Special purpose
unaudited interim condensed
consolidated financial statements

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

As of and for the six and three-month periods
ended June 30, 2021

TABLE OF CONTENTS

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

for the six and three-month periods ended June 30:

		Six-month period		Three-month period	
(In millions of U.S. dollars)	**Note**	**2021**	**2020**	**2021**	**2020**
Service revenues		3,780	3,773	1,927	1,795
Sale of equipment and accessories		211	160	106	72
Other revenue		63	55	32	25
Total operating revenues	2	**4,054**	**3,988**	**2,065**	**1,892**
Other operating income		1	2	—	2
Service costs		(765)	(746)	(400)	(365)
Cost of equipment and accessories		(208)	(163)	(106)	(74)
Selling, general and administrative expenses		(1,253)	(1,279)	(625)	(611)
Depreciation		(835)	(803)	(420)	(388)
Amortization		(151)	(175)	(80)	(85)
Impairment (loss) / reversal		(9)	(1)	(3)	(1)
Gain / (loss) on disposal of non-current assets		(4)	(12)	—	(6)
Operating profit		**830**	**811**	**431**	**364**
Finance costs		(334)	(392)	(166)	(186)
Finance income		6	35	9	18
Other non-operating gain / (loss)		7	101	2	86
Net foreign exchange gain / (loss)		6	(18)	(2)	10
Profit / (loss) before tax		**515**	**537**	**274**	**292**
Income tax expense	3	(180)	(147)	(88)	(68)
Profit / (loss) for the period		**335**	**390**	**186**	**224**
Attributable to:					
The owners of the parent		300	360	159	205
Non-controlling interest		35	30	27	19
		335	**390**	**186**	**224**

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**	**2021**	**2020**	**2021**	**2020**
Profit / (loss) for the period		**335**	**390**	**186**	**224**
Items that may be reclassified to profit or loss					
Foreign currency translation	4	7	(488)	9	94
Other		—	2	2	—
Items reclassified to profit or loss					
Other		2	(5)	1	—
Other comprehensive income / (loss) , net of tax		**9**	**(491)**	**12**	**94**
Total comprehensive income / (loss) , net of tax		**344**	**(101)**	**198**	**318**
Attributable to:					
The owners of the parent		331	(55)	184	309
Non-controlling interests		13	(46)	14	9
		344	**(101)**	**198**	**318**

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, 2021	December 31, 2020
Assets			
Non-current assets			
Property and equipment	5	7,188	6,853
Intangible assets	6	4,203	4,142
Investments and derivatives	7	1,699	1,951
Deferred tax assets		213	186
Other assets		206	179
Total non-current assets		**13,509**	**13,311**
Current assets			
Inventories		123	111
Trade and other receivables		801	690
Investments and derivatives*	7	602	263
Current income tax assets		57	70
Other assets		360	329
Cash and cash equivalents*	8	1,131	1,573
Total current assets		**3,074**	**3,036**
Assets held for sale	5	**25**	—
Total assets		**16,608**	**16,347**
Equity and liabilities			
Equity			
Equity attributable to equity owners of the parent		1,889	1,528
Non-controlling interests		819	850
Total equity		**2,708**	**2,378**
Non-current liabilities			
Debt and derivatives	7	8,705	9,119
Provisions		149	141
Deferred tax liabilities		153	127
Other liabilities		31	27
Total non-current liabilities		**9,038**	**9,414**
Current liabilities			
Trade and other payables*		2,116	2,171
Debt and derivatives*	7	1,500	1,252
Provisions		123	110
Current income tax payables		207	175
Dividend payable		44	—
Other liabilities		872	847
Total current liabilities		**4,862**	**4,555**
Total equity and liabilities		**16,608**	**16,347**

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six-month period ended June 30, 2021

(In millions of U.S. dollars)	Note	Number of shares outstanding	Issued capital	Capital Surplus	Other capital reserves	Accumulated deficit	Foreign currency translation	Total	Non-controlling interests	Total equity
		Attributable to equity owners of the parent								
As of January 1, 2021		**30,099,998**	**39**	**12,993**	**(2,390)**	**(2,541)**	**(6,573)**	**1,528**	**850**	**2,378**
Profit / (loss) for the period		—	—	—	—	300	—	300	35	335
Other comprehensive income / (loss)		—	—	—	(1)	—	32	31	(22)	9
Total comprehensive income / (loss)		—	—	—	(1)	300	32	331	13	344
Dividends declared to non-controlling interest		—	—	—	—	—	—	—	(44)	(44)
(Distributions to) and capital contributions from parent	9	—	—	36	—	—	—	36	—	36
Other		—	—	—	(5)	(1)	—	(6)	—	(6)
As of June 30, 2021		**30,099,998**	**39**	**13,029**	**(2,396)**	**(2,242)**	**(6,541)**	**1,889**	**819**	**2,708**

for the six-month period ended June 30, 2020

(In millions of U.S. dollars)	Note	Number of shares outstanding	Issued capital	Capital Surplus	Other capital reserves	Accumulated deficit	Foreign currency translation	Total	Non-controlling interests	Total equity
		Attributable to equity owners of the parent								
As of January 1, 2020		**30,099,998**	**39**	**13,385**	**(2,377)**	**(2,406)**	**(6,111)**	**2,530**	**994**	**3,524**
Profit / (loss) for the period		—	—	—	—	360	—	360	30	390
Other comprehensive income / (loss)		—	—	—	(5)	(1)	(409)	(415)	(76)	(491)
Total comprehensive income / (loss)		—	—	—	(5)	359	(409)	(55)	(46)	(101)
Dividends declared to non-controlling interest		—	—	—	—	—	—	—	(59)	(59)
(Distributions to) and capital contributions from parent	9	—	—	(341)	—	—	—	(341)	—	(341)
Other		—	—	—	(4)	27	(27)	(4)	2	(2)
As of June 30, 2020		**30,099,998**	**39**	**13,044**	**(2,386)**	**(2,020)**	**(6,547)**	**2,130**	**891**	**3,021**

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

		Six-month period	
(In millions of U.S. dollars)	**Note**	**2021**	**2020**
Operating activities			
Profit / (loss) before tax		515	537
Non-cash adjustments to reconcile profit before tax to net cash flows			
Depreciation, amortization and impairment loss / (reversal)		995	979
(Gain) / loss on disposal of non-current assets		4	12
Finance costs		334	392
Finance income		(6)	(35)
Other non-operating (gain) / loss		(7)	(101)
Net foreign exchange (gain) / loss		(6)	18
Changes in trade and other receivables and prepayments		(160)	(96)
Changes in inventories		(14)	45
Changes in trade and other payables		28	(40)
Changes in provisions, pensions and other		18	(5)
Interest paid		(311)	(336)
Interest received		10	19
Income tax paid		(141)	(175)
Net cash flows from operating activities		**1,259**	**1,214**
Investing activities			
Purchase of property, plant and equipment and intangible assets		(1,042)	(890)
Loans granted		(40)	(331)
Receipts from / (payment on) deposits		(52)	(98)
Receipts from / (investment in) financial assets***		(29)	(8)
Other proceeds from investing activities, net		5	7
Net cash flows from / (used in) investing activities		**(1,158)**	**(1,320)**
Financing activities			
Proceeds from borrowings, net of fees paid*	7	437	2,951
Repayment of debt		(711)	(2,433)
Acquisition of non-controlling interest		(273)	(1)
(Distributions to) / contributions from owners of the parent		—	(341)
Dividends paid to non-controlling interests		—	(19)
Net cash flows from / (used in) financing activities		**(547)**	**157**
Net (decrease) / increase in cash and cash equivalents		(446)	51
Net foreign exchange difference		(3)	(35)
Cash and cash equivalents at beginning of period***		1,567	1,193
Cash and cash equivalents at end of period, net of overdrafts**	8	**1,118**	**1,209**

* *Fees paid for borrowings were US$19 (2020: US$15).*

** *Overdrawn amount was US$13 (2020: US$3)*

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

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

Notes to the interim condensed consolidated financial statements

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

GENERAL INFORMATION ABOUT THE GROUP

1 GENERAL INFORMATION

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

VEON generates revenue from the provision of voice, data and other telecommunication services through a range of mobile and fixed-line technologies, as well as selling equipment and accessories.

The special purpose consolidated financial statements were authorized by the Directors for issuance on August 30, 2021. The Company has the ability to amend and reissue the consolidated financial statements.

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

Major developments during the six-month period ended June 30, 2021

Financing activities

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

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

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

In June 2021, Pakistan Mobile Communication Limited (PMCL) secured a PKR 50 billion ("US$320") syndicated credit facility from a banking consortium led by Habib Bank Limited. This 10-year facility will be used to finance the company's ongoing 4G network rollouts and technology upgrades, as well as to address upcoming maturities. Refer to Note 7 for further details.

Other developments

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

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

Notes to the interim condensed consolidated financial statements

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

OPERATING ACTIVITIES OF THE GROUP

2 SEGMENT INFORMATION

Management analyzes the Company’s operating segments separately because of different economic environments and stages of development in different geographical areas, requiring different investment and marketing strategies. All the segments are grouped and analyzed as three main markets - our cornerstone, our growth engines and our frontier markets - representing the Company's strategy and capital allocation framework.

Management evaluates the performance of the Company’s segments on a regular basis, primarily based on earnings before interest, tax, depreciation, amortization, impairment, gain / loss on disposals of non-current assets, other non-operating gains / losses and share of profit / loss of joint ventures and associates (**“Adjusted EBITDA”**) along with assessing the capital expenditures excluding certain costs such as those for telecommunication licenses and right-of-use assets (**“CAPEX exc. licenses and ROU”**). Management does not analyze assets or liabilities by reportable segments.

Financial information by reportable segment for the six and three-month periods ended June 30, is presented in the following tables. Inter-segment transactions between segments are not material, and are made on terms which are comparable to transactions with third parties.

For the six-month period ended June 30

	Service revenue				Sale of equipment and accessories		Other revenue		Total Revenue	
	Mobile		Fixed							
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Our cornerstone										
Russia	1,395	1,506	266	265	193	151	5	5	1,859	1,927
Our growth engines										
Pakistan	658	559	—	—	10	3	50	42	718	604
Ukraine	466	429	33	30	—	—	2	2	501	461
Kazakhstan	214	190	44	37	6	2	1	1	265	230
Uzbekistan	91	101	—	1	—	—	—	—	91	102
Our frontier markets										
Algeria	321	343	—	—	1	2	—	—	322	345
Bangladesh	270	262	—	—	—	—	5	5	275	267
Other frontier markets	37	55	—	12	—	2	—	—	37	69
Other										
HQ and eliminations	(6)	(17)	(9)	—	1	—	—	—	(14)	(17)
Total segments	**3,446**	**3,428**	**334**	**345**	**211**	**160**	**63**	**55**	**4,054**	**3,988**

Notes to the interim condensed consolidated financial statements

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

	Adjusted EBITDA		CAPEX exc. licenses and ROU	
	2021	2020	2021	2020
Our cornerstone				
Russia	715	784	498	415
Our growth engines				
Pakistan	317	280	181	153
Ukraine	340	313	91	96
Kazakhstan	138	124	44	52
Uzbekistan	40	45	13	26
Our frontier markets				
Algeria	139	145	50	38
Bangladesh	112	113	42	59
Other frontier markets	24	25	6	19
Other				
HQ and eliminations	4	(27)	1	2
Total segments	**1,829**	**1,802**	**926**	**860**

For the three-month period ended June 30

	Service revenue				Sale of equipment and accessories		Other revenue		Total Revenue	
	Mobile		Fixed							
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Our cornerstone										
Russia	705	711	135	128	96	68	3	—	939	907
Our growth engines										
Pakistan	340	266	—	—	5	1	26	21	371	288
Ukraine	239	208	17	14	—	—	1	1	257	223
Kazakhstan	112	92	22	19	4	1	—	—	138	112
Uzbekistan	46	47	—	—	—	—	—	—	46	47
Our frontier markets										
Algeria	162	159	—	—	—	1	—	—	162	160
Bangladesh	138	128	—	—	—	—	2	3	140	131
Other frontier markets	19	25	—	6	1	1	—	—	20	32
Other										
HQ and eliminations	1	(8)	(9)	—	—	—	—	—	(8)	(8)
Total segments	**1,762**	**1,628**	**165**	**167**	**106**	**72**	**32**	**25**	**2,065**	**1,892**

Notes to the interim condensed consolidated financial statements

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

	Adjusted EBITDA		CAPEX exc. licenses and ROU	
	2021	**2020**	**2021**	**2020**
Our cornerstone				
Russia	354	357	299	249
Our growth engines				
Pakistan	161	133	89	85
Ukraine	173	151	52	58
Kazakhstan	72	61	23	28
Uzbekistan	18	20	1	21
Our frontier markets				
Algeria	71	64	17	24
Bangladesh	57	54	16	15
Other frontier markets	18	11	3	12
Other				
HQ and eliminations	10	(7)	1	1
Total segments	**934**	**844**	**501**	**493**

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

	Six-month period		Three-month period	
	2021	**2020**	**2021**	**2020**
Profit / (loss) before tax	**515**	**537**	**274**	**292**
Adjustments to reconcile Profit / (loss) before tax to Total Adjusted EBITDA				
Depreciation	835	803	420	388
Amortization	151	175	80	85
Impairment loss / (reversal)	9	1	3	1
(Gain) / loss on disposal of non-current assets	4	12	—	6
Finance costs	334	392	166	186
Finance income	(6)	(35)	(9)	(18)
Other non-operating (gain) / loss	(7)	(101)	(2)	(86)
Net foreign exchange (gain) / loss	(6)	18	2	(10)
Total Adjusted EBITDA	**1,829**	**1,802**	**934**	**844**

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

3 INCOME TAXES

Income tax expense is the total of the current and deferred income taxes. Current income tax is the expected tax expense, payable or receivable on taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years. Deferred income tax is the tax asset or liability resulting from a difference in income recognition between enacted or substantively enacted local tax law and group IFRS accounting.

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

	Six-month period		Three-month period	
	2021	2020	2021	2020
Current income taxes	180	155	88	97
Deferred income taxes	—	(8)	—	(29)
Income tax expense	**180**	**147**	**88**	**68**
Effective tax rate	35.0 %	27.4 %	32.1 %	23.3 %

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, 2021 (35.0% and 32.1%, respectively) was primarily driven by a number of non-deductible expenses incurred by the Group in various countries, which are recorded in our consolidated income statement, as well as withholding taxes accrued for forecasted dividends from our operating companies.

The difference between the statutory tax rate in the Netherlands (25.0%) and the effective corporate income tax rate for the Group in the six and three-month periods ending June 30, 2020 (27.4% and 23.3%, respectively) was primarily driven by a number of non-deductible expenses incurred by the Group in various countries, which are recorded in our consolidated income statement, as well as withholding taxes accrued for forecasted dividends from our operating companies.

INVESTING ACTIVITIES OF THE GROUP

4 SIGNIFICANT TRANSACTIONS

During the six-month period ended June 30 2021

VEON subsidiary Banglalink successfully acquires 9.4MHz in spectrum auction

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

During the six-month period ended June 30 2020

GTH restructuring

During the first half of 2020, VEON continued with the restructuring of Global Telecom Holding S.A.E. ("**GTH**"), with the intragroup transfer of Mobilink Bank and GTH Finance B.V. completed in March and April 2020, respectively. As the operating assets of GTH had previously been, and will continue to be, fully consolidated within the balance sheet of the VEON Group, there was no material impact on these consolidated financial statements stemming from these intragroup transfers. For further details on GTH restructuring, refer to the Group's audited annual consolidated financial statements as of and for the year ended December 31, 2019.

Significant movements in exchange rates

An increase in demand for hard currencies, in part due to the coronavirus outbreak, resulted in the devaluation of exchange rates in the countries in which VEON operates. As such, in the first half of 2020, the book value of assets and liabilities of our foreign operations, in U.S. dollar terms, decreased significantly, with a corresponding loss of US$488 recorded against the foreign currency translation reserve in the Statement of Comprehensive Income.

Notes to the interim condensed consolidated financial statements

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

5 PROPERTY AND EQUIPMENT

The following table summarizes the movement in the net book value of property and equipment for the six-month period ended June 30:

	Six-month period	
	2021	2020
Balance as of January 1	**6,853**	**7,324**
Additions**	1,121	838
Disposals	(17)	(24)
Held for sale*	(25)	—
Depreciation	(835)	(803)
Impairment	(9)	(1)
Translation adjustment	103	(689)
Other	(3)	23
Balance as of June 30	**7,188**	**6,668**

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

**There were no material changes in estimates other than lease term reassessments in Russia which had the effect of increasing right-of-use assets by US$89 (2020- US$13).

Notes to the interim condensed consolidated financial statements

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

6 INTANGIBLE ASSETS

The following table summarizes the movement in the net book value of intangible assets, including goodwill for the six-month period ended June 30:

	Six-month period	
	2021	**2020**
Balance as of January 1	**4,142**	**5,675**
Additions	199	122
Amortization	(151)	(175)
Impairment	(1)	—
Translation adjustment	28	(519)
Other	(14)	4
Balance as of June 30	**4,203**	**5,107**

Goodwill

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

CGU *	**June 30, 2021**	**Others**	**Currency translation**	**January 1, 2021**
Russia	1,156	2	23	1,131
Algeria	1,034	—	(19)	1,053
Pakistan	323	(6)	5	324
Kazakhstan	137	—	(3)	140
Uzbekistan	34	—	—	34
Total	**2,684**	**(4)**	**6**	**2,682**

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

Impairment analysis

Goodwill is tested for impairment annually or when circumstances indicate the carrying value may be impaired. When reviewing for indicators of impairment in interim periods, the Company considers, amongst others, the relationship between its market capitalization and its book value, as well as weighted average cost of capital and the quarterly financial performances of each cash-generating unit (**"CGU"**).

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

There was no goodwill impairment recorded in the first half of 2021 or first half of 2020.

Notes to the interim condensed consolidated financial statements

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

FINANCING ACTIVITIES OF THE GROUP

7 INVESTMENTS, DEBT AND DERIVATIVES

The Company holds the following investments and derivative assets:

	June 30, 2021	December 31, 2020
At fair value		
Derivatives not designated as hedges	—	20
Derivatives designated as net investment hedges	—	3
Other	—	—
	—	**23**
At amortized cost		
Loans granted to subsidiaries of the ultimate parent	1,873	1,837
Security deposits and cash collateral	380	325
Other investments	48	29
	2,301	**2,191**
Total investments and derivatives	**2,301**	**2,214**
Non-current	1,699	1,951
Current	602	263

The Company holds the following debt and derivative liabilities:

	June 30, 2021	December 31, 2020
At fair value		
Derivatives not designated as hedges	—	52
Derivatives designated as net investment hedges	13	1
Contingent consideration	1	—
	14	**53**
At amortized cost		
Principal amount outstanding	7,658	7,675
Interest accrued	78	85
Discounts, unamortized fees, hedge basis adjustment	(10)	(5)
Bank loans and bonds	**7,726**	**7,755**
Loans received from subsidiaries of the ultimate parent	305	304
Lease liabilities	2,034	1,894
Put-option liability over non-controlling interest	—	273
Other financial liabilities*	126	92
	10,191	**10,318**
Total debt and derivatives	**10,205**	**10,371**
Non-current	8,705	9,119
Current	1,500	1,252

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

Significant changes in financial assets and financial liabilities

There were no significant changes in financial assets and liabilities in the six-month period ended June 30 2021, except for the scheduled repayments of debt or as described below. Furthermore, there were no changes in risk management policies as disclosed in the Group's annual consolidated financial statements as of and for the year ended December 31, 2020.

Acquisition of minority stake in PMCL

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

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

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

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

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

VEON increases facility with Alfa-Bank

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

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

PMCL secures syndicated credit facility

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

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$8,168 at June 30, 2021 (December 31, 2020: US$8,330); and
- 'Lease liabilities', for which fair value has not been determined.

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

As of June 30, 2021 and December 31, 2020, the Group recognized financial instruments at fair value in the statement of financial position, all of which were measured based on Level 2 inputs, 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, 2021, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

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

Notes to the interim condensed consolidated financial statements

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

8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following items:

	June 30, 2021	December 31, 2020
Cash at banks and on hand	634	598
Short-term deposits with original maturity of less than three months*	497	975
Cash and cash equivalents	**1,131**	**1,573**
Less overdrafts	(13)	(7)
Cash and cash equivalents, net of overdrafts (as presented in the consolidated statement of cash flows)**	**1,118**	**1,566**

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

*** Cash and cash equivalents include an amount of US$106 relating to banking operations in Pakistan.*

As of June 30, 2021 and December 31, 2020, there were no restricted cash and cash equivalent balances. Cash balances as of June 30, 2021 include investments in money market funds of US$61 (December 31, 2020: US$543).

As of June 30, 2021, some bank accounts forming part of a cash pooling program and being an integral part of the Company's cash management remained overdrawn by US$13 (2020: US$7). Even though the total balance of the cash pool remained positive, the Company has no legally enforceable right of set-off and therefore the overdrawn accounts are presented as 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.

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

9 DIVIDENDS AND CAPITAL DISTRIBUTIONS

In March 2021, the Company received a capital contribution of US$36.

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

Notes to the interim condensed consolidated financial statements

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

ADDITIONAL INFORMATION

10 RELATED PARTIES

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

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

	Six-month period		Three-month period	
	2021	**2020**	**2021**	**2020**
Services from				
VEON Wholesale Services B.V	1	2	1	1
VEON Ltd.	(18)	1	(18)	5
Finance cost	**5**	**—**	**(3)**	**—**
	(12)	**3**	**(20)**	**6**

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

	June 30, 2021	December 31, 2020
Accounts receivable from		
VEON Ltd.	98	100
Others	20	20
Financial assets receivable from		
VEON Amsterdam B.V.	1,336	1,328
VEON Digital Amsterdam B.V.	302	302
VC ESOP N.V.	152	152
VEON Digital Limited	47	33
VEON Ventures B.V	12	—
Interest accrued	36	22
	2,003	**1,957**
Accounts payable to		
VEON Ltd.	155	213
Others	28	29
Financial liabilities to		
VEON Digital Amsterdam B.V.	300	300
Interest accrued	5	4
	488	**546**

11 RISKS, COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

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

12 EVENTS AFTER THE REPORTING PERIOD

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

On July 1, 2021 VEON exercised its put option to sell the entirety of its 45.57% stake in its Algerian subsidiary, Omnium Telecom Algerie SpA to the Algerian National Investment Fund, Fonds National d'Investissement (FNI). Omnium owns Algerian mobile network operator, Djezzy.The exercise of the put option is not expected to have an adverse effect on financial position of financial performance of the Company.

Starting from July 1, 2021, the Algerian subsidiary will be classified as held for sale and discontinued operations, which will be recorded in VEON’s Q3 interim IFRS financial statements. The Algerian contribution to the VEON Group's financial position and financial performance is disclosed in Note 2 “Segment information”.

Notes to the interim condensed consolidated financial statements

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

13 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, 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (**"IASB"**).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements as of and for the year ended December 31, 2020.

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

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

- Short term investments for treasury bills shorter than 3 months maturity relating to micro finance bank operations of US$75 M is now presented in cash and cash equivalents. Accordingly the cash flow movement of USD31 M relating to treasury bills has also been presented as cash and cash equivalent.
- Short term portion of license fee payable of US$31 is now presented as other financial liabilities within current debt and derivative liabilities.

STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as of and for the year ended December 31, 2020.

A number of new and amended standards became effective as of January 1, 2021, which are not expected to have a material impact on VEON financial statements in current or future reporting periods or on foreseeable future transactions. The Group has not early adopted any other standards, interpretations or amendments that have been issued but have not yet become effective.

Amsterdam, August 30, 2021

VEON Holdings B.V.