1 AUGUST 2019

SOLID Q2 2019 RESULTS SUPPORTED BY GOOD OPERATIONAL PERFORMANCE WITH ONGOING FOCUS ON COST EFFICIENCIES

FY 2019 GUIDANCE CONFIRMED

Amsterdam (1 August 2019) – VEON Ltd. (NASDAQ: VEON, Euronext Amsterdam: VEON), a leading global provider of connectivity and internet services, today announces financial and operating results for the quarter ended 30 June 2019.

Q2 2019 RESULTS[1]

- **Revenue tracking in line:** total revenue increased by 7.5% organically[2] year on year with service revenue increasing 5.0% organically[2] to USD 2,080 million, driven by particularly strong performances in Ukraine and Pakistan
- **Organic data revenue growth remains robust:** the momentum in mobile data revenue continued in the period growing by 22.7% year on year organically[2], with Ukraine (+77%), Pakistan (+59%) and Bangladesh (+28%) delivering strong performances on the back of ongoing 4G/LTE investments
- **Reported revenue flat as currency headwind slows:** the currency headwind in the period was limited to USD 179 million resulting in a decline in reported revenue of only 0.4% year on year. This compares to the 5.6% decline in the first quarter.
- **EBITDA (pre-IFRS 16) delivers good organic growth:** EBITDA (pre-IFRS 16) increased organically[2] by 11.1% year on year to USD 866 million, resulting in an EBITDA margin of 38.3%. Ukraine and Pakistan delivered particularly strong performances in organic EBITDA. Reported EBITDA grew by 16.1% year on year
- **Cost intensity ratio[3] continues to improve organically[2]:** We recorded a 2.7 percentage point year on year organic[2] improvement in our cost intensity ratio, helped in particular by Ukraine and Pakistan which both saw benefits from above-inflation revenue growth while we continued to progress on lower corporate costs
- **Corporate costs trending lower:** Corporate costs were USD 60 million, which resulted in a 15% year on year decline in the first half 2019. This is in line with VEON´s ambition to reduce corporate costs by 25% year on year in FY 2019 and to halve the corporate cost run-rate from FY 2017 level by end-FY 2019
- **Equity free cash flow[4] excluding licenses USD 338 million:** In the quarter, adjusting for the positive effect of IFRS 16, the company generated USD 249 million equity free cash flow (excluding licenses), including USD 175 million from Ericsson. Equity Free Cash Flow excluding licenses for the half year adjusted for IFRS 16 impact was USD 630 million
- **Reported cash flow impacted by tax payment:** cash flow was negatively impacted by the first payment of USD 54 million related to GTH tax settlement

KEY DEVELOPMENTS

- Board of Directors approved interim FY 2019 dividend per share of USD 0.13
- VEON's Group Chief Financial Officer to step down at the end of September 2019
- GTH reached an agreement with the Egyptian Tax Authority ("ETA") to settle all outstanding tax liabilities of GTH and its Egyptian subsidiaries for a total amount of USD 136 million
- The mandatory tender offer ("MTO") in relation to Global Telecom Holding ("GTH") commenced on 2 July and will expire on 6 August 2019. While we remain optimistic on the outcome of this process, we will need to wait until the closing of offer period to have certainty on the outcome
- During the second quarter, VEON received the balance of the Ericsson payment of USD 175 million, supporting equity free cash flow. Cash flow was negatively impacted by the payment of USD 54 million in taxes to the ETA ahead of the MTO
- Strengthening our management team: Sergi Herrero appointed as the COO for VEON Ventures
- VEON shareholders elected Muhterem Kaan Terzioğlu as a new member of VEON's Board of Directors

OUTLOOK

- **FY 2019 guidance confirmed**: Low single-digit organic[2] growth for revenue, low to mid single-digit organic[2] growth for EBITDA and Equity Free Cash Flow excluding licences of approximately USD 1 billion. While we are tracking ahead of our guidance at the interim period, we note the second half metrics are more challenging. Directionally there is upside to revenue and EBITDA.

URSULA BURNS, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, COMMENTS:

"VEON reported a strong first half 2019 with continuing good operational performance. Despite the challenging market conditions, we continue to make steady progress on network performance and distribution optimization. Our strong results in Ukraine and Pakistan ensured a balanced performance for the Group. Our service revenue growth was largely driven by strong growth in data revenue on the back of the continued investment in our data networks in the period. This will remain a key focus for VEON over the medium-term while we explore new ventures in the longer-term.

We remain acutely focused on costs not only at the Group level but across all our operations. The improving cost efficiencies we are delivering have allowed a number of our smaller markets to record encouraging incremental profitability for the Group.

As we continue to focus on simplifying our structure, we are encouraged by the progress we are making with our restructuring plans for GTH, including the commencement of the mandatory tender offer on 2 July 2019, and we are optimistic on concluding this process successfully. We believe that a simplified and streamlined Group will allow us to further unlock value for shareholders over the medium to long term.

Despite some macro and regulatory challenges, we remain optimistic on the medium to long term opportunity that our portfolio presents, and we will continue to focus on driving strong operational performance, while simplifying our portfolio and maximizing data opportunities. We have confirmed our guidance for FY 2019."

[1] Key results compare to prior year results unless stated otherwise

[2] Organic change is a non-IFRS measure and reflects changes in revenue, EBITDA and cost intensity ratio, that excludes the effect of foreign currency movements, the impact of the introduction of IFRS 16, exceptional income of USD 350 million in respect of revised partnership with Ericsson and other factors, such as businesses under liquidation, disposals, mergers and acquisitions. See Attachment C for reconciliations

[3] Cost intensity ratio is defined as service costs plus selling, general and administrative costs, less other revenue, divided by total service revenue. Based on FY 2018, in USD million (3,697+1,701-133)/8,526

[4] Equity free cash flow excluding licenses is a non-IFRS measure and is defined as free cash flow from operating activities less cash flow used in investing activities, excluding M&A transactions, capex for licenses, inflow/outflow of deposits, financial assets and other one-off items. EFCF target for FY 2019 is based on currency rates of 20 February 2019, excludes USD 136 million payment of Global Telecom Holding tax settlement, includes the one-time cash received in connection with a revised arrangement from Ericsson of USD 350 million. See attachment C for reconciliations

[5] FY 2019 targets exclude the impact of the introduction of IFRS 16

Note:
In Q2 2019, both revenue and EBITDA were positively impacted by special compensation of USD 38 million related to the termination of a network sharing agreement in Kazakhstan between our subsidiary KaR-Tel LLP and Kcell Joint Stock Company ("Kcell") due to Kazakh telecom JSC's acquisition of 75% of Kcell's shares.
In addition, in Q2 2019, as a result of the USD 136 million GTH Tax Settlement (see below "GTH Tax Settlement''), VEON has recorded an additional provision of USD 56 million with USD 27 million in the EBITDA and USD 29 million in the income tax.

KEY RESULTS: CONSOLIDATED FINANCIAL AND OPERATING HIGHLIGHTS

USD million	2Q19	2Q19 pre-IFRS 16	2Q18	Reported YoY	Reported YoY pre-IFRS 16	Organic YoY [1]
Total revenue, of which	2,261	2,261	2,270	(0.4%)	(0.4%)	7.5%
mobile and fixed service revenue	2,080	2,080	2,136	(2.6%)	(2.6%)	5.0%
mobile data revenue	590	590	517	14.2%	14.2%	22.7%
EBITDA	994	866	857	16.1%	1.0%	11.1%
EBITDA margin (EBITDA/total revenue)	44.0%	38.3%	37.7%	6.2p.p.	0.6p.p.	1.3p.p.
Profit from continued operations	75	97	25	196.5%	n.m.	
(Loss) from discontinued operations	-		(169)	n.m.	n.m.	
Profit/(Loss) for the period	75	97	(144)	n.m.	n.m.	
Equity free cash flow excl. licenses [2]	338	249	206	63.9%	20.9%	
Capital expenditures excl. licenses	547	450	402	36.0%	11.8%	
LTM capex excl. licenses/revenue	18.4%	16.7%	17.4%	0.9p.p.	(0.7p.p.)	
Net debt	8,179	6,085	8,645	(5.4%)	(29.6%)	
Net debt/LTM EBITDA	2.1	1.7	2.5	n.m.	n.m.	
Total mobile customer (millions)	212	212	210	0.9%		
Total fixed-line broadband customers (millions)	3.9	3.9	3.6	8.5%		

[1] Organic change is a non-IFRS measure and reflects changes in revenue, EBITDA and cost intensity ratio, that excludes the effect of foreign currency movements, the impact of the introduction of IFRS 16, exceptional income of USD 350 million in respect of revised partnership with Ericsson and other factors, such as businesses under liquidation, disposals, mergers and acquisitions. See Attachment C for reconciliations

[2] Equity free cash flow excluding licenses is a non-IFRS measure and is defined as free cash flow from operating activities less cash flow used in investing activities, excluding M&A transactions, capex for licenses, inflow/outflow of deposits, financial assets and other one-off items. See attachment C for reconciliations

USD million	1H19	1H19 pre-IFRS 16	1H18	Reported YoY	Reported YoY pre-IFRS 16	Organic YoY [1]
Total revenue, of which	4,385	4,385	4,520	(3.0%)	(3.0%)	7.4%
mobile and fixed service revenue	4,085	4,085	4,292	(4.8%)	(4.8%)	5.3%
mobile data revenue	1,157	1,157	1,022	13.3%	13.3%	24.5%
EBITDA	2,292	2,038	1,711	34.0%	19.1%	10.7%
EBITDA margin (EBITDA/total revenue)	52.3%	46.5%	37.9%	14.4p.p.	8.6p.p.	1.5p.p.
Profit from continued operations	605	652	68	n.m.	n.m.	
(Loss) from discontinued operations	-	-	(300)	n.m.	n.m.	
Profit/(Loss) for the period	605	652	(232)	n.m.	n.m.	
Equity free cash flow excl. licenses [2]	795	630	540	47.2%	16.6%	
Capital expenditures excl. licenses	988	838	757	30.5%	10.7%	
LTM capex excl. licenses/revenue	18.4%	16.7%	17.4%	0.9p.p.	(0.7p.p.)	
Net debt	8,179	6,085	8,645	(5.3%)	(29.6%)	
Net debt/LTM EBITDA	2.1	1.7	2.5	n.m.	n.m.	
Total mobile customer (millions)	212	212	210	0.9%		
Total fixed-line broadband customers (millions)	3.9	3.9	3.6	8.5%		

VEON

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PRESENTATION OF FINANCIAL RESULTS

VEON's results presented in this earnings release are based on IFRS unless otherwise stated and have not been audited.

Certain amounts and percentages that appear in this earnings release have been subject to rounding adjustments. As a result, certain numerical figures shown as totals, including those in tables, may not be an exact arithmetic aggregation of the figures that precede or follow them.

All non-IFRS measures disclosed in the document, i.e. EBITDA, EBITDA margin, EBIT, net debt, equity free cash flow excluding licenses, organic growth, capital expenditures excluding licenses, are reconciled to the comparable IFRS measures in Attachment C.

As a result of the termination of the agreement to sell its Pakistan tower business, the Company amended prior periods presented in the interim consolidated financial statements to retrospectively recognize the depreciation charge of USD 37 million per annum that would have been recognized had the disposal group not been classified as held for sale.

IMPACT OF IFRS 16 - LEASES ON FINANCIAL INFORMATION

From 1 January 2019, VEON has adopted International Financial Reporting Standards (IFRS) 16 (Leases). VEON is presenting Q2 2019 results excluding the impact of IFRS 16 for comparability purposes with prior periods, as well as presenting reported results which will reflect the new baseline for future period over period comparisons.

All forward looking targets exclude the impact of the introduction of IFRS 16 in FY 2019.

All comparisons are on a year on year basis unless otherwise stated.

MAIN EVENTS

REVENUE AND EBITDA

Reported revenue (-0.4% YoY) and EBITDA (+16.1% YoY) were impacted by both currency movements and IFRS 16 implementation in this year. On an organic basis revenue increased 7.5% YoY with EBITDA up 11.1% YoY driven predominately by the particularly strong performance from both Pakistan and Ukraine. While we are tracking ahead of our guidance at the interim period for revenue and EBITDA, the second half metrics are more challenging, and we will see some slowdown in the YoY trends.

While reported revenue was impacted by currency movements, the headwinds in Q2 2019 were limited to USD 179 million. This compares to the currency headwinds of USD 291 million in the first quarter where reported revenue was down 5.6%. The performance of the Russian ruble and Pakistan rupee will be key drivers for the balance of the year.

During Q2 2019, both revenue and EBITDA were positively impacted by special compensation of USD 38 million related to the termination of a network sharing agreement in Kazakhstan between our subsidiary KaR-Tel LLP and Kcell Joint Stock Company ("Kcell") due to Kazakh telecom JSC's acquisition of 75% of Kcell's shares. This amount will be allocated to incremental network investments in Kazakhstan during the year and as such we expect no real impact on cash flow.

As a result of the USD 136 million GTH Tax Settlement (see below "GTH Tax Settlement''), VEON has recorded an additional provision of USD 56 million with USD 27 million in the EBITDA and USD 29 million in the income tax.

COST INTENSITY

In Q2 2019, cost intensity improved by 2.7 percentage points year on year mainly due to lower service costs in Russia, Ukraine and Pakistan. We are seeing continued progress across a number of our smaller markets and we expect the contribution from the other markets to become more meaningful over the coming year. In its 2018 results, VEON announced its commitment to reduce the Group's cost intensity ratio by at least 1 percentage point organically[1] per annum between 2019 and 2021, from 61.8% as reported in FY 2018.

At the Group level, the main contributor to cost intensity improvement for 2019 is still expected to be a further reduction in VEON's corporate costs. Cost intensity is defined as service costs plus selling, general and administrative costs less other revenue divided by total service revenue.

VEON'S BOARD OF DIRECTORS HAS APPROVED AN INTERIM FY 2019 DIVIDEND PER SHARE OF USD 0.13

VEON's Board of Directors approved the distribution of an interim gross dividend of USD 0.13 per share for 2019, with a record date of 14 August 2019, compared to USD 0.12 in Q2 2018. For ordinary shareholders at Euronext Amsterdam, the interim dividend of USD 0.13 will be paid in Euro.

VEON GROUP CHIEF FINANCIAL OFFICER

On 28 June 2019, VEON announced that VEON's Group Chief Financial Officer, Trond Westlie, will step down at the end of September. A worldwide search is underway for his replacement.

GTH TAX SETTLEMENT

On 26 June 2019, GTH reached agreement with the Egyptian Tax Authority ("ETA") to settle all outstanding tax liabilities of GTH and its Egyptian subsidiaries for a total amount of USD 136 million (the "GTH Tax Settlement"). The GTH Tax Settlement is in respect of tax liabilities of GTH and its Egyptian subsidiaries for the tax years 2000 through 2018. From 26 June 2019, following the first settlement payment of USD 54 million by GTH to the ETA, GTH was released in relation to tax years from 2006 through 2007 and 2010 through 2018. In respect of the years 2000 through 2005 and 2008 through 2009 for GTH and all years up to and including 2018 for GTH's Egyptian subsidiaries, the tax releases are expected to take effect immediately on the payment of the second settlement of USD 82 million by no later than 31 December 2019, at which time GTH is expected to delist from the Egyptian Exchange (the “EGX”).

As a result of the USD 136 million GTH Tax Settlement, in Q2 2019, VEON has recorded respective liability to the ETA of USD 56 million with USD 27 million recorded under EBITDA and USD 29 million in the income tax line.

MANDATORY TENDER OFFER AND COMPREHENSIVE GTH RESTRUCTURING

On 10 February 2019, VEON submitted an application to the Egyptian Financial Regulatory Authority (the "FRA") to approve a mandatory tender offer 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 approximately 42.31% of GTH's issued shares) (the "MTO"). On 26 June 2019, the FRA approved the MTO at an adjusted offer price of EGP 5.08 per share. The MTO commenced on 2 July 2019 and is expected to end on 6 August 2019. To further simplify VEON’s corporate structure, following a successful completion of the MTO and the requisite shareholder approval, it is anticipated that GTH will be delisted from the EGX. Furthermore, VEON has submitted an offer to GTH to acquire substantially all of its operating assets, subject to successful completion of the MTO and delisting. The asset transfers will be conducted at the imputed MTO valuation.

AGM ELECTED ONE NEW DIRECTOR

Following the election of the directors of the VEON Board at the AGM on 18 June 2019, the VEON Board now includes eleven previously serving directors, Ursula Burns, Guillaume Bacuvier, Osama Bedier, Mikhail Fridman, Gennady Gazin, Andrei Gusev, Gunnar Holt, Sir Julian Horn-Smith, Robert Jan van de Kraats, Guy Laurence and Alexander Pertsovsky, as well as one new director, Muhterem Kaan Terzioğlu.

STRENGTHENING THE TEAM

On 16 July 2019, VEON announced the appointment of Sergi Herrero as the Chief Operations Officer for VEON Ventures, effective from September 2019. Sergi will sit on VEON’s Group Executive Committee and report to the Chairman and CEO, Ursula Burns. Sergi will lead our Ventures division and define the company’s growth plans outside the traditional connectivity business, with a focus on adjacent digital products.

[1] Organic change is a non-IFRS measure and reflects changes in revenue, EBITDA and cost intensity ratio. Organic change excludes the effect of foreign currency movements, the impact of the introduction of IFRS 16, exceptional income of USD 350 million in respect of revised partnership with and other factors, such as businesses under liquidation, disposals, mergers and acquisitions. See Attachment C for reconciliations.

GROUP PERFORMANCE

FINANCIALS BY COUNTRY

USD million	2Q19	2Q19 Pre-IFRS16	2Q18	Reported YoY	Reported pre-IFRS 16 YoY	Organic[1] YoY	1H19	1H19 Pre-IFRS16	1H18	Reported YoY	Reported pre-IFRS 16 YoY	Organic[1] YoY
Total revenue	2,261	2,261	2,270	(0.4%)	(0.4%)	7.5%	4,385	4,385	4,520	(3.0%)	(3.0%)	7.4%
Russia	1,124	1,124	1,174	(4.2%)	(4.2%)	0.0%	2,172	2,172	2,340	(7.2%)	(7.2%)	2.1%
Pakistan	348	348	363	(4.2%)	(4.2%)	20.5%	710	710	731	(2.9%)	(2.9%)	22.0%
Algeria	187	187	200	(6.3%)	(6.3%)	(3.4%)	379	379	402	(5.7%)	(5.7%)	(2.4%)
Bangladesh	137	137	131	4.7%	4.7%	5.4%	271	271	260	4.1%	4.1%	5.0%
Ukraine	212	212	173	22.6%	22.6%	24.4%	400	400	329	21.5%	21.5%	22.4%
Uzbekistan	67	67	79	(15.5%)	(15.5%)	(10.6%)	131	131	155	(15.6%)	(15.6%)	(11.9%)
HQ	-	-	-				-	-	-			
Other and eliminations	186	186	151				323	323	300			
Service revenue	2,080	2,080	2,136	(2.6%)	(2.6%)	5.0%	4,085	4,085	4,292	(4.8%)	(4.8%)	5.3%
Russia	1,014	1,014	1,076	(5.8%)	(5.8%)	(1.6%)	1,974	1,974	2,187	(9.7%)	(9.7%)	(0.6%)
Pakistan	324	324	337	(3.8%)	(3.8%)	21.1%	662	662	678	(2.4%)	(2.4%)	22.6%
Algeria	187	187	198	(5.8%)	(5.8%)	(2.9%)	378	378	400	(5.3%)	(5.3%)	(2.0%)
Bangladesh	134	134	125	7.1%	7.1%	7.8%	264	264	250	5.7%	5.7%	6.6%
Ukraine	210	210	172	22.5%	22.5%	24.3%	397	397	327	21.3%	21.3%	22.2%
Uzbekistan	67	67	79	(15.6%)	(15.6%)	(10.7%)	131	131	155	(15.6%)	(15.6%)	(12.0%)
HQ	-	-	-				-	-	-	-		
Other and eliminations	144	144	148				279	279	293	-		
EBITDA	994	866	857	16.1%	1.0%	11.1%	2,292	2,038	1,711	34.0%	19.1%	10.7%
Russia	498	413	441	12.9%	(6.4%)	(2.1%)	966	799	884	9.3%	(9.6%)	(0.5%)
Pakistan	185	175	175	6.0%	0.0%	26.0%	369	345	349	5.5%	(1.3%)	24.2%
Algeria	84	75	87	(3.7%)	(14.1%)	(11.4%)	172	156	178	(2.9%)	(12.5%)	(9.3%)
Bangladesh	55	45	45	21.4%	(0.5%)	0.1%	114	95	91	25.0%	3.4%	4.2%
Ukraine	138	132	95	44.7%	38.9%	40.9%	256	245	184	39.3%	33.5%	34.5%
Uzbekistan	35	33	35	0.8%	(3.9%)	1.9%	67	64	68	(2.6%)	(6.4%)	(2.3%)
HQ	(60)	(60)	(54)				237	236	(134)			
Other and eliminations	60	53	33				111	98	90			
EBITDA margin	44.0%	38.3%	37.7%				52.3%	46.5%	37.9%			

[1] Organic change is a non-IFRS measure and reflects changes in revenue, EBITDA and cost intensity ratio. Organic change excludes the effect of foreign currency movements, the impact of the introduction of IFRS 16, exceptional income of USD 350 million in respect of revised partnership with Ericsson and other factors, such as businesses under liquidation, disposals, mergers and acquisitions. See Attachment C for reconciliations

Reported total revenue decreased by 0.4% year on year in Q2 2019 to USD 2.3 billion, driven by good operational performance that was largely offset by currency headwinds of USD 179 million. Organically, total revenue increased by 7.5% mainly as a result of revenue growth in Pakistan, Ukraine and Bangladesh in addition to special compensation received in Q2 2019 of USD 38 million related to the termination of network sharing agreement with Kcell. The total revenue organic trend was supported by good organic growth in mobile data revenue, which increased by 22.7% for the quarter. Reported mobile data revenue (+14.2%) was impacted by currency headwinds of approximately USD 50 million. Mobile customers increased year on year to 212 million at the end of Q2 2019, with customer growth in Pakistan, Algeria and Bangladesh, which was partially offset by a decrease in the customer base in Russia and Uzbekistan.

EBITDA pre-IFRS 16 increased organically by 11.1% to USD 866 million in Q2 2019, primarily due to a strong performance in Pakistan and Ukraine. Reported EBITDA increased by 16.1% year on year positively impacted by IFRS 16, which offset the negative impact of currency headwinds of USD 86 million.

Adjusting for the positive effect of IFRS 16, the company generated USD 249 million in equity free cash flow (excluding licenses) during Q2 2019, an increase of 20.9% year on year. This includes USD 175 million of second payment received from Ericsson and USD 38 million related to the termination of network sharing agreement with Kcell. Cash flow was negatively impacted by the payment of USD 54 million related to the GTH Tax Settlement. Reported equity free cash flow (excluding licenses) was USD 338 million in Q2 2019.
VEON's HQ segment consists largely of the costs of VEON's headquarters in Amsterdam. Corporate costs were USD

60 million in Q2 2019, up 10%, as a result of release of certain provisions in Q2 2018. VEON is on track to deliver on its target to reduce corporate costs by approximately 25% in FY 2019 from USD 359 million in FY 2018 and maintains the mid-term ambition to halve the run-rate of its corporate costs between FY 2017 (USD 431 million) and year-end 2019.

"Other" in Q2 2019 includes the results of Kazakhstan, Kyrgyzstan, Armenia, Georgia, other global operations, services and intercompany eliminations and USD 27 million of additional provision in relation to the GTH Tax Settlement.

INCOME STATEMENT & CAPITAL EXPENDITURES

USD million	2Q19	2Q19 Pre-IFRS16	2Q18	Reported YoY	Reported pre-IFRS 16 YoY	1H19	1H19 Pre-IFRS16	1H18	Reported YoY	Reported pre-IFRS 16 YoY
Total revenue	2,261	2,261	2,270	(0.4%)	(0.4%)	4,385	4,385	4,520	(3.0%)	(3.0%)
Service revenue	2,080	2,080	2,136	(2.6%)	(2.6%)	4,085	4,085	4,292	(4.8%)	(4.8%)
EBITDA	994	866	857	16.1%	1.0%	2,292	2,038	1,711	34.0%	19.1%
EBITDA margin	44.0%	38.3%	37.7%	6.2p.p.	0.6p.p.	52.3%	46.5%	37.9%	14.4p.p.	8.6p.p.
Depreciation, amortization, impairments and other	(530)	(417)	(474)			(1,040)	(818)	(974)		
EBIT (Operating Profit)	464	449	383			1,252	1,220	737		
Financial income and expenses	(196)	(153)	(194)			(393)	(303)	(391)		
Net foreign exchange (loss)/gain and others	(22)	(22)	(11)			(8)	(8)	1		
Share of (loss)/profit of joint ventures and associates	-	-	0			(0)	-	0		
Other non operating gains / losses	10	10	(15)			14	14	(25)		
(Loss)/Profit before tax	256	285	161			865	923	321		
Income tax expense	(182)	(187)	(136)			(260)	(272)	(253)		
(Loss)/Profit from continued operations	75	97	25			605	652	68		
(Loss)/Profit from discontinued operations	-	-	(169)			-		(300)		
(Loss)/Profit for the period attributable to VEON shareholders	70	91	(142)			565	608	(254)		

	2Q19	2Q19 Pre-IFRS16	2Q18	Reported YoY	Reported pre-IFRS 16 YoY	1H19	1H19 Pre-IFRS16	1H18	Reported YoY	Reported pre-IFRS 16 YoY
Capex	553	456	497	12.6%	(8.2%)	999	849	1,271	(19.8%)	(33.2%)
Capex excl. licenses	547	450	402	36.0%	11.8%	988	838	757	30.5%	10.7%
Capex excl. licenses/revenue	24.2%	19.9%	17.7%			22.5%	19.1%	16.7%		
LTM capex excl. licenses/revenue	18.4%	16.7%	17.4%			18.4%	16.7%	17.4%		

Note: prior year comparatives are restated following the classification of Italy Joint Venture as a discontinued operation and retrospective recognition of depreciation and amortization charges in respect of Deodar

Q2 2019 ANALYSIS

Reported EBITDA increased by 16.1%. EBITDA pre-IFRS 16 increased by 1.0% year on year, as the strong operational performance was offset by currency headwinds. Operating profit pre-IFRS 16 for the quarter increased to USD 449 million, mainly due to lower depreciation and amortization charges during the quarter.

The year on year decrease in net finance income pre-IFRS 16 was mostly due to the lower debt levels during the quarter, which more than offset the marginal increase in the cost of debt as a result of an increase in the Russian ruble-denominated debt portion. Consequently, profit before tax pre-IFRS 16 was USD 285 million in Q2 2019, higher that the USD 161 million recorded in Q2 2018. Reported profit before tax increased to USD 256 million in Q2 2019.

Pre-IFRS 16 income tax expenses increased to USD 187 million in Q2 2019 from USD 136 million in Q2 2018. The year on year comparison is affected by a number of exceptional items in Q2 2019: a portion of additional tax provision of USD 29 million recorded as a result of the GTH tax settlement and a reversal of deferred tax assets at HQ of USD 49 million. Excluding these exceptional items, income tax decreased year on year mainly due to lower corporate income tax rate in Uzbekistan.

In Q2 2019, the Company recorded a net profit of USD 91 million for the period attributable to VEON´s shareholders pre-IFRS 16.

Capex excluding licenses pre-IFRS 16 increased to USD 450 million in Q2 2019 from USD 402 million in Q2 2018 due to Yarovaya investments in Russia and additional network investments in Kazakhstan required as a result of the termination of a network sharing agreement with Kcell for which VEON received compensation recorded as revenue this quarter. The ratio of LTM capex excluding licenses pre-IFRS 16 to revenue for the last twelve months was 16.7%.

FINANCIAL POSITION & CASH FLOW

USD million	2Q19	2Q19 Pre-IFRS 16	1Q19	1Q19 Pre-IFRS 16	QoQ	QoQ Pre-IFRS 16
Total assets	16,519	14,479	16,676	14,638	(0.9%)	(1.1%)
Shareholders' equity	4,000	4,000	3,933	3,933	1.7%	1.7%
Gross debt	9,513	7,419	9,533	7,465	(0.2%)	(0.6%)
Net debt	8,179	6,085	8,265	6,197	(1.0%)	(1.8%)
Net debt/LTM EBITDA	2.1	1.7	2.2	1.7		

USD million	2Q19	2Q19 Pre-IFRS 16	2Q18	YoY	YoY Pre-IFRS 16	1H19	1H19 Pre-IFRS 16	1H18	YoY	YoY Pre-IFRS 16
Net cash from/(used in) operating activities	745	657	600	145	57	1,550	1,385	1,302	248	83
Net cash from/(used in) investing activities	(454)	(454)	(459)	5	5	(1,480)	(1,480)	(90)	(1,390)	(1,390)
Net cash from/(used in) financing activities	(191)	(102)	(332)	141	230	(580)	(415)	(1,332)	752	917

Gross debt was stable from Q1 2019 to Q2 2019. In Q1 2019, gross debt increased mainly due to the impact of the introduction of IFRS 16 and a drawdown under the VEON Holding B.V. Revolving Credit Facility in Amsterdam to fund the collateral for the MTO for GTH. Over the last year VEON significantly improved its currency mix of debt as it reduced its exposure to euro denominated debt and increased its Russian ruble debt exposure.

Net cash from operating activities increased year on year, mainly due to the second, final payment from Ericsson of USD 175 million in respect of a revised partnership agreement announced in Q1 2019, partially offset by the first payment of USD 54 million related to GTH Tax Settlement. In Q2 2018, VEON recorded an exceptional improvement in working capital related to a cash settlement.

Net cash flow used in investing activities was stable from Q1 2019 to Q2 2019 comparing to the last quarter. However, the mix has changed: in Q2 2018 VEON purchased licenses in Ukraine, while in Q2 2019 an additional investment was made in network, including Yarovaya expenses in Russia.

Net cash used in financing activities pre-IFRS 16 amounted to USD 102 million in Q2 2018, compared to USD 332 million in Q2 2018; mainly driven by lower refinancing activities in Q2 2019 compared to Q2 2018.

Net debt pre-IFRS 16 in Q2 2019 was USD 6,085 million and the net debt/ LTM EBITDA ratio was 1.7x. The net debt includes cash balances of USD 645 million pledged as collateral for the MTO. Reported net debt ratio at the end of Q2 2019 was 2.1x.

VEON

COUNTRY PERFORMANCE

- Russia
- Ukraine
- Pakistan
- Algeria
- Bangladesh
- Uzbekistan

RUSSIA

RUB million	2Q19	2Q18	YoY	1H19	1H18	YoY
Total revenue	72,554	72,542	0.0%	141,801	138,893	2.1%
Mobile service revenue	56,992	57,609	(1.1%)	111,926	111,892	0.0%
Fixed-line service revenue	8,465	8,901	(4.9%)	16,967	17,768	(4.5%)
EBITDA	32,172	27,243	18.1%	63,106	52,447	20.3%
EBITDA margin	44.3%	37.6%	6.8p.p.	44.5%	37.8%	6.7p.p.
EBITDA pre-IFRS 16	26,669	27,243	(2.1%)	52,200	52,447	(0.5%)
EBITDA margin pre-IFRS 16	36.8%	37.6%	(0.8p.p.)	36.8%	37.8%	(0.9p.p.)
Capex excl. licenses	19,541	13,321	46.7%	37,006	22,328	65.7%
LTM Capex excl. licenses /revenue	20.8%	16.5%	4.3p.p.	20.8%	16.5%	4.3p.p.
Capex excl. licenses pre-IFRS 16	15,157	13,321	13.8%	30,143	22,328	35.0%
LTM Capex excl. licenses /revenue pre-IFRS 16	18.5%	16.6%	1.9p.p.	18.5%	16.6%	1.9p.p.
Mobile						
Total revenue	64,047	63,576	0.7%	124,755	121,029	3.1%
- of which mobile data	15,450	15,417	0.2%	30,471	30,555	(0.3%)
Customers (mln)	54.3	56.4	(3.7%)			
- of which data users (mln)	35.8	36.6	(2.3%)			
ARPU (RUB)	348	338	2.9%			
MOU (min)	305	323	(5.8%)			
Data usage (MB/user)	5,046	3,454	46.1%			
Fixed-line						
Total revenue	8,507	8,966	(5.1%)	17,046	17,865	(4.6%)
Broadband revenue	2,711	2,547	6.4%	5,372	5,107	5.2%
Broadband customers (mln)	2.5	2.3	7.3%			
Broadband ARPU (RUB)	371	373	(0.7%)			

In Russia, the market was characterized by continued price and sales competition during the quarter impacting the overall market growth. However, Beeline continued to show steady progress on network performance and distribution optimization. Beeline reported flat total revenue growth year on year while EBITDA pre-IFRS 16 declined by 2.1%.

Total revenue in Q2 2019 was at RUB 72.6 billion, driven by the strong growth in sales of equipment and accessories up 20% to RUB 6.9 billion, following the expansion of our monobrand stores. Mobile service revenue decreased by 1.1% to RUB 57.0 billion, negatively impacted by the VAT increase to 20% from 18% and the termination of national roaming. The strong growth in VAS, content and revenue from mobile financial services was offset by the decline in voice revenue following continued price competition during the quarter. While data volumes continued to grow strongly, data revenue growth was more muted as price competition remained.

Mobile customers decreased by 3.7% year on year to 54.3 million largely as a result of a decline in sales through alternative distribution channels following the expansion of Beeline monobrand stores. We also saw a decline in migrant customers volumes by 30% in the period. Churn continued to improve quarter on quarter, and we would expect to see an improvement in customer trends towards the end of this year with the change in distribution model and the base effect from the last quarter of 2018. As first patterns of this process, we see quarterly growth of subscriber base by ~100 thousands in Q2 2019 vs Q1 2019. Mobile ARPU increased by 2.9% year on year, partially supported by the reduction in low ARPU customers.

Fixed-line revenue, adjusted for the centralization of transit services revenue and multinational data service revenue in VEON Wholesale Services, grew in Q2 2019, driven by continued improvements in B2C and B2B segments. VEON Wholesale Services is a Group division based in Amsterdam centrally managing wholesale services for all Group operations. Fixed-line service revenue declined by 4.9% mainly due to the decrease of approximately RUB 0.4 billion in transit traffic service revenue. The Fixed Mobile Convergence ("FMC") proposition continues to play an important role in the turnaround of the fixed-line business for Beeline. The FMC customer base grew by 18% year on year in Q2 2019 to more than 1.1 million, which represents a 47% FMC customer penetration in the broadband customer base, supporting improvements in broadband customer churn.

Beeline continues to focus on the B2B segment, improving its proposition with new digital offers and solutions to both small and large enterprises. The 2Q19 B2B service mobile revenue increased by 2.4%.

EBITDA pre-IFRS 16 declined by 2.1% year on year driven by the revenue decrease, leading to an EBITDA margin of 36.8% (flat quarter on quarter). The year on year decline in EBITDA margin pre-IFRS 16 was driven by the change in revenue mix as a result of the strong growth in sales of equipment and accessories, which are characterized by lower margins. The impact of the change in revenue mix on EBITDA margin in Q2 2019 was approximately 1.3 percentage points. The VAT increase and the suspension of national roaming impact on revenue had an impact on reported EBITDA.

Capex excluding licenses pre-IFRS 16 increased by 13.8%, as a result of increased network investments and investments related to the Yarovaya Law. During Q2 2019, we increased 4G base stations by 50%. Beeline continues to invest in network development to ensure it has the best quality infrastructure that is ready to integrate new technologies. The LTM capex (excluding licenses) to revenue ratio pre-IFRS 16 was 18.5% in Q2 2019. The reported capex excluding licenses increased by 47% year on year during the quarter. The Yarovaya Law-related investment plans are progressing in alignment with legal requirements.

UKRAINE

UAH million	2Q19	2Q18	YoY	1H19	1H18	YoY
Total revenue	5,624	4,521	24.4%	10,750	8,785	22.4%
Mobile service revenue	5,257	4,200	25.2%	10,020	8,149	23.0%
Fixed-line service revenue	333	297	11.9%	662	593	11.7%
EBITDA	3,656	2,490	46.8%	6,880	4,902	40.3%
EBITDA margin	65.0%	55.1%	9.9p.p.	64.0%	55.8%	8.2p.p.
EBITDA pre-IFRS 16	3,508	2,490	40.9%	6,592	4,902	34.5%
EBITDA margin pre-IFRS-16	62.4%	55.1%	7.3p.p.	61.3%	55.8%	5.5p.p.
Capex excl. licenses	1,152	927	24.3%	2,134	1,614	32.3%
LTM capex excl. licenses/revenue	17.5%	16.0%	1.5p.p.	17.5%	16.0%	1.5p.p.
Capex excl. licenses pre-IFRS 16	991	927	6.9%	1,786	1,614	10.7%
LTM capex excl. licenses/revenue pre-IFRS 16	15.8%	16.0%	(0.2p.p.)	15.8%	16.0%	(0.2p.p.)
Mobile						
Total operating revenue	5,248	4,224	24.2%	10,020	8,192	22.3%
- of which mobile data	2,784	1,574	76.9%	5,238	2,915	79.7%
Customers (mln)	26.2	26.5	(1.1%)			
- of which data customers (mln)	15.7	13.5	16.2%			
ARPU (UAH)	66	52	26.9%			
MOU (min)	571	580	(1.5%)			
Data usage (MB/user)	3,345	1,811	84.7%			
Fixed-line						
Total operating revenue	333	297	11.9%	662	593	11.7%
Broadband revenue	215	185	16.6%	424	366	16.0%
Broadband customers (mln)	1.0	0.9	11.5%			
Broadband ARPU (UAH)	76	73	4.4%			

In Ukraine, Kyivstar sustained another period of solid outperformance in a growing telecoms market. The results followed strong marketing activities and improving network quality. Data consumption continue to grow as we continue to focus on our high value customers.

Kyivstar continued its strong performance in Q2 2019, with total revenue increasing by 24.4% year on year to UAH 5.6 billion. The revenue growth was supported by the prior year phasing of tariff modernization activities which were predominately implemented in mid-2018. Mobile service revenue grew by 25.2% to UAH 5.3 billion, driven by the strong data revenue growth. Growing data customers and data usage growth supported an ARPU increase of 26.9% year on year to UAH 66. Kyivstar´s mobile customer base decreased by 1.1% to 26.2 million due to Ukrainian demographic trends and the reduction in multi SIM users. Despite this, data penetration continued to increase, and data customers grew 16.2% year on year.

Fixed-line service revenue grew by 11.9% year on year to UAH 333 million, driven by an increase in the fixed broadband customer base of 11.5% year on year, while fixed broadband ARPU increased by 4.4% year on year to UAH 76.

EBITDA pre-IFRS 16 increased by 40.9% year on year, with an EBITDA margin of 62.4%. The strong EBITDA growth was driven by revenue growth, while good cost control in the period further supported margin expansion. Reported EBITDA increased by 46.8% year on year to UAH 3.7 billion.

Capex excluding licenses pre-IFRS 16 increased by 6.9% year on year as a result of further 4G/LTE roll-out during the quarter. Kyivstar continued to focus on 4G/LTE roll-out during the quarter. Reported capex excluding licenses increased by 24.3% at UAH 1.2 billion.

In July 2019, National Bank of Ukraine abolished any limits on the repatriation of dividends. VEON believes that this is a meaningful step forward in supporting group cashflows.

PAKISTAN

PKR billion	2Q19	2Q18	YoY	1H19	1H18	YoY
Total revenue	51.1	42.4	20.5%	101.7	83.4	22.0%
Mobile service revenue	47.7	39.4	21.1%	94.8	77.3	22.6%
of which mobile data	12.5	7.9	58.8%	26.1	14.9	75.4%
EBITDA	27.3	20.4	33.7%	52.9	39.9	32.7%
EBITDA margin	53.4%	48.2%	5.3p.p.	52.0%	47.8%	4.2p.p.
EBITDA pre-IFRS 16	25.7	20.4	26.0%	49.5	39.9	24.2%
EBITDA margin pre-IFRS 16	50.4%	48.2%	2.2 p.p.	48.7%	47.8%	0.9p.p.
Capex excl. licenses	9.7	6.7	45.0%	17.0	14.0	21.4%
LTM Capex excl. licenses /revenue	13.5%	17.5%	4.0p.p.	13.5%	17.5%	4.0p.p.
Capex excl. licenses pre-IFRS 16	9.8	6.7	46.8%	17.0	14.0	21.4%
LTM Capex excl. licenses /revenue pre-IFRS 16	13.5%	17.5%	(4.0p.p.)	13.5%	17.5%	(4.0p.p.)
Mobile						
Customers (mln)	59.5	55.5	7.2%			
- of which data users (mln)	36.9	31.5	17.3%			
ARPU (PKR)	268.2	236.9	13.2%			
MOU (min)	521	543	(4.2%)			
Data usage (MB/user)	1831	950	92.7%			

Jazz continued to perform well despite the ongoing competitive nature of the Pakistani market, particularly in data and social network offers. Jazz continued to maintain its premium price positioning in Pakistan following successful repricing activities during the quarter.

In Q2 2019, total revenue grew by 20.5% year on year. This was supported by good operational execution as well as higher usage by customers following the suspension of taxes ("suo moto"[1] order). Excluding the impact of suspension of taxes collected, revenue growth was 15%. The 'suo moto'[1] order was reversed on 24 April 2019 negatively impacting the performance in May and June. Service revenue growth was predominately driven by data revenue growth of 58.8%. The data revenue growth was driven by an increase in data customers, doubling of data usage through higher bundle penetration and continued data network expansion. Financial services revenue grew as well during this quarter by 36% year on year as Jazz Cash increased its 30-day active wallet subscriber base to 5.7 million with revenue in the quarter of PKR 1.9 billion, a sequential increase of 7.7% from the first quarter of this year.

The customer base increased by 7.2% year on year, supported by higher data customers on the back of the continued expansion of the data network. The quarter on quarter customer trend reflects our commercial strategy to focus on high value customers in order to further improve new sale customer mix, leveraging on network quality of service.

EBITDA pre-IFRS 16 grew year on year by 26.0% on the back of above-inflation revenue growth, resulting in an EBITDA margin pre-IFRS 16 of 50.4%. excluding "suo moto"[1] impact, the year on year EBITDA growth pre-IFRS 16 would have been 18.3% year on year. For 2019, EBITDA also includes the negative accounting impact of minimum tax on revenue (~PKR 0.6 billion in Q2), booked above EBITDA, which diluted the EBITDA margin by 1.1 percentage points. Reported EBITDA in Q2 2019 increased by 33.7% year on year to PKR 27.3 billion.

In Q2 2019, capex excluding licenses pre-IFRS16 increased to PKR 9.8 billion, following network improvement and 4G/LTE rollout. Reported capex excluding licenses increased year on year to PKR 9.7 billion.

At the end of Q2 2019, Jazz has data coverage in more than 225 cities (defined as cities with at least three base stations). At the end of Q2 2019, population coverage of Jazz's data network was more than 50%.

In June 2018, the Supreme Court ordered ("suo moto") an interim suspension of the deduction of taxes on prepaid and postpaid connections on each recharge/top-up/load levied by mobile phone service providers. On 24 April 2019, the Supreme Court disposed of the proceedings and restored the impugned tax deductions, deciding that it would not interfere in the matter of the collection of public revenue. On 3 July 2019, the Supreme Court issued its detailed reasons and, in addition to confirming its ruling on tax deductions, further clarified that mobile phone service providers cannot charge customers for service and maintenance charges. From Q3 2018 till Q1 2019, revenue was positively impacted by ~PKR 5.2 billion, mainly on account of higher usage by customers, and EBITDA by ~PKR 2.4 billion on average per quarter.

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 22 July 2019 requiring payment of USD 39.5 million per MHz for 900 MHz spectrum and USD 29.5 million per MHz for 1800 MHz spectrum, equating to an aggregate price of approximately USD 450 million (excluding applicable taxes of ~13%). The PTA's decision can be appealed to the Islamabad High Court before 21 August 2019.

[1] In June 2018, the Supreme Court ordered ("suo moto") an interim suspension of the deduction of taxes on prepaid and postpaid connections on each recharge/top-up/load levied by mobile phone service providers. On 24 April 2019, the Supreme Court disposed of the proceedings and restored the impugned tax deductions, deciding that it would not interfere in the matter of the collection of public revenue. On 3 July 2019, the Supreme Court issued its detailed reasons and, in addition to confirming its ruling on tax deductions, further clarified that mobile phone service providers cannot charge customers for service and maintenance charges

ALGERIA

DZD billion	2Q19	2Q18	YoY	1H19	1H18	YoY
Total revenue	22.3	23.1	(3.4%)	45.1	46.2	(2.4%)
Mobile service revenue	22.3	22.9	(2.9%)	45.0	45.9	(2.0%)
of which mobile data	6.4	5.9	9.2%	12.7	10.8	17.0%
EBITDA	10.0	10.0	(0.7%)	20.5	20.4	0.6%
EBITDA margin	44.6%	43.4%	1.2p.p.	45.5%	44.1%	1.4p.p.
EBITDA pre-IFRS 16	8.9	10.0	(11.4%)	18.5	20.4	(9.3%)
EBITDA margin pre-IFRS 16	39.8%	43.4%	(3.6p.p.)	41.0%	44.1%	(3.1p.p.)
Capex excl. licenses	3.5	3.3	6.0%	6.0	4.9	23.1%
LTM capex excl. licenses/revenue	14.7%	13.9%	0.8p.p.	14.7%	13.9%	0.8p.p.
Capex excl. licenses pre-IFRS 16	3.4	3.3	4.5%	5.7	4.9	17.6%
LTM capex excl. licenses/revenue pre-IFRS 16	14.4%	13.9%	0.5p.p.	14.4%	13.9%	0.5p.p.
Mobile						
Customers (mln)	15.6	15.5	0.4%			
- of which mobile data customers (mln)	9.3	8.3	12.6%			
ARPU (DZD)	469	496	(5.4%)			
MOU (min)	413	447	(7.7%)			
Data usage (MB/user)	2,703	1,643	64.5%			

In Algeria, macro challenges persisted during the quarter, and political uncertainty remains after the former president's dismissal. Presidential elections were postponed for the second time. The market remains challenging with the high levels of competition in both pricing as well as channel related incentives. Against this backdrop Djezzy continued to focus on both prepaid and post-paid with a segmented approach, aiming to drive up value while protecting and sequentially improving its customer base quarter on quarter with competitive offers on data.

Djezzy's Q2 2019 service revenue was DZD 22.3 billion, a 3.4% year on year decline, while data revenue increased 9.2% year on year, due to higher usage and an increase in data customers following the 3G and 4G/LTE network roll-out. Price competition, in both voice and data, drove a continued reduction in ARPU, which declined by 5.4% year on year. The net customer additions were marginally positive year on year, this was mainly driven by the continued positive uptake of new offers launched earlier in the year.

EBITDA pre-IFRS 16 decreased year on year by 11.4%, resulting in a margin of 39.8%. The decline in revenue remains a challenge for EBITDA performance. During Q2 2019, EBITDA was negatively impacted by a one off tax adjustment of DZD 0.6 billion. Excluding this impact EBITDA would have decreased by 5.6%. Reported EBITDA decreased by 0.7% year on year to DZD 10.0 billion.

The new Finance Law, effective from January 2018, and further tax increases from mid-July continue to impact year on year performance. A complementary law to the Finance Law introduced on 15 July 2018 further increased the tax on recharge transfer between operators and distributors from 0.5% to 1.5%.

At the end of Q2 2019, the company's 4G/LTE services covered 28 wilayas and close to 27% of Algeria's population, while its 3G network covered all 48 wilayas and approximately 74% of Algeria's population. In Q2 2019, capex excluding licenses pre-IFRS 16 was DZD 3.4 billion, representing a 4.5% increase year on year following continuous investments in network rollout.

BANGLADESH

BDT billion	2Q19	2Q18	YoY	1H19	1H18	YoY
Total revenue	11.5	10.9	5.4%	22.7	21.7	5.0%
Mobile service revenue	11.3	10.5	7.8%	22.2	20.9	6.6%
of which mobile data	2.3	1.8	27.9%	4.5	3.4	31.8%
EBITDA	4.6	3.8	22.1%	9.6	7.6	26.0%
EBITDA margin	39.8%	34.4%	5.5p.p.	42.3%	35.2%	7.1p.p.
EBITDA pre-IFRS 16	3.8	3.8	0.1%	8.0	7.6	4.2%
EBITDA margin pre-IFRS 16	32.7%	34.4%	(1.7p.p.)	35.0%	35.2%	(0.2p.p.)
Capex excl. licenses	1.8	1.7	4.7%	3.2	6.3	(50.0%)
LTM capex excl. licenses/revenue	10.3%	27.9%	(17.6p.p.)	10.3%	27.9%	(17.6p.p.)
Capex excl. licenses pre-IFRS 16	1.8	1.7	2.7%	3.1	6.3	(50.7%)
LTM capex excl. licenses/revenue pre-IFRS 16	10.2%	27.9%	(17.7p.p.)	10.2%	27.9%	(17.7p.p.)
Mobile						
Customers (mln)	32.9	32.0	3.1%			
- of which mobile data customers (mln)	21.1	19.2	9.8%			
ARPU (BDT)	114	109	4.8%			
MOU (min)	236	270	(12.7%)			
Data usage (MB/user)	1,250	684	82.8%			

The market in Bangladesh during Q2 2019 continued to be characterized by price pressure predominately led by competition, mostly in data offers. Notwithstanding this economic backdrop and challenging regulatory environment, Banglalink reported good results, with the operational turnaround evident in the first quarter continuing.

Banglalink continued to focus on acquiring customers in Q2 2019, with improved network availability and managed to deliver a year on year acceleration in revenue growth for the third quarter in a row, alongside EBITDA growth.

Total revenue in Q2 2019 grew by 5.4% year on year, driven by an acceleration of mobile service revenue, which increased by 7.8% year on year to BDT 11.3 billion. The increase represents a continuation of the positive trend seen in Q1 2019, despite Banglalink's 3G network coverage gap compared to competitors. Service revenue increased 2.5% quarter on quarter in Q2 2019. The revenue increase was mainly driven by a continued improvement in data revenue following enhanced network availability, with the continued expansion of Banglalink's distribution footprint. The customer base grew by 3.1% year on year, supported by improved distribution and network availability, notwithstanding the intense pricing pressure in the market. ARPU increased by 4.8% year on year driven by higher voice and data revenue. Data revenue increased by 27.9% year on year, driven by increased smartphone penetration and doubled data usage year on year to 1,250 MB, along with 9.8% year on year growth in active data users.

EBITDA pre-IFRS16 was broadly flat year on year, as higher revenue was largely offset by the increase in the minimum tax rate. Excluding the impact of IFRS 16 and minimum tax (BDT 548 million) the EBITDA growth would have been 13.5%. EBITDA margin pre-IFRS 16 decreased to 32.7%. Reported EBITDA in Q2 2019 increased by 22.1% year on year to BDT 4.6 billion.

In Q2 2019, capex excluding licenses pre-IFRS 16 increased year on year to BDT 1.8 billion. 3G network population coverage was approximately 72% at the end of Q2 2019. The roll-out of 4G/LTE is in progress and the service, which was launched in February 2018.

The tax authority in Bangladesh has recently introduced several changes to the tax regime: Supplementary Duty increased from 5% to 10% from subs revenue; SIM tax increased from BDT 100 to 200; minimum tax rate increased from 0.75% to 2% of revenue and custom duties on smartphones increased from 10% to 25%. Banglalink expects these tax changes to have no impact on revenue while a negative impact of ~5.7% on EBITDA for FY 2019.

UZBEKISTAN

UZS mln	2Q19	2Q18	YoY	1H19	1H18	YoY
Total revenue	567,758	635,242	(10.6%)	1,102,431	1,251,925	(11.9%)
Mobile service revenue	562,964	629,375	(10.6%)	1,093,788	1,241,198	(11.9%)
- of which mobile data	255,423	213,465	19.7%	490,966	399,770	22.8%
Fixed-line service revenue	3,409.4	5,006.5	(31.9%)	6,947	9,222	(24.7%)
EBITDA	295,645	276,520	6.9%	562,074	552,595	1.7%
EBITDA margin	52.1%	43.5%	8.5p.p.	51.0%	44.1%	6.8p.p.
EBITDA pre-IFRS 16	281,886	276,520	1.9%	540,012	552,595	(2.3%)
EBITDA margin pre-IFRS 16	49.6%	43.5%	6.1p.p.	49.0%	44.1%	4.8p.p.
Capex excl. licenses	118,739	131,718	(9.9%)	372,093	206,967	79.8%
LTM Capex excl. licenses/revenue	20.1%	15.0%	5.1p.p.	20.1%	15.0%	5.1p.p.
Capex excl. licenses pre-IFRS 16	96,496	131,718	(26.7%)	326,682	206,967	57.8%
LTM Capex excl. licenses/revenue pre-IFRS 16	18.2%	15.0%	3.2p.p.	18.2%	15.0%	3.2p.p.
Mobile						
Customers (mln)	8.7	9.3	(6.6%)			
- of which mobile data customers (mln)	5.4	5.0	7.8%			
ARPU (UZS)	20,873	22,018	(5.2%)			
MOU (min)	616	568	8.4%			
Data usage (MB/user)	2,215	1,014	118.5%			

Increasing mobile data penetration remains the key driver of the Uzbekistan market. Unitel continued to focus on quality customers benefiting from its position as a market leader delivering encouraging sequential improvement.

The business delivered 6.2% sequential improvement in revenue while year on year total revenue decreased by 10.6% year on year to UZS 568 billion driven by the negative impact of the reduction in mobile termination rates (UZS 27 billion) and the introduction of the 15% excise tax (UZS 76 billion) which was partially offset by repricing activities. Adjusted for these negative effects, the growth would have been ~6.0% year on year. Mobile data traffic more than doubled, supported by the continued roll-out of high-speed data networks, increased smartphone penetration and the increased penetration of bundled offerings in Unitel´s customer base. Unitel saw its customer base decline to 8.7 million, down 6.6% year on year as a result of its strategic focus on high value customers.

EBITDA pre-IFRS 16 increased by 1.9% to UZS 282 billion, driven by good organic revenue growth, partially offset by the net impact of tax reforms on EBITDA (UZS 5 billion). Reported EBITDA increased by 6.9% to UZS 296 billion.

Capex excluding licenses pre-IFRS 16 decreased to UZS 97 billion, mainly as a result of better phasing of capex, with a larger part of the network investment during Q1 2019. LTM Q2 2019 capex to revenue ratio was 18.2%. We continued to invest in our high-speed data networks, improving 4G/LTE coverage to 24.5% and increasing the number of nationwide 3G sites by 15.2% year on year. Improvements to our high-speed data networks will continue to be a priority for Unitel in 2019 and the authorities in Uzbekistan have stated that connectivity of the domestic internet channel should be liberalized from January 2020.

From January 2019, new tax reforms were introduced, which aim to simplify taxation in Uzbekistan. The tax authorities introduced a flat 20% corporate tax rate for mobile operators (before 2019, the corporate tax rate depended on the profitability of mobile operators), cancelled the revenue tax of 3.2%, while an excise tax of 15% over customer charges was introduced. Furthermore, the customer tax was reduced to UZS 2,000 in FY 2019 from UZS 4,000 in FY 2018. Overall, as a result of these changes, revenue is expected to be negatively impacted by approximately 13%, EBITDA is expected to be negatively impacted by approximately 6%, while free cash flow impact is expected to be slightly positive impacted in FY 2019.

CONFERENCE CALL INFORMATION

On 1 August 2019, VEON will host a conference call by senior management at 9.30 CEST (8.30 BST), which will be made available through following dial-in numbers. The call and slide presentation may be accessed at http://www.veon.com

9:30 CEST investor and analyst conference call
US call-in number: +1 (917) 720 0178
Confirmation Code: 1425179

International call-in number: +44 (0) 203 009 5710
Confirmation Code: 1425179

The conference call replay and the slide presentation webcast will be available until 8 August 2019.
The slide presentation will also be available for download from VEON's website.

Investor and analyst call replay
US Replay Number: +1 (917) 677 7532
Confirmation Code: 1425179

UK Replay Number: +44 (0) 333 300 9785
Confirmation Code: 1425179

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DISCLAIMER

This press release contains “forward-looking statements”, as the phrase is defined in Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. These forward-looking statements may be identified by words such as “may,” “might,” “will,” “could,” “would,” “should,” “expect,” “plan,” “anticipate,” “intend,” “seek,” “believe,” “estimate,” “predict,” “potential,” “continue,” “contemplate,” “possible” and other similar words. Forward-looking statements include statements relating to, among other things, VEON’s plans to implement its strategic priorities, including operating model and development plans, among others; anticipated performance and guidance for 2019, including VEON’s ability to generate sufficient cash flow; future market developments and trends; operational and network development and network investment, including expectations regarding the roll-out and benefits of 3G/4G/LTE networks, as applicable; spectrum acquisitions and renewals; the effect of the acquisition of additional spectrum on customer experience; VEON’s ability to realize the acquisition and disposition of any of its businesses and assets and to execute its strategic transactions (including the GTH mandatory tender offer) in the timeframes anticipated, or at all; VEON’s ability to realize financial improvements, including an expected reduction of net pro-forma leverage ratio following the successful completion of certain dispositions and acquisitions; our dividends; and VEON’s ability to realize its targets and commercial initiatives in its various countries of operation. The forward-looking statements included in this press release are based on management’s best assessment of VEON’s strategic and financial position and of future market conditions, trends and other potential developments. These discussions involve risks and uncertainties. The actual outcome may differ materially from these statements as a result of demand for and market acceptance of VEON’s products and services; our plans regarding our dividend payments and policies, as well as our ability to receive dividends, distributions, loans, transfers or other payments or guarantees from our subsidiaries; continued volatility in the economies in VEON’s markets; unforeseen developments from competition; governmental regulation of the telecommunications industries; general political uncertainties in VEON’s markets; government investigations or other regulatory actions; litigation or disputes with third parties or other negative developments regarding such parties; the impact of export controls and laws affecting trade and investments on our and important third-party suppliers' ability to procure goods, software or technology necessary for the services we provide to our customers; risks associated with data protection or cyber security, other risks beyond the parties’ control or a failure to meet expectations regarding various strategic priorities, the effect of foreign currency fluctuations, increased competition in the markets in which VEON operates and the effect of consumer taxes on the purchasing activities of consumers of VEON’s services. Certain other factors that could cause actual results to differ materially from those discussed in any forward-looking statements include the risk factors described in VEON’s Annual Report on Form 20-F for the year ended December 31, 2018 filed with the U.S. Securities and Exchange Commission (the “SEC”) and other public filings made by VEON with the SEC. Other unknown or unpredictable factors also could harm our future results. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Under no circumstances should the inclusion of such forward-looking statements in this press release be regarded as a representation or warranty by us or any other person with respect to the achievement of results set out in such statements or that the underlying assumptions used will in fact be the case. Therefore, you are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements speak only as of the date hereof. We cannot assure you that any projected results or events will be achieved. Except to the extent required by law, we disclaim any obligation to update or revise any of these forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made, or to reflect the occurrence of unanticipated events. Furthermore, elements of this press release contain or may contain, “inside information” as defined under the Market Abuse Regulation (EU) No. 596/2014.

All non-IFRS measures disclosed further in this press release (including, without limitation, EBITDA, EBITDA margin, EBT, net debt, equity free cash flow excluding licenses, organic growth, capital expenditures excluding licenses and LTM (last twelve months) capex excluding licenses/revenue) are reconciled to comparable IFRS measures in Attachment C to this earnings release. In addition, we present certain information on a forward-looking basis. We are not able to, without unreasonable efforts, provide a full reconciliation to IFRS due to potentially high variability, complexity and low visibility as to the items that would be excluded from the comparable IFRS measure in the relevant future period, including, but not limited to, depreciation and amortization, impairment loss, loss on disposal of non-current assets, financial income and expenses, foreign currency exchange losses and gains, income tax expense and performance transformation costs, cash and cash equivalents, long - term and short-term deposits, interest accrued related to financial liabilities, other unamortized adjustments to financial liabilities, derivatives, and other financial liabilities.

ABOUT VEON

VEON is a NASDAQ and Euronext Amsterdam-listed global provider of connectivity and internet services.

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go to our website @ http://www.veon.com

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For more information on financial and operating data for specific countries, please refer to the supplementary file Factbook2Q2019.xls on VEON's website at http://veon.com/Investor-relations/Reports--results/Results/.

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ATTACHMENT A: CUSTOMERS

million	Mobile 2Q19	Mobile 2Q18	Mobile YoY	Fixed-line broadband 2Q19	Fixed-line broadband 2Q18	Fixed-line broadband YoY
Russia	54.3	56.4	(3.7%)	2.5	2.3	5.8%
Pakistan	59.5	55.5	7.2%	0.0	0.0	-
Algeria	15.6	15.5	0.4%	0.0	0.0	-
Bangladesh	32.9	32.0	3.1%	0.0	0.0	-
Ukraine	26.2	26.5	(1.1%)	1.0	0.9	8.2%
Uzbekistan	8.7	9.3	(6.6%)	0.0	0.0	-
Other	14.7	14.9	(1.2%)	0.5	0.5	2.5%
Total	**211.9**	**210.0**	**0.5%**	**3.9**	**3.6**	**5.9%**

ATTACHMENT B: DEFINITIONS

ARPU (Average Revenue Per User) measures the monthly average revenue per mobile user. We generally calculate mobile ARPU by dividing our mobile service revenue during the relevant period, including data revenue, roaming revenue, MFS and interconnect revenue, but excluding revenue from connection fees, sales of handsets and accessories and other non-service revenue, by the average number of our mobile customers during the period and dividing by the number of months in that period.

Mobile data customers are mobile customers who have engaged in revenue generating activity during the three months prior to the measurement date as a result of activities including USB modem Internet access using 2.5G/3G/4G/HSPA+ technologies.

Capital expenditures (capex) are purchases of new equipment, new construction, upgrades, licenses, software, other long-lived assets and related reasonable costs incurred prior to intended use of the non-current asset, accounted at the earliest event of advance payment or delivery. Long-lived assets acquired in business combinations, are not included in capital expenditures.

Capital expenditures (capex) exc. licenses & ROU is calculated as capex, excluding purchases of new spectrum licenses and excluding additions of rights-of-use assets.

EBIT or Operating Profit is calculated as EBITDA plus depreciation, amortization and impairment loss. Our management uses EBIT as a supplemental performance measure and believes that it provides useful information of earnings of the Company before making accruals for financial income and expenses and net foreign exchange (loss)/gain and others. Reconciliation of EBIT to net income attributable to VEON Ltd., the most directly comparable IFRS financial measure, is presented in the reconciliation tables section in Attachment E below.

Adjusted EBITDA (called EBITDA in this document) is a non-IFRS financial measure. VEON calculates Adjusted EBITDA as (loss)/profit 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 Our Adjusted EBITDA may be used to evaluate our performance against other telecommunications companies that provide EBITDA.

Additionally, a limitation of EBITDA's use as a performance measure is that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenue or the need to replace capital equipment over time. Reconciliation of EBITDA to net income attributable to VEON Ltd., the most directly comparable IFRS financial measure, is presented in the reconciliation tables section in Attachment C below.

EBITDA margin is calculated as EBITDA divided by total revenue, expressed as a percentage.

Gross Debt is calculated as the sum of long-term notional debt and short-term notional debt.

Equity free cash flow is a non-IFRS measure and is defined as free cash flow from operating activities less cash flow used in investing activities, excluding M&A transactions, capex for licenses, inflow/outflow of deposits, financial assets and other one-off items. Reconciliation to the most directly comparable IFRS financial measure, is presented in the reconciliation tables section in Attachment E below.

An FMC customer is a customer on a 1 month Active Broadband Connection subscribing to a converged bundle consisting of at least fixed internet subscription and at least 1 mobile SIM.

Households passed are households located within buildings, in which indoor installation of all the FTTB equipment necessary to install terminal residential equipment has been completed.

MFS (mobile financial services) is a variety of innovative services, such as mobile commerce or m-commerce, that use a mobile phone as the primary payment user interface and allow mobile customers to conduct money transfers to pay for items such as goods at an online store, utility payments, fines and state fees, loan repayments, domestic and international remittances, mobile insurance and tickets for air and rail travel, all via their mobile phone.

Mobile customers are generally customers in the registered customer base as at a given measurement date who engaged in a revenue generating activity at any time during the three months prior to such measurement date. Such activity includes any outgoing calls, customer fee accruals, debits related to service, outgoing SMS and MMS, data transmission and receipt sessions, but does not include incoming calls, SMS and MMS or abandoned calls. Our total number of mobile customers also includes customers using mobile internet service via USB modems and fixed-mobile convergence (“FMC”).

Net debt is a non-IFRS financial measure and is calculated as the sum of interest bearing long-term notional debt and short-term notional debt minus cash and cash equivalents, long-term and short-term deposits. The Company believes that net debt provides useful information to investors because it shows the amount of notional debt outstanding to be paid after using available cash and cash equivalents and long-term and short-term deposits. Net debt should not be considered in isolation as an alternative to long-term debt and short-term debt, or any other measure of the Company financial position.

Net foreign exchange (loss)/gain and others represents the sum of Net foreign exchange (loss)/gain, VEON’s share in net (loss)/gain of associates and Other (expense)/income (primarily (losses)/gains from derivative instruments) and is adjusted for certain non-operating losses and gains mainly represented by litigation provisions.
NPS (Net Promoter Score) is the methodology VEON uses to measure customer satisfaction.

Organic growth in revenue and EBITDA are non-IFRS financial measures that reflect changes in Revenue and EBITDA, excluding foreign currency movements and other factors, such as businesses under liquidation, disposals, mergers and acquisitions.

Reportable segments: the Company identified Russia, Pakistan, Algeria, Bangladesh, Ukraine, Uzbekistan and HQ based on the business activities in different geographical areas.

Total revenue in this section is fully comparable with Total Operating revenue in MD&A section below.

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ATTACHMENT C: RECONCILIATION TABLES

RECONCILIATION OF CONSOLIDATED EBITDA

USD mln	2Q19	2Q18	1H19	1H18
Unaudited				
EBITDA	**994**	**857**	**2,292**	**1,711**
Depreciation	(409)	(336)	(812)	(691)
Amortization	(111)	(130)	(205)	(256)
Impairment loss	(4)	(7)	(10)	(10)
Loss on disposals of non-current assets	(7)	(1)	(14)	(18)
Operating profit	**464**	**383**	**1,252**	**737**
Financial Income and Expenses	(196)	(194)	(393)	(391)
- including finance income	14	12	28	31
- including finance costs	(210)	(206)	(421)	(423)
Net foreign exchange (loss)/gain and others	(11)	(28)	6	(25)
- including Other non-operating (losses)/gains	10	(17)	14	(26)
- including Shares of loss of associates and joint ventures accounted for using the equity method, including impairments of JV and associates	-	0	(0)	0
- including Net foreign exchange gain	(22)	(11)	(8)	1
Profit before tax	**256**	**161**	**865**	**321**
Income tax expense	(182)	(136)	(260)	(253)
(Loss)/Profit from continue operations	75	25	605	68
(Loss)/Profit for discontinued operations	-	(169)	0	(300)
(Loss)/Profit for the period	**75**	**(144)**	**605**	**(232)**
Less profit attributable to non-controlling interest	(5)	2	(40)	(23)
Profit/(Loss) for the year attributable to the owners of the parent	70	(142)	565	(254)

RECONCILIATION OF CAPEX

USD mln unaudited	2Q19	2Q18	1H19	1H18
Cash paid for purchase of property, plant and equipment and intangible assets	**436**	**502**	**825**	**1,177**
Net difference between timing of recognition and payments for purchase of property, plant and equipment and intangible assets	119	(5)	174	94
Capital expenditures	**554**	**497**	**999**	**1,271**
Less capital expenditures in licenses and other	(7)	95	(12)	(514)
Capital expenditures excl. licenses	**547**	**402**	**988**	**757**

RECONCILIATION OF ORGANIC AND REPORTED GROWTH RATES

	2Q19 vs 2Q18						
	Total Revenue			EBITDA			
	Organic	Forex	Reported	Organic	Forex	Reported Pre-IFRS 16	Reported
Russia	0%	(4.2%)	(4.2%)	(2.1%)	(4.3%)	(6.4%)	12.9%
Pakistan	20.5%	(24.7%)	(4.2%)	26.0%	(26.0%)	-	6.0%
Algeria	(3.4%)	(2.9%)	(6.3%)	(11.4%)	(2.7%)	(14.1%)	(3.7%)
Bangladesh	5.4%	(0.7%)	4.7%	0.1%	(0.6%)	(0.5%)	21.4%
Ukraine	24.4%	(1.8%)	22.6%	40.9%	(2.0%)	38.9%	44.7%
Uzbekistan	(10.6%)	(4.9%)	(15.5%)	1.9%	(5.8%)	(3.9%)	0.8%
Total	**7.5%**	**(7.9%)**	**(0.4%)**	**11.1%**	**(10.1%)**	**1.0%**	**16.1%**

RECONCILIATION OF VEON CONSOLIDATED NET DEBT

USD mln	30 June 2019	31 March 2019	31 December 2018
Net debt	**8,179**	**8,265**	**5,469**
Cash and cash equivalents	1,331	1,265	1,808
Long - term and short-term deposits	3	3	22
Gross debt	**9,513**	**9,533**	**7,298**
Interest accrued related to financial liabilities	72	100	81
Other unamortised adjustments to financial liabilities (fees, discounts etc.)	(11)	(14)	(13)
Derivatives not designated as hedges	323	374	371
Derivatives designated as hedges	92	45	-
Other financial liabilities	84	90	119
Total other financial liabilities	10,073	10,128	7,856

RECONCILIATION OF EQUITY FREE CASH FLOW

USD million	2Q19	2Q18	YoY
EBITDA	**994**	**857**	**16.1%**
Changes in working capital	61	66	(7.4%)
Movements in provision	30	(24)	n.m.
Net interest paid received	(194)	(189)	(2.8%)
Income tax paid	(146)	(108)	(35.7%)
Cash flow from operating activities (excl.discontinued operations)	**745**	**600**	**24.3%**
Capex excl.licenses	(547)	(402)	36.0%
Working capital related to Capex excl. license	119	5	n.m.
Proceeds from sale of PPE	20	3	601.2%
Equity Free Cash Flow excl.licenses	**338**	**206**	**63.9%**

EBITDA RECONCILIATION FOR COUNTRY

Q2 2019

USD mln	Russia	Pakistan	Algeria	Bangladesh	Ukraine	Uzbekistan	HQ	Other	VEON Consolidated
EBITDA	498	185	84	55	138	35	(60)	60	**994**
Less	-	-	-	-	-	-	-	-	**-**
Depreciation	(253)	(42)	(34)	(25)	(20)	(8)	(1)	(26)	**(409)**
Amortization	(29)	(18)	(31)	(10)	(13)	(1)	(1)	(7)	**(111)**
Impairment loss	(2)	-	-	0	(1)	-	(1)	0	**(4)**
Loss on disposals of non-current assets	(6)	0	0	(0)	(1)	(0)	-	(0)	**(7)**
Gain on sale of investments in subsidiaries	0	-	-	-	-	-	0	-	**1**
Operating profit	208	125	19	19	103	26	(63)	27	**464**

Q2 2018

USD mln	Russia	Pakistan	Algeria	Bangladesh	Ukraine	Uzbekistan	HQ	Other	VEON Consolidated
EBITDA	441	175	87	45	95	35	(54)	33	**857**
Less									
Depreciation	(189)	(39)	(25)	(31)	(15)	(9)	(1)	(28)	**(336)**
Amortization	(39)	(32)	(20)	(16)	(11)	(0)	(3)	(9)	**(130)**
Impairment loss	(5)	-	(1)	(0)	(1)	-	-	(0)	**(7)**
Loss on disposals of non-current assets	(9)	(0)	0	(5)	(5)	(0)	-	(1)	**(21)**
Gain on sale of investments in subsidiaries	(0)	-	-	-	-	-	(5)	25	**20**
Operating profit	198	104	41	(7)	64	25	(62)	20	**383**

H1 2019

USD mln	Russia	Pakistan	Algeria	Bangladesh	Ukraine	Uzbekistan	HQ	Other	VEON Consolidated
EBITDA	966	369	172	114	256	67	237	111	**2,292**
Less	-	-	-	-	-	-	-	-	**-**
Depreciation	(497)	(85)	(68)	(53)	(38)	(17)	(2)	(52)	**(812)**
Amortization	(63)	(35)	(42)	(21)	(26)	(1)	(2)	(14)	**(205)**
Impairment loss	(7)	-	-	(0)	(2)	-	(1)	(0)	**(10)**
Loss on disposals of non-current assets	(12)	0	0	(1)	(2)	(1)	-	0	**(14)**
Gain on sale of investments in subsidiaries	0	-	-	-	-	-	-	0	**1**
Operating profit	388	248	63	39	189	48	232	45	**1,252**

H1 2018

USD mln	Russia	Pakistan	Algeria	Bangladesh	Ukraine	Uzbekistan	HQ	Other	VEON Consolidated
EBITDA	884	349	178	91	184	68	(134)	91	**1,711**
Less									
Depreciation	(398)	(79)	(51)	(61)	(28)	(16)	(1)	(56)	**(691)**
Amortization	(76)	(65)	(41)	(27)	(21)	(1)	(6)	(19)	**(256)**
Impairment loss	(6)	-	(1)	(0)	(1)	-	-	-	**(10)**
Loss on disposals of non-current assets	(11)	(1)	0	(19)	(5)	(0)	-	1	**(37)**
Gain on sale of investments in subsidiaries	(0)	-	-	-	-	-	(5)	25	**20**
	-	-	-	-	-	-	-		**-**
Operating profit	393	204	84	(16)	129	50	(146)	42	**737**

RATES OF FUNCTIONAL CURRENCIES TO USD

	Guidance rates	Average rates			Closing rates		
	2019	2Q19	2Q18	YoY	2Q19	2Q18	YoY
Russian Ruble	66	64.56	61.80	4.5%	63.08	62.76	0.5%
Algerian Dinar	119	119.35	115.80	3.1%	118.65	117.50	1.0%
Pakistan Rupee	139	147.06	116.80	25.9%	159.52	121.58	31.2%
Bangladeshi Taka	84	84.29	83.78	0.6%	84.53	83.78	0.9%
Ukrainian Hryvnia	27	26.56	26.18	1.5%	26.17	26.19	-0.1%
Kazakh Tenge	377	380.52	329.63	15.4%	380.53	341.08	11.6%
Uzbekistan Som	8,522	8,474.83	8,011.80	5.8%	8,562.34	7,871.66	8.8%
Armenian Dram	488	481.07	482.75	-0.3%	477.11	482.24	-1.1%
Kyrgyz Som	70	69.79	68.50	1.9%	69.49	68.18	1.9%
Georgian Lari	2.7	2.74	2.45	12.0%	2.87	2.45	17.0%

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is based on, and should be read in conjunction with, our unaudited interim condensed consolidated financial statements as of and for the six-month period ended June 30, 2019 and 2018, and the related notes, attached hereto.

References to "VEON" as well as references to "our company," "the company," "our group," "the group," "we," "us," "our" and similar pronouns, are references to VEON Ltd. an exempted company limited by shares registered in Bermuda, and its consolidated subsidiaries. References to VEON Ltd. are to VEON Ltd. alone. The unaudited interim condensed consolidated financial statements as of June 30, 2019 and for the six-month period ended June 30, 2019 and 2018 attached hereto have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and presented in U.S. dollars. VEON Ltd. adopted IFRS as of January 1, 2009.

The discussion of our business and the telecommunications industry included herein contains references to certain terms specific to our business, including numerous technical and industry terms. Such terms are defined in Exhibit 99.1 to our Annual Report on Form 20-F for the year ended December 31, 2018 (our "2018 Annual Report"). For a comprehensive discussion of our critical accounting estimates and assumptions, please refer to Note 3 to our audited consolidated financial statements included in our 2018 Annual Report.

Certain amounts and percentages that appear in this document have been subject to rounding adjustments. As a result, certain numerical figures shown as totals, including in tables, may not be exact arithmetic aggregations of the figures that precede or follow them.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document contains estimates and forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). Our estimates and forward-looking statements are mainly based on our current expectations and estimates of future events and trends, which affect or may affect our businesses and operations. All statements other than statements of historical fact are forward-looking statements. The words "may," "might," "will," "could," "would," "should," "expect," "plan," "anticipate," "intend," "seek," "believe," "estimate," "predict," "potential," "continue," "contemplate," "possible" and similar words are intended to identify estimates and forward-looking statements. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to numerous risks and uncertainties and are made in light of information currently available to us. Many important factors, in addition to the factors described in this document, may adversely affect our results as indicated in forward-looking statements. You should read this document completely and with the understanding that our actual future results may be materially different and worse from what we expect.

Our estimates and forward-looking statements may be influenced by various factors, including without limitation:

- our ability to implement and execute our strategic priorities successfully and to achieve the expected benefits from our existing and future transactions;
- our targets and strategic initiatives in the various countries in which we operate;
- our ability to develop new revenue streams and achieve portfolio and asset optimizations, improve customer experience and optimize our capital structure;
- our ability to generate sufficient cash flow to meet our debt service obligations, our expectations regarding working capital and the repayment of our debt and our projected capital requirements;
- our plans regarding our dividend payments and policies, as well as our ability to receive dividends, distributions, loans, transfers or other payments or guarantees from our subsidiaries;

- our expectations regarding our capital and operational expenditures in and after 2019;
- our goals regarding value, experience and service for our customers, as well as our ability to retain and attract customers and to maintain and expand our market share positions;
- our plans to develop, provide and expand our products and services, including operational and network development, optimization and investment, such as expectations regarding the expansion or roll-out and benefits of 3G, 4G/LTE and 5G networks or other networks, broadband services and integrated products and services, such as fixed-mobile convergence;
- our expectations as to pricing for our products and services in the future, improving our ARPU and our future costs and operating results;
- our ability to meet license requirements, to obtain, maintain, renew or extend licenses, frequency allocations and frequency channels and to obtain related regulatory approvals;
- our plans regarding marketing and distribution of our products and services, including customer loyalty programs;
- our expectations regarding our competitive strengths, customer demands, market trends and future developments in the industry and markets in which we operate;
- our expectations regarding management changes;
- possible adverse consequences resulting from our agreements announced on February 18, 2016 with the U.S. Securities and Exchange Commission ("SEC"), the U.S. Department of Justice ("DOJ"), and the Dutch Public Prosecution Service (Openbaar Ministerie) ("OM"), as well as any litigation or additional investigations related to or resulting from the agreements, any changes in company policy or procedure resulting from the review by the independent compliance monitor, the duration of the independent compliance monitor's review, and VEON Ltd.'s compliance with the terms of its resolutions with the DOJ, SEC, and OM; and
- other statements regarding matters that are not historical facts.

These statements are management's best assessment of our strategic and financial position and of future market conditions, trends and other potential developments. While they are based on sources believed to be reliable and on our management's current knowledge and best belief, they are merely estimates or predictions and cannot be relied upon. We cannot assure you that future results will be achieved. The risks and uncertainties that may cause our actual results to differ materially from the results indicated, expressed or implied in the forward-looking statements used in this document include:

- risks relating to changes in political, economic and social conditions in each of the countries in which we operate and where laws are applicable to us (including as a result of armed conflict) such as any harm, reputational or otherwise, that may arise due to changing social norms, our business involvement in a particular jurisdiction or an otherwise unforeseen development in science or technology;
- in each of the countries in which we operate and where laws are applicable to us, risks relating to legislation, regulation, taxation and currency, including costs of compliance, currency and exchange controls, currency fluctuations, and abrupt changes to laws, regulations, decrees and decisions governing the telecommunications industry and the taxation thereof, laws on foreign investment, anti-corruption and anti-terror laws, economic sanctions and their official interpretation by governmental and other regulatory bodies and courts;
- risks related to the impact of export controls on our and important third-party suppliers' ability to procure goods, software or technology necessary for the services we provide to our customers, particularly on the production and delivery of supplies, support services, software, and equipment that we source from these suppliers - for example, in April 2018, the U.S. Department of Commerce, Bureau of Industry and Security ("BIS") issued an Export Administration Regulation Denial Order to ZTE Corporation ("ZTE") which prohibited, among other things, exports of U.S.-controlled content to and from ZTE, and restricted our ability to receive certain services from ZTE, each of which could have led to service degradation and disruptions in certain markets, and in May 2019, BIS added Huawei Technologies Company Ltd. and 68 of its affiliates to its "Entity List", which restricts companies, globally, from exporting any U.S.-controlled content to Huawei and procuring from Huawei when they have reason to know that the U.S.-controlled content was originally procured by Huawei in violation of U.S. law;

- risks relating to a failure to meet expectations regarding various strategic initiatives, including, but not limited to, changes to our portfolio;
- risks related to solvency and other cash flow issues, including our ability to raise the necessary additional capital and incur additional indebtedness, the ability of our subsidiaries to make dividend payments, our ability to develop additional sources of revenue and unforeseen disruptions in our revenue streams;
- risks that the adjudications by the various regulatory agencies or other parties with whom we are involved in legal challenges, tax disputes or appeals may not result in a final resolution in our favor or that we are unsuccessful in our defense of material litigation claims or are unable to settle such claims;
- risks relating to our company and its operations in each of the countries in which we operate and where laws are applicable to us, including demand for and market acceptance of our products and services, regulatory uncertainty regarding our licenses, frequency allocations and numbering capacity, constraints on our spectrum capacity, availability of line capacity, intellectual property rights protection, labor issues, interconnection agreements, equipment failures and competitive product and pricing pressures;
- risks related to developments from competition, unforeseen or otherwise, in each of the countries in which we operate and where laws are applicable to us including our ability to keep pace with technological change and evolving industry standards;
- risks associated with developments in the investigations by, and the agreements with, the DOJ, SEC and OM and any additional investigations or litigation that may be initiated relating to or arising out of any of the foregoing, and the costs associated therewith, including relating to remediation efforts and enhancements to our compliance programs, and the review by the independent compliance monitor;
- risks related to the activities of our strategic shareholders, lenders, employees, joint venture partners, representatives, agents, suppliers, customers and other third parties;
- risks associated with our existing and future transactions, including with respect to realizing the expected synergies of closed transactions, satisfying closing conditions for new transactions, obtaining regulatory approvals and implementing remedies;
- risks associated with data protection, cyber-attacks or systems and network disruptions, or the perception of such attacks or failures in each of the countries in which we operate, including the costs associated with such events and the reputational harm that could arise therefrom;
- risks related to the ownership of our American Depositary Receipts, including those associated with VEON Ltd.'s status as a Bermuda company and a foreign private issuer; and
- other risks and uncertainties, including those set forth in Item 3—Key Information—D. Risk Factors in our 2018 Annual Report.

These factors and the other risk factors described in our 2018 Annual Report are not necessarily all of the factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could harm our future results. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Under no circumstances should the inclusion of such forward-looking statements in this document be regarded as a representation or warranty by us or any other person with respect to the achievement of results set out in such statements or that the underlying assumptions used will in fact be the case. Therefore, you are cautioned not to place undue reliance on these forward-looking statements.

The forward-looking statements included in this document are made only as of the date of the filing of this document. We cannot assure you that any projected results or events will be achieved. Except to the extent required by law, we disclaim any obligation to update or revise any of these forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should refer to our periodic and current reports filed or furnished, as applicable, with the

SEC for specific risks which could cause actual results to be significantly different from those expressed or implied by these forward-looking statements.

OVERVIEW

VEON is a leading global provider of connectivity and internet services. Present in some of the world's most dynamic markets, VEON provides more than 210 million customers with voice, fixed broadband, data and digital services. VEON currently offers services to customers in 10 countries: Russia, Pakistan, Algeria, Bangladesh, Ukraine, Uzbekistan, Kazakhstan, Kyrgyzstan, Armenia and Georgia. We provide services under the "Beeline," "Kyivstar," "banglalink," "Jazz" and "Djezzy" brands.

BASIS OF PRESENTATION OF FINANCIAL RESULTS

Our unaudited interim condensed consolidated financial statements attached hereto have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements as of and for the year ended December 31, 2018.

REPORTABLE SEGMENTS

VEON Ltd. is the holding company for a number of operating subsidiaries and holding companies in various jurisdictions. We currently operate and manage VEON on a geographical basis. These segments are based on the different economic environments and varied stages of development across the geographical markets we serve, each of which requires different investment and marketing strategies. Our reportable segments currently consist of the following seven segments: Russia; Pakistan; Algeria; Bangladesh; Ukraine; Uzbekistan; and HQ (transactions related to management activities within the group in Amsterdam and London). "Others" represents our operations in Kazakhstan, Kyrgyzstan, Armenia, and Georgia as well as intercompany eliminations and costs relating to centrally managed operations monitored outside of VEON's headquarters.

For further details please see Note 2 to our unaudited interim condensed consolidated financial statements attached hereto.

KEY DEVELOPMENTS DURING THE FIRST HALF OF 2019

VEON'S BOARD OF DIRECTORS HAS APPROVED AN INTERIM DIVIDEND FOR 2019 OF USD 0.13 PER SHARE

VEON's Board of Directors approved the distribution of an interim gross dividend of USD 0.13 per share for 2019, with a record date of August 14, 2019, compared to USD 0.12 in Q2 2018. For ordinary shareholders at Euronext Amsterdam, the interim dividend of USD 0.13 will be paid in Euro.

VEON GROUP CHIEF FINANCIAL OFFICER

On June 28, 2019, VEON announced that VEON's Group Chief Financial Officer, Trond Westlie, will step down at the end of September. A worldwide search is underway for this replacement.

MANDATORY TENDER OFFER AND COMPREHENSIVE GTH RESTRUCTURING

On February 10, 2019, VEON submitted an application to the Egyptian Financial Regulatory Authority (the "FRA") to approve a mandatory tender offer 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 approximately 42.31% of GTH's issued shares) (the "MTO"). On June 26, 2019, the FRA approved the MTO at an adjusted offer price of EGP 5.08 per share. The MTO commenced on July 2, 2019 and is expected to end on August 6, 2019. To further simplify VEON's corporate structure, following a successful completion of the MTO and the requisite shareholder approval, it is anticipated that GTH will be delisted from the EGX. Furthermore, VEON has submitted an offer to GTH to acquire substantially all of its operating assets, subject to successful completion of the MTO and delisting. The asset transfers will be conducted at the imputed MTO valuation.

GTH TAX SETTLEMENT

On June 26, 2019, GTH reached agreement with the Egyptian Tax Authority ("ETA") to settle all outstanding tax liabilities of GTH and its Egyptian subsidiaries for a total amount of US$136 million (the "GTH Tax Settlement"). The GTH Tax Settlement is in respect of tax liabilities of GTH and its Egyptian subsidiaries for the tax years 2000 through 2018. From June 26, 2019, following the first settlement payment of US$54 million by GTH to the ETA, GTH was released in relation to tax years from 2006 through 2007 and 2010 through 2018. In respect of the years 2000 through 2005 and 2008 through 2009 for GTH and all years up to and including 2018 for GTH's Egyptian subsidiaries, the tax releases are expected to take effect immediately on the payment of the second settlement of US$82 million by no later than December 31, 2019, at which time GTH is expected to delist from the Egyptian Exchange (the "EGX"). As a result of the US$136 million GTH Tax Settlement, in Q2 2019, VEON has recorded the respective liabilities to the tax authorities of US$55 million with the US$27 million in the EBITDA and US$28 million in the income tax.

AGM ELECTED ONE NEW DIRECTOR

Following the election of the directors of the VEON Board at the AGM on June 18, 2019, the VEON Board now includes eleven previously serving directors, Ursula Burns, Guillaume Bacuvier, Osama Bedier, Mikhail Fridman, Gennady Gazin, Andrei Gusev, Gunnar Holt, Sir Julian Horn-Smith, Robert Jan van de Kraats, Guy Laurence and Alexander Pertsovsky, as well as one new director, Muhterem Kaan Terzioğlu.

STRENGTHENING THE TEAM

On July 16, 2019, VEON announced the appointment of Sergi Herrero as the Chief Operations Officer for VEON Ventures, effective from September 2019. Sergi will sit on VEON's Group Executive Committee and report to the Chairman and CEO, Ursula Burns. Sergi will lead our Ventures division and define the company's growth plans outside of the traditional connectivity business, with a focus on adjacent digital products.

FINAL 2018 DIVIDEND OF US 17 CENTS PER SHARE PAID ON MARCH 20, 2019

On March 20, 2019, VEON paid a final dividend in respect of the 2018 financial year of US 17 cents per share, bringing total 2018 dividends to US 29 cents per share.

VEON'S FREE FLOAT INCREASED TO 34.9% AFTER TELENOR'S SALE OF VEON SHARES

VEON's free float increased further to 34.9% after Telenor East Holding II AS ("Telenor") sold 100,000,000 common shares in the form of American Depositary Shares ("ADSs") listed on the NASDAQ Global Select Market at a public offering price of US$2.16 (approximately Euro 1.92) per ADS. The offering, which represents 5.7% of VEON's total outstanding equity, followed prior offerings by Telenor in September 2016, April 2017 and September 2017. The transaction settled on March 29, 2019 and Telenor now holds approximately 8.9% of VEON's total outstanding equity.

VEON did not receive any proceeds from Telenor's sale of VEON shares and the sale did not result in any dilution of VEON´s issued and outstanding shares.

IFRS 16 IMPACT

IFRS 16 replaced the IAS 17 Leases and became effective on January 1, 2019. The new lease standard requires assets leased by the Company to be recognized on the statement of financial position of the Company with a corresponding lease liability. The opening balance of the lease asset and lease liability amounted to US$1.9 billion with no material impact on opening equity (i.e. an equal increase in assets and liabilities). The amount was recorded in January 2019. As a rule, lease expenses are no longer recorded in the income statement from January 1, 2019. Instead, new depreciation and interest expenses are recorded stemming from the newly recognized lease assets and lease liabilities. In addition, leasing expenses are no longer presented as operating cash outflows in the statement of cash flows, but instead are included as part of the financing cash outflow. Interest expenses from the newly recognized lease liability are presented in the cash flow from operating activities.

The IFRS 16 impact in 2019 is presented throughout this document.

VEON

RESULTS OF OPERATIONS

FINANCIAL PERFORMANCE FOR SIX MONTHS ENDED JUNE 30, 2019

	Six-month period	
	2019	2018*
(In millions of U.S. dollars, except per share amounts)		
Service revenues	4,085	4,292
Sale of equipment and accessories	201	161
Other revenues / other income	99	67
Total operating revenues	**4,385**	**4,520**
Service costs	(758)	(873)
Cost of equipment and accessories	(206)	(155)
Selling, general and administrative expenses	(1,479)	(1,781)
Other operating gains / (losses)	350	—
Depreciation	(812)	(691)
Amortization	(205)	(256)
Impairment (loss) / reversal	(10)	(10)
Gain / (loss) on disposal of non-current assets	(14)	(37)
Gain / (loss) on disposal of subsidiaries	1	20
Operating profit	**1,252**	**737**
Finance costs	(421)	(423)
Finance income	28	31
Other non-operating losses, net	14	(25)
Net foreign exchange gain / (loss)	(8)	1
Profit / (loss) before tax	**865**	**321**
Income tax expense	(260)	(253)
Profit / (loss) from continuing operations	**605**	**68**
Profit / (loss) after tax from discontinued operations	—	(300)
Profit / (loss) for the period	**605**	**(232)**
Attributable to:		
The owners of the parent (continuing operations)	565	46
The owners of the parent (discontinued operations)	—	(300)
Non-controlling interest	40	22
	605	**(232)**

* *Prior year comparatives are restated following retrospective recognition of depreciation and amortization charges in respect of Deodar in 2018*

TOTAL OPERATING REVENUE

In millions of U.S. dollars	Six-month period ended June 30, 2019	2018
Russia	2,172	2,340
Pakistan	710	731
Algeria	379	402
Bangladesh	271	260
Ukraine	400	329
Uzbekistan	131	155
Others	322	303
Total operating revenue	**4,385**	**4,520**

Our consolidated total operating revenue decreased by 3% year-on-year, primarily due to a decrease of total operating revenue in Russia and Pakistan due to the devaluation of the Russian ruble and Pakistani Rupee.

ADJUSTED EBITDA

In millions of U.S. dollars	Six-month period ended June 30, 2019	2018
Russia	966	884
Pakistan	369	349
Algeria	172	178
Bangladesh	114	91
Ukraine	256	184
Uzbekistan	67	68
HQ	236	(134)
Others	112	91
Total Adjusted EBITDA	**2,292**	**1,711**

Our consolidated Adjusted EBITDA increased by 34% year-on-year, primarily due to the recognition of a one-off gain of US$350 million in our HQ segment, relating to a revised arrangement with Ericsson to upgrade core IT systems of VEON's operating companies and US$255 million associated with the adoption of IFRS 16 as described in Notes 1, 2 and 14 to our interim condensed consolidated financial statements attached hereto.

OPERATING PROFIT

Our consolidated operating profit increased to US$1,252 million in the six months ended June 30, 2019 compared to US$737 million in the six months ended June 30, 2018, primarily due to the recognition of a one-off gain of US$350 million relating to a revised arrangement with Ericsson to upgrade core IT systems of VEON's operating companies.

NON-OPERATING PROFITS AND LOSSES

Finance costs

Our finance costs remained at a comparable level due to the fact that lower interest charge on our debt was offset by recognition of interest expense related to lease contracts following the adoption of IFRS 16.

Finance income

Our consolidated finance income decreased primarily due to lower interest rates on our deposits and, on average, a lower amount of deposits.

Other non-operating losses

Year-on-year there were no material changes of other non-operating losses.

Net foreign exchange gain

Year-on-year there were no material changes of net foreign exchange gain / (loss).

INCOME TAX EXPENSE

Our consolidated income tax expense increased by 3% to US$260 million in the six months ended June 30, 2019 compared to US$253 million in the six months ended June 30, 2018.

For more information regarding income tax expenses, please refer to Note 3 of our unaudited interim condensed consolidated financial statements attached hereto.

PROFIT / (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS

During the six months ended June 30, 2018, we recorded a loss of US$300 million, which was attributable to the operations of the Italy Joint Venture. We exited the Italy Joint Venture in September 2018.

PROFIT / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF THE PARENT FROM CONTINUING OPERATIONS

The year-on-year change of our profit / (loss) for the period attributable to the owners of the parent from continuing operations was mainly due to increased operating profit as discussed above.

PROFIT / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO NON-CONTROLLING INTEREST

The year-on-year change of profit / (loss) for the period attributable to non-controlling interest was mainly driven by higher net profit recognized by GTH during the six months ended June 30, 2019.

RESULT OF REPORTABLE SEGMENTS

RUSSIA

RESULTS OF OPERATIONS IN US$

In millions of U.S. dollars (except as indicated)	Six months ended June 30, 2019	2018	2019-2018 change %
Total operating revenue	**2,172**	**2,340**	**-7%**
Mobile service revenue	1,714	1,887	-9%
- of which mobile data	467	516	-10%
Fixed-line service revenue	260	300	-13%
Sales of equipment, accessories and other	198	154	29%
Adjusted EBITDA	**966**	**884**	**9%**
Adjusted EBITDA margin	**44.5%**	**37.8%**	**6.7pp**

RESULTS OF OPERATIONS IN RUB

In millions of RUB (except as indicated)	Six months ended June 30, 2019	2018	2019-2018 change %
Total operating revenue	**141,801**	**138,893**	**2%**
Mobile service revenue	111,926	111,892	0%
- of which mobile data	30,471	30,555	0%
Fixed-line service revenue	16,967	17,768	-5%
Sales of equipment, accessories and other	12,908	9,234	40%
Adjusted EBITDA	**63,106**	**52,447**	**20%**
Adjusted EBITDA margin	**44.5%**	**37.8%**	**6.7pp**

SELECTED PERFORMANCE INDICATORS

	Six months ended June 30, 2019	2018	2019-2018 change %
Mobile			
Customers in millions	54.3	56.4	-4%
Mobile data customers in millions	35.8	36.6	-2%
ARPU in US$	5	6	-5%
ARPU in RUB	339.0	324.0	5%

TOTAL OPERATING REVENUE

Our total operating revenue in Russia decreased by 7% year-on-year, primarily due to the devaluation of the Russian ruble. In functional currency terms, total operating revenue increased by 2% year-on-year due to the strong growth in sales of equipment and accessories following the expansion of our monobrand stores.

ADJUSTED EBITDA

Our Russia Adjusted EBITDA increased by 9% year-on-year to US$966 million, primarily due to the capitalization of lease costs upon adoption of IFRS 16 on January 1, 2019, which was partially offset by the devaluation of the Russian ruble.

In functional currency terms, our Russia Adjusted EBITDA increased by 20%.

SELECTED PERFORMANCE INDICATORS

The number of mobile customers and the number of mobile data customers in Russia decreased year-on-year in each case driven by a reduction in gross sales through alternative distribution channels after the expansion of Beeline monobrand stores during FY 2018.

Our mobile ARPU in Russia decreased by 5% year-on-year to US$5.0, mainly due to the devaluation of the Russian ruble. In functional currency terms, mobile ARPU in Russia increased by 5% year-on-year to RUB 339, mainly driven by increased ARPU of voice and data services.

PAKISTAN

RESULTS OF OPERATIONS IN US$

	Six months ended June 30,		
In millions of U.S. dollars (except as indicated)	**2019**	**2018**	**2019-2018 change %**
Total operating revenue	**710**	**731**	**-3%**
Mobile service revenue	662	678	-2%
- of which mobile data	183	130	40%
Sales of equipment, accessories and other	48	53	-8%
Adjusted EBITDA	369	349	6%
Adjusted EBITDA margin	**51.9%**	**47.8%**	**4.1pp**

RESULTS OF OPERATIONS IN PKR

	Six months ended June 30,		
In millions of PKR (except as indicated)	**2019**	**2018**	**2019-2018 change %**
Total operating revenue	**101,707**	**83,354**	**22%**
Mobile service revenue	94,799	77,342	23%
- of which mobile data	26,121	14,890	75%
Sales of equipment, accessories and other	6,907	6,012	15%
Adjusted EBITDA	**52,915**	**39,870**	**33%**
Adjusted EBITDA margin	**52.0%**	**47.8%**	**4.2pp**

SELECTED PERFORMANCE INDICATORS

	Six months ended June 30,		
	2019	**2018**	**2019-2018 change %**
Mobile			
Customers in millions	59.5	55.5	7%
Mobile data customers in millions	36.9	31.5	17%
ARPU in US$	1.9	2.1	-8%
ARPU in PKR	271	236	15%

TOTAL OPERATING REVENUE

In the six months ended June 30, 2019, our Pakistan total operating revenue decreased by 3% year-on-year to US $710 million as a result of the devaluation of the local currency. In functional currency terms, our Pakistan total operating revenue increased by 22% as a result of by good operational execution as well as higher usage by customers following the suspension of taxes collected from customers by mobile operators. The suspension was reversed on April 24, 2019 negatively impacting performance in May and June of 2019.

ADJUSTED EBITDA

Our Pakistan Adjusted EBITDA increased by 6% year-on-year to US$369 million in the six months ended June 30, 2019, primarily driven by revenue growth in functional currency terms, one-off tax related costs and capitalization of lease costs upon the adoption of IFRS 16 on January 1, 2019, partially offset by the devaluation of the local currency. In functional currency terms, our Pakistan Adjusted EBITDA increased by 32% year-on-year.

SELECTED PERFORMANCE INDICATORS

As of June 30, 2019, we had 59.5 million customers in Pakistan, representing an increase of 7% year-on-year driven by higher data customers on the back of the continued expansion of the data network. The number of mobile data customers increased by 17% year-on-year due to the factors discussed above for the number of customers.

In the six months ended June 30, 2019, our mobile ARPU in Pakistan decreased by 8% year-on-year to US$1.9, driven by a devaluation of the local currency. In functional currency terms, mobile ARPU in Pakistan increased by 15% year-on-year to PKR 271, driven mainly by a one-off tax impact, an increase in usage and several price monetization initiatives.

ALGERIA

RESULTS OF OPERATIONS IN US$

In millions of U.S. dollars (except as indicated)	Six months ended June 30, 2019	2018	2019-2018 change %
Total operating revenue	**379**	**402**	**-6%**
Mobile service revenue	378	400	-5%
- of which mobile data	106	94	13%
Sales of equipment, accessories and other	1	3	-62%
Adjusted EBITDA	**172**	**178**	**-3%**
Adjusted EBITDA margin	**45.5%**	**44.2%**	**1.3pp**

RESULTS OF OPERATIONS IN DZD

In millions of DZD (except as indicated)	Six months ended June 30, 2019	2018	2019-2018 change %
Total operating revenue	**45,141**	**46,232**	**-2%**
Mobile service revenue	45,018	45,922	-2%
- of which mobile data	12,669	10,825	-17%
Sales of equipment, accessories and other	123	310	-60%
Adjusted EBITDA	**20,524**	**20,410**	**1%**
Adjusted EBITDA margin	**45.5%**	**44.1%**	**1.3pp**

SELECTED PERFORMANCE INDICATORS

	Six months ended June 30, 2019	2018	2019-2018 change %
Mobile			
Customers in millions	15.6	15.5	4%
Mobile data customers in millions	9.3	8.3	13%
ARPU in US$	4.0	4.4	-8%
ARPU in DZD	476	501	-5%

TOTAL OPERATING REVENUE

Our Algeria total operating revenue decreased by 6% year-on-year, primarily due to decreased mobile ARPU as a result of price competition in both voice and data service and the devaluation of the local currency. Data revenue growth remained strong due to higher usage and an increase in data customers as a result of the rollout of 4G/LTE network. In functional currency terms, total operating revenue in Algeria decreased by 2% year-on-year.

ADJUSTED EBITDA

Our Algeria Adjusted EBITDA decreased by 3% year-on-year, primarily due to the decrease in total revenues, as discussed above, coupled with an increase in technology and commercial costs offset by capitalization of leasing expenses upon the adoption of IFRS 16. In functional currency terms, our Algeria Adjusted EBITDA increased by 1% year-on-year.

VEON

SELECTED PERFORMANCE INDICATORS

The customer base in our Algeria segment increased by 4% year-on-year driven by the success of our new prepaid proposition launched earlier in the year. Our mobile data customers in Algeria increased by 13% year-on-year mainly due to the acceleration of 4G/LTE network deployment and increased smartphone penetration.

In the six months ended June 30, 2019, our mobile ARPU in Algeria decreased by 8% year-on-year to US$4.0, mainly due to continued price competition in both voice and data services and local currency devaluation. In functional currency terms, our mobile ARPU in Algeria decreased by 5% year-on-year.

BANGLADESH

RESULTS OF OPERATIONS IN US$

In millions of U.S. dollars (except as indicated)	Six months ended June 30, 2019	2018	2019-2018 change %
Total operating revenue	**271**	**260**	**4%**
Mobile service revenue	264	250	6%
- of which mobile data	53	41	31%
Sales of equipment, accessories and other	6	10	-37%
Adjusted EBITDA	**114**	**91**	**25%**
Adjusted EBITDA margin	**42.3%**	**35.2%**	**7.1pp**

RESULTS OF OPERATIONS IN BDT

In millions of BDT (except as indicated)	Six months ended June 30, 2019	2018	2019-2018 change %
Total operating revenue	**22,750**	**21,676**	**5%**
Mobile service revenue	22,235	20,864	7%
- of which mobile data	4,496	3,411	32%
Sales of equipment, accessories and other	515	812	-37%
Adjusted EBITDA	**9,617**	**7,632**	**26%**
Adjusted EBITDA margin	**42.3%**	**35.2%**	**7.1pp**

SELECTED PERFORMANCE INDICATORS

	Six months ended June 30, 2019	2018	2019-2018 change %
Mobile			
Customers in millions	32.9	32.0	3%
Mobile data customers in millions	21.1	19.2	10%
ARPU in US$	1.3	1.3	3%
ARPU in BDT	113	110	3%

TOTAL OPERATING REVENUE

Our Bangladesh total operating revenue increased by 4% year-on-year primarily due to an acceleration of service revenue growth following spectrum acquisition in Q1 2018 and enhanced network availability, along with the continued expansion of Banglalink's distribution footprint. In functional currency terms, total operating revenue in Bangladesh increased by 5% year-on-year.

ADJUSTED EBITDA

Our Bangladesh Adjusted EBITDA increased by 25% year-on-year due to higher revenue and the impact of IFRS 16 adoption as of January 1, 2019. In functional currency terms, our Bangladesh Adjusted EBITDA increased by 26% year-on-year.

SELECTED PERFORMANCE INDICATORS

Customers in our Bangladesh segment increased by 3% year-on-year to 32.9 million. The increase was mainly due to improved distribution and network availability. The number of mobile data customers increased by 10% year-on-year due to increased efforts to attract new customers, successful targeting of voice-only customers and network expansion with the acquisition of additional spectrum and a 4G/LTE license in the first quarter of 2018.

Our mobile ARPU in Bangladesh increased by 3% year-on-year to US$1.3 mainly due to the increase of data ARPU. In functional currency terms, mobile ARPU in Bangladesh increased by 3% year-on-year to BDT 113.

UKRAINE

RESULTS OF OPERATIONS IN US$

	Six months ended June 30,		
In millions of U.S. dollars (except as indicated)	**2019**	**2018**	**2019-2018 change %**
Total operating revenue	**400**	**329**	**22%**
Mobile service revenue	372	305	22%
- of which mobile data	195	109	78%
Fixed-line service revenue	25	22	11%
Sales of equipment, accessories and other	3	2	54%
Adjusted EBITDA	**256**	**184**	**39%**
Adjusted EBITDA margin	**64.0%**	**55.8%**	**8.2pp**

RESULTS OF OPERATIONS IN UAH

	Six months ended June 30,		
In millions of UAH (except as indicated)	**2019**	**2018**	**2019-2018 change %**
Total operating revenue	**10,750**	**8,785**	**22%**
Mobile service revenue	10,020	8,149	23%
- of which mobile data	5,238	2,915	80%
Fixed-line service revenue	662	593	12%
Sales of equipment, accessories and other	67	43	56%
Adjusted EBITDA	**6,880**	**4,902**	**40%**
Adjusted EBITDA margin	**64.0%**	**55.8%**	**8.2pp**

SELECTED PERFORMANCE INDICATORS

	Six months ended June 30,		
	2019	2018	2019-2018 change %
Mobile			
Customers in millions	26.2	26.5	(1)%
Mobile data customers in millions	15.7	13.5	16%
ARPU in US$	2.3	1.9	24%
ARPU in UAH	63	50	25%

TOTAL OPERATING REVENUE

Our Ukraine total operating revenue increased by 22% year-on-year to US$400 million in the six months ended June 30, 2019. The increase was primarily due to strong data revenue growth.

In functional currency terms, our Ukraine total operating revenue increased by 22% year-on-year.

ADJUSTED EBITDA

Our Ukraine Adjusted EBITDA increased by 39% year-on-year to US$256 million in the six months ended June 30, 2019, primarily due to higher revenues, as discussed above, and lower service costs and capitalization of leasing costs upon the adoption of IFRS 16. In functional currency terms, our Ukraine Adjusted EBITDA increased by 40% year-on-year.

SELECTED PERFORMANCE INDICATORS

As of June 30, 2019, we had 26.2 million mobile customers in Ukraine, representing a decrease of 1% year-on-year. The decrease was a result of demographic trends in Ukraine and the reduction in multi SIM users. The number of our mobile data customers in Ukraine increased by 16% year-on-year, mainly due to an increased 4G/ LTE user penetration.

In the six months ended June 30, 2019, our mobile ARPU in Ukraine increased by 24% year-on-year to US$2.3 due to data usage growth. In functional currency terms, mobile ARPU in Ukraine increased by 25% to UAH 63.

UZBEKISTAN

RESULTS OF OPERATIONS IN US$

In millions of U.S. dollars (except as indicated)	Six months ended June 30, 2019	2018	2019-2018 change %
Total operating revenue	**131**	**155**	**-16%**
Mobile service revenue	130	154	-16%
- of which mobile data	58	49	18%
Fixed-line service revenue	1	1	-28%
Sales of equipment, accessories and other	1	—	7%
Adjusted EBITDA	**67**	**68**	**-3%**
Adjusted EBITDA margin	**51.0%**	**44.2%**	**6.8pp**

RESULTS OF OPERATIONS IN UZS

In billions of UZS (except as indicated)	Six months ended June 30, 2019	2018	2019-2018 change %
Total operating revenue	**1,102**	**1,252**	**-12%**
Mobile service revenue	1,094	1,241	-12%
- of which mobile data	491	400	23%
Fixed-line service revenue	7	9	-25%
Sales of equipment, accessories and other	2	2	13%
Adjusted EBITDA	**562**	**553**	**2%**
Adjusted EBITDA margin	**51.0%**	**44.1%**	**6.8pp**

SELECTED PERFORMANCE INDICATORS

	Six months ended June 30, 2019	2018	2019-2018 change %
Mobile			
Customers in millions	8.7	9.3	-7%
ARPU in US$	2.4	2.7	-10%
ARPU in UZS	20,262	21,694	-7%
Mobile data customers in millions	5.4	5.0	8%

TOTAL OPERATING REVENUE

Our Uzbekistan total operating revenue decreased by 16% year-on-year to US$131 million as a result of the negative impact from the reduction in mobile termination rates and the introduction of the 15% excise tax. In functional currency terms, our Uzbekistan total operating revenue decreased by 12% year-on-year.

ADJUSTED EBITDA

Our Uzbekistan Adjusted EBITDA decreased by 3% year-on-year to US$67 million in the six months ended June 30, 2019, primarily due to the devaluation of the local currency. In functional currency terms, in the six months ended June 30, 2019, our Uzbekistan Adjusted EBITDA increased by 2% year-on-year.

SELECTED PERFORMANCE INDICATORS

As of June 30, 2019, we had 8.7 million mobile customers in our Uzbekistan segment representing a decrease of 7% year-on-year. The decrease was the result of our strategic focus on high value customers. As of June 30, 2019, the number of our mobile data customers in Uzbekistan increased by 8% year-on-year to 5.4million, primarily due to a strengthening of the data network which resulted in increased usage of smartphones and bundled offerings.

In the six months ended June 30, 2019, our mobile ARPU in Uzbekistan was US$2.4, representing a decrease of 10% year-on-year due to decreased voice ARPU partially offset by increased data ARPU. In functional currency terms, mobile ARPU in Uzbekistan decreased by 7% year-on-year.

HQ

Our HQ Adjusted EBITDA was US$236 million for the six months ended June 30, 2019, compared to negative US$134 million for the six months ended June 30, 2018, primarily attributable to a gain of US$350 million relating to a revised arrangement with Ericsson to upgrade core IT systems of VEON's operating companies. For further details on the revised arrangement with Ericsson refer to Note 4 of the interim condensed consolidated financial statements attached hereto.

LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL

Working capital is defined as current assets less current liabilities.

As of June 30, 2019, we had negative working capital of US$2,096 million, compared to negative working capital of US$1,303 million as of December 31, 2018. The change was primarily due to increased financial liabilities upon adoption of IFRS 16 partially offset by increased trade and other receivables primarily relating to a gain of US$350 million as also discussed above.

Our working capital is monitored on a regular basis by our management. Our management expects to repay our debt as it becomes due from our operating cash flows or through additional borrowings. Although we have a negative working capital, our management believes that our cash balances and available credit facilities are sufficient to meet our short term and foreseeable long-term cash requirements.

CONSOLIDATED CASH FLOW SUMMARY

OPERATING ACTIVITIES

During the six months ended June 30, 2019, net cash flows from operating activities increased to US$1,550 million from US$1,302 million during the six months ended June 30, 2018. The increase was mainly due to lower interest paid during Q2 2019 compared to Q2 2018 and payment received from the revised arrangement with Ericsson.

INVESTING ACTIVITIES

During the six months ended June 30, 2019, our total payments for the purchase of property, equipment and intangible assets amounted to US$825 million compared to US$1,177 million during the six months ended June 30, 2018. The decrease was primarily connected to different phasing in acquisitions of network equipment.

During the six months ended June 30, 2019, we paid US$668 million and we received US$987 million during the six months ended June 30, 2018, both primarily relating to amounts pledged as collateral for the Mandatory Tender Offer ("MTO") with respect to the acquisition of the non-controlling interest of GTH.

Acquisitions and Dispositions

For information regarding our acquisitions and dispositions, see Notes 5 and 6 to our unaudited interim condensed consolidated financial statements attached hereto.

FINANCING ACTIVITIES

During the six months ended June 30, 2019, net cash outflow for financing activities was US$580 million compared to net cash outflow of US$1,333 million during the six months ended June 30, 2018. The change of net cash flows from financing activities was mainly driven by a lower net repayment of borrowings during the six months ended June 30, 2019.

During the six months ended June 30, 2019, we repaid US$1,257 million relating mostly to the maturity of VEON Holdings B.V. bonds that had a notional amount of US$571 million and of Banglalink bonds that had a notional amount of US$300 million, and raised US$1,206 million net of fees paid for borrowings, which related mostly to short-term drawings under the VEON Holdings B.V. Revolving Credit Facility and Syndicated Term Facility utilized by Banglalink to refinance maturing bonds. Other debt movements included drawing and repaying various minor facilities as part of short-term liquidity management as well as scheduled repayments of amortizing loans.

BORROWINGS

As of June 30, 2019, the principal amounts of our external indebtedness represented by bank loans and bonds amounted to US$7,419 million, compared to US$7,298 million as of December 31, 2018. As of June 30, 2019, our debt includes overdrawn bank accounts related to a cash-pooling program of US$57 million (December 31, 2018: US$17 million).

As of June 30, 2019, VEON had the following principal amounts outstanding for interest-bearing loans and bonds as well as cash-pool overdrawn bank accounts:

Entity	Type of debt/ original lenders	Interest rate	Debt currency	Outstanding debt (mln)	Outstanding debt (USD mln)	Maturity date
VEON Holdings B.V.	Loan from Sberbank	10.0000%	RUB	95,000	1,506	05.19.2022
VEON Holdings B.V.	Loan from Alfa Bank	8.8000%	RUB	17,500	277	08.30.2022
VEON Holdings B.V.	Loan from VTB	8.7500%	RUB	30,000	476	08.30.2022
VEON Holdings B.V.	Notes	3.9500%	USD	600	600	06.16.2021
VEON Holdings B.V.	Notes	7.5043%	USD	417	417	01.03.2022
VEON Holdings B.V.	Notes	5.9500%	USD	529	529	02.13.2023
VEON Holdings B.V.	Notes	4.9500%	USD	533	533	06.17.2024
VEON Holdings B.V.	RCF utilization	4.4106%	USD	310	310	07.15.2019
VEON Holdings B.V.	RCF utilization	4.3829%	USD	300	300	07.22.2019
VEON Holdings B.V.	RCF utilization	4.4024%	USD	50	50	07.29.2019
VEON Holdings B.V.	Cash-pool overdrawn accounts*				45	
TOTAL VEON Holdings B.V.					**5,043**	
GTH Finance B.V.	Notes	6.2500%	USD	500	500	04.26.2020
GTH Finance B.V.	Notes	7.2500%	USD	700	700	04.26.2023
TOTAL GTH Finance B.V.					**1,200**	
PJSC VimpelCom	Loan from VIP Finance Ireland (funded by the issuance of loan participation notes by VIP Finance Ireland)	7.7480%	USD	262	262	02.02.2021
PJSC VimpelCom	Other PJSC VimpelCom				17	
TOTAL PJSC VimpelCom					**279**	
Pakistan Mobile Communications Limited	Sukuk Certificates	3 months KIBOR + 0.88%	PKR	1,150	7	12.20.2019
Pakistan Mobile Communications Limited	Loan from Habib Bank Limited	6 months KIBOR + 0.90%	PKR	2,000	13	12.23.2020
Pakistan Mobile Communications Limited	Loan from ING Bank N.V.	6 months LIBOR + 1.9%	USD	106	106	12.31.2020
Pakistan Mobile Communications Limited	Loan from MCB Bank Limited	6 months KIBOR + 0.8%	PKR	8,000	50	12.23.2020
Pakistan Mobile Communications Limited	Loan from Habib Bank Limited	6 months KIBOR + 0.35%	PKR	5,463	34	06.29.2022
Pakistan Mobile Communications Limited	Syndicated loan facility	6 months KIBOR	PKR	4,364	27	12.31.2023
Pakistan Mobile Communications Limited	Syndicated loan facility	6 months KIBOR	PKR	2,892	18	12.31.2023

Pakistan Mobile Communications Limited	Syndicated loan facility	6 months KIBOR + 0.35%	PKR	17,000	107	06.29.2022
Pakistan Mobile Communications Limited	Other Pakistan Mobile Communications Limited				29	
TOTAL Pakistan Mobile Communications Limited					**391**	
Banglalink Digital Communications Ltd.	Syndicated loan facility	3 months LIBOR + 2%	USD	300	300	02.05.2019
Banglalink Digital Communications Ltd.	Syndicated loan facility	Average bank deposit rate + 4.25%	BDT	8,614	102	12.24.2022
Banglalink Digital Communications Ltd.	Syndicated loan facility	Average bank deposit rate + 3.0%	BDT	2,442	29	12.24.2020
TOTAL Banglalink Digital Communications Ltd.					**431**	
Optimum Telecom Algérie S.p.A.	Syndicated loan facility	Bank of Algeria Re-Discount Rate + 2.0% (floor 5.5%)	DZD	7,500	63	12.30.2019
TOTAL Optimum Telecom Algérie S.p.A.					**63**	
Other entities	Cash-pool overdrawn accounts*				12	
Total VEON consolidated					**7,419**	

** As of June 30, 2019, some bank accounts forming part of a cash pooling program and being an integral part of VEON's cash management remained overdrawn by US$57 million. Even though the total balance of the cash pool remained positive, VEON has no legally enforceable right to set-off and therefore the overdrawn accounts are presented as financial liabilities and form part of our debt.*

For additional information on our outstanding indebtedness, please refer to Note 7 of our unaudited interim condensed consolidated financial statements attached hereto.

FUTURE LIQUIDITY AND CAPITAL REQUIREMENTS

During the six months ended June 30, 2019, our capital expenditures excluding licenses and excluding right-of-use assets were US$838 million compared to US$757 million in the six months ended June 30, 2018. The increase in capital expenditures excluding licenses and excluding right-of-use assets was primarily due to continued investments in network development in Russia.

We expect that our capital expenditures excluding licenses and excluding right-of-use assets in 2019 will mainly consist of investing in high-speed data networks to capture mobile data growth, including the continued roll-out of 4G/LTE networks in Russia, Algeria, Bangladesh, Pakistan and Ukraine. We expect that these expenditures will continue to be significant throughout the remainder of 2019.

Management anticipates that the funds necessary to meet our current and expected capital requirements in the foreseeable future (including with respect to any possible acquisitions) will come from:

- Cash we currently hold;
- Operating cash flows;

- Borrowings under bank financings, including credit lines currently available to us;
- Syndicated loan facilities; and
- Issuances of debt securities on local and international capital markets.

As of June 30, 2019, we had an undrawn amount of US$2,089 million under existing credit facilities.

Management expects that positive cash flows from our current operations will continue to provide us with internal sources of funds. The availability of external financing depends on many factors, including the success of our operations, contractual restrictions, availability of guarantees from export credit agencies, the financial position of international and local banks, the willingness of international banks to lend to our companies and the liquidity of international and local capital markets.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from adverse movements in foreign currency exchange rates and changes in interest rates on our obligations.

As of June 30, 2019, the largest currency exposure risks for our group were in relation to the Russian ruble, the Pakistani rupee, the Algerian dinar, the Bangladeshi taka, the Ukrainian hryvnia and the Uzbek som, because the majority of our cash flows from operating activities in Russia, Pakistan, Algeria, Bangladesh, Ukraine and Uzbekistan are denominated in each of these functional currencies, respectively, while our debt, if not incurred in or hedged to the aforementioned currencies, is primarily denominated in U.S. dollars.

As of June 30, 2019, we held approximately 49% of our readily available cash and bank deposits in U.S. dollars (excluding the collateral deposit for the MTO of US$668 million which is also held in US dollars) in order to hedge against the risk of functional currency devaluation. We also hold part of our debt in Russian rubles and other currencies to manage this risk. Nonetheless, if the U.S. dollar value of the Russian ruble, Algerian dinar, Pakistani rupee, Bangladeshi taka, Ukrainian hryvnia or Uzbek som were to dramatically decline, it could negatively impact our ability to repay or refinance our U.S. dollar denominated indebtedness. Our treasury function has developed risk management policies that establish guidelines for limiting foreign currency exchange rate risk.

For more information on risks associated with currency exchange rates, see the section of our 2018 Annual Report entitled “Item 3—Key Information—D. Risk Factors— Market Risks —We are exposed to foreign currency exchange loss and currency fluctuation and translation risks.”

In accordance with our policies, we do not enter into any treasury transactions of a speculative nature.

As of June 30, 2019, the interest rate risk on the financing of our group was limited as 83% of our group’s total debt was fixed rate debt.

Unaudited interim condensed
consolidated financial statements

VEON Ltd.

As of and for the six and three-month periods
ended June 30, 2019

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INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

for the six and three-month periods ended June 30

(In millions of U.S. dollars, except per share amounts)	Note	Six-month period 2019	Six-month period 2018*	Three-month period 2019	Three-month period 2018*
Service revenues		4,085	4,292	2,080	2,136
Sale of equipment and accessories		201	161	112	100
Other revenues / other income		99	67	69	34
Total operating revenues	2	**4,385**	**4,520**	**2,261**	**2,270**
Service costs		(758)	(873)	(390)	(435)
Cost of equipment and accessories		(206)	(155)	(116)	(96)
Selling, general and administrative expenses		(1,479)	(1,781)	(761)	(882)
Other operating gains / (losses)	4	350	—	—	—
Depreciation		(812)	(691)	(409)	(337)
Amortization		(205)	(256)	(111)	(130)
Impairment (loss) / reversal		(10)	(10)	(4)	(7)
Gain / (loss) on disposal of non-current assets		(14)	(37)	(7)	(20)
Gain / (loss) on disposal of subsidiaries		1	20	1	20
Operating profit		**1,252**	**737**	**464**	**383**
Finance costs		(421)	(423)	(210)	(206)
Finance income		28	31	14	12
Other non-operating losses, net		14	(25)	10	(16)
Net foreign exchange gain / (loss)		(8)	1	(22)	(11)
Profit / (loss) before tax		**865**	**321**	**256**	**162**
Income tax expense	3	(260)	(253)	(181)	(136)
Profit / (loss) from continuing operations		**605**	**68**	**75**	**26**
Profit / (loss) after tax from discontinued operations		—	(300)	—	(170)
Profit / (loss) for the period		**605**	**(232)**	**75**	**(144)**
Attributable to:					
The owners of the parent (continuing operations)		565	46	70	28
The owners of the parent (discontinued operations)		—	(300)	—	(170)
Non-controlling interest		40	22	5	(2)
		605	**(232)**	**75**	**(144)**
Basic and diluted gain / (loss) per share attributable to ordinary equity holders of the parent:					
from continuing operations		$0.32	$0.03	$0.04	$0.02
from discontinued operations		$0.00	($0.17)	$0.00	($0.10)
Total		**$0.32**	**($0.14)**	**$0.04**	**($0.08)**

* *Prior year comparatives are restated following the retrospective recognition of depreciation and amortization charges in respect of Deodar in 2018.*

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six and three-month periods ended June 30

		Six-month period		Three-month period	
(In millions of U.S. dollars)	**Note**	**2019**	**2018***	**2019**	**2018***
Profit / (loss) for the period		**605**	**(232)**	**75**	**(144)**
Items that may be reclassified to profit or loss					
Net movement on cash flow hedges		—	(2)	—	1
Share of other comprehensive income / (loss) of Italy Joint Venture		—	(18)	—	(6)
Foreign currency translation		22	(347)	(34)	(380)
Other comprehensive income / (loss) for the period, net of tax		**22**	**(367)**	**(34)**	**(385)**
Total comprehensive income / (loss) for the period, net of tax		**627**	**(599)**	**41**	**(529)**
Attributable to:					
The owners of the parent		640	(534)	76	(450)
Non-controlling interests		(13)	(65)	(35)	(79)
		627	**(599)**	**41**	**(529)**

* *Prior year comparatives are restated following the retrospective recognition of depreciation and amortization charges in respect of Deodar in 2018.*

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of

(In millions of U.S. dollars)	Note	June 30, 2019	December 31 , 2018
Assets			
Non-current assets			
Property and equipment	5	7,194	4,932
Intangible assets	6	1,729	1,854
Goodwill	6	3,971	3,816
Deferred tax assets		139	197
Other assets		154	193
Total non-current assets		**13,187**	**10,992**
Current assets			
Inventories		178	141
Trade and other receivables		654	577
Financial assets	7	762	88
Current income tax assets		52	112
Other assets		337	367
Assets held for sale		18	17
Cash and cash equivalents	8	1,331	1,808
Total current assets		**3,332**	**3,110**
Total assets		**16,519**	**14,102**
Equity and liabilities			
Equity			
Equity attributable to equity owners of the parent		4,000	3,670
Non-controlling interests		(1,010)	(891)
Total equity		**2,990**	**2,779**
Non-current liabilities			
Financial liabilities	7	7,777	6,567
Provisions		126	110
Deferred tax liabilities		156	180
Other liabilities		42	53
Total non-current liabilities		**8,101**	**6,910**
Current liabilities			
Trade and other payables		1,565	1,432
Financial liabilities	7	2,296	1,289
Provisions		190	234
Current income tax payables		144	196
Other liabilities		1,227	1,258
Liabilities held for sale		6	4
Total current liabilities		**5,428**	**4,413**
Total equity and liabilities		**16,519**	**14,102**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six-month period ended June 30, 2019

(In millions of U.S. dollars)	Note	Number of shares outstanding	Attributable to equity owners of the parent: Issued capital	Capital Surplus	Other capital reserves	Accumulated deficit	Foreign currency translation	Total	Non-controlling interests	Total equity
As of December 31, 2018		**1,749,127,404**	**2**	**12,753**	**743**	**(1,412)**	**(8,416)**	**3,670**	**(891)**	**2,779**
Adjustments arising due to IFRS 16	14	—	—	—	—	(3)	—	(3)	(1)	(4)
As of January 1, 2019		**1,749,127,404**	**2**	**12,753**	**743**	**(1,415)**	**(8,416)**	**3,667**	**(892)**	**2,775**
Profit / (loss) for the period		—	—	—	—	565	—	565	40	605
Other comprehensive income / (loss)		—	—	—	—	1	74	75	(53)	22
Total comprehensive income / (loss)		—	—	—	—	566	74	640	(13)	627
Dividends declared	10	—	—	—	—	(297)	—	(297)	(108)	(405)
Other		—	—	—	1	(11)	—	(10)	3	(7)
As of June 30, 2019		**1,749,127,404**	**2**	**12,753**	**744**	**(1,157)**	**(8,342)**	**4,000**	**(1,010)**	**2,990**

for the six-month period ended June 30, 2018

(In millions of U.S. dollars)	Note	Number of shares outstanding	Attributable to equity owners of the parent: Issued capital	Capital Surplus	Other capital reserves	Accumulated deficit	Foreign currency translation	Total	Non-controlling interests	Total equity
As of December 31, 2017 *		**1,749,127,404**	**2**	**12,753**	**729**	**(1,486)**	**(7,667)**	**4,331**	**(441)**	**3,890**
Adjustments arising due to IFRS 9 and IFRS 15		—	—	—	—	46	—	46	11	57
As of January 1, 2018 *		**1,749,127,404**	**2**	**12,753**	**729**	**(1,440)**	**(7,667)**	**4,377**	**(430)**	**3,947**
Profit / (loss) for the period *		—	—	—	—	(254)	—	(254)	22	(232)
Other comprehensive income / (loss) *		—	—	—	(18)	(3)	(259)	(280)	(87)	(367)
Total comprehensive income / (loss) *		—	—	—	(18)	(257)	(259)	(534)	(65)	(599)
Dividends declared		—	—	—	—	(299)	—	(299)	(92)	(391)
Other		—	—	—	3	(16)	(9)	(22)	11	(11)
As of June 30, 2018		**1,749,127,404**	**2**	**12,753**	**714**	**(2,012)**	**(7,935)**	**3,522**	**(576)**	**2,946**

* *Prior year comparatives are restated following the retrospective recognition of depreciation and amortization charges in respect of Deodar in 2018.*

for the three-month period June 30, 2019

(In millions of U.S. dollars)	Note	Attributable to equity owners of the parent: Number of shares outstanding	Issued capital	Capital Surplus	Other capital reserves	Accumulated deficit	Foreign currency translation	Total	Non-controlling interests	Total equity
March 31, 2019		**1,749,127,404**	**2**	**12,753**	**744**	**(1,217)**	**(8,349)**	**3,933**	**(898)**	**3,035**
Profit / (loss) for the period		—	—	—	—	70	—	70	5	75
Other comprehensive income / (loss)		—	—	—	—	(1)	7	6	(40)	(34)
Total comprehensive income / (loss)		—	—	—	—	69	7	76	(35)	41
Dividends declared	10	—	—	—	—	—	—	—	(84)	(84)
Other		—	—	—	—	(9)	—	(9)	7	(2)
June 30, 2019		**1,749,127,404**	**2**	**12,753**	**744**	**(1,157)**	**(8,342)**	**4,000**	**(1,010)**	**2,990**

for the three-month period June 30, 2018

(In millions of U.S. dollars)	Note	Attributable to equity owners of the parent: Number of shares outstanding	Issued capital	Capital Surplus	Other capital reserves	Accumulated deficit	Foreign currency translation	Total	Non-controlling interests	Total equity
March 31, 2018		**1,749,127,404**	**2**	**12,753**	**713**	**(1,852)**	**(7,622)**	**3,994**	**(416)**	**3,578**
Profit / (loss) for the period *		—	—	—	—	(142)	—	(142)	(2)	(144)
Other comprehensive income / (loss) *		—	—	—	(1)	(3)	(304)	(308)	(77)	(385)
Total comprehensive income / (loss) *		—	—	—	(1)	(145)	(304)	(450)	(79)	(529)
Dividends declared		—	—	—	—	—	—	—	(92)	(92)
Other		—	—	—	2	(15)	(9)	(22)	11	(11)
June 30, 2018		**1,749,127,404**	**2**	**12,753**	**714**	**(2,012)**	**(7,935)**	**3,522**	**(576)**	**2,946**

* *Prior year comparatives are restated following the retrospective recognition of depreciation and amortization charges in respect of Deodar in 2018.*

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six-month period ended June 30

(In millions of U.S. dollars)	Note	2019	2018*
Operating activities			
Profit / (loss) before tax from continuing operations		865	321
Non-cash adjustments to reconcile profit before tax to net cash flows			
Depreciation, amortization and impairment loss / (reversal)		1,027	957
Gain / (loss) on disposal of non-current assets		14	37
Gain / (loss) on disposal of subsidiaries		(1)	(20)
Finance costs		421	423
Finance income		(28)	(31)
Other non-operating losses		(14)	25
Net foreign exchange gain		8	(1)
Changes in trade and other receivables and prepayments		(180)	181
Changes in inventories		(27)	(120)
Changes in trade and other payables		(14)	100
Changes in provisions, pensions and other		46	7
Interest paid		(358)	(397)
Interest received		32	32
Income tax paid		(241)	(212)
Net cash flows from operating activities		**1,550**	**1,302**
Investing activities			
Purchase of property, plant and equipment and intangible assets		(825)	(1,177)
Receipts from / (payment on) deposits	4	(662)	1,042
Receipts from / (investment in) financial assets		(16)	36
Other proceeds from investing activities, net		24	9
Net cash flows from / (used in) investing activities		**(1,479)**	**(90)**
Financing activities			
Proceeds from borrowings, net of fees paid**	7	1,206	607
Repayment of borrowings		(1,257)	(1,643)
Repayment of lease liabilities (principal element of lease payments)		(167)	—
Acquisition of non-controlling interest		(5)	—
Dividends paid to owners of the parent		(295)	(286)
Dividends paid to non-controlling interests		(62)	(11)
Net cash flows from / (used in) financing activities		**(580)**	**(1,333)**
Net (decrease) / increase in cash and cash equivalents		(509)	(121)
Net foreign exchange difference		(8)	(51)
Cash and cash equivalents at beginning of period		1,791	1,314
Cash and cash equivalents at end of period, net of overdrafts* **	**8**	**1,274**	**1,142**

* *Prior year comparatives are restated following the retrospective reversal of reclassification of Deodar assets and liabilities as held for sale and retrospective recognition of depreciation and amortization charges in 2018.*

** *Fees paid for borrowings were US$14 (2018: US$5).*

*** *Overdrawn amount was US$57 (2018: US$201)*

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

Notes to the interim condensed consolidated financial statements

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

1 GENERAL INFORMATION

VEON Ltd. (**"VEON"**, the **"Company"** and together with its consolidated subsidiaries, the **"Group"** or **"we"**) was incorporated in Bermuda on June 5, 2009. The registered office of VEON is Victoria Place, 31 Victoria Street, Hamilton HM 10, Bermuda. VEON's headquarters and the principal place of business is located at Claude Debussylaan 88, 1082 MD Amsterdam, the Netherlands.

The interim condensed consolidated financial statements are presented in United States dollars (**"U.S. dollar"** or **"US $"**). In these notes, U.S. dollar amounts are presented in millions, except for share and per share (or American Depository Shares (**"ADS"**)) amounts and as otherwise indicated.

VEON's ADSs are listed on the NASDAQ Global Select Market (**"NASDAQ"**) and VEON's common shares are listed on Euronext Amsterdam, the regulated market of Euronext Amsterdam N.V. ("**Euronext Amsterdam**").

Major developments during the six-month period ended June 30, 2019

On January 1, 2019, the Company adopted a new accounting standard – IFRS 16 *Leases* – using the modified retrospective approach. This means that the cumulative impact of the adoption was recognized in retained earnings as of January 1, 2019 and comparatives were not restated. For further details please refer to Note 14.

On June 26, 2019, the Egyptian Financial Regulatory Authority ("**FRA**") approved an application submitted by VEON Holdings B.V. for a mandatory tender offer for any and all of the outstanding shares of Global Telecom Holding S.A.E. which are not owned by VEON. For further details please refer to Note 4.

In February 2019, the Company announced a revised arrangement with Ericsson to upgrade its core IT systems in several countries in the coming years. The parties have signed binding terms to vary the existing agreements and as a result, VEON received US$350 during the first half of 2019. For further details please refer to Note 4.

2 SEGMENT INFORMATION

Management analyzes the Company's operating segments separately due to 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, 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 (**"Capital expenditures exc. licenses & ROU"**).

As of January 1, 2019, the Company adopted the new accounting standard IFRS 16 *Leases*. Accordingly, operating lease expenses are no longer recorded in the income statement but are instead considered in recording a lease liability in the statement of financial position. The Company applied a modified retrospective approach, which means that prior period comparatives were not restated. Refer to Note 14 for more details. As a result, Adjusted EBITDA in 2019 is not comparable to Adjusted EBITDA 2018. The impact on Adjusted EBITDA 2019 stemming from IFRS 16 is set out in the table below.

Financial information by reportable segment for the six and three-month periods ended June 30, is presented in the following tables.

Notes to the interim condensed consolidated financial statements

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

	Six-month period ended June 30									
	External customers		Inter-segment		Total revenue		Of which: Mobile		Fixed	
Revenue	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Russia	2,160	2,330	12	10	2,172	2,340	1,911	2,039	261	301
Pakistan	690	729	20	2	710	731	709	731	1	0
Algeria	378	400	1	2	379	402	379	402	—	0
Bangladesh	271	260	—	0	271	260	271	260	—	0
Ukraine	383	318	17	11	400	329	372	306	28	23
Uzbekistan	131	155	—	—	131	155	130	154	1	1
All others	372	328	(50)	(25)	322	303	248	259	74	44
Total segments	**4,385**	**4,520**	**—**	**—**	**4,385**	**4,520**	**4,020**	**4,151**	**365**	**369**

	Three-month period ended June 30									
	External customers		Inter-segment		Total revenue		Of which: Mobile		Fixed	
Revenue	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Russia	1,118	1,168	6	6	1,124	1,174	992	1,029	132	145
Pakistan	338	362	10	1	348	363	347	363	1	—
Algeria	186	199	1	—	187	199	187	199	—	—
Bangladesh	137	131	—	—	137	131	137	131	—	—
Ukraine	203	167	9	6	212	173	197	162	15	12
Uzbekistan	67	79	—	—	67	79	67	78	—	—
All others	212	164	(26)	(13)	186	151	149	127	37	24
Total segments	**2,261**	**2,270**	**—**	**—**	**2,261**	**2,270**	**2,076**	**2,089**	**185**	**181**

	Six-month period ended June 30				Three-month period ended June 30			
	Adjusted EBITDA		Capital expenditures exc. licenses & ROU		Adjusted EBITDA		Capital expenditures exc. licenses & ROU	
Other disclosures	2019	2018 *	2019	2018	2019	2018 *	2019	2018
Russia	966	884	462	373	498	441	236	215
Pakistan	369	349	118	123	186	174	67	57
Algeria	172	178	48	42	83	87	30	28
Bangladesh	114	91	37	76	54	44	23	21
Ukraine	256	184	67	61	138	95	38	35
Uzbekistan	67	68	39	26	35	34	14	17
HQ	236	(134)	1	7	(60)	(54)	1	4
Other	112	91	66	49	60	36	40	25
Total segments	**2,292**	**1,711**	**838**	**757**	**994**	**857**	**449**	**402**

** Impact from IFRS 16 is not included in the 2018 comparative numbers following a modified retrospective approach.*

Notes to the interim condensed consolidated financial statements

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

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

	Six-month period		Three-month period	
	2019	2018	2019	2018
Total Segments Adjusted EBITDA	**2,292**	**1,711**	**994**	**857**
Depreciation	(812)	(691)	(409)	(337)
Amortization	(205)	(256)	(111)	(130)
Impairment (loss) / reversal	(10)	(10)	(4)	(7)
Gain / (loss) on disposal of non-current assets	(14)	(37)	(7)	(20)
Gain / (loss) on disposal of subsidiaries	1	20	1	20
Finance costs	(421)	(423)	(210)	(206)
Finance income	28	31	14	12
Other non-operating losses, net	14	(25)	10	(16)
Net foreign exchange gain / (loss)	(8)	1	(22)	(11)
Profit / (loss) before tax	**865**	**321**	**256**	**162**

The following table provides the details that the adoption of IFRS 16 had on Adjusted EBITDA for the six and three-month periods ended June 30 for each operating segment:

	Six-month period June 30, 2019			Three months ended June 30, 2019		
	Adjusted EBITDA pre-IFRS 16	Impact of IFRS 16	Adjusted EBITDA post-IFRS 16	Adjusted EBITDA pre-IFRS 16	Impact of IFRS 16	Adjusted EBITDA post-IFRS 16
Russia	799	167	966	413	85	498
Pakistan	345	24	369	175	11	186
Algeria	155	17	172	74	9	83
Bangladesh	94	20	114	44	10	54
Ukraine	245	11	256	132	6	138
Uzbekistan	64	3	67	33	2	35
HQ	231	5	236	(65)	5	(60)
Other	104	8	112	59	1	60
Total segments	**2,037**	**255**	**2,292**	**865**	**129**	**994**

3 INCOME TAXES

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

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

	Six-month period		Three-month period	
	2019	2018	2019	2018
Current income taxes	250	296	163	164
Deferred income taxes	10	(43)	18	(28)
Income tax expense	**260**	**253**	**181**	**136**
Effective tax rate*	30.1%	78.8%	70.7%	84.0%

Notes to the interim condensed consolidated financial statements

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

** Effective tax rate for prior year comparatives has been recalculated based on restated profit / (loss) before tax, arising from the retrospective recognition of depreciation and amortization charges in respect of Deodar in 2018.*

The difference between the statutory tax rate in the Netherlands (25.0%) and the effective corporate income tax rate for the Group in the six and three-month periods ending June 30, 2019 (30.1% and 70.7%, respectively) was primarily driven by profitability in countries with a higher nominal rate and income tax losses, primarily within holding entities in the Netherlands, for which no deferred tax-asset has been recognized.

The difference between the statutory tax rate in the Netherlands (25.0%) and the effective corporate income tax rate for the Group in the six and three-month periods ending June 30, 2018 (78.8% and 84.0%, respectively) was primarily driven by profitability in countries with a higher nominal rate and income tax losses, primarily within holding entities in the Netherlands, for which no deferred tax-asset has been recognized.

4 SIGNIFICANT TRANSACTIONS

Mandatory tender offer application in relation to GTH

On February 10, 2019, VEON submitted an application to the Egyptian Financial Regulatory Authority (the **"FRA"**) to approve a mandatory tender offer 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 approximately 42.31% of GTH's issued shares) (the **"MTO"**). On June 26, 2019, the FRA approved the MTO at an adjusted offer price of EGP 5.08 per share. The MTO commenced on July 2, 2019, and is expected to end on August 6, 2019. No liability was established as of June 30, 2019. The MTO will be funded by cash on hand and/or the utilization of undrawn credit facilities. Any increase of the Company's interest in GTH will be accounted for directly in equity upon closing of the transaction. During the six months ended June 30, 2019, following the original submission of the MTO application on February 10, 2019, the Company deposited a collateral of US$668, which is recorded as a current financial asset on the statement of financial position and represents a cash outflow from investing activities in the statement of cash flows. To further simplify the VEON Group's corporate structure, following a successful completion of the MTO and the requisite shareholder approval, it is anticipated that GTH will be delisted from the Egyptian Exchange (the "EGX"). Furthermore, VEON submitted an offer to GTH to acquire substantially all of its operating assets, subject to successful completion of the MTO and delisting. The asset transfers will be conducted at the imputed MTO valuation.

Settlement of GTH Taxes

On June 26, 2019, GTH reached agreement with the Egyptian Tax Authority (**"ETA"**) to settle all outstanding tax liabilities of GTH and its Egyptian subsidiaries for a total amount of US$136 (the **"GTH Tax Settlement"**). The GTH Tax Settlement is in respect of tax liabilities of GTH and its Egyptian subsidiaries for the tax years 2000 through 2018. From June 26, 2019, following the first settlement payment of US$54 by GTH to the ETA, GTH is released in relation to tax years from 2006 through 2007 and 2010 through 2018. In respect of the years 2000 through 2005 and 2008 through 2009 for GTH and all years up to and including 2018 for GTH's Egyptian subsidiaries, the tax releases are expected to take effect immediately on the payment of the second settlement of US$82 by no later than December 31, 2019, at which time GTH is expected to delist from EGX. The respective liabilities to the tax authorities have been increased by US$55.

Revised technology infrastructure partnership with Ericsson

On February 25, 2019, the Company announced a revised arrangement with Ericsson to upgrade its core IT systems in several countries in the coming years and to release Ericsson from the development and delivery of the Full Stack Revenue Manager Solution. This revised arrangement enables VEON to continue upgrading IT infrastructure with new digital business support systems (DBSS) using existing software from Ericsson which is already deployed in certain operating companies within VEON. The parties signed binding terms to vary the existing agreements and as a result VEON received US$350 during the first half of 2019. The settlement amount was recorded in the income statement within ‘Other operating gains / (losses)’.

Termination of joint operation in Kazakhstan

In April 2019, the Group received a settlement amount of US$38 from Kcell Joint Stock Company (“Kcell”), related to the termination of the network sharing agreement between Kcell and our subsidiary in Kazakhstan.

Notes to the interim condensed consolidated financial statements

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

5 PROPERTY AND EQUIPMENT

The movement in property and equipment for the six and three-month periods ended June 30 included the following:

	Six-month period		Three-month period	
	2019	2018	2019	2018
Right-of-use assets upon adoption of IFRS 16 (Note 14)	2,023	—	—	—
Cost of acquired right-of-use assets	153	—	97	—
Cost of other acquired assets (excluding right-of-use assets)	746	647	354	333
Net book value of assets disposed	29	44	10	20

Right-of-use assets arising from lease contract primarily relate to land for network sites, network infrastructure and equipment and buildings.

6 INTANGIBLE ASSETS

There were no material changes to intangible assets during the six and three-month periods ended June 30.

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%). The PTA's decision can be appealed to the Islamabad High Court before August 21, 2019.

GOODWILL

The movement in goodwill for the Group, per cash generating unit (**"CGU"**), consisted of the following for the six-month period ended June 30, 2019:

CGU	June 30, 2019	Currency translation	December 31 , 2018
Russia	2,222	204	2,018
Algeria	1,172	(4)	1,176
Pakistan	325	(46)	371
Kazakhstan	155	2	153
Kyrgyzstan	54	—	54
Uzbekistan	43	(1)	44
Total	**3,971**	**155**	**3,816**

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 CGU's were disclosed in the annual consolidated financial statements as of and for the year ended December 31, 2018.

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 in the first half of 2019 (2018: nil).

Notes to the interim condensed consolidated financial statements

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

7 FINANCIAL ASSETS AND LIABILITIES

	June 30, 2019	December 31 , 2018
Financial assets		
Financial assets at fair value		
Derivatives not designated as hedges	8	14
Derivatives designated as net investment hedges	—	45
Investments in debt instruments *	45	36
Other	—	3
	53	**98**
Financial assets at amortized cost		
Cash pledged as collateral (see Note 4)	668	31
Other investments	49	17
	717	**48**
Total financial assets	**770**	**146**
Non-current	8	58
Current	762	88

** Investments in debt instruments relate primarily to government bonds and are measured at fair value through other comprehensive income (with recycling).*

	June 30, 2019	December 31, 2018
Financial Liabilities		
Financial liabilities at fair value		
Derivatives not designated as hedges	52	65
Derivatives designated as net investment hedges	92	—
Contingent consideration	33	40
Other	—	2
	177	**107**
Financial liabilities at amortized cost		
Bank loans and bonds - principal	7,419	7,298
Bank loans and bonds - accrued interest and unamortized fees	58	68
Lease liabilities	2,097	—
Put-option liability over non-controlling interest	271	306
Other financial liabilities	51	77
	9,896	**7,749**
Total financial liabilities	**10,073**	**7,856**
Non-current	7,777	6,567
Current	2,296	1,289

Notes to the interim condensed consolidated financial statements

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

Significant changes in financial assets and financial liabilities

There were no significant changes in financial assets and liabilities in the six-month period ended June 30, 2019, except for the scheduled repayments of debt, adoption of IFRS 16 *Leases*, 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 of and for the year ended December 31, 2018.

Cash pledged as collateral

During the six months ended June 30, 2019, following the original submission of the MTO application on February 10, 2019, the Company deposited a collateral of US$668, which is recorded as a financial asset. See Note 4 for further details.

Banglalink Digital Communications Limited new syndicated term facility agreement

On April 25, 2019, the Company announced that its subsidiary, Banglalink Digital Communications Limited (**"Banglalink"**), entered into a new US$300 syndicated term facility agreement with several international banks. The facility is guaranteed by VEON Holdings B.V. for nil consideration. The facility has a tenor of 12 months with extension options for another 24 months upon agreement with the lenders, and was used to refinance the principal amount of Banglalink's US$300 bond that matured on May 6, 2019.

VEON Holdings B.V. new term facility agreement

On June 26, 2019, VEON Holdings B.V. entered into a new US$600 short-term credit facility agreement with an international bank, which was not utilized as of June 30, 2019.

Pakistan Mobile Communications Limited new bilateral term facility

On June 19, 2019, Pakistan Mobile Communications Limited ("**PMCL**") entered into a bilateral secured PKR 14,369 million term facility with a local bank. The facility has a tenor of 7 years and bears interest at 6-month KIBOR increased by a margin of 0.75% per annum. The security is on comparable terms to PMCL's existing debt.

Pakistan Mobile Communications Limited new syndicated term facility and Islamic facility

In June 2019, PMCL entered into a secured syndicated term facility and an Islamic financing facility for a joint amount of up to PKR 45,000 million and a period of up to 7 years. The cost of both facilities corresponds to 6-month KIBOR increased by a margin of 0.75% per annum. The security is on comparable terms to PMCL's existing debt.

Fair values

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

- 'Bank loans and bonds, including interest accrued', for which fair value is equal to US$7,704 at June 30, 2019 (December 31, 2018: US$7,430); and
- 'Lease liabilities', for which fair value has not been determined.

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

As of June 30, 2019 and December 31, 2018, the Group recognized financial instruments at fair value in the statement of financial position, all of which were measured based on Level 2 inputs, except for Contingent consideration, for which fair value is classified as Level 3. Observable inputs (Level 2) used in valuation techniques include inter-bank interest rates, bond yields, swap curves, basis swap spreads, foreign exchange rates and credit default spreads. During the six-month period ended June 30, 2019, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

Notes to the interim condensed consolidated financial statements

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

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

Level 3 fair value movements	**Contingent consideration**
As of December 31, 2018	**40**
Fair value changes recognized in the income statement	(7)
As of June 30, 2019	**33**

All impairment losses and changes in fair values of financial instruments are unrealized and are recorded in "Other non-operating losses" in the consolidated income statement.

8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following items:

	June 30, 2019	**December 31 , 2018**
Cash at banks and on hand	757	756
Short-term deposits with original maturity of less than three months	574	1,052
Cash and cash equivalents	**1,331**	**1,808**
Less overdrafts	(57)	(17)
Cash and cash equivalents, net of overdrafts (as presented in the consolidated statement of cash flows)	**1,274**	**1,791**

As of June 30, 2019 and December 31, 2018, there were no restricted cash and cash equivalent balances. Cash balances as of June 30, 2019 include investments in money market funds of US$87 (December 31, 2018: US$349).

As of June 30, 2019, 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$57 (2018: US$17). Even though the total balance of the cash pool remained positive, the Company has no legally enforceable right of set-off and therefore the overdrawn accounts are presented as financial liabilities within the statement of financial position. At the same time, because the overdrawn accounts are an integral part of the Company's cash management, they were included as cash and cash equivalents within the statement of cash flows.

9 ISSUED CAPITAL

As of June 30, 2019, the Company's largest shareholders and remaining free float are as follows:

Shareholder	**Common shares**	**% of common and voting shares**
L1T VIP Holdings S.à r.l. ("LetterOne")	840,625,001	47.9%
Telenor East Holding II AS ("Telenor")	156,703,840	8.9%
Stichting Administratiekantoor Mobile Telecommunications Investor *	145,947,562	8.3%
Free Float, including 7,603,731 shares held by a subsidiary of the Company	613,454,732	34.9%
Total outstanding common shares	**1,756,731,135**	**100.0%**

** LetterOne is the holder of the depositary receipts issued by Stichting and is therefore entitled to the economic benefits (dividend payments, other distributions and sale proceeds) of such depositary receipts. According to the conditions of administration entered into between Stichting and LetterOne, Stichting has the power to vote and direct the voting of, and the power to dispose and direct the disposition of, the ADSs, in its sole discretion.*

Notes to the interim condensed consolidated financial statements

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

10 DIVIDENDS PAID AND PROPOSED

On February 25, 2019, the Company announced that the VEON's Board of Directors had approved a final dividend of US 17 cents per share, bringing total 2018 dividends to US 29 cents per share. The record date for the Company's shareholders entitled to receive the final dividend payment was March 8, 2019. The final dividend was paid on March 20, 2019. The Company made appropriate tax withholdings of up to 15% when the dividend was paid to the Company's share depositary, The Bank of New York Mellon. For ordinary shareholders at Euronext Amsterdam, the final dividend of US 17 cents was paid in euro.

11 RELATED PARTIES

For the six and three-month periods ended June 30, there were no material transactions and there were no material balances recognized with related parties as of this date.

COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE COMPANY

Value growth cash-based long-term incentive plans

The carrying value of obligations under the Value-growth cash based long-term incentive plan (the **"LTI Plan"**) as of June 30, 2019 and December 31, 2018, respectively, was equal to US$29 and US$35. Included within 'Selling, general and administrative expenses' for the six and three-month periods ended June 30, 2019, respectively, is an expense of US$6 (2018: expense of US$42) and a gain of US$2 (2018: US$5 gain) relating to share-based payment expense under the LTI Plan.

12 RISKS, COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

Other than disclosed elsewhere in these interim condensed consolidated financial statements, there were no material risks, commitments, contingencies and uncertainties that occurred during the six-month period ended June 30, 2019, and there were no material changes during the same period to the risks, commitments, contingencies and uncertainties as disclosed in the Note 8 and Note 9 in the Group's annual consolidated financial statements as of and for the year ended December 31, 2018.

As a result of the adoption of IFRS 16 all lease commitments were included into lease liabilities recognized in the interim condensed consolidated statement of financial position as of January 1, 2019. For reconciliation of the Company's operating lease commitments as of December 31, 2018, to the lease liabilities recognized on January 1, 2019 please refer to Note 14.

13 EVENTS AFTER THE REPORTING PERIOD

On August 1, 2019, the Company announced that the VEON's Board of Directors approved the distribution of an interim gross dividend of US 13 cents per share for 2019, with a record date of August 14, 2019, compared to US 12 cents in Q2 2018. The Company makes appropriate tax withholdings of up to 15% when the dividend is being paid to the Company's share depositary, The Bank of New York Mellon. For ordinary shareholders at Euronext Amsterdam, the interim dividend of US 13 cents will be paid in Euro.

14 BASIS OF PREPARATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six and three-month periods ended June 30, 2019 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board.

Notes to the interim condensed consolidated financial statements

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements as of and for the year ended December 31, 2018.

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

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as of and for the year ended December 31, 2018.

A number of new and amended standards became effective as of January 1, 2019, the impact of which is described below. The Group has not early adopted any other standards, interpretations or amendments that have been issued but have not yet become effective.

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 assessed the impact of IFRIC 23, which was not material to the financial statements of the Group upon adoption in 2019.

IFRS 16 'Leases'

IFRS 16 replaced IAS 17 *Leases*, the former lease accounting standard and became effective on January 1, 2019. Under the new lease standard, assets leased by the Company are being recognized on the statement of financial position of the Company with a corresponding liability.

In 2018, the Group has performed a detailed impact assessment of IFRS 16 and the impact on its adoption was as follows:

	December 31, 2018	Impact of IFRS 16	January 1, 2019
Assets			
Non-current assets			
Property and equipment			
Property and equipment	4,932	(71)	4,861
Right-of-use assets	—	2,023	2,023
Intangible assets	1,854	(15)	1,839
Goodwill	3,816	—	3,816
Deferred tax assets	197	—	197
Other financial assets	193	(1)	192
Total non-current assets	**10,992**	**1,936**	**12,928**
Current assets			
Trade and other receivables	577	—	577
Other current assets	2,516	(61)	2,455
Total current assets	**3,093**	**(61)**	**3,032**

Notes to the interim condensed consolidated financial statements

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

Assets classified as held for sale	17	4	21
Total assets	**14,102**	**1,879**	**15,981**
Equity			
Equity attributable to equity owners of the parent	3,670	(3)	3,667
Non-controlling interests	(891)	(1)	(892)
Total equity	**2,779**	**(4)**	**2,775**
Non-current liabilities			
Financial liabilities	6,567	(45)	6,522
Provisions	110	—	110
Lease liabilities	—	1,638	1,638
Deferred tax liabilities	180	—	180
Other liabilities	53	(9)	44
Total non-current liabilities	**6,910**	**1,584**	**8,494**
Current liabilities			
Trade and other payables	1,432	(54)	1,378
Other financial liabilities	1,289	(6)	1,283
Lease liabilities	—	361	361
Provisions	398	(3)	395
Other liabilities	1,290	(3)	1,287
	4,409	**295**	**4,704**
Liabilities associated with assets held for sale	4	4	8
Total equity and liabilities	**14,102**	**1,879**	**15,981**

The Company, as a lessee, recognizes a right-of-use asset and a lease liability on the lease commencement date.

Upon initial recognition, the right-of-use asset is measured as the amount equal to the initially measured lease liability adjusted for lease prepayments, initial direct cost, lease incentives and the discounted estimated asset retirement obligation. Subsequently, the right-of-use asset is measured at cost net of any accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the shorter estimated useful lives of the right-of-use assets or the lease term.

The lease liability was 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. Generally, the Company uses its incremental borrowing rate as the discount rate. Subsequently lease liabilities are measured at amortized cost using the effective interest rate method.

Right-of-use assets and lease liabilities will be remeasured subsequently if one of the following events occurs:

Notes to the interim condensed consolidated financial statements

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

- Change in lease price due to indexation or rate which has become effective in reporting period
- Modifications to the lease contract
- Reassessment of the lease term

Leases of non-core assets and not related to the main operating activities of the Group, which are short-term in nature (less than 12 months including extension options) and leases of low-value items are expensed in the income statement as incurred.

Transition

The Company adopted IFRS 16 on the date the standard became effective, January 1, 2019. The Group adopted the standard using the modified retrospective approach. This means that the cumulative impact of the adoption was recognized in retained earnings as of January 1, 2019 and that comparatives were not restated.

The Group used the following practical expedients when adopting IFRS 16 on its effective date:

- IFRS 16 applied only to contracts that were previously assessed as leases in accordance with the previous IFRS standards (IAS 17 *Leases* and IFRIC 4 *Determining whether and Arrangement contains a Lease*);
- a single discount rate applied to a portfolio of leases with reasonably similar characteristics as permitted by IFRS 16;
- initial direct cost was excluded from the measurement of the right-of-use asset as at January 1, 2019;
- the Group's onerous contract provision process used as the impairment assessment of right-of-use assets upon transition.

The weighted-average incremental rate applied to lease liabilities recognized on January 1, 2019 was 9.62%.

Carrying values of property and equipment and financial liabilities related to finance leases as of December 31, 2018 were reclassified to right-of-use assets and lease liabilities, respectively on January 1, 2019. These carrying values related to finance leases were not remeasured at the transition date.

Significant judgments upon adoption IFRS 16

IFRS 16 requires the Company to assess the lease term as the non-cancelable lease term in line with the lease contract together with the period for which the Company has extension options which the Company is reasonably certain to exercise and the periods for which the Company has termination options for which the Company is not reasonably certain to exercise those termination options.

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 cancelable by the Company on immediately or on short notice. In assessing the lease term for the adoption of IFRS 16, the Company concluded that these cancelable future lease periods should be included within the lease term, which represents an increase to the future lease payments used in determining the lease liability upon initial recognition. The reasonably certain period used to determine the lease term is based on facts and circumstances related to the underlying leased asset and lease contracts.

Notes to the interim condensed consolidated financial statements

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

The following table reconciles the Company's operating lease commitments as of December 31, 2018, to the lease liabilities recognized upon initial application of IFRS 16 on January 1, 2019.

	US$
Operating lease commitments as of December 31, 2018	632
Increase in lease commitments of cancelable leases included in reasonably certain lease term	1,846
Use of IFRS 16 practical expedients (old lease accounting continues for exceptions)	(4)
Leases commencing subsequent to transition date committed to as of December 31, 2018	(47)
Accruals included in the lease liability calculation	59
Other	22
Total undiscounted lease payments which are reasonably certain	**2,508**
Discounting effect using incremental borrowing rate	(559)
IAS 17 finance lease liabilities recognized on balance sheet as of December 31, 2018 (discounted)	54
IFRS 16 Lease liability recognized on balance sheet as of January 1, 2019	**2,003**
IFRS 16 lease liability presented as:	
Non-current	1,638
Current	361
Liabilities associated with assets held for sale	4
	2,003

Amsterdam, August 1, 2019

VEON Ltd.