of VEON Ltd. to the United Kingdom and will continue to consider the optimal corporate structure for the Group.

23 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION

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

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

The consolidated financial statements have been prepared on a historical cost basis, unless otherwise disclosed.

Certain comparative amounts have been reclassified. Specifically, the following December 31, 2020 balances were reclassified in the consolidated statement of financial position:

- Short term investments for treasury bills shorter than three 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.

- Expected credit losses relating to other trade receivables of US$27 presented as other receivables, is now presented as expected credit losses trade and receivable.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Company has control. Please refer to Note 14 for a list of significant subsidiaries.

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

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

FOREIGN CURRENCY TRANSLATION

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

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

ONGOING CONFLICT BETWEEN RUSSIA AND UKRAINE

As of May 24, 2022, hostilities continue in Ukraine. One third of our total subscribers are in Ukraine and Russia, where they are supported by 32,000 employees. VEON's priority is to protect the safety and well-being of our employees and their families. We have developed and, in some cases, implemented additional contingency plans to relocate work and/or personnel to other geographies and add new locations, as appropriate. As of May 24, 2022, most of our Ukraine subsidiary's employees remain in the country. As of April 15, 2022, millions of people have fled Ukraine and the country has sustained significant damage to infrastructure and assets.

If the ongoing conflict persists, we could lose a percentage of our customer base in Ukraine. If Ukrainian refugees choose to relocate permanently outside of Ukraine and switch to local providers, this could have a significant impact on their use and spending on our services. We have been and also will incur additional expenditures to maintain and repair our mobile and fixed-line telecommunications infrastructure in Ukraine as a result of any damage inflicted on our infrastructure due to the ongoing conflict, as well as for security, increased energy costs, and related operational and capital expenditures. In addition, our ability to provide services in Ukraine may be impaired if we are unable to maintain key personnel within Ukraine and/or our infrastructure within Ukraine is significantly damaged or destroyed.

In response to the events in Ukraine, the United States, European Union (and individual EU member states) and, the United Kingdom, as well as other countries have imposed wide-ranging economic sanctions and trade restrictions which have targeted individuals and entities as well as large aspects of the Russian economy, including freezing the assets of Russia's central bank, other Russian financial institutions, and individuals, removing selected Russian banks from the Swift banking system, and curbing certain products exported to Russia. Furthermore, as a response to the imposed sanctions, Russia recently introduced a number of counter-sanctions aimed at stabilizing domestic financial markets. These, among others, include restrictions related to capital and foreign exchange controls, restrictions on lending to foreign (non-Russian) persons, restrictions on foreign persons' transactions with Russian securities and real estate, and limitations on export and import of certain goods into and outside Russia.

The ongoing conflict between Russia and Ukraine, and the sanctions imposed by the various jurisdictions, counter sanctions and other legal and regulatory measures, as well as responses by our service providers, partners, suppliers and other counterparties, and the consequences of all the foregoing, have negatively impacted and will continue to negatively impact our operations and results in Russia and Ukraine, and may affect our operations and results in the other countries in which we operate.

The conflict has resulted in the following events and conditions that may cast significant doubt on the Company's ability to continue as a going concern:

- The current events in the regions where we operate in Ukraine and where we derive a significant amount of our business may pose security risks to our people, our facilities, our operations, and infrastructure, such as utilities and network services, and the disruption of any or all of them could significantly affect our business, financial conditions and results of operations in Ukraine, and cause volatility in the value of our securities. The conflict has also had a marked impact on the economies of Russia and Ukraine. Currently, a significant majority of Ukraine's network infrastructure is operating effectively and disruptions in service are limited to specific areas where the conflict is most intense.

- We anticipate that we will report material impairment charges with respect to assets in Ukraine and/or Russia during 2022. If there is a significant improvement in the current underlying conditions, including a lasting resolution of the ongoing conflict, this will enable positive adjustments to our business plans. We are still gathering the necessary data and we are not able at this time to estimate the amount or range of this potential impairment charge to the profit and loss statement. It is possible these impairment charges may rise to a level as to require additional analysis to determine the true value of assets as outlined in the provisions of our debt agreements and in the worst scenario, when the true value of assets is lower than the liabilities, could require early repayments of our long term debt. Due to the current developments that impact the value of the Company, the recoverability of the loan receivable of US$1,361 due from VEON Amsterdam B.V. may also be materially impacted. The conflict is considered a non-adjusting subsequent event in accordance with IAS 10, Events after the reporting period, and as such, any impairment charge reported in 2022 does not impact the valuation of our assets and operations as of December 31, 2021. While the financial performance of Ukraine has been significantly impacted in 2022, our operations in Ukraine represents 14% of our revenue for the year ended December 31, 2021 and as such, there is no significant impact to group's financial performance as a whole. Further, there are no interdependencies of Ukraine's operations with the other operating segments.

- In Russia, macroeconomic conditions and outlook have deteriorated significantly since the beginning of the conflict. We expect our results of operations in Russia on a U.S. dollar basis to be lower for the foreseeable future compared to results prior to the onset of the conflict, largely due to the volatility of the Russian ruble.

- As of May 24, 2022, the Company has concluded that neither VEON Ltd. nor any of its subsidiaries is subject to any sanctions imposed by the United States, European Union (and individual EU member states) and, the United Kingdom. However, the interpretation and enforcement of these new sanctions and counter-sanctions may result in unanticipated outcomes and could give rise to material uncertainties, which could complicate our business decisions. For example, to protect US foreign policy and national security interests, the US government has broad discretion to at times impose a broad range of extraterritorial "secondary" sanctions under which non-US persons carrying out certain activities may be penalized or designated as sanctioned parties, even if the activities have no ties, contact with, or nexus to the United States or the US financial system at all. These secondary sanctions could be imposed on the Company or any of the Company's subsidiaries if they were to engage in activity that the US government determined was undertaken knowingly and rose to the level of material or significant support to, for, or on behalf of certain sanctioned parties. The broad nature of the financial sanctions targeted at the Russian financial system, including several banks that have historically provided funding to the Company, along with comprehensive sanctions on investment and vendors in Russia and the ongoing conflict between Russia and Ukraine may therefore have a material impact on the Company's operations and business plans in Russia and Ukraine.

- Based on the current state of affairs, the Company currently has sufficient liquidity to satisfy our current obligations at least over the next twelve months from the issuance of the financial statements without the needs of additional financing. Our current liquidity forecast assumes the completion of the anticipated sale of our business in Algeria as disclosed in Note 10, the remaining availability of the revolving credit facility, and no early repayments of our long-term debt. The Company also expects to meet its financial covenants as required by our debt agreements during the same period. However, these are highly uncertain times and it is not possible to predict with precision how certain developments will impact our liquidity position, our financial covenants and non-financial provisions in our debt agreements, and our equity levels on a regular and continuous basis both at the group and operating company levels. A continued deterioration in the results or operations of our operating companies could trigger certain financial covenants or non-financial provisions in our debt agreements, requiring accelerated repayment, potentially triggering a cross-default across all debt facilities and the revolving credit facility and negatively impact our liquidity. We may also be impacted by conditions or local legal requirements in international markets that could make it more difficult to service our existing debt obligations or refinance existing debt. Should we not realize the assumptions behind our liquidity forecast, we may not have sufficient liquidity to continue to operate as outlined above. If we are unable to raise additional capital in the market in which we want to raise it, or at all, or if the cost of raising additional capital significantly increases, as is the case when central banks raise benchmark interest rates, we may be unable to make necessary or desired capital expenditures, take advantage of investment opportunities, refinance existing indebtedness or meet unexpected financial requirements, and our growth strategy and liquidity may be negatively affected. This could cause us to be unable to repay indebtedness as it comes due, to delay or abandon anticipated expenditures and investments or otherwise limit operations.

- In response to the geopolitical and economic situation in both Ukraine and Russia, there is a risk of either country imposing external administration over foreign companies or assets. For example, there are laws under review by the Ukrainian government regarding nationalization of property and assets in Ukraine with association to the Russian Federation. Such measures, if adopted and applied in relation to either our Ukrainian or Russian subsidiary, or both, could lead to the involuntary deconsolidation of our Ukrainian and/or Russian operations. Additionally, the United States imposed sweeping export control restrictions on Russia's ability to obtain goods, software and technology subject to U.S. export control jurisdiction, including a broad array of foreign-made items, that were previously not subject to U.S. export control jurisdiction. This could have an adverse impact on our ability to maintain and/or improve our infrastructure and adversely impact the availability and quality of our services and therefore have a material adverse effect on our operations and results of operation. In the event of future imposed laws and regulations as a result of the ongoing conflict between Russia and Ukraine, our business, the operation of our networks, our supply chain stability of items critical to the telecommunications sector in Russia, and our ability to comply with the terms of our operating licenses and local laws and regulations could be materially adversely impacted.

Management's actions to address these events and conditions are as follows:

- We have implemented business continuity plans to address known contingency scenarios to ensure that we have adequate processes and practices in place to protect the safety of our people and to handle potential impacts to our operations in Ukraine and Russia.

- The Company has performed sensitivities on the volatility of the Russian ruble with respect to the impact on our financial results and does not expect fluctuations to have a significant impact. In the normal course of business, the Company manages its foreign currency risk by selectively hedging committed exposures and hedges part of its exposure to fluctuations on the translation into U.S. dollars of its foreign operations by holding the borrowings in foreign currencies or by foreign exchange swaps and forwards. Refer to Note 18 for additional details.

- Management is actively monitoring any new developments in applicable sanctions to ensure that we are in compliance and to evaluate any potential impact on the Company's financial performance, operations, and governance. As a result of current economic sanctions affecting Russian banks, we repaid our RUB 30 billion seven year term loan with VTB Bank on March 9, 2022 and two of our group-level loans with Sberbank and Alfa Bank respectively, totaling RUB 90 billion in total, were novated to PJSC VimpelCom, within the Russia operating segment, in April 2022. This resulted in the release of the former borrower (VEON Finance Ireland DAC) and the former guarantor (VEON Holdings BV) from their obligations. In addition, the novation of these loans has allowed VEON to ensure that the majority of the Group's RUB liabilities are held within Russia and as such are matched to the market where RUB revenues are generated, enabling further review of the capital structure of PJSC VimpelCom.

- Management actively monitors the Company's liquidity position, our financial and non-financial provisions in our debt agreements, and our equity levels on a regular and continuous basis both at the group and operating company levels and should they reach a level considered at-risk, management will take actions to ensure our liquidity position is sufficient and our financial covenants and non-financial provisions in our debt agreements are met. In the event a default provision within our debt agreements is triggered, VEON is in regular communication with its relevant lenders and has an obligation to notify them of any default that occurs and is continuing to occur. Should this occur, VEON will proactively and promptly respond to queries from lenders on the relevant covenant breach and initiate negotiations with lenders should the need arise.

- Management is actively monitoring any new developments in new laws and regulations to ensure that we are in compliance and to evaluate any potential impact on the Company's financial performance, operations, and governance. The United States imposed sweeping new export control restrictions on Russia's ability to obtain goods, software and technology subject to U.S. export control jurisdiction, including a broad array of foreign-made items, that were previously not subject to U.S. export control jurisdiction. This could have an adverse impact on our ability to maintain and/or improve our infrastructure and adversely impact the availability and quality of our services and therefore will negatively impact our operations and results of operation in Russia. The Company is currently developing contingency plans to maximize the use of existing equipment in order to minimize the impact on our operations and results while also analyzing the potential for applying for licenses in order to permit continued procurement of goods, software and technology subject to U.S. export control jurisdiction.

The accompanying consolidated financial statements have been prepared on a going concern basis. In accordance with International Accounting Standards ("IAS") 1, Presentation of Financial Statements, the Company has determined that the aforementioned conditions and events, considered in the aggregate, may cast significant doubt about the Company's ability to continue as a going concern for at least twelve months after the date these consolidated financial statements were authorized for issuance. Management expects the actions it has taken or will take will mitigate the risk associated with the identified events and conditions. However, given the uncertainty and exogenous nature of the ongoing conflict and potential future imposed sanctions as well as potential new counter-sanctions, and given the possible future imposition of external administration over our Russian and Ukrainian operations in particular, management concluded that a material uncertainty remains related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, such that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

24 SIGNIFICANT ACCOUNTING POLICIES

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Significant accounting judgment / source of estimation uncertainty	Described in
Revenue recognition	Note 3
Deferred tax assets and uncertain tax positions	Note 8
Provisions and contingent liabilities	Note 7
Impairment of non-current assets	Note 11
Control over subsidiaries	Note 14
Depreciation and amortization of non-current assets	Note 12 and Note 13
Fair value of financial instruments	Note 16
Sale and lease back transactions	Note 12
Measurement of lease liabilities	Note 16

NEW STANDARDS AND INTERPRETATIONS

Adopted in 2021

During 2021, 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 in 2021, 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

Not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on VEON financial statements in current or future reporting periods or on foreseeable future transactions.

Amsterdam,
May 24, 2022

VEON Holdings B.V.