Special purpose
unaudited interim condensed
consolidated financial statements

VEON Holdings B.V.
(formerly VimpelCom Holdings B.V.,
an indirectly owned subsidiary
of VEON Ltd.)

As at and for the nine and three month periods
ended September 30, 2017

TABLE OF CONTENTS

Interim condensed consolidated income statement 3

Interim condensed consolidated statement of comprehensive income 4

Interim condensed consolidated statement of financial position 5

Interim condensed consolidated statement of changes in equity 6

Interim condensed consolidated statement of cash flows 7

1 General information 8

2 Basis of preparation of the special purpose interim condensed consolidated financial statements 8

3 Significant transactions 9

4 Segment information 11

5 Income taxes 13

6 Share of loss of joint ventures and associates 14

7 Other non-operating (losses) / gains 15

8 Property and equipment 16

9 Intangible assets 16

10 Financial assets and liabilities 17

11 Cash and cash equivalents 23

12 Dividends declared 23

13 Related parties 24

14 Commitments, contingencies and uncertainties 26

15 Events after the reporting period 26

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

for the nine and three month periods ended September 30

		Nine month period		Three month period	
	Note	**2017**	**2016**	**2017**	**2016**
(In millions of U.S. dollars, except per share amounts)					
Service revenues *		6,891	6,309	2,358	2,275
Sale of equipment and accessories		173	121	65	42
Other revenues		90	65	32	26
Total operating revenues	4	**7,154**	**6,495**	**2,455**	**2,343**
Service costs *		(1,410)	(1,313)	(489)	(492)
Cost of equipment and accessories		(187)	(146)	(73)	(55)
Selling, general and administrative expenses		(2,637)	(2,355)	(884)	(850)
Depreciation		(1,115)	(1,070)	(340)	(349)
Amortization		(398)	(352)	(134)	(128)
Impairment (loss) / reversal		(2)	(15)	3	(3)
Loss on disposals of non-current assets		(16)	(14)	(8)	(8)
Total operating expenses		**(5,765)**	**(5,265)**	**(1,925)**	**(1,885)**
Operating profit		**1,389**	**1,230**	**530**	**458**
Finance costs		(637)	(624)	(218)	(205)
Finance income		113	96	38	30
Other non-operating (losses) / gains	7	(160)	(110)	(3)	(29)
Share of loss of joint ventures and associates	6	(256)	(29)	(60)	(13)
Impairment of joint ventures and associates	6	(110)	-	-	-
Net foreign exchange gain / (loss) **		42	107	(12)	12
Profit before tax		**381**	**670**	**275**	**253**
Income tax expense	5	(386)	(377)	(177)	(125)
(Loss) / profit for the period		**(5)**	**293**	**98**	**128**
Attributable to:					
The owners of the parent		(44)	190	73	80
Non-controlling interest		39	103	25	48
		(5)	**293**	**98**	**128**

* In 2016, the Group has aligned its practices for content revenue across the Group. The impact of this refinement in policy was not material and reduced the revenue and the operating costs by US$20 and US$11, respectively, for the nine and three month periods ended September 30, 2016. The net results, financial position and operating cash flows for these periods remained unaffected. The Company concluded that net presentation of the content revenue better reflected the actual nature and substance of the arrangements with content providers.

** Currency liberalization in Uzbekistan had a significant impact on foreign currency translation of Uzbekistan operations, refer to Note 1 for further information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the nine and three month periods ended September 30

	Nine month period		Three month period	
	2017	**2016**	**2017**	**2016**
(In millions of U.S. dollars)				
(Loss) / profit for the period	**(5)**	**293**	**98**	**128**
Items that may be reclassified to profit or loss				
Net movement on cash flow hedges (net of tax of nil and nil, respectively, for the nine and three month periods (2016: US$11 and US$18))	-	-	(2)	2
Foreign currency translation *	(495)	239	(557)	-
Other	-	2	-	15
Other comprehensive income / (loss) for the period, net of tax	**(495)**	**241**	**(559)**	**17**
Total comprehensive (loss) / income for the period, net of tax	**(500)**	**534**	**(461)**	**145**
Attributable to:				
The owners of the parent	(494)	439	(409)	85
Non-controlling interests	(6)	95	(52)	60
	(500)	**534**	**(461)**	**145**

* Currency liberalization in Uzbekistan had a significant impact on foreign currency translation of Uzbekistan operations, refer to Note 1 for further information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at

(In millions of U.S. dollars)	Note	September 30, 2017	December 31, 2016
Assets			
Non-current assets			
Property and equipment	8	6,106	6,713
Intangible assets	9	2,247	2,225
Goodwill	9	4,457	4,696
Investments in joint ventures and associates	6	2,059	2,179
Deferred tax assets		273	343
Non-current income tax advance		26	25
Other financial assets	10	727	917
Other assets		25	29
Total non-current assets		**15,920**	**17,127**
Current assets			
Inventories		93	125
Trade and other receivables		836	787
Other assets		361	425
Current income tax assets		161	169
Other financial assets	10	390	323
Cash and cash equivalents	11	2,230	2,312
Total current assets		**4,071**	**4,141**
Assets classified as held for sale	3	545	-
Total assets		**20,536**	**21,268**
Equity and liabilities			
Equity			
Equity attributable to equity owners of the parent		5,388	7,479
Non-controlling interests		(329)	82
Total equity		**5,059**	**7,561**
Non-current liabilities			
Financial liabilities	10	9,898	7,625
Provisions		90	101
Other liabilities		71	44
Deferred tax liabilities		259	331
Total non-current liabilities		**10,318**	**8,101**
Current liabilities			
Trade and other payables		1,867	1,999
Other liabilities		1,236	1,195
Other financial liabilities	10	1,576	1,915
Current income tax payables		48	55
Provisions		373	442
Total current liabilities		**5,100**	**5,606**
Liabilities associated with assets held for sale	3	59	-
Total equity and liabilities		**20,536**	**21,268**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the nine month period ended September 30, 2017

(In millions of U.S. dollars)	Attributable to equity owners of the parent								
	Number of shares outstanding	Issued capital	Capital Surplus	Other capital reserves	Retained earnings	Foreign currency translation	Total	Non-controlling interests	Total equity
As at January 1, 2017	30,099,998	39	15,581	270	(3,496)	(4,915)	7,479	82	7,561
(Loss) / profit for the period		-	-	-	(44)	-	(44)	39	(5)
Other comprehensive loss		-	-	-	-	(450)	(450)	(45)	(495)
Total comprehensive loss		-	-	-	(44)	(450)	(494)	(6)	(500)
Dividends declared (Note 12)		-	(1,585)	-	-	-	(1,585)	(158)	(1,743)
Changes in ownership interest in a subsidiary that do not result in a loss of control (Note 3)		-	-	(12)	-	-	(12)	(247)	(259)
Reallocation to legal reserve in Algeria		-	-	6	(6)	-	-	-	-
As at September 30, 2017	**30,099,998**	**39**	**13,996**	**264**	**(3,546)**	**(5,365)**	**5,388**	**(329)**	**5,059**

for the nine month period ended September 30, 2016

(In millions of U.S. dollars)	Attributable to equity owners of the parent								
	Number of shares outstanding	Issued capital	Capital Surplus	Other capital reserves	Retained earnings	Foreign currency translation	Total	Non-controlling interests	Total equity
As at January 1, 2016	30,099,998	39	12,794	180	(3,542)	(5,046)	4,425	107	4,532
Profit for the period		-	-	-	190	-	190	103	293
Other comprehensive income / (loss)		-	-	2	-	247	249	(8)	241
Total comprehensive income		-	-	2	190	247	439	95	534
Dividends declared to non-controlling interests		-	-	-	-	-	-	(106)	(106)
Disposal of VC ESOP B.V.		-	-	94	-	-	94	-	94
Changes in ownership interest in a subsidiary that do not result in a loss of control		-	-	(6)	-	-	(6)	-	(6)
As at September 30, 2016	**30,099,998**	**39**	**12,794**	**270**	**(3,352)**	**(4,799)**	**4,952**	**96**	**5,048**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the nine month period ended September 30

(In millions of U.S. dollars)	Note	2017	2016
Operating activities			
Profit before tax		381	670
Non-cash adjustments to reconcile profit before tax to net cash flows:			
Depreciation, amortization and impairment losses		1,515	1,437
Loss on disposals of non-current assets		16	14
Finance costs		637	624
Finance income		(113)	(96)
Other non-operating losses		160	110
Share of loss of joint ventures and associates		256	29
Impairment of joint ventures and associates		110	-
Net foreign exchange gain		(42)	(107)
Changes in trade and other receivables and prepayments		(154)	(157)
Changes in inventories		34	(1)
Changes in trade and other payables		264	191
Changes in provisions and pensions		(62)	45
Interest paid		(541)	(561)
Interest received		104	53
Income tax paid		(312)	(305)
Net cash flow from operating activities		**2,253**	**1,946**
Investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		14	14
Purchase of property, plant and equipment and intangible assets		(1,537)	(1,083)
Loans granted		(2)	(316)
Repayment of loans granted		-	1,515
(Payment on) / receipts from deposits		(37)	59
Investment in financial assets		(107)	(62)
Proceeds from sales of share in subsidiaries, net of cash		-	20
Acquisition of subsidiaries, net of cash acquired		-	7
Net cash flow (used in)/from investing activities		**(1,669)**	**154**
Financing activities			
Acquisition of non-controlling interest	3	(259)	-
Proceeds from borrowings, net of fees paid*	10	5,247	1,843
Repayment of borrowings		(4,579)	(2,533)
Dividends paid to the owners of the parent	12	(583)	-
Dividends paid to non-controlling interests	12	(169)	(106)
Proceeds from sale of non-controlling interests, net of fees paid		1	1
Net cash flow used in financing activities		**(342)**	**(795)**
Net change in cash and cash equivalents		242	1,305
Net foreign exchange difference		(322)	(14)
Cash and cash equivalents classified as held for sale at the end of the period		(2)	-
Cash and cash equivalents at beginning of period		2,312	1,606
Cash and cash equivalents at end of period	11	**2,230**	**2,897**

** Fees paid for borrowings were US$52 (2016: US$30).*

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

1 GENERAL INFORMATION

VEON Holdings B.V. (**"VEON Holdings"**, the **"Company"**, and together with its consolidated subsidiaries, the **"Group"**) was established as a private company with limited liability under the laws of the Netherlands on June 29, 2009. The registered office of VEON Holdings and principal place of business is located at Claude Debussylaan 88, 1082 MD Amsterdam, the Netherlands. The Company is an indirectly owned subsidiary of VEON Ltd. ("**VEON**").

The Company changed its name from VimpelCom Holdings B.V. to VEON Holdings B.V., effective as of September 29, 2017.

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

Nature of operations and principal activities

VEON Holdings earns revenues by providing voice and data telecommunication services through a range of traditional and broadband mobile and fixed-line technologies. As at September 30, 2017, the Company operated telecommunications services in Russia, Pakistan, Algeria, Bangladesh, Ukraine, Uzbekistan, Kazakhstan, Armenia, Tajikistan, Georgia, Kyrgyzstan and Laos, and in Italy via a 50/50 joint venture.

During the nine month period ended September 30, 2017, several local currencies demonstrated significant volatility against the U.S. dollar, which impacted the Company's financial position and results of operations following the translation of non-U.S. currency amounts into U.S. dollars for consolidation purposes. In particular, in U.S. dollar terms, the fluctuations of local currencies caused a 7% increase in total revenue for the Group for the nine month period ended September 30, 2017 as compared with the same period of 2016.

In addition, on September 2, 2017, the Government of Uzbekistan announced the liberalization of currency exchange rules, effective from September 5, 2017. The Central Bank of Uzbekistan set the official exchange rate at 8,100 Uzbek som (**"UZS"**) per U.S dollar, a depreciation of 92%, resulting in a decrease in the value of net assets of the Uzbekistan operations in U.S. dollar terms. The effect of the foreign currency liberalization in Uzbekistan has resulted in US$(16) recognized in the Income statement (within 'Net foreign exchange gain / (loss)'), and a movement in foreign currency translation reserve of US$(420), recognized in Other comprehensive income.

2 BASIS OF PREPARATION OF THE SPECIAL PURPOSE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION

The special purpose unaudited interim condensed consolidated financial statements for the nine and three month periods ended September 30, 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The special purpose unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's audited annual consolidated financial statements as at and for the year ended December 31, 2016.

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

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the special purpose interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as at and for the year ended December 31, 2016.

A number of new or amended standards became effective as at January 1, 2017. However, the Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

The following are significant and relevant new standards that are issued, but not yet effective, up to the date of the issuance of the Group's financial statements, and which have not been early adopted by the Company:

- IFRS 15 *'Revenue from contracts with customers'* — The Group is in the final stages of assessing the impact of IFRS 15. Based on the analysis performed thus far, the Company expects an immaterial impact on revenue recognition, due to currently existing product offering (i.e. prevailing pre-paid service offering). The Company expects that the annual impact stemming from capitalization of costs incurred in acquiring contracts with customers upon adoption in 2018 will also be immaterial for the Group's operating results.
- IFRS 9 *'Financial instruments'* — The Group is in the process of assessing the impact of IFRS 9, which may be material to the consolidated income statement and consolidated financial position of the Company, upon adoption in 2018.
- IFRS 16, *'Leases'* — The Group has yet to assess the impact of IFRS 16, which may be material to the consolidated income statement and consolidated financial position upon adoption in 2019.
- IFRIC 23 *'Uncertainty over income tax treatments'* — The Interpretation clarifies the application of recognition and measurement requirements in IAS 12 *'Income Taxes'* when there is uncertainty over income tax treatments. The Group has yet to assess the impact of IFRIC 23, which may be material to the consolidated income statement and consolidated financial position upon adoption in 2019.

3 SIGNIFICANT TRANSACTIONS

GLOBAL TELECOM HOLDING S.A.E SHARE BUYBACK

Global Telecom Holdings S.A.E (**"GTH"**), a subsidiary of the Company, bought back 524,569,062 ordinary shares from its shareholders for EGP 4.1 billion (US$259), which transaction settled on February 21, 2017. The Company did not take part in the share buyback. As a result of the share buyback, the Company's interest in GTH increased by 5.77% from 51.92% to 57.69%, resulting in a US$12 loss recognized directly in equity. The cancellation of the 524,569,062 ordinary shares was approved at an extraordinary general meeting of GTH's shareholders on March 19, 2017 and took effect on April 16, 2017 after ratification by the Egyptian Financial Supervisory Authority of the minutes of the March 19, 2017 extraordinary general meeting.

EXIT FROM EUROSET HOLDING B.V. JOINT VENTURE

On July 7, 2017, PJSC Vimpel-Communications (**"PJSC VimpelCom"**), a subsidiary of the Company, entered into a Framework Agreement with PJSC Megafon (**"Megafon"**) to unwind their retail joint venture, Euroset Holding N.V. (**"Euroset"**). Under the agreement, Megafon will acquire PJSC VimpelCom's 50% interest in Euroset and PJSC VimpelCom will pay RUB 1.25 billion (approximately US$20 and subject to possible completion adjustments) and will acquire rights to 50% of Euroset's approximately 4,000 retail stores in Russia. The transaction is subject to relevant regulatory approvals and other conditions precedent, and is expected to be completed in Q1 2018.

As a result of this anticipated transaction, the investment in the Euroset joint venture was classified as an asset held-for-sale on June 30, 2017. However, as a result of the impairment described in Note 6, the investment in Euroset had a carrying value of nil prior to reclassification as an asset held-for-sale.

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

TOWERS IN PAKISTAN CLASSIFIED AS HELD-FOR-SALE

On August 30, 2017, Pakistan Mobile Communications Limited ("PMCL"), a subsidiary of the Company signed an agreement for the sale of its indirect subsidiary, Deodar (Private) Limited (**"Deodar"**) for approximately US$940, subject to customary closing adjustments, to Tanzanite Tower (Private) Limited ("**Tanzanite**"), a tower operating company owned by edotco Group Sdn. Bhd. ("**edotco**"), and Dawood Hercules Corporation ("**Dawood**").

Deodar holds the tower business of PMCL, a portfolio of approximately 13,000 towers, and provides network tower services in Pakistan. As a result of this anticipated transaction, on June 30, 2017, the Company classified Deodar as a disposal group held-for-sale. The completion of the transaction is subject to the satisfaction or waiver of certain conditions including receipt of customary regulatory approvals. The parties are aiming for completion to occur before the end of 2017.

Following the classification as a disposal group held-for sale, the Company no longer accounts for depreciation and amortization expenses of Deodar assets.

The assets and liabilities of Deodar classified as held for sale are presented below:

	September 30, 2017
Property and equipment	174
Goodwill	236
Deferred tax assets	61
Other non-current assets	2
Other current assets	50
Total assets held for sale	**523**
Non-current liabilities	(14)
Current liabilities	(30)
Total liabilities held for sale	**(44)**

Included in the equity of the Group is cumulative other comprehensive income of US$(9) related to Deodar, which is classified as held for sale.

LAOS OPERATIONS CLASSIFIED AS HELD FOR SALE

On October 27, 2017, VimpelCom Holding Laos B.V. ("**VimpelCom Laos**"), a subsidiary of the Company, entered into a Sale and Purchase Agreement for the sale of its operations in Laos to the Lao People's Democratic Republic ("**Government of Laos**"). Under the agreement, VimpelCom Laos will transfer its 78% interest in VimpelCom Lao Co. Limited ("**VIP Lao**") to the Government of Laos, the minority shareholder, in exchange for purchase consideration of US$22. The transaction is subject to customary closing conditions and is expected to be completed in Q1 2018.

As a result of this anticipated transaction, we classified our Laos business as an asset held for sale in these interim condensed consolidated financial statements. In connection with this classification, the Company no longer accounts for depreciation and amortization expenses of VIP Lao assets.

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

The assets and liabilities of VIP Lao classified as held for sale are presented below:

	September 30, 2017
Property and equipment	15
Intangible assets	2
Current assets	5
Total assets held for sale	**22**
Non-current liabilities	(4)
Current liabilities	(10)
Total liabilities held for sale	**(14)**

Included in the equity of the Group is cumulative other comprehensive income of US$1 and non-controlling interests of US$(5) related to Laos, which is classified as held for sale.

4 SEGMENT INFORMATION

Management analyzes the Company's operating segments separately because of different economic environments and stages of development in different geographical areas, requiring different investment and marketing strategies. Management does not analyze assets or liabilities by reportable segments.

Management evaluates the performance of the Company's segments on a regular basis, primarily based on earnings before interest, tax, depreciation, amortization, impairment loss, loss on disposals of non-current assets, other non-operating losses and shares of profit / (loss) of associates and joint ventures (**"Adjusted EBITDA"**).

From the first quarter of 2017, management has included the Italy Joint Venture (see Note 6) as a separate reportable segment, due to its increased contribution to the Company's overall financial result and position.

Financial information by reportable segment for the nine and three month periods ended September 30, 2017 and 2016, is presented in the following tables, with the exception of the Italy Joint Venture, for which financial information is presented in Note 6. Inter-segment transactions between operating segments are on an arm's length basis in a manner similar to transactions with third parties. The segment data for acquired operations are reflected herein from the date of their respective acquisition.

Nine month period ended September 30, 2017

	Russia	Pakistan	Algeria	Bangladesh	Ukraine	Uzbekistan	HQ and other	Total Segments
Revenue								
External customers	3,499	1,146	701	443	446	435	484	7,154
Inter-segment	24	-	-	-	17	1	(42)	-
Total revenue	**3,523**	**1,146**	**701**	**443**	**463**	**436**	**442**	**7,154**
Adjusted EBITDA	**1,359**	**530**	**334**	**186**	**254**	**228**	**29**	**2,920**
Other disclosures								
Capital expenditure	449	472	97	55	94	48	82	1,297

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

Nine month period ended September 30, 2016

	Russia	Pakistan	Algeria	Bangladesh	Ukraine	Uzbekistan	HQ and other	Total Segments
Revenue								
External customers	2,955	924	794	469	420	497	436	**6,495**
Inter-segment	29	2	-	-	16	1	(48)	**-**
Total revenue	**2,984**	**926**	**794**	**469**	**436**	**498**	**388**	**6,495**
Adjusted EBITDA	**1,155**	**378**	**422**	**212**	**237**	**290**	**-**	**2,681**
Other disclosures								
Capital expenditure	312	120	146	72	73	83	145	**951**

Three month period ended September 30, 2017

	Russia	Pakistan	Algeria	Bangladesh	Ukraine	Uzbekistan	HQ and other	Total Segments
Revenue								
External customers	1,221	391	238	144	160	130	171	2,455
Inter-segment	8	-	-	-	6	-	(14)	-
Total revenue	**1,229**	**391**	**238**	**144**	**166**	**130**	**157**	**2,455**
Adjusted EBITDA	**479**	**209**	**115**	**56**	**90**	**66**	**(6)**	**1,009**
Other disclosures								
Capital expenditure	190	77	42	28	27	10	26	400

Three month period ended September 30, 2016

	Russia	Pakistan	Algeria	Bangladesh	Ukraine	Uzbekistan	HQ and other	Total Segments
Revenue								
External customers	1,080	367	265	157	149	169	156	**2,343**
Inter-segment	10	1	-	-	6	-	(17)	**-**
Total revenue	**1,090**	**368**	**265**	**157**	**155**	**169**	**139**	**2,343**
Adjusted EBITDA	**413**	**147**	**136**	**73**	**86**	**96**	**(5)**	**946**
Other disclosures								
Capital expenditure	149	74	76	22	33	37	15	**406**

The following table provides the reconciliation of consolidated Adjusted EBITDA to consolidated (loss) / profit before tax, as presented in the consolidated income statement, for the nine and three month periods ended September 30:

	Nine month period		Three month period	
	2017	**2016**	**2017**	**2016**
Total Segments Adjusted EBITDA	**2,920**	**2,681**	**1,009**	**946**
Depreciation	(1,115)	(1,070)	(340)	(349)
Amortization	(398)	(352)	(134)	(128)
Impairment (loss) / reversal	(2)	(15)	3	(3)
Loss on disposals of non-current assets	(16)	(14)	(8)	(8)
Finance costs	(637)	(624)	(218)	(205)
Finance income	113	96	38	30
Other non-operating losses	(160)	(110)	(3)	(29)
Share of loss of joint ventures and associates	(256)	(29)	(60)	(13)
Impairment of joint ventures and associates	(110)	-	-	-
Net foreign exchange gain / (loss)	42	107	(12)	12
Profit before tax	**381**	**670**	**275**	**253**

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

5 INCOME TAXES

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

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

	Nine month period		Three month period	
	2017	**2016**	**2017**	**2016**
Current income taxes	409	477	210	179
Deferred income taxes	(23)	(100)	(33)	(54)
Income tax expense	**386**	**377**	**177**	**125**

For the nine month period ended September 30, 2017, the difference between the statutory tax rate in the Netherlands (25.0%) and the effective corporate income tax rate for the Group (101.3%) was primarily driven by non-deductible expenses in respect of share of loss of joint ventures and associates and impairment of joint ventures and associates, reducing profit before tax by US$256 and US$110, respectively, as well as the income tax losses arising from early debt redemption for which no deferred tax asset has been recognized, reducing profit before tax by US$124. If these expenses were not taken into account, the effective tax rate for the nine month period would have been 44.3%, which was impacted by higher profitability in countries with a higher nominal tax rate (Uzbekistan, Bangladesh and Pakistan), other non-deductible expenses and other income tax losses for which no deferred tax asset has been recognized.

During the nine month period ended September 30, 2016 the difference between the statutory tax rate in the Netherlands (25%) and the effective corporate income tax rate for the Group (56.3%) was mainly driven by non-deductible expenses, income tax losses for which no deferred tax-asset has been recognized, an increase in uncertain income tax positions and higher statutory tax rates in Uzbekistan, where the statutory tax rate increased from 7.5% to 50% (while the effective tax rate in Uzbekistan has increased to approximately 53.3% due to additional subnational tax).

In the third quarter of 2017, the difference between the statutory tax rate in the Netherlands (25%) and the effective corporate income tax rate for the Group (64.4%) was primarily driven by non-deductible expenses in respect of share of loss of joint ventures and associates, reducing profit before tax by US$60. If these expenses were not taken into account, the effective tax rate for the three month period would have been 52.8%, which was impacted by higher profitability in countries with a higher nominal tax rate (Uzbekistan, Bangladesh and Pakistan), other non-deductible expenses and other income tax losses for which no deferred tax asset has been recognized.

In the third quarter of 2016, the difference between the statutory tax rate in the Netherlands (25%) and the effective corporate income tax rate for the Group (49.4%) was mainly driven by non-deductible expenses, income tax losses for which no deferred tax-asset has been recognized, an increase in uncertain income tax positions and higher statutory tax rates in Uzbekistan, where the statutory tax rate increased from 7.5% to 50% (while the effective tax rate in Uzbekistan has increased to approximately 53.3% due to additional subnational tax).

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

6 SHARE OF LOSS OF JOINT VENTURES AND ASSOCIATES

Share of loss of joint ventures and associates was contributed by the following investments for the nine and three month periods ended September 30:

	Nine month period		Three month period	
	2017	**2016**	**2017**	**2016**
Italy Joint Venture	(234)	-	(60)	-
Other joint ventures and associates	(22)	(29)	-	(13)
Share of loss of joint ventures and associates	**(256)**	**(29)**	**(60)**	**(13)**

ITALY JOINT VENTURE

On November 5, 2016, the Company completed the transaction with CK Hutchison Holdings Ltd to form a joint venture in Italy, combining their respective businesses. Refer to Note 6 in the annual consolidated financial statements as at and for the year ended December 31, 2016 for further details.

The information of the Italy Joint Venture disclosed below reflects the amounts presented in the financial statements of the relevant joint venture and not the Group's share of those amounts. The information presented below has been amended to reflect adjustments made by the Company when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

The loss for the Italy Joint Venture for the nine and three month periods ended September 30, 2017 is disclosed below.

	Nine month period	Three month period
Revenue	5,114	1,806
Operating expenses	(5,070)	(1,762)
Other expenses	(444)	(143)
Income tax expenses	(68)	(21)
Loss for the period	**(468)**	**(120)**
Other comprehensive income	-	-
Total comprehensive loss	**(468)**	**(120)**

Included within Operating expenses for the nine and three month periods are, respectively, US$1,502 and US$561 of depreciation and amortization expense. Included within Other expenses for the nine and three month periods are, respectively, US$323 and US$117 of interest expense.

As disclosed in Note 4, the Italy Joint Venture is a separate reportable segment. Financial information for the nine and three month periods ended September 30, 2017 is presented below.

	Nine month period	Three month period
Revenue		
External customers	5,113	1,806
Inter-segment	1	-
Total revenue	**5,114**	**1,806**
Adjusted EBITDA	**1,550**	**603**
Other disclosures		
Capital expenditure	827	278

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

The following table provides a reconciliation of Adjusted EBITDA to Loss for the period for the Italy Joint Venture, for the nine and three month periods ended September 30, 2017.

	Nine month period	Three month period
Adjusted EBITDA	**1,550**	**603**
Depreciation and amortization	(1,502)	(561)
Gain / (loss) on disposals of non-current assets	(4)	2
Net finance costs	(306)	(105)
Other non-operating losses	(138)	(38)
Income tax expenses	(68)	(21)
Loss for the period	**(468)**	**(120)**

Refinancing of Wind Tre S.p.A.

On October 24, 2017, the Italy JV, through its wholly-owned subsidiary, Wind Tre S.p.A (**"Wind Tre"**), entered into a senior facilities agreement with a group of 21 international banks consisting of a EUR 3.0 billion (approximately US$3.5 billion) five year term loan with interest based on a leverage grid (beginning at 2.0%), and a EUR 400 million (approximately US$470) five year revolving credit facility with interest based on a leverage grid (beginning at 1.75%).

On November 3, 2017, Wind Tre issued EUR 5.6 billion (approximately US$6,516) and US$2.0 billion of senior secured notes, consisting of EUR 2.250 billion Senior Secured Floating Rate Notes due 2024, EUR 1.625 billion 2.625% Senior Secured Notes due 2023, EUR 1.750 billion 3.125% Senior Secured Notes due 2025 and US$2.0 billion 5.0% Senior Secured Notes due 2026 (collectively, the **"Wind Tre Notes"**).

Proceeds from the newly issued notes were used to repay outstanding amounts under Wind Tre existing senior facilities and repaid loans with Wind Tre's subsidiary, Wind Acquisition Finance S.A. ("**WAF**"), who then used the funds to repay all of WAF's senior secured notes.

Impairment of Euroset

During Q2 2017, due to the continued operational underperformance of Euroset, the Company has revised its previous estimates and assumptions regarding Euroset's future cash flows. As a result, the Company has recorded an impairment of US$110 against the carrying value of the investment in Euroset, resulting in a post-impairment carrying value of nil.

The recoverable amount of Euroset was determined using fair value less costs of disposal, based on a Level 3 fair value derived from a discounted cash flow model.

Key assumptions	**Q2 2017**
Discount rate (functional currency)	13.4%
Average annual revenue growth rate during forecast period (functional currency)	1.7%
Terminal growth rate	0.0%
Average operating (EBITDA) margin during forecast period	0.0%
Average capital expenditure as a percentage of revenue	0.9%

7 Other non-operating (losses) / gains

Other non-operating losses consisted of the following for the nine and three month periods ended September 30:

	Nine month period		Three month period	
	2017	**2016**	**2017**	**2016**

Loss from early debt redemption	(124)	-	-	-
Change of fair value of embedded derivative	(2)	13	(1)	8
Change of fair value of other derivatives	(36)	(82)	(12)	(13)
Other gains / (losses)	2	(41)	10	(24)
Other non-operating losses	**(160)**	**(110)**	**(3)**	**(29)**

Loss from early debt redemption relates to the settlement of the cash tender offer for certain outstanding debt securities, see Note 10 for further details.

8 PROPERTY AND EQUIPMENT

ACQUISITIONS AND DISPOSALS

The movement in property and equipment for the nine and three month periods ended September 30 included the following:

	Nine month period		Three month period	
	2017	**2016**	**2017**	**2016**
Cost of acquired assets	864	721	352	336
Net book value of assets disposed	38	26	15	14
Net loss on disposal of assets	16	14	8	8

During the nine month period ended September 30, 2017, assets with net book value of US$189 were reclassified as assets held for sale (**"AHFS"**) (refer to Note 3).

There were no other material changes to property and equipment, other than foreign currency translation differences and depreciation charges. Included in depreciation for the nine and three month periods is, respectively, US$71 and US$7 of accelerated depreciation, pertaining to network modernization and integration activities in Ukraine, Bangladesh and Pakistan.

9 INTANGIBLE ASSETS

ACQUISITIONS AND DISPOSALS

The intangible assets acquired in the nine and three month periods ended September 30 included the following:

	Nine month period		Three month period	
	2017	**2016**	**2017**	**2016**
Telecommunications licenses, frequencies and permissions	325	148	8	40
Software	105	79	39	46
Other intangible assets	2	3	-	-
Total intangible assets acquired	**432**	**230**	**47**	**86**

On May 16, 2017, PMCL, a subsidiary of the Company, participated in an auction for the acquisition of additional 4G/LTE spectrum in Pakistan. PMCL was awarded 10 MHz paired spectrum in the 1800 MHz band for a total consideration of US$295 million, plus withholding tax of 10% representing payment of income tax in advance.

During the nine and three month periods ended September 30, 2017, there were no impairment losses recognized in respect of intangible assets, and there were no other material changes to intangible assets, other than foreign currency translation differences and amortization charges. Included in amortization for both the nine and three month periods is, respectively, US$34 and US$11 of accelerated amortization pertaining to brands and trademarks in Pakistan.

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

GOODWILL

The movement in goodwill for the Group, per cash generating unit (**"CGU"**), consisted of the following for the nine months ended September 30, 2017:

CGU	September 30, 2017	Reclassification to AHFS (Note 3)	Currency translation	December 31, 2016
Russia	2,417	-	105	2,312
Algeria	1,360	-	(33)	1,393
Pakistan	257	(237)	(3)	497
Kazakhstan	172	-	(4)	176
Kyrgyzstan	146	-	1	145
Uzbekistan	46	-	(68)	114
Armenia	59	-	-	59
Total	**4,457**	**(237)**	**(2)**	**4,696**

Goodwill is tested for impairment annually (at October 1), or when circumstances indicate the carrying value may be impaired. The Company's impairment test for goodwill is primarily based on fair value less cost of disposal calculations that use a discounted cash flow model. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual consolidated financial statements as at and for the year ended December 31, 2016.

The Company considers the relationship between its market capitalization and its book value, as well as weighted average cost of capital and the quarterly financial performances of each CGU when reviewing for indicators of impairment in interim periods.

There was no goodwill impairment recorded during the nine month period of 2017. There was also no goodwill impairment during the nine month period of 2016.

10 FINANCIAL ASSETS AND LIABILITIES

There were no significant changes in financial assets and liabilities in the nine month period ended September 30, 2017, except for the scheduled repayments of debt or as described below. Furthermore, there were no changes in risks and risk management policies as disclosed in the Group's annual consolidated financial statements as at and for the year ended December 31, 2016.

SIGNIFICANT CHANGES IN FINANCIAL ASSETS AND LIABILITIES

PMCL financing

On June 29, 2017, PMCL drew down PKR 11,000 million (approximately US$105) under a syndicated facility with several banks, which was entered into on December 3, 2015 for an amount of PKR 16,000 million (approximately US$152 as of December 3, 2015). The facility bears interest at six-month KIBOR plus 0.35% per annum. Repayment will take place through periodic instalments between June 23, 2018 and December 23, 2020. The total principal amount outstanding as of September 30, 2017 is PKR 16,000 million (approximately US$153).

On June 29, 2017, PMCL drew down PKR 9,000 million (approximately US$86) under a syndicated facility with several banks, which was entered into on June 12, 2017 for an amount of PKR 26,750 million (approximately US$255 as of June 12, 2017). The facility bears interest at six-month KIBOR plus 0.35% per annum. Repayment will take place through periodic instalments between December 29, 2019 and June 29, 2022. The total principal amount outstanding as of September 30, 2017 is PKR 9,000 million (approximately US$86).

On June 29, 2017, PMCL drew down PKR 5,000 million (approximately US$48) under a Term Loan facility with Habib Bank Ltd, which was entered into on June 12, 2017 for an amount of PKR 10,000 million (approximately US$95 as of June 12, 2017). The facility bears interest at six-month KIBOR plus 0.35% per annum. Repayment will take place through periodic instalments between December 27, 2019 and June 29, 2022. The total principal amount outstanding as of September 30, 2017 is PKR 5,000 million (approximately US$48).

GTH Loan facility

GTH entered into an unsecured short-term loan agreement with Citi and ING Bank for a principal amount of US$200, on February 3, 2017. The loan agreement has an initial term of six months (the **"Initial Term"**), which is capable of being extended until December 15, 2017, and carries interest at a rate of LIBOR plus 4.00% per annum during the Initial Term (rising to LIBOR plus 5.00% per annum for the period from the expiry of the Initial Term to December 15, 2017 in the event the term of the loan agreement is extended), with two of the GTH's fully owned subsidiaries (International Wireless Communications Pakistan Limited and Telecom Ventures Limited) acting as guarantors. Subject to the terms of the loan agreement, the loan amount was fully utilized on February 14, 2017 and was used for funding the share buyback of GTH (refer to Note 3). On July 21, 2017, the Company issued an extension request, so that the loan agreement now expires on December 15, 2017.

Multi-currency term and revolving facilities up to US$2,250

VEON Holdings entered into a new multi-currency term and revolving facilities agreement (the **"TL/RCF"**) of up to US$2,250 on February 16, 2017. The TL/RCF replaced the US$1,800 revolving credit facility signed in 2014. The term facility has a five-year tenor and the revolving credit facility has an initial tenor of three years, with VEON Holdings having the right to request two one-year extensions to the tenor of the revolving credit facility, subject to lender consent. Several international banks have committed to the TL/RCF in an aggregate amount of US$2,108. The TL/RCF includes an option to increase the amount of the facility up to the full amount of US$2,250, which would consist of a term facility of US$562.5 and a revolving credit facility of US$1,687.5. VEON Holdings will have the option to make each drawdown under the facilities in either U.S. dollars or euro. Under the TL/RCF, the Net Debt to Adjusted EBITDA covenant ratio will be calculated on the basis of the consolidated financial statements of VEON Ltd. and "pro-forma" adjusted for acquisitions and divestments of any business bought or sold during the relevant period.

During Q2 2017, VEON Holdings drew down EUR 530 million (approximately US$565) under the Term loan. On April 21, 2017 and May 31, 2017, VEON Holdings exercised its option to increase the amount of the facility, so that the total amount committed under the TL/RCF is now US$2,250.

Redemption of Ruble bonds

On March 2, 2017, PJSC VimpelCom announced the reset of the coupon rate on its 10% Ruble bonds with a principal amount of RUB 15,052 million (US$258) maturing on March 8, 2022. The new coupon rate of 7% per annum will be applicable for the next six coupon periods (i.e. next three years) and will reset on March 3, 2020. Following the reset of the coupon rate, a number of bondholders exercised their put options with respect to the Ruble bonds in aggregate principal amounts of RUB 14,459 million (US$248) which was repaid on March 17, 2017.

Subsequent to the settlement, the total outstanding amount of 7% Ruble bonds was RUB 597 million (US$10).

Sberbank revolving credit facility drawdown

On March 16, 2017 and on April 10, 2017 PJSC VimpelCom drew down RUB 4,000 million and RUB 11,000 million (US$68 and US$193), respectively, under its revolving credit facility with Sberbank of Russia (**"Sberbank"**). The facility matured on May 29, 2017 and was fully repaid.

Alfa-Bank credit facility amendment, extension and repayment

On March 29, 2017, VEON Amsterdam B.V. (**"VEON Amsterdam"**), formerly VimpelCom Amsterdam B.V., as original borrower, and VEON Holdings, as the new borrower, entered into an amendment agreement with respect to a US$500 facility agreement with AO "Alfa-Bank" ("**Alfa-Bank**") as the original lender and agent, dated April 2, 2014. Pursuant to the amendment agreement, the maturity date of the facility was extended to October 17, 2017. Alfa-Bank subsequently assigned its role as agent and US$350 of the extended facility to Sberbank. The facility was fully repaid on September 5, 2017.

In addition to the above, on April 5, 2017, VEON Amsterdam, as the original borrower, and VEON Holdings, as the new borrower, entered into a subsequent amendment agreement in respect of a second US$500 facility agreement, with Alfa-Bank as the original lender and agent, dated April 18, 2014. Pursuant to the amendment agreement, the maturity date of the facility was extended to October 17, 2017. Alfa-Bank subsequently assigned its role as agent and US$347 to Sberbank. The facility was fully repaid on September 5, 2017.

RUB 110,000 million Sberbank term facility agreement
On May 19, 2017, VEON Holdings entered into a Russian Ruble-denominated term facility agreement with Sberbank for an amount up to RUB 110,000 million (US$1,914). Amounts borrowed under the facility agreement will be used for general corporate purposes and to refinance existing borrowings of PJSC VimpelCom, including borrowings with Sberbank. The loan has a five-year tenor with an interest rate of 10% per annum. The facility agreement provides for financial covenants measured against (i) net debt to EBITDA of VEON and, for a designated period, PJSC VimpelCom (each on a consolidated basis) and (ii) EBITDA to finance costs of VEON (on a consolidated basis). EBITDA will be “pro-forma” adjusted for acquisitions and disposals of any business bought or sold during the relevant period.

On May 23, 2017, and June 14, 2017, VEON Holdings drew down RUB 79,000 million (US$1,375) and RUB 16,000 million (US$281), respectively, under the facility agreement.

Cross currency swaps
During the month of June 2017, the Group entered into several cross currency swaps with several different banks, by exchanging a notional amount of US$600 for EUR 537 million for 4 years. The swaps mature June 16, 2021.

Issuance of New Notes and Cash Tender Offer for Certain Outstanding Debt Securities
On May 30, 2017, VEON Holdings announced a cash tender offer (the **“Offer”**) in respect of the outstanding (i) U.S.$1,000 9.125% Loan Participation Notes due 2018 issued by, but with limited recourse to, VIP Finance Ireland Limited (the **“2018 Notes”**), (ii) U.S.$1,000 7.748% Loan Participation Notes due 2021 issued by, but with limited recourse to, VIP Finance Ireland Limited (the **“2021 Notes”**) and (iii) U.S.$1,500 7.5043% Guaranteed Notes due 2022 issued by VEON Holdings (the **“2022 Notes”** and together with the 2018 Notes and the 2021 Notes, the **“Existing Notes”**).

The aggregate principal amount accepted for repurchase was US$1,259, which was settled on or before June 29, 2017. The unamortized debt issuance costs and unamortized fair value hedge basis adjustment were released to the income statement at the date of the closing resulting in a loss from early debt redemption of US$124, recorded within “Other non-operating gains/losses” (refer to Note 7).

On June 16, 2017, VEON Holdings issued US$600 3.95% Senior Notes due 2021 and US$900 4.95% Senior Notes due 2024 (together, the **“New Notes”**). The net proceeds of the New Notes were used to finance the purchase of the Existing Notes and for general corporate purposes.

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

Termination of Guarantees

On June 30, 2017, the guarantees issued by VEON Holdings under each of the RUB 12,000 million 9.00% notes due 2018 (the **"RUB Notes"**), the US$600 5.20% notes due 2019 (the **"2019 Notes"**) and the US$1,000 5.95% notes due 2023 (the **"2023 Notes"**, and together with the RUB Notes and the 2019 Notes, the **"Notes"**), issued by PJSC VimpelCom, were terminated. VEON Holdings exercised its option to terminate the guarantees pursuant to the terms of the trust deeds entered into in respect of the Notes, between VEON Holdings, PJSC VimpelCom and BNY Mellon Corporate Trustee Services Limited, each dated February 13, 2013 (together the **"Trust Deeds"**). The guarantees in respect of each of the Notes will continue to apply to VEON Holdings' obligation to redeem the Notes on exercise of the put option under each of the Trust Deeds until that put option has expired or been satisfied.

RUB 17,500 million Alfa-Bank term facility agreement

On August 28, 2017, VEON Holdings entered into a Russian Ruble-denominated term facility agreement with Alfa-Bank for an amount up to RUB 17,500 million (US$301). Amounts borrowed under the facility agreement can be used for general corporate purposes and were also used to refinance the two existing borrowings with Alfa-Bank and Sberbank. The loan has a five-year tenor with an interest rate of 8.80% per annum. The facility agreement provides for financial covenants measured against (i) net debt to EBITDA of VEON Ltd. (on a consolidated basis) and (ii) EBITDA to finance costs of VEON Ltd. (on a consolidated basis). EBITDA will be "pro-forma" adjusted for acquisitions and disposals of any business bought or sold during the relevant period.

RUB 30,000 million VTB Bank term facility agreement

On August 31, 2017, VEON Holdings entered into a Russian Ruble-denominated term facility agreement with VTB Bank (Public Joint-Stock Company) for an amount up to RUB 30,000 million (US$516). Amounts borrowed under the facility agreement were used for refinancing the two existing borrowings with Alfa-Bank and Sberbank. The loan has a five-year tenor with an interest rate of 8.75% per annum. The facility agreement provides for financial covenants measured against (i) net debt to EBITDA of VEON Ltd. (on a consolidated basis) and (ii) EBITDA to finance costs of VEON Ltd. (on a consolidated basis). EBITDA will be "pro-forma" adjusted for acquisitions and disposals of any business bought or sold during the relevant period.

FAIR VALUES

Set out below is a comparison by class of the carrying amounts and fair values of the Company's financial instruments that are carried in the special purpose interim condensed consolidated financial statements as at September 30, 2017, other than those with carrying amounts that are reasonable approximations of fair values:

	Carrying value		Fair value	
Financial assets	**September 30, 2017**	**December 31, 2016**	**September 30, 2017**	**December 31, 2016**
Financial assets at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	10	2	10	2
Embedded derivatives in notes	9	12	9	12
Financial assets at fair value				
Available for sale financial assets	119	71	119	71
Total financial assets at fair value	**138**	**85**	**138**	**85**
Loans granted, deposits and other financial assets				
Loans granted and interest accrued	750	746	898	855
Bank deposits and interest accrued	199	385	199	385
Other investments	30	24	30	24
Total loans granted, deposits and other financial assets	**979**	**1,155**	**1,127**	**1,264**
Total financial assets	**1,117**	**1,240**	**1,265**	**1,349**
Non-current	727	917		
Current	390	323		

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

Financial Liabilities	Carrying value September 30, 2017	Carrying value December 31, 2016	Fair value September 30, 2017	Fair value December 31, 2016
Financial liabilities at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	11	27	11	27
Contingent consideration	38	47	38	47
Financial liabilities at fair value				
Derivatives designated as net investment hedges				
Cross currency interest rate exchange contracts	40	-	40	-
Derivatives designated as cash flow hedges				
Foreign exchange contracts	-	4	-	4
Interest rate exchange contracts	2	3	2	3
Total financial liabilities at fair value	**91**	**81**	**91**	**81**
Total financial liabilities at amortized cost	**11,382**	**9,459**	**11,891**	**9,861**
Total financial liabilities	**11,473**	**9,540**	**11,982**	**9,942**
Non-current	9,898	7,625		
Current	1,575	1,915		

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair values were estimated based on quoted market prices for our bonds, derived from market prices or by using discounted cash flows under the agreement at the rate applicable for the instruments with similar maturity and risk profile.

The carrying amount of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their respective fair value.

The fair value of derivative financial instruments is determined using present value techniques such as discounted cash flow techniques, Monte Carlo simulation and/or the Black-Scholes model. These valuation techniques are commonly used for valuations of derivatives. Observable inputs (Level 2) used in the valuation techniques include LIBOR, EURIBOR, swap curves, basis swap spreads, foreign exchange rates and credit default spreads of both counterparties and our own entities.

The fair value of Available for sale financial assets are determined through comparison of various multiples and reference to market valuation of similar entities quoted in an active market. If information is not available, a discounted cash flow method is used.

Fair value measurements for financial liabilities at amortized cost are based on quoted market prices, where available. If the quoted market price is not available, the fair value measurement is based on discounted expected future cash flows using a market interest rate curve, credit spreads and maturities.

FAIR VALUE HIERARCHY

As at September 30, 2017 and December 31, 2016, the Group recognized financial instruments at fair value in the statement of financial position.

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

The fair value hierarchy ranks fair value measurements based on the type of inputs used in the valuation; it does not depend on the type of valuation techniques used:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: inputs are unobservable inputs for the asset or liability

The following table provides the disclosure of fair value measurements separately for each major class of assets and liabilities.

As at September 30, 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	-	10	-	10
Embedded derivatives in notes	-	9	-	9
Financial assets at fair value				
Available for sale financial assets	-	90	29	119
Total financial assets at fair value	**-**	**109**	**29**	**138**
Financial liabilities at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	-	11	-	11
Contingent consideration	-	-	38	38
Financial liabilities at fair value				
Derivatives designated as net investment hedges				
Cross currency interest rate exchange contracts	-	40	-	40
Derivatives designated as cash flow hedges				
Foreign exchange contracts	-	-	-	-
Interest rate exchange contracts	-	2	-	2
Total financial liabilities at fair value	**-**	**53**	**38**	**91**

As at December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	-	2	-	2
Embedded derivatives in notes	-	12	-	12
Financial assets at fair value				
Derivatives designated as cash flow hedges				
Foreign exchange contracts	-	-	-	-
Available for sale financial assets	-	42	29	71
Total financial assets at fair value	**-**	**56**	**29**	**85**
Financial liabilities at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	-	27	-	27
Financial liabilities at fair value				
Derivatives designated as cash flow hedges				
Foreign exchange contracts	-	4	-	4
Interest rate exchange contracts	-	3	-	3
Contingent consideration	-	-	47	47
Total financial liabilities at fair value	**-**	**34**	**47**	**81**

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

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

	Financial assets at fair value		Financial liabilities at fair value	
	Available for sale	Total	Contingent consideration	Total
As at December 31, 2016	**29**	**29**	**47**	**47**
Change in fair value recognized in the income statement	-	-	(9)	(9)
As at September 30, 2017	**29**	**29**	**38**	**38**

Transfers into and out of fair value hierarchy levels are recognized at the end of the reporting period (or the date of the event or change in circumstances that caused the transfer). On a quarterly basis, the Company reviews if there are any indicators for a possible transfer between Level 2 and Level 3. This depends on how the Company is able to obtain the underlying input parameters when assessing the fair valuations.

During the nine month period ended September 30, 2017, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

All changes in fair values of financial instruments are unrealized, and are recorded in "Other non-operating losses" in the special purpose interim condensed consolidated income statement.

11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following items:

	September 30, 2017	December 31, 2016
Cash at banks and on hand	1,171	1,386
Short-term deposits with original maturity of less than three months	1,059	926
Total cash and cash equivalents	**2,230**	**2,312**

As at September 30, 2017, cash balances in Uzbekistan and Ukraine of US$223 and US$9, respectively (December 31, 2016: US$347 and US$3, respectively), are restricted due to local government or central bank regulations or de-facto existing practices and therefore cannot currently be repatriated.

In addition, short and long term deposits at financial institutions in Uzbekistan of US$145 as at September 30, 2017 (December 31, 2016: US$372) are also subject to the same restrictions.

Cash balances as at September 30, 2017 include investments in money market funds of US$538 (December 31, 2016: US$575).

12 DIVIDENDS DECLARED

Following the amendments to the AO "Alfa-Bank," facility (refer Note 10), the Company was assigned to and assumed two debt obligations of US$501 and US$501 from the Company's parent, VEON Amsterdam. The transactions were deemed to be a distribution from the Company to the parent and have been accounted for as a dividend-in-kind in the six month period ended June 30, 2017.

Furthermore, the Company declared and paid a dividend of US$113 to its shareholder on April 7, 2017, and declared and paid a dividend of US$470 on September 1, 2017.

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

Dividends declared to non-controlling interests

On January 24, 2017, TNS Plus LLP, a subsidiary of the Company, declared dividends to its shareholders, which were paid on January 25, 2017. The portion of dividends paid to the minority shareholder amounted to US$7.

On February 13, 2017, VimpelCom Kyrgyzstan Holding AG, a subsidiary of the Company, declared dividends to its shareholders, which were paid on February 16, 2017. The portion of dividends paid to the minority shareholder amounted to US$55.

On May 12, 2017, TNS Plus LLP declared dividends to its shareholders, which were paid on May 15, 2017. The portion of dividends paid to the minority shareholder amounted to US$12.

On June 21, 2017, Omnium Telecom Algeria S.p.A, a subsidiary of the Company, declared dividends to its shareholders, which were paid in September 2017. The portion of dividends paid to minority shareholders amounted to US$82.

13 Related parties

As at September 30, 2017, the Company is a wholly-owned subsidiary of VEON Ltd., which is in turn owned by two major shareholders: LetterOne Holding S.A. (**"LetterOne"**) and Telenor East Holding II AS (**"Telenor"**).

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

	Nine month period		Three month period	
	2017	**2016**	**2017**	**2016**
Revenue from Telenor and affiliates	58	43	19	15
Revenue from joint ventures and associates	23	3	7	1
Revenue from VEON Ltd. or its subsidiaries	7	27	4	10
Finance income from VEON Ltd. or its subsidiaries	51	59	18	16
	139	**132**	**48**	**42**
Services from LetterOne and affiliates	-	4	-	4
Services from Telenor and affiliates	54	32	18	11
Services from joint ventures and associates	24	12	7	5
Services from VEON Ltd. or its subsidiaries	94	56	53	3
Services from other related parties	-	45	-	46
Finance costs to VEON Ltd. or its subsidiaries	-	80	-	-
	172	**229**	**78**	**69**

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

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

	September 30, 2017	December 31, 2016
Accounts receivable from Telenor	28	13
Accounts receivable from joint ventures and associates	24	24
Accounts receivable from VEON Ltd. or its subsidiaries	132	112
Other financial asset receivable from VEON Ltd. or its subsidiaries	747	745
Accounts receivable from other related parties	1	1
	932	**895**
Accounts payable to Telenor	17	9
Accounts payable to joint ventures and associates	6	5
Accounts payable due to VEON Ltd. or its subsidiaries	386	329
Other financial liabilities due to VEON Ltd. or its subsidiaries	16	15
	425	**358**

Service Agreements

All service agreements with related parties are disclosed in Note 25 in the Company's annual consolidated financial statements as at and for the year ended December 31, 2016. There were no new agreements entered into between the Company and related parties during the nine month period ended September 30, 2017.

Loans granted to VEON Ltd. or its subsidiaries

The outstanding principal amounts of loans granted to VEON Ltd. or its subsidiaries were as follows at the end of the relevant period:

	Maturity	Interest rate	Currency	September 30, 2017	December 31, 2016
VEON Ltd.	2070	Libor + 7.5%	US$	561	561
VC ESOP N.V.	2017	11%	US$	142	133
				703	**694**

Loans received from VEON Ltd. or its subsidiaries

The outstanding principal amounts of loans received from VEON Ltd. or its subsidiaries were as follows at the end of the relevant period:

	Maturity	Interest rate	Currency	September 30, 2017	December 31, 2016
VEON Amsterdam B.V.	2022	9.5%	EUR	11	11
				11	**11**

Compensation of key management personnel of the Company

During the third quarter of 2017, VEON, the Company's ultimate shareholder, introduced a Transformation Bonus Plan, which is designed to incentivize sustainable transformation and absolute shareholder value creation. The Transformation Bonus Plan is a one-time award, offered to senior management that are key to driving VEON's performance transformation program, and runs over a 3 year period to December 31, 2018. The target pay aims at 400% of a participant's annual gross base salary, partially in cash and partially in shares of VEON, based on the achievement of established Key Performance Indicators (**"KPI"**), vesting on December 31, 2018. The KPIs are based on the performance of VEON, comprising a Free Cash Flow target and a target volume-weighted average share price of VEON. The KPIs and payout structure will enable the VEON Group to continue to fundamentally transform its business and evolve into a technology company.

14 Commitments, contingencies and uncertainties

There were no material commitments, contingencies and uncertainties that occurred during the nine month period ended September 30, 2017, and there were no material changes during the same period to the commitments, contingencies and uncertainties as disclosed in the Group's annual consolidated financial statements as at and for the year ended December 31, 2016, other than those described below.

Spectrum Reallocation in Uzbekistan

On March 31, 2017, the Republican Radiofrequencies Council in Uzbekistan (the **"Council"**) published a decision (the **"Decision"**) ordering the redistribution of radio frequencies in Uzbekistan which, if it comes into force as planned in September 2017, could result in a reallocation of our subsidiary Unitel LLC's (**"Unitel"**) radio frequencies to other cellular communications providers in the market. On April 21, 2017, Unitel filed a claim with the Commercial Court of Tashkent City disputing the Decision. Unitel's claim was subsequently transferred to the Administrative Court of the Uchtepa District, which dismissed the claim on June 22, 2017. A cassation appeal of the dismissal, if any, must be commenced on or before January 12, 2018. Separately, a working group involving the regulator and all mobile operators in Uzbekistan was created to discuss potential terms and conditions for implementation of the Decision. The Council issued a subsequent decision, reaffirming the redistribution of radio frequencies as originally ordered but postponing the implementation deadline to March 31, 2018. The decision also grants tech neutrality in the 900 and 1800 MHz bands.

GTH – IRAQNA Litigation

On June 6, 2017, the English Court of Appeal denied GTH's application for leave to appeal. With no further venue for appeal, the matter is now concluded and final.

VAT on Replacement SIMs

The Bangladesh Appellate Tribunal rejected the appeal of Banglalink Digital Communications Ltd. (**"Banglalink"**) and all other operators on June 22, 2017. On July 13, 2017, Banglalink filed an appeal of the Appellate Tribunal's judgment with the High Court Division of the Supreme Court of Bangladesh.

15 Events after the reporting period

VEON Holdings B.V. Submits Cash Tender Offer in relation Global Telecom Holding S.A.E.

On November 8, 2017, VEON submitted an application to the Egyptian Financial Supervisory Authority ("**EFSA**") to approve a mandatory tender offer ("**MTO**") by VEON Holdings B.V. for any and all of the outstanding shares of GTH which are not owned by VEON (up to 1,997,639,608 shares, representing 42.31% of GTH's total shares). The MTO will be funded by cash on hand and/or the utilization of undrawn credit facilities. The proposed offer price under the MTO is EGP 7.90 per share. Any increase of the Company's interest in GTH will be accounted for directly in equity upon closing of the transaction.

The MTO is subject to EFSA approval.

Amsterdam, November 9, 2017

VEON Holdings B.V.