

Special purpose  
Consolidated financial statements

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

As of and for the year ended  
December 31, 2019

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## CONSOLIDATED INCOME STATEMENT

for the years ended December 31

*(In millions of U.S. dollars, except per share amounts)*

	Note	2019	2018
Service revenues		8,241	8,535
Sale of equipment and accessories		465	427
Other revenues / other income		158	135
<b>Total operating revenues</b>	3	<b>8,864</b>	<b>9,097</b>
Service costs		(1,553)	(1,711)
Cost of equipment and accessories		(479)	(415)
Selling, general and administrative expenses	4	(2,734)	(3,410)
Depreciation	12	(1,647)	(1,336)
Amortization	13	(389)	(483)
Impairment (loss) / reversal	11	(106)	(819)
Gain / (loss) on disposal of non-current assets		(44)	(58)
Gain / (loss) on disposal of subsidiaries		1	30
<b>Operating profit</b>		<b>1,913</b>	<b>895</b>
Finance costs		(884)	(793)
Finance income		78	64
Other non-operating gain / (loss)	5	22	(82)
Net foreign exchange gain / (loss)		(20)	7
<b>Profit / (loss) before tax</b>		<b>1,109</b>	<b>91</b>
Income tax expense	9	(500)	(374)
<b>Profit / (loss) from continuing operations</b>		<b>609</b>	<b>(283)</b>
Profit / (loss) after tax from discontinued operations	10	—	(300)
Gain / (loss) on disposal of discontinued operations	10	—	1,279
<b>Profit / (loss) for the period</b>		<b>609</b>	<b>696</b>
<b>Attributable to:</b>			
The owners of the parent (continuing operations)		547	(63)
The owners of the parent (discontinued operations)		—	979
Non-controlling interest		62	(220)
		<b>609</b>	<b>696</b>

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the years ended December 31

	Note	2019	2018*
<i>(In millions of U.S. dollars)</i>			
<b>Profit / (loss)</b>		<b>609</b>	<b>696</b>
<i>Items that may be reclassified to profit or loss</i>			
Share of other comprehensive income / (loss) of Italy Joint Venture		—	(18)
Foreign currency translation		40	(824)
Other	15	27	(6)
<i>Items reclassified to profit or loss</i>			
Reclassification of accumulated foreign currency translation reserve to profit or loss	10	—	(79)
Reclassification of accumulated share of other comprehensive income / (loss) of Italy Joint Venture to profit or loss	10		31
Other	15	(19)	5
<b>Other comprehensive income / (loss) for the period, net of tax</b>		<b>48</b>	<b>(891)</b>
<b>Total comprehensive income / (loss) for the period, net of tax</b>		<b>657</b>	<b>(195)</b>
<b>Attributable to:</b>			
The owners of the parent		652	192
Non-controlling interests		5	(387)
		<b>657</b>	<b>(195)</b>

\* Certain comparative amounts have been reclassified to conform to the current period presentation, refer to [Note 22](#) for further details.

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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of December 31

	Note	2019	2018*
<i>(In millions of U.S. dollars)</i>			
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	12	7,324	4,925
Intangible assets	13	5,675	5,657
Investments and derivatives	15	236	58
Deferred tax assets	9	134	197
Other assets	7	163	135
<b>Total non-current assets</b>		<b>13,532</b>	<b>10,972</b>
<b>Current assets</b>			
Inventories		169	141
Trade and other receivables	6	744	691
Investments and derivatives	15	1,554	761
Current income tax assets	9	16	112
Other assets	7	330	357
Assets held for sale		—	17
Cash and cash equivalents	16	1,183	1,767
<b>Total current assets</b>		<b>3,996</b>	<b>3,846</b>
<b>Total assets</b>		<b>17,528</b>	<b>14,818</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Equity attributable to equity owners of the parent	18	2,530	4,180
Non-controlling interests		994	(891)
<b>Total equity</b>		<b>3,524</b>	<b>3,289</b>
<b>Non-current liabilities</b>			
Debt and derivatives	15	7,744	6,567
Provisions	8	138	93
Deferred tax liabilities	9	140	180
Other liabilities	7	32	37
<b>Total non-current liabilities</b>		<b>8,054</b>	<b>6,877</b>
<b>Current liabilities</b>			
Trade and other payables		2,177	1,967
Debt and derivatives	15	2,562	1,290
Provisions	8	155	186
Current income tax payables	9	102	196
Other liabilities	7	954	1,009
Liabilities held for sale		—	4
<b>Total current liabilities</b>		<b>5,950</b>	<b>4,652</b>
<b>Total equity and liabilities</b>		<b>17,528</b>	<b>14,818</b>

\* Certain comparative amounts have been reclassified to conform to the current period presentation, refer to [Note 22](#) for further details.

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2019

(In millions of U.S. dollars)	Note	Attributable to equity owners of the parent						Total	Non-controlling interests	Total equity
		Number of shares outstanding	Issued capital	Capital Surplus	Other capital reserves	Accumulated deficit *	Foreign currency translation			
<b>As of December 31, 2018</b>		<b>30,099,998</b>	<b>39</b>	<b>13,035</b>	<b>256</b>	<b>(2,937)</b>	<b>(6,213)</b>	<b>4,180</b>	<b>(891)</b>	<b>3,289</b>
Adjustments due to new accounting standards	23	—	—	—	—	(3)	—	(3)	(1)	(4)
<b>As of January 1, 2019</b>		<b>30,099,998</b>	<b>39</b>	<b>13,035</b>	<b>256</b>	<b>(2,940)</b>	<b>(6,213)</b>	<b>4,177</b>	<b>(892)</b>	<b>3,285</b>
Profit / (loss) for the period						547		547	62	609
Other comprehensive income / (loss)					4	(1)	102	105	(57)	48
<b>Total comprehensive income / (loss)</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>4</b>	<b>546</b>	<b>102</b>	<b>652</b>	<b>5</b>	<b>657</b>
Dividends declared	19	—	—	—	—	—	—	—	(108)	(108)
(Distributions to) / capital contributions from parent	10	—	—	350	—	—	—	350	—	350
Changes in ownership interest in a subsidiary that do not result in a loss of control	10	—	—	—	(2,594)	—	—	(2,594)	1,986	(608)
Other					(43)	(12)	0	(55)	3	(52)
<b>As of December 31, 2019</b>		<b>30,099,998</b>	<b>39</b>	<b>13,385</b>	<b>(2,377)</b>	<b>(2,406)</b>	<b>(6,111)</b>	<b>2,530</b>	<b>994</b>	<b>3,524</b>

for the year ended December 31, 2018

(In millions of U.S. dollars)	Note	Attributable to equity owners of the parent						Total	Non-controlling interests	Total equity
		Number of shares outstanding	Issued capital	Capital Surplus	Other capital reserves	Accumulated deficit *	Foreign currency translation			
<b>As of December 31, 2017</b>		<b>30,099,998</b>	<b>39</b>	<b>13,552</b>	<b>245</b>	<b>(3,854)</b>	<b>(5,473)</b>	<b>4,509</b>	<b>(441)</b>	<b>4,068</b>
Adjustments due to new accounting standards		—	—	—	—	46	—	46	11	57
<b>As of January 1, 2018</b>		<b>30,099,998</b>	<b>39</b>	<b>13,552</b>	<b>245</b>	<b>(3,808)</b>	<b>(5,473)</b>	<b>4,555</b>	<b>(430)</b>	<b>4,125</b>
Profit / (loss) for the period		—	—	—	—	916	—	916	(220)	696
Other comprehensive income / (loss)		—	—	—	8	5	(737)	(724)	(167)	(891)
<b>Total comprehensive income / (loss)</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>8</b>	<b>921</b>	<b>(737)</b>	<b>192</b>	<b>(387)</b>	<b>(195)</b>
Dividends declared	19	—	—	—	—	—	—	0	(93)	(93)
(Distributions to) / capital contributions from parent		—	—	(517)	—	—	—	(517)	—	(517)
Other		—	—	—	3	(50)	(3)	(50)	19	(31)
<b>As of December 31, 2018</b>		<b>30,099,998</b>	<b>39</b>	<b>13,035</b>	<b>256</b>	<b>(2,937)</b>	<b>(6,213)</b>	<b>4,180</b>	<b>(891)</b>	<b>3,289</b>

\* In Algeria, under the terms of a shareholder agreement between Global Telecom Holding S.A.E., the Fonds National d'Investissement and others, our operating company may only distribute 42.5% of its net profit for a given financial year without receiving an approval from a qualified majority of its board. This effectively creates a restriction on the ability of Global Telecom Holding S.A.E. to freely distribute the accumulated retained earnings of our operating company in Algeria.

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

for the years ended December 31

(In millions of U.S. dollars)

	Note	2019	2018
<b>Operating activities</b>			
Profit / (loss) before tax from continuing operations		1,109	91
<i>Non-cash adjustments to reconcile profit before tax to net cash flows</i>			
Depreciation, amortization and impairment loss / (reversal)		2,142	2,638
Gain / (loss) on disposal of non-current assets		42	58
Gain / (loss) on disposal of subsidiaries		(1)	(30)
Finance costs		884	793
Finance income		(78)	(64)
Other non-operating (gain) / loss		(22)	82
Share of loss and impairment of joint ventures and associates		—	—
Net foreign exchange gain / (loss)		20	(7)
Changes in trade and other receivables and prepayments		(218)	(133)
Changes in inventories		(28)	(88)
Changes in trade and other payables		61	307
Changes in provisions, pensions and other		99	19
Interest paid	15	(708)	(724)
Interest received		50	50
Income tax paid		(514)	(404)
<b>Net cash flows from operating activities</b>		<b>2,838</b>	<b>2,588</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment and intangible assets		(1,677)	(1,936)
Outflow on loans granted		(771)	(523)
Payments on deposits		(922)	(32)
Receipts from deposits		698	1,066
Proceeds from sale of Italy Joint Venture		—	2,830
Receipts from / (investment in) financial assets		(9)	67
Other proceeds from investing activities, net		29	17
<b>Net cash flows from / (used in) investing activities</b>		<b>(2,652)</b>	<b>1,489</b>
<b>Financing activities</b>			
Proceeds from borrowings, net of fees paid **	15	2,610	807
Repayment of debt	15	(2,978)	(3,661)
Acquisition of non-controlling interest	10	(613)	—
Contributions from / (Distributions to) owners of the parent	19	350	(517)
Dividends paid to non-controlling interests	19	(138)	(96)
<b>Net cash flows from / (used in) financing activities</b>		<b>(769)</b>	<b>(3,467)</b>
Net increase / (decrease) in cash and cash equivalents		(583)	610
Net foreign exchange difference		(9)	(122)
Cash and cash equivalents at beginning of period		1,751	1,263
<b>Cash and cash equivalents at end of period, net of overdraft</b>	16	<b>1,159</b>	<b>1,751</b>

\* Fees paid for borrowings were US\$23 (2018: US\$64)

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



## GENERAL INFORMATION ABOUT THE GROUP

### 1 GENERAL INFORMATION

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

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

The special purpose consolidated financial statements were authorized by the Board of Directors for issuance on April 2, 2020. The Company has the ability to amend and reissue the consolidated financial statements.

The special purpose consolidated financial statements are presented in United States dollars (“U.S. dollar” or “US\$”). In these Notes, U.S. dollar amounts are presented in millions, except as otherwise indicated.

#### Major developments during the year ended December 31, 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 23](#).

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 10](#).

In August 2019, VEON completed the purchase of 1,914,322,110 shares, representing approximately 40.55% of issued shares of Global Telecom Holding S.A.E. (“GTH”). For further details please refer to [Note 10](#).

In October 2019, the Company issued its US\$700 4% senior unsecured notes (“Notes”) due in 2025. The net proceeds of the offering have been used primarily to refinance certain existing outstanding debt and address upcoming debt maturities, including drawings on the revolving credit facility used to fund the mandatory tender offer for GTH, and for general corporate purposes. For further details please refer to [Note 15](#).

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

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 23](#) for more details. As a result, Adjusted EBITDA in 2019 is not comparable to Adjusted EBITDA in 2018.

As of December 31, 2019, management decided to include Kazakhstan as a separate reportable segment due to the increased impact of operations in the country on the overall business (previously presented within 'Other').

Financial information by reportable segment for the periods ended December 31 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.

	Total revenue		Adjusted EBITDA		CAPEX excl licenses and ROU	
	2019	2018	2019	2018	2019	2018
<b>Our cornerstone</b>						
Russia	4,481	4,654	1,957	1,677	976	742
<b>Our growth engines</b>						
Pakistan	1,321	1,494	669	714	213	199
Ukraine	870	688	572	387	156	115
Kazakhstan	486	441	270	206	108	66
Uzbekistan	258	315	136	136	53	39
<b>Our frontier markets</b>						
Algeria	775	813	354	363	108	107
Bangladesh	537	521	222	183	82	93
Others	136	171	(82)	(105)	27	54
<b>Total segments</b>	<b>8,864</b>	<b>9,097</b>	<b>4,098</b>	<b>3,561</b>	<b>1,723</b>	<b>1,415</b>

The following table provides the reconciliation of consolidated Adjusted EBITDA to consolidated income statement before tax for the years ended December 31:

	<b>2019</b>	<b>2018</b>
<b>Total Segments Adjusted EBITDA</b>	<b>4,098</b>	<b>3,561</b>
Depreciation	(1,647)	(1,336)
Amortization	(389)	(483)
Impairment (loss) / reversal	(106)	(819)
Gain / (loss) on disposal of non-current assets	(44)	(58)
Gain / (loss) on sale of subsidiaries	1	30
Finance costs	(884)	(793)
Finance income	78	64
Other non-operating gain / (loss), net	22	(82)
Share of loss of joint ventures and associates	—	—
Impairment of joint ventures and associates	—	—
Net foreign exchange gain / (loss)	(20)	7
<b>Profit / (loss) before tax from continuing operations</b>	<b>1,109</b>	<b>91</b>

**Geographical information of non-current assets**

The total of non-current assets (other than financial instruments, investments in subsidiaries and deferred tax assets, which are included in 'HQ and eliminations' along with consolidation eliminations), broken down by location of the assets, is shown in the following tables:

	<b>2019</b>	<b>2018</b>
<b>Our cornerstone</b>		
Russia	6,797	4,794
<b>Our growth engines</b>		
Pakistan	1,662	1,661
Ukraine	1,022	748
Kazakhstan	554	458
Uzbekistan	217	212
<b>Our frontier markets</b>		
Algeria	1,926	1,890
Bangladesh	855	773
Others	499	436
<b>Total segments</b>	<b>13,532</b>	<b>10,972</b>

### 3 OPERATING REVENUE

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

#### Revenue from contracts with customers

The following table provides a breakdown of revenue from contracts with customers by mobile and fixed line for the years ended December 31:

	Mobile		Fixed		Total revenue	
	2019	2018	2019	2018	2019	2018
<b>Our cornerstone</b>						
Russia	3,938	4,085	543	569	4,481	4,654
<b>Our growth engines</b>						
Pakistan	1,321	1,494	—	—	1,321	1,494
Ukraine*	818	644	52	44	870	688
Kazakhstan	419	368	67	73	486	441
Uzbekistan	256	313	2	2	258	315
<b>Our frontier markets</b>						
Algeria	775	813	—	—	775	813
Bangladesh	537	521	—	—	537	521
Others	77	128	59	43	136	171
<b>Total segments *</b>	<b>8,141</b>	<b>8,366</b>	<b>723</b>	<b>731</b>	<b>8,864</b>	<b>9,097</b>

\* Includes other revenue of US\$6 for 2019 (2018: nil)

#### Assets and liabilities arising from contracts with customers

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

	December 31, 2019	December 31, 2018
<b>Contract balances</b>		
Receivables (billed)	755	686
Contract assets (unbilled)	38	43
Contract liabilities	(243)	(361)
<b>Capitalized costs</b>		
Customer acquisition costs	101	83

### ACCOUNTING POLICIES

#### Revenue from contracts with customers

##### Service revenue

Service revenue includes revenue from airtime charges from contract and prepaid customers, monthly contract fees, interconnect revenue, roaming charges and charges for value added services (“VAS”). VAS includes short messages, multimedia messages, caller number identification, call waiting, data transmission, mobile internet, downloadable content, mobile finance services, machine-to-machine and other services. The content revenue relating to VAS is presented net of related costs when the Company acts as an agent of the content providers and gross when the Company acts as the primary obligor of the transaction.

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

plans allow customers to rollover unused services to the following period. For such tariff plans, revenue is generally recognized on a usage basis.

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

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

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

All service revenue is recognized over time.

#### Sale of equipment and accessories

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

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

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

#### **Contract balances**

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

Contract liabilities, often referred to as 'Deferred revenue', relate primarily to non-refundable cash received from prepaid customers for fixed-term tariff plans or pay-as-you-use tariff plans. Contract liabilities are presented as 'Long-term deferred revenue', 'Short-term deferred revenue' and 'Customer advances' in [Note 7](#). All current contract liabilities outstanding at the beginning of the year have been recognized as revenue during the year.

#### **Customer acquisition costs**

Certain incremental costs incurred in acquiring a contract with a customer ("**customer acquisition costs**"), are deferred in the consolidated statement of financial position, within 'Other assets' ([see Note 7](#)). Such costs generally relate to commissions paid to third-party dealers and are amortized on a straight-line basis over the average customer life, within 'Selling, general and administrative expenses'.

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

## **SOURCE OF ESTIMATION UNCERTAINTY**

#### **Average customer life**

Management estimates the average customer life for revenue (such as upfront fees) from contracts with an indefinite term and for customer acquisition costs. The average customer life is calculated based on historical data, specifically churn rates for different customer segments (such as mobile and fixed line, prepaid and postpaid).

## 4 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

	<b>2019</b>	<b>2018</b>
Network and IT costs	767	1,153
Personnel costs	742	741
Customer associated costs	720	867
Losses on receivables	66	62
Taxes, other than income taxes	158	217
Other	281	370
<b>Total selling, general and administrative expenses</b>	<b>2,734</b>	<b>3,410</b>

### LEASES

On January 1, 2019, the Company adopted IFRS 16 *Leases*. The Company applied a modified retrospective approach, which means that prior period comparatives were not restated. For further details please refer to [Note 23](#).

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, except for short-term leases and leases for low value items which are immediately expensed as incurred. Total operating lease expense recognized in accordance with IAS 17 *Leases* in the consolidated income statement, primarily within "Network and IT costs", amounted to US\$425 in 2018.

### ACCOUNTING POLICIES

#### Customer associated costs

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

## 5 OTHER NON-OPERATING GAIN / (LOSS)

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

	<b>2019</b>	<b>2018</b>
Loss from early debt redemption	—	(30)
Change of fair value of other derivatives	(17)	(63)
Other gains / (losses)	39	11
<b>Other non-operating gain / (loss), net</b>	<b>22</b>	<b>(82)</b>

Included in 'Other gains / (losses)' in 2019 is a net gain of US\$41 pertaining to the Company's hedging activities and money market funds revaluation results.

## 6 TRADE AND OTHER RECEIVABLES

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

	2019	2018
Trade receivables (gross)*	793	729
Expected credit losses	(176)	(171)
<b>Trade receivables (net)</b>	<b>617</b>	<b>558</b>
Other receivable, net of expected credit losses allowance	127	133
<b>Total trade and other receivables</b>	<b>744</b>	<b>691</b>

\* Includes contract assets (unbilled receivables), see [Note 3](#) for further details

As of December 31, 2019, an allowance for expected credit losses of US\$176 (2018: US\$171) is recorded against trade receivables. See below the movements in the allowance for expected credit losses:

	2019	2018
<b>Balance as of January 1</b>	<b>171</b>	<b>169</b>
Adjustment due to new accounting standards	—	14
Accruals for expected credit losses	66	47
Recoveries	(8)	(17)
Accounts receivable written off	(31)	(18)
Reclassification	(24)	—
Foreign currency translation adjustment	1	(15)
Other movements	1	(9)
<b>Balance as of December 31</b>	<b>176</b>	<b>171</b>

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

December 31, 2019	Contract assets	Current	Days past due			Total
			< 30 days	Between 31 and 120 days	> 120 days	
Expected loss rate, %	1.1%	1.5%	4.9%	36.5%	86.9%	
Trade receivables	38	453	82	52	168	793
Expected credit losses	—	(7)	(4)	(19)	(146)	(176)
<b>Trade receivables, net</b>	<b>38</b>	<b>446</b>	<b>78</b>	<b>33</b>	<b>22</b>	<b>617</b>

December 31, 2018	Contract assets	Current	Days past due			Total
			< 30 days	Between 31 and 120 days	> 120 days	
Expected loss rate, %	0.2%	1.3%	8.9%	29.4%	80.9%	
Trade receivables	44	389	67	51	178	729
Expected credit losses	(1)	(5)	(6)	(15)	(144)	(171)
<b>Trade receivables, net</b>	<b>43</b>	<b>384</b>	<b>61</b>	<b>36</b>	<b>34</b>	<b>558</b>



## **ACCOUNTING POLICIES**

### **Trade and other receivables**

Trade and other receivables are measured at amortized cost and include invoiced amounts less appropriate allowances for estimated uncollectible amounts.

### **Expected credit losses**

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

VEON applies the simplified approach (i.e. provision matrix) for calculating a lifetime ECL for its trade and other receivables, including unbilled receivables (contract assets). The provision matrix is based on the historical credit loss experience over the life of the trade receivables and is adjusted for forward-looking estimates. Forward looking estimates include macro-economic factors such as GDP (for receivables due from legal entities) and unemployment rates (for receivables due from individual customers). The provision matrix is reviewed on a quarterly basis.

## 7 OTHER ASSETS AND LIABILITIES

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

	<u>2019</u>	<u>2018 *</u>
<b>Other non-current assets</b>		
Customer acquisition costs (see Note 3)	101	83
Tax advances (non-income tax)	30	32
Other non-financial assets	32	20
<b>Total other non-current assets</b>	<u>163</u>	<u>135</u>
<b>Other current assets</b>		
Advances to suppliers	94	146
Input value added tax	152	145
Prepaid taxes	45	39
Other assets	39	27
<b>Total other current assets</b>	<u>330</u>	<u>357</u>

\* Certain comparative amounts have been reclassified to conform to the current period presentation, refer to [Note 22](#) for further details.

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

	<u>2019</u>	<u>2018 *</u>
<b>Other non-current liabilities</b>		
Long-term deferred revenue (see Note 3)	18	10
Other liabilities	14	27
<b>Total other non-current liabilities</b>	<u>32</u>	<u>37</u>
<b>Other current liabilities</b>		
Taxes payable (non-income taxes)	408	347
Short-term deferred revenue (see Note 3)	161	151
Customer advances (see Note 3)	64	200
Other payments to authorities	97	86
Due to employees	142	145
Other liabilities	82	80
<b>Total other current liabilities</b>	<u>954</u>	<u>1,009</u>

\* Certain comparative amounts have been reclassified to conform to the current period presentation, refer to [Note 22](#) for further details.

## 8 PROVISIONS AND CONTINGENT LIABILITIES

### PROVISIONS

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

	Non-income tax provisions	Decom- missioning provision	Legal provision	Other provisions	Total *
<b>As of January 1, 2018</b>	<b>98</b>	<b>106</b>	<b>16</b>	<b>20</b>	<b>240</b>
Arising during the year	11	4	5	9	29
Reclassified to assets held for sale	(1)	(4)	—	—	(5)
Utilized	(11)	(1)	(2)	(6)	(20)
Unused amounts reversed	—	(2)	—	(2)	(4)
Transfer and reclassification	65	—	—	—	65
Discount rate adjustment and imputed interest (change in estimate)	—	8	—	—	8
Translation adjustments and other	(14)	(18)	(1)	(1)	(34)
<b>As of December 31, 2018</b>	<b>148</b>	<b>93</b>	<b>18</b>	<b>20</b>	<b>279</b>
Non-current	—	93	—	—	93
Current	148	—	18	20	186
<b>As of January 1, 2019</b>	<b>148</b>	<b>93</b>	<b>18</b>	<b>20</b>	<b>279</b>
Arising during the year	79	28	3	9	119
Reclassified to assets held for sale	—	—	—	—	—
Utilized	(105)	(1)	—	(9)	(115)
Unused amounts reversed	(4)	—	(5)	—	(9)
Transfer and reclassification	5	5	—	(3)	7
Discount rate adjustment and imputed interest (change in estimate)	—	8	—	—	8
Translation adjustments and other	1	5	1	(3)	4
<b>As of December 31, 2019</b>	<b>124</b>	<b>138</b>	<b>17</b>	<b>14</b>	<b>293</b>
Non-current	—	138	—	—	138
Current	124	—	17	14	155

\* Certain comparative amounts have been reclassified to conform to the current period presentation, refer to [Note 22](#) for further details.

The timing of payments in respect of provisions is, with some exceptions, not contractually fixed and cannot be estimated with certainty. In addition, with respect to legal proceedings, given inherent uncertainties, there can be no guarantee that the ultimate outcome will be in line with VEON's current expectations. See "Sources of estimation uncertainty" below for further details regarding assumptions and sources of uncertainty.

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

#### Settlement of GTH Taxes

In June 2019, GTH reached agreement with the Egyptian Tax Authority ("ETA") to settle 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 was settled following payments made in June 2019 and September 2019. As a result of the GTH Tax Settlement, the Group recorded an increase in non-income tax provisions of US\$27, recorded in 'Selling, general and administrative expenses' in the consolidated income statement, and an increase in income tax liabilities of US\$29, recorded in 'Income tax expenses' in the consolidated income statement (refer [Note 9](#)).

## CONTINGENT LIABILITIES

The Group had contingent liabilities as of December 31, 2019 as set out below.

### VAT on Replacement SIMs

#### SIM Cards issued June 2009 to December 2011

On April 1, 2012, the National Board of Revenue (“NBR”) issued a demand to Banglalink Digital Communications Limited (“**Banglalink**”) for BDT 7.74 billion (US\$94) for unpaid SIM tax (VAT and supplementary duty). The NBR alleged that Banglalink evaded SIM tax on new SIM cards by issuing them as replacements. On the basis of 5 random SIM card purchases made by the NBR, the NBR concluded that all SIM card replacements issued by Banglalink between June 2009 and December 2011 (7,021,834 in total) were new SIM connections and subject to tax. Similar notices were sent to three other operators in Bangladesh. Banglalink and the other operators filed separate petitions in the High Court, which stayed enforcement of the demands.

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

The NBR Chairman and operators’ representative agreed that the BTRC would prepare further guidelines for verification of SIM users. Although the BTRC submitted its guidelines (under which Banglalink’s exposure was determined to be 8.5% of the original demand), the Convenor of the Review Committee submitted a supplementary report which disregarded the BTRC’s guidelines and assessed Banglalink’s liability for SIM tax to be BDT 7.62 billion (US\$92). The operators refused to sign the supplementary report.

On May 18, 2015, Banglalink received an updated demand from the LTU claiming Banglalink had incorrectly issued 6,887,633 SIM cards as replacement SIM cards between June 2009 and December 2011 and required Banglalink to pay BDT 5.32 billion (US\$64) in SIM tax. The demand also stated that interest may be payable. Similar demands were sent to the other operators.

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

The Bangladesh Appellate Tribunal rejected the appeal of Banglalink and all other operators on June 22, 2017. On July 11, 2017, Banglalink filed an appeal of the Appellate Tribunal’s judgment with the High Court Division of the Supreme Court of Bangladesh. An appeal hearing is not yet scheduled.

#### SIM Cards issued July 2012 to June 2015

On November 20, 2017 the LTU issued a final demand to Banglalink for BDT 1.69 billion (US\$20) for unpaid tax on SIM card replacements issued by Banglalink between July 2012 and June 2015. On February 20, 2018, Banglalink filed its appeal against this demand before the Appellate Tribunal and deposited 10% of the amount demanded in order to proceed. By its judgment dated February 10, 2020, the Appellate Tribunal rejected Banglalink’s appeal. Banglalink can appeal the decision to the High Court Division within 90 days of the judgment. The operators continue to engage in discussions with the government in an attempt to resolve the dispute. As of December 31, 2019, the Company has recorded a provision of US\$11 (2018: US\$11). Hearings took place on March 19, 2019 and April 23, 2019. Further appeal hearings are not yet scheduled.

### Dispute concerning sale of Telecel Globe Limited

Global Telecom Holding S.A.E. (“GTH”) and Niel Natural Resources Investments S.A. (“Niel”) entered into a Share Purchase Agreement on March 28, 2013, as amended from time to time (the “SPA”) in relation to the proposed purchase by Niel of GTH’s majority stake in Telecel Globe Limited (“Telecel”) and telecommunications operations in the Central African Republic and Burundi. The parties subsequently entered into three amendments to the original SPA between April and August 2013 due to Niel’s failure to timely close the intended transaction. Pursuant

to the terms of the amendments, the parties extended the Longstop Date each time in exchange for payments of deposits by Niel. As Niel ultimately failed to close the intended transaction, the deposits paid to GTH were not refunded, which was in accordance with the terms of the SPA which is no longer in force. GTH completed the sale of Telecel in October 2014, to another purchaser for consideration less than had been agreed with Niel.

During 2019, Niel commenced an arbitration at the London Court of International Arbitration (“LCIA”) in relation to the deposit monies retained by GTH and, in the Dutch courts, obtained an ex parte order attaching funds on GTH’s bank accounts in The Netherlands and other pre-award security. Niel consented to the partial lifting of this Dutch court order as to the bank accounts and certain other pre-award security on December 3, 2019. On July 5, 2019, the Tribunal granted GTH’s application for security for costs, pursuant to which Niel deposited GBP 250,000 in escrow with the LCIA. Niel filed its Statement of Claim on July 25, 2019; GTH filed its Statement of Defence and Cross-Claim on September 5, 2019; Niel filed its Statement of Reply and Defence to Cross-Claims on October 1, 2019; GTH filed its Statement of Reply to the Defence to Cross-Claims on October 14, 2019. A hearing is scheduled for September 2020.

On February 27, 2020, Niel joined GTH as a party to its claim originally lodged against the FRA and Prime Minister of Egypt in the Egyptian administrative courts on September 5, 2019. Niel is contesting the FRA’s approval of the GTH delisting and sale of assets to VEON Holdings B.V. to avoid any interference with Niel’s ability to enforce a potential award against GTH. On November 16, 2019, the court referred the case to the State Commissioner (a preparatory unit within the administrative court). The next hearing date before the state commissioner is April 6, 2020.

GTH plans to continue vigorously contesting Niel’s arbitration claims and otherwise defending against all proceedings and actions in relation to the dispute with Niel.

### **Other contingencies and uncertainties**

In addition to the individual matters mentioned above, the Company is involved in other disputes, litigation and regulatory inquiries and investigations, both pending and threatened, in the ordinary course of its business. The Company's dispute with the Pakistan Telecommunication Authority over its license renewal in Pakistan, explained in Note 15 below, is an example of such a matter. The total value of all other individual contingencies that are able to be quantified and are above US\$5, other than disclosed above, amounts to US\$69 (2018: US\$68). The Company does not expect any liability arising from these contingencies to have a material effect on the results of operations, liquidity, capital resources or financial position of the Company. Furthermore, the Company believes it has provided for all probable liabilities arising in the ordinary course of its business.

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

## **ACCOUNTING POLICIES**

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

## **SOURCE OF ESTIMATION UNCERTAINTY**

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

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

## 9 INCOME TAXES

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

### Income tax payable

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

	<b>2019</b>	<b>2018</b>
Current tax payable	36	32
Uncertain tax provisions	66	164
<b>Total income tax payable</b>	<b>102</b>	<b>196</b>

The decrease in uncertain tax provisions during the year was primarily due to tax payments made to Egyptian Tax Authority in relation to GTH tax liabilities, as mentioned in the explanatory notes to the effective tax rate below, and in [Note 8](#). The balance of uncertain tax provisions is shown net of income tax assets which can be utilized to offset any future tax charges should they arise, resulting in a reduction of the current period provision by US\$51 (gross amount of US\$117).

### Income tax assets

The Company reported both current and non-current income tax assets, totaling US\$16 (2018: US\$112).

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

### Income tax expense

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

	<b>2019</b>	<b>2018</b>
<b>Current income taxes</b>		
Current year	497	481
Adjustments in respect of previous years	5	9
<b>Total current income taxes</b>	<b>502</b>	<b>490</b>
<b>Deferred income taxes</b>		
Movement of temporary differences and losses *	(36)	(134)
Changes in tax rates	(1)	6
Changes in recognized deferred tax assets	39	(16)
Adjustments in respect of previous years	3	28
Other	(7)	—
<b>Total deferred tax expense</b>	<b>(2)</b>	<b>(116)</b>
<b>Income tax expense</b>	<b>500</b>	<b>374</b>

\* Certain comparative amounts have been reclassified to conform to the current period presentation, refer to [Note 22](#) for further details.

## Effective tax rate

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

	2019	2018
Profit / (loss) before tax from continuing operations	1,109	91
<b>Income tax benefit / (expense) at statutory tax rate (25.0%)</b>	<b>(277)</b>	<b>(23)</b>
<b>Difference due to the effects of:</b>		
Different tax rates in different jurisdictions	21	88
Non-deductible expenses	(78)	(117)
Non-taxable income	5	45
Adjustments in respect of previous years	(49)	(40)
Movements in recognized deferred tax assets	(45)	(267)
Withholding taxes	(52)	41
Uncertain tax positions	6	(17)
Change in income tax rate	1	(6)
Other	(32)	(78)
<b>Income tax benefit / (expense)</b>	<b>(500)</b>	<b>(374)</b>
<b>Effective tax rate</b>	<b>45.1 %</b>	<b>410.9 %</b>

## Explanatory notes to the effective tax rate

Reason	Explanation
Different tax rates in different jurisdictions	Certain jurisdictions in which VEON operates have income tax rates which are different to the Dutch statutory tax rate of 25%. Profitability in countries with higher tax rates (including Pakistan, Algeria and Bangladesh) has a negative impact on the effective tax rate.
Non-deductible expenses	The Group incurs certain expenses which are non-deductible in the relevant jurisdiction. In 2019, as in previous years, such expenses include impairment losses (unless resulting in a change in temporary differences), certain non-income tax charges (i.e. minimum tax regimes) and some intra-group expenses (i.e. interest on internal loans).
Non-taxable income	The Group earns non-taxable income primarily in its holding companies, primarily relating to intra-group interest income and certain other income which is non-taxable in the relevant jurisdiction.
Adjustments in respect of previous years	The effect of prior year adjustments mainly relates to updated tax positions.
Movements in recognized deferred tax assets	Movements in recognized deferred tax assets are primarily caused by tax losses and other credits for which no deferred tax asset has been recognized.
Withholding taxes	This primarily occurs in holding entities in the Netherlands (2019: \$9, 2018: \$73) and in GTH (2019: \$43, 2018: \$213). Withholding taxes are recognized to the extent that dividends from foreign operations are expected to be paid in the foreseeable future. In 2019, similar to previous years, expenses relating to withholding taxes were primarily influenced by dividends expected from Russia, Algeria and Pakistan.
Uncertain tax positions	The tax legislation in the markets in which VEON operates is unpredictable and gives rise to significant uncertainties (see 'Sources of estimation uncertainty' below). Movements in uncertain tax positions stem from such uncertainties.
Change in income tax rate	Changes in tax rates impact the valuation of existing temporary differences. The nominal tax rates decreased in Pakistan in 2019, 2018 and in Uzbekistan in 2018.
Other	In 2019, the Group recorded an increase in income tax liabilities of US\$29 as a result of the settlement with the Egyptian Tax Authority for outstanding tax liabilities for GTH. Refer to Note 8 for further details. In previous years, other tax expense primarily related to the recording of alternative minimum and local taxes in Pakistan.

**Deferred taxes**

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

	<b>2019</b>	<b>2018</b>
Deferred tax assets	134	197
Deferred tax liability	(140)	(180)
<b>Net deferred tax position</b>	<b>(6)</b>	<b>17</b>

The following table shows the movements of net deferred tax positions in 2019:

	<b>Movements in deferred taxes</b>			<b>Closing balance</b>
	<b>Opening balance</b>	<b>Net income statement movement</b>	<b>Other movements</b>	
Property and equipment	(275)	5	(18)	(288)
Intangible assets	(60)	22	—	(38)
Trade receivables	32	16	(1)	47
Provisions	30	2	(1)	31
Accounts payable	113	11	32	156
Withholding tax on undistributed earnings	(50)	(2)	—	(52)
Tax losses and other balances carried forwards	1,777	(68)	(62)	1,647
Non-recognized deferred tax assets	(1,559)	—	44	(1,515)
Other	9	12	(15)	6
<b>Net deferred tax positions</b>	<b>17</b>	<b>(2)</b>	<b>(21)</b>	<b>(6)</b>

The following table shows the movements of net deferred tax positions in 2018:

	<b>Movements in deferred taxes</b>			<b>Closing balance</b>
	<b>Opening balance</b>	<b>Net income statement movement</b>	<b>Other movements</b>	
Property and equipment	(443)	126	42	(275)
Intangible assets	(165)	94	11	(60)
Trade receivables	36	(6)	2	32
Provisions	33	2	(5)	30
Accounts payable	133	7	(27)	113
Withholding tax on undistributed earnings	(116)	70	(4)	(50)
Tax losses and other balances carried forwards	2,021	(191)	(53)	1,777
Non-recognized deferred tax assets	(1,567)	—	8	(1,559)
Other	28	14	(33)	9
<b>Net deferred tax positions</b>	<b>(40)</b>	<b>116</b>	<b>(59)</b>	<b>17</b>



**Unused tax losses and other credits carried forwards**

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

<b>As of December 31, 2019</b>	<b>0-5 years</b>	<b>6-10 years</b>	<b>More than 10 years</b>	<b>Indefinite</b>	<b>Total</b>
<b>Tax losses expiry</b>					
Recognized losses	—	—	—	(280)	(280)
Recognized DTA	—	—	—	73	73
Non-recognized losses	(457)	(729)	—	(6,486)	(7,672)
Non-recognized DTA	89	168	—	1,258	1,515
<b>Other credits carried forwards expiry</b>					
Recognized credits	(13)	(46)	—	—	(59)
Recognized DTA	13	46	—	—	59
Non-recognized credits	—	—	—	(112)	(112)
Non-recognized DTA	—	—	—	28	28

<b>As of December 31, 2018</b>	<b>0-5 years</b>	<b>6-10 years</b>	<b>More than 10 years</b>	<b>Indefinite</b>	<b>Total</b>
<b>Tax losses expiry</b>					
Recognized losses	(83)	—	—	(425)	(508)
Recognized DTA	17	—	—	146	163
Non-recognized losses	(968)	(487)	—	(6,346)	(7,801)
Non-recognized DTA	197	102	—	1,260	1,559
<b>Other credits carried forwards expiry</b>					
Recognized credits	(30)	(25)	—	—	(55)
Recognized DTA	30	25	—	—	55
Non-recognized credits	—	—	—	—	—
Non-recognized DTA	—	—	—	—	—

Losses mainly relate to our holding entities in Luxembourg (2019: US\$6,052; 2018: US\$6,135) and the Netherlands (2019: US\$1,186; 2018: US\$828).

VEON reports the tax effect of the existence of undistributed profits that will be distributed in the foreseeable future. The Company has a deferred tax liability of US\$52 (2018: US\$50), relating to the tax effect of the undistributed profits that will be distributed in the foreseeable future, primarily in its Russian, Algerian and Pakistan operations.

As of December 31, 2019, undistributed earnings of VEON's foreign subsidiaries (outside the Netherlands) which are indefinitely invested and will not be distributed in the foreseeable future, amounted to US\$6,194 (2018: US\$6,330). Accordingly, no deferred tax liability is recognized for this amount of undistributed profits.

## ACCOUNTING POLICIES

### Income taxes

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

### Uncertain tax positions

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

### Deferred taxation

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

## SOURCE OF ESTIMATION UNCERTAINTY

### Tax risks

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

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

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

### Recoverability of deferred tax assets

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

### Uncertain tax positions

Uncertain tax positions are recognized when it is probable that a tax position will not be sustained, and the amount can be reliably measured. The expected resolution of uncertain tax positions is based upon management's judgment of the likelihood of sustaining a position taken through tax audits, tax courts and/or arbitration, if necessary. Circumstances and interpretations of the amount or likelihood of sustaining a position may

change through the settlement process. Furthermore, the resolution of uncertain tax positions is not always within the control of the Group and it is often dependent on the efficiency of the legal processes in the relevant taxing jurisdictions in which the Group operates. Issues can, and often do, take many years to resolve. In 2019, VEON adopted IFRS 12 'Disclosure of Interests in Entities', refer [Note 23](#) for further details.

## INVESTING ACTIVITIES OF THE GROUP

### 10 SIGNIFICANT TRANSACTIONS

#### SIGNIFICANT TRANSACTIONS IN 2019

##### Mandatory tender offer for shares of GTH

In August 2019, VEON completed the purchase of 1,914,322,110 shares, representing approximately 40.55% of GTH's issued shares, in connection with its Mandatory Tender Offer ("MTO") which had commenced in July 2019. The total price for the purchase of such shares was EGP 9,725 million (approximately US\$587), reflecting the offer price per share of EGP 5.08. Following the completion of the MTO and as a result of further purchases by GTH, as of December 31, 2019, VEON and GTH hold approximately 99.54% of GTH's total outstanding equity. The MTO was funded by a combination of cash on hand and utilization of undrawn credit facilities (refer to [Note 15](#) for further details).

These transactions represent a purchase of non-controlling interests ("NCI") without a change of control. Consequently, the difference between the book value of NCI (negative value of US\$1,986) and the cost of acquisition (US\$608) was recorded directly within 'Other capital reserves' in the statement of changes in equity (loss of US\$2,594).

Following the successful completion of the MTO, VEON continued with the restructuring of GTH, which included successful delisting of GTH's shares from the Egyptian Exchange and the approval by GTH shareholders of VEON's offer to acquire substantially all of the operating assets of GTH, both of which occurred on September 9, 2019.

Following that approval, VEON completed the intragroup transfers of Jazz, Banglalink and Med Cable. The intragroup transfer for Djezzy and Mobilink Bank are continuing. The operating assets of GTH had previously been, and will continue to be, fully consolidated within the balance sheet of the VEON Group, and as such, there is no material impact on these consolidated financial statements stemming from these asset transfers.

##### Revised technology infrastructure partnership with Ericsson

In February 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. As the settlement amount is payable to VEON Ltd. but will be received and retained by the Company, the settlement amount has been recorded in the equity statement as a contribution made by the parent, and in the statement of cash flows it represented a cash inflow from financing activities.

##### 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. This amount has been recorded in "Other income" within the consolidated income statement.

#### SIGNIFICANT TRANSACTIONS IN 2018

##### Sale of Italy Joint Venture

In July 2018, VEON entered into an agreement with CK Hutchison Holdings Ltd for the sale of its 50% stake in the Italy Joint Venture. In September 2018 the transaction was completed, and cash consideration was received in the amount of EUR 2,450 million (US\$2,830).

Share of profit / (loss) of the Italy Joint Venture for 2018 was reclassified to "Profit / (loss) after tax from discontinued operations."

The effect of the disposal is detailed below:

	<b>2018</b>
<b>Cash consideration received</b>	<b>2,830</b>
Derecognition of assets classified as held for sale	(1,599)
Release cumulative share of other comprehensive income / (loss) of Italy Joint Venture	(31)
Release cumulative foreign currency translation reserve related to Italy Joint Venture *	79
<b>Gain / (loss) on disposal of discontinued operations</b>	<b>1,279</b>



## 11 IMPAIRMENT OF ASSETS

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

Goodwill is tested for impairment annually (at October 1) or when circumstances indicate the carrying value may be impaired. The Company's impairment test is primarily based on fair value less cost of disposal calculations (Level 3 in the fair value hierarchy) using a discounted cash flow model, based on cash flow projections from business plans prepared by management. The Company considers the relationship between its market capitalization and its book value, as well as weighted average cost of capital and the quarterly financial performances of each cash-generating units ("CGU") when reviewing for indicators of impairment in interim periods.

### Impairment losses in 2019

During the third quarter of 2019, due to operational underperformance of its operations in Kyrgyzstan, the Company revised its previous estimates and assumptions regarding the future cash flows of the Kyrgyzstan CGU. Based on a recoverable value of US\$42, the Company recorded an impairment of US\$90 against the carrying value of the CGU. The impairment loss for Kyrgyzstan was allocated first to the existing carrying value of goodwill (US\$54) and then subsequently to property and equipment (US\$33) and intangible assets (US\$3), based on relative carrying values.

Additionally, in regard with the Company's commitment to network modernization, the Company continuously reevaluates the plans for its existing network, primarily with respect to equipment purchased but not installed, and consequently recorded an impairment loss of US\$16.

### Impairment losses in 2018

Due to operational performance of its operating companies in 2018, the Company recorded an impairment of US\$819 as shown below. Impairment losses were allocated first to the existing carrying value of goodwill, and then subsequently to property and equipment and intangible assets based on relative carrying values.

	Property and equipment	Intangible assets	Goodwill	Total impairment
<b>2018</b>				
Algeria	—	—	125	125
Armenia	46	10	25	81
Bangladesh	221	230	—	451
Georgia	31	19	—	50
Kyrgyzstan	—	—	74	74
Other	37	1	—	38
	<b>335</b>	<b>260</b>	<b>224</b>	<b>819</b>

## KEY ASSUMPTIONS

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

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

The table below shows key assumptions used in fair value less costs of disposal calculations.

	Discount rate (local currency)		Average annual revenue growth rate during forecast period		Terminal growth rate	
	2019	2018	2019	2018	2019	2018
Russia	9.1%	10.3%	1.4 %	1.1%	1.6%	1.3%
Ukraine	14.6%	16.3%	5.6 %	4.4%	3.2%	4.0%
Algeria	10.4%	11.1%	1.0 %	0.7%	1.0%	0.9%
Pakistan	14.5%	14.4%	3.9 %	3.5%	2.7%	4.0%
Bangladesh	11.4%	12.2%	3.2 %	0.6%	3.3%	4.0%
Kazakhstan	9.2%	8.4%	5.3 %	2.8%	3.3%	1.1%
Kyrgyzstan	14.1%	14.8%	1.6 %	2.8%	5.0%	5.0%
Uzbekistan	14.5%	13.1%	4.1 %	5.5%	6.0%	6.3%
Armenia	11.4%	12.5%	(1.0)%	0.2%	3.0%	0.8%
Georgia	9.6%	10.6%	3.6 %	2.1%	3.0%	3.0%

	Average operating margin		Average CAPEX excl licenses and ROU as a percentage of revenue	
	2019	2018	2019	2018
Russia	34.7%	34.6%	19.9%	19.8%
Ukraine	59.9%	54.0%	18.8%	16.3%
Algeria	42.6%	44.0%	12.5%	15.1%
Pakistan	47.3%	47.9%	17.2%	16.7%
Bangladesh	36.0%	35.4%	15.4%	14.9%
Kazakhstan	49.9%	46.5%	20.0%	17.7%
Kyrgyzstan	31.4%	39.9%	26.9%	17.2%
Uzbekistan	51.4%	43.9%	19.4%	16.2%
Armenia	23.9%	23.6%	23.0%	21.0%
Georgia	28.9%	24.5%	22.0%	23.8%

Assumption	Description
<b>Discount rate</b>	Discount rates are initially determined in US dollars based on the risk-free rate for 20-year maturity bonds of the United States Treasury, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific CGU relative to the market as a whole.  The equity market risk premium used was 5.6% (2018: 5.4%). The systematic risk, beta, represents the median of the raw betas of the entities comparable in size and geographic footprint with the ones of the Company (“Peer Group”).  The debt risk premium is based on the median of Standard & Poor’s long-term credit rating of the Peer Group.  The weighted average cost of capital is determined based on target debt-to-equity ratios representing the median historical five-year capital structure for each entity from the Peer Group.  The discount rate in functional currency of a CGU is adjusted for the long-term inflation forecast of the respective country.
<b>Projected revenue growth rates</b>	The revenue growth rates vary based on numerous factors, including size of market, GDP (Gross Domestic Product), foreign currency projections, traffic growth, market share and others.
<b>Projected average operating margin</b>	The Company estimates operating margin based on pre-IFRS 16 Adjusted EBITDA divided by Total Operating Revenue for each CGU and each future year. The forecasted operating margin is based on the budget of the following year and assumes cost optimization initiatives which are part of on-going operations, as well as regulatory and technological changes known to date, such as telecommunication license issues and price regulation among others.
<b>Average CAPEX excl licenses and ROU as a percentage of revenue</b>	CAPEX excl licenses and ROU is defined as purchases of property and equipment and intangible assets other than licenses and goodwill. The cash flow forecasts for capital expenditure are based on past experience and amounts budgeted for the following year(s) and include the network roll-outs plans and license requirements.
<b>Projected license and spectrum payments</b>	The cash flow forecasts for license and spectrum payments for each operating company for the initial five years include amounts for expected renewals and newly available spectrum. Beyond that period, a long-run cost of spectrum is assumed.
<b>Long-term growth rate</b>	A long-term growth rate into perpetuity is estimated based on a percentage that is lower than or equal to the country long-term inflation forecast, depending on the CGU.

## SENSITIVITY TO CHANGES IN ASSUMPTIONS

The following table illustrates the CGU with limited headroom and potential impairment that would need to be recorded if certain key parameters would adversely change by one percentage point within both the explicit forecast and terminal periods. Any additional adverse changes in the key parameters by more than one percentage point would increase the amount of impairment exposure approximately proportionally.

CGU	Headroom	Discount rate	Average growth rate	Average operating margin	Average CAPEX excl licenses and ROU / revenue	Terminal growth rate
Algeria	102	(45)	(80)	—	—	(5)

## SOURCE OF ESTIMATION UNCERTAINTY

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

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

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

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



## 12 PROPERTY AND EQUIPMENT

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

Net book value	Telecomm- unications equipment	Land, buildings and constructions	Office and other equipment	Equipment not installed and assets under construction	Right-of- use assets	Total
<b>As of January 1, 2018</b>	<b>5,126</b>	<b>235</b>	<b>470</b>	<b>395</b>	—	<b>6,226</b>
Additions	51	7	14	1,169	—	<b>1,241</b>
Disposals	(51)	(2)	(10)	(5)	—	<b>(68)</b>
Depreciation charge for the year	(1,162)	(30)	(144)	—	—	<b>(1,336)</b>
Impairment	(282)	(8)	(8)	(37)	—	<b>(335)</b>
Transfers	979	23	136	(1,138)	—	—
Reclassified to assets held for sale	(16)	(1)	—	—	—	<b>(17)</b>
Translation adjustment	(641)	(25)	(64)	(56)	—	<b>(786)</b>
<b>As of December 31, 2018</b>	<b>4,004</b>	<b>199</b>	<b>394</b>	<b>328</b>	—	<b>4,925</b>
Adjustment due to IFRS 16	(71)	—	—	—	2,003	<b>1,932</b>
Additions	79	—	8	1,453	158	<b>1,698</b>
Disposals	(35)	(1)	(6)	(7)	(26)	<b>(75)</b>
Depreciation charge for the year	(1,030)	(32)	(139)	—	(446)	<b>(1,647)</b>
Impairment	(30)	(1)	(3)	(17)	—	<b>(51)</b>
Transfers	1,211	29	131	(1,371)	—	—
Modifications of right-of-use assets	—	—	—	—	141	<b>141</b>
Translation adjustment	176	20	32	29	144	<b>401</b>
<b>As of December 31, 2019</b>	<b>4,304</b>	<b>214</b>	<b>417</b>	<b>415</b>	<b>1,974</b>	<b>7,324</b>
Cost	13,625	519	1,562	568	2,459	<b>18,733</b>
Accumulated depreciation and impairment	(9,321)	(305)	(1,145)	(153)	(485)	<b>(11,409)</b>

There were no material changes in estimates related to property and equipment in 2019 other than the impairment described in [Note 11](#) of US\$51 (2018: US\$335).

During 2019, VEON acquired property and equipment in the amount of US\$480 (2018: US\$346), which were not paid for as of year-end.

Property and equipment pledged as security for bank borrowings amounts to US\$652 as of December 31, 2019 (2018: US\$750), and primarily relate to securities for borrowings of Pakistan Mobile Communications Limited ("PMCL").

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

Net book value	ROU - Telecommunicatio ns Equipment	ROU - Land, Buildings and Constructions	ROU - Office and Other Equipment	Total
<b>As of January 1, 2019</b>	<b>1,594</b>	<b>402</b>	<b>7</b>	<b>2,003</b>
Additions	142	16	—	<b>158</b>
Disposals	(18)	(6)	(2)	<b>(26)</b>
Depreciation charge for the year	(306)	(138)	(2)	<b>(446)</b>
Impairment	—	(2)	—	<b>(2)</b>
Transfers	18	(18)	—	—
Modifications and reassessments	94	47	—	<b>141</b>
Translation adjustment	114	32	—	<b>146</b>
<b>As of December 31, 2019</b>	<b>1,638</b>	<b>333</b>	<b>3</b>	<b>1,974</b>
Cost	1,980	474	5	<b>2,459</b>
Accumulated depreciation and impairment	(342)	(141)	(2)	<b>(485)</b>

## COMMITMENTS

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

	<b>2019</b>	<b>2018</b>
Less than 1 year	677	433
Between 1 and 5 years	19	4
<b>Total commitments</b>	<b>696</b>	<b>437</b>

### Capital commitments arising from telecommunications licenses

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

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

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

## ACCOUNTING POLICIES

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

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

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

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

## SOURCE OF ESTIMATION UNCERTAINTY

### Depreciation and amortization of non-current assets

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

The useful lives of property and equipment and intangible assets are reviewed at least annually, taking into consideration the factors mentioned above and all other relevant factors. Estimated useful lives for similar types of assets may vary between different entities in the Group due to local factors such as growth rate, maturity of the market, historical and expected replacements or transfer of assets and quality of components used.

## 13 INTANGIBLE ASSETS

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

Net book value	Telecommuni- cation licenses, frequencies & permissions	Software	Brands and trademarks	Customer relationships	Other intangible assets	Goodwill	Total
<b>As of January 1, 2018</b>	<b>1,257</b>	<b>308</b>	<b>262</b>	<b>255</b>	<b>43</b>	<b>4,618</b>	<b>6,743</b>
Additions	526	156	—	—	18	—	700
Disposals	(6)	(1)	—	—	—	—	(7)
Amortization charge for the year	(176)	(167)	(74)	(54)	(12)	—	(483)
Impairment	(247)	(11)	—	—	(2)	(224)	(484)
Transfer	—	4	—	—	(4)	—	—
Translation adjustment	(158)	(35)	(11)	(26)	(4)	(578)	(812)
<b>As of December 31, 2018</b>	<b>1,196</b>	<b>254</b>	<b>177</b>	<b>175</b>	<b>39</b>	<b>3,816</b>	<b>5,657</b>
Adjustment due to IFRS 16	—	—	—	—	(15)	—	(15)
Additions	50	170	—	—	12	—	232
Disposals	—	—	—	—	—	—	—
Amortization charge for the year	(159)	(151)	(30)	(42)	(7)	—	(389)
Impairment	(2)	1	—	—	—	(54)	(55)
Transfer	—	6	—	—	(6)	—	—
Translation adjustment	15	24	2	9	(2)	197	245
<b>As of December 31, 2019</b>	<b>1,100</b>	<b>304</b>	<b>149</b>	<b>142</b>	<b>21</b>	<b>3,959</b>	<b>5,675</b>
Cost	2,790	1,152	499	1,704	201	3,959	10,305
Accumulated amortization and impairment	(1,690)	(848)	(350)	(1,562)	(180)	—	(4,630)

During 2019, there were no material change in estimates related to intangible assets other than the impairment described in [Note 11](#) of US\$57 (2018: US\$484).

During 2019, VEON acquired intangible assets in the amount of US\$148 (2018: US\$100), which were not yet paid for as of year-end.

## GOODWILL

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

CGU	December 31, 2019	Impairment	Currency translation	December 31, 2018
Russia	2,265	—	247	2,018
Algeria	1,167	—	(9)	1,176
Pakistan	335	—	(36)	371
Kazakhstan	154	—	1	153
Kyrgyzstan	—	(54)	—	54
Uzbekistan	38	—	(6)	44
<b>Total</b>	<b>3,959</b>	<b>(54)</b>	<b>197</b>	<b>3,816</b>

CGU	December 31, 2018	Impairment	Translation adjustment	December 31, 2017
Russia	2,018	—	(416)	2,434
Algeria	1,176	(125)	(39)	1,340
Pakistan	371	—	(97)	468
Kazakhstan	153	—	(24)	177
Kyrgyzstan	54	(74)	—	128
Uzbekistan	44	—	(2)	46
Armenia	—	(25)	—	25
<b>Total</b>	<b>3,816</b>	<b>(224)</b>	<b>(578)</b>	<b>4,618</b>

## COMMITMENTS

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

	2019	2018
Less than 1 year	77	23
Between 1 and 5 years	5	0
<b>Total commitments</b>	<b>82</b>	<b>23</b>

## ACCOUNTING POLICIES

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

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

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

## SOURCE OF ESTIMATION UNCERTAINTY

Refer also to [Note 12](#) for further details regarding source of estimation uncertainty.

### Depreciation and amortization of non-current assets

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

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

## 14 INVESTMENTS IN SUBSIDIARIES

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

Name of significant subsidiary	Country of incorporation	Nature of subsidiary	Equity interest held by the Group	
			2019	2018
PJSC VimpelCom	Russia	Operating	100.0%	100.0%
JSC “Kyivstar”	Ukraine	Operating	100.0%	100.0%
LLP “KaR-Tel”	Kazakhstan	Operating	75.0%	75.0%
LLC “Unitel”	Uzbekistan	Operating	100.0%	100.0%
LLC “VEON Georgia”	Georgia	Operating	80.0%	80.0%
CJSC “VEON Armenia”	Armenia	Operating	100.0%	100.0%
LLC “Sky Mobile”	Kyrgyzstan	Operating	50.1%	50.1%
VEON Luxembourg Holdings S.à r.l.	Luxembourg	Holding	100.0%	100.0%
VEON Luxembourg Finance Holdings S.à r.l.	Luxembourg	Holding	100.0%	100.0%
VEON Luxembourg Finance S.A.	Luxembourg	Holding	100.0%	100.0%
Global Telecom Holding S.A.E	Egypt	Holding	99.0%	57.7%
Omnium Telecom Algérie S.p.A.*	Algeria	Holding	45.6%	26.3%
Optimum Telecom Algeria S.p.A.*	Algeria	Operating	45.6%	26.3%
Pakistan Mobile Communications Limited	Pakistan	Operating	85.0%	49.0%
Banglalink Digital Communications Limited	Bangladesh	Operating	100.0%	57.7%

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

Following the completion of the MTO and further purchases by GTH, VEON has increased its shareholding in GTH to 99.54% and consequently its indirect equity interest in its operating companies in Algeria, Pakistan and Bangladesh, refer [Note 10](#) for further details.

### MATERIAL PARTLY-OWNED SUBSIDIARIES

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

Name of significant subsidiary	Equity interest held by NCIs		Book values of material NCIs		Profit / (loss) attributable to material NCIs	
	2019	2018	2019	2018	2019	2018
LLP “KaR-Tel” (“ <b>Kar-Tel</b> ”)	25.0%	25.0%	232	228	27	19
LLC “Sky Mobile” (“ <b>Sky Mobile</b> ”)	49.9%	49.9%	79	133	(44)	(32)
Global Telecom Holding S.A.E (“ <b>GTH</b> ”)	0.5%	42.3%	853	(1,190)	75	(204)
Omnium Telecom Algérie S.p.A. (“ <b>OTA</b> ”)	54.4%	73.7%	871	1,091	55	1

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

**Summarized income statement**

	Kar-Tel		Sky Mobile		GTH		OTA	
	2019	2018	2019	2018	2019	2018	2019	2018
Operating revenue	461	410	63	81	2,051	2,828	775	813
Operating expenses	(319)	(319)	(150)	(144)	(1,595)	(2,810)	(621)	(754)
Other (expenses) / income	(6)	6	(1)	—	947*	(377)	(17)	(11)
<b>Profit / (loss) before tax</b>	136	97	(88)	(63)	1,403	(359)	137	48
Income tax expense	(29)	(20)	—	(1)	(136)	(124)	(36)	(47)
<b>Profit / (loss) for the year</b>	107	77	(88)	(64)	1,267	(483)	101	1
<b>Total comprehensive income / (loss)</b>	107	77	(88)	(64)	1,267	(483)	101	1
Attributed to NCIs	27	19	(44)	(32)	75	(204)	55	1
<b>Dividends paid to NCIs</b>	—	—	—	—	95	80	69	76

\* Included within Other (expenses) / income for GTH is a gain of US\$1,262 relating to the intragroup transfer of Jazz, Banglalink and Med Cable, refer to [Note 10](#) for further details.

**Summarized statement of financial position**

	Kar-Tel		Sky Mobile		GTH		OTA	
	2019	2018	2019	2018	2019	2018	2019	2018
Property and equipment	271	192	50	76	608	1,652	600	498
Intangible assets	86	69	5	10	160	1,042	158	214
Other non-current assets	185	177	3	55	2,797	1,766	1,187	1,178
Trade and other receivables	18	13	4	3	146	263	34	48
Cash and cash equivalents	39	29	21	43	165	420	67	53
Other current assets	12	15	18	12	97	317	42	88
Debt and derivatives	(63)	—	(7)	—	(1,375)	(2,938)	(134)	(63)
Provisions	(6)	(4)	(1)	(2)	(70)	(312)	(22)	(25)
Other liabilities	(119)	(85)	(24)	(19)	(585)	(1,690)	(334)	(355)
<b>Total equity</b>	423	406	69	178	1,943	520	1,598	1,636
<b>Attributed to:</b>								
Equity holders of the parent	191	178	(10)	45	1,090	1,710	727	545
Non-controlling interests	232	228	79	133	853	(1,190)	871	1,091

\* The total equity of GTH attributed to non-controlling interests includes the total equity which is attributed to non-controlling interests of OTA, GTH's subsidiary.

**Summarized statement of cash flows**

	Kar-Tel		Sky Mobile		GTH		OTA	
	2019	2018	2019	2018	2019	2018	2019	2018
Net operating cash flows	199	148	17	29	691	900	305	245
Net investing cash flows	(84)	(42)	(15)	(18)	(529)	(695)	(84)	(118)
Net financing cash flows	(104)	(90)	(24)	—	(395)	(110)	(205)	(193)
Net foreign exchange difference	—	(3)	—	—	(23)	(60)	(1)	(5)
<b>Net increase / (decrease) in cash equivalents</b>	11	13	(22)	11	(256)	35	15	(71)

## **SIGNIFICANT ACCOUNTING JUDGMENTS**

### **Control over subsidiaries**

Subsidiaries, which are those entities over which the Company is deemed to have control, are consolidated. In certain circumstances, significant judgment is required to assess if the Company is deemed to have control over entities where the Company's ownership interest does not exceed 50%. The Group has concluded that it controls Omnium Telecom Algérie S.p.A and Optimum Telecom Algeria S.p.A even though its subsidiary, Global Telecom Holding S.A.E. owned less than 50% of the ordinary shares. This is because the Company can exercise operational control through terms of a shareholders' agreement.

## FINANCING ACTIVITIES OF THE GROUP

### 15 INVESTMENTS, DEBT AND DERIVATIVES

#### INVESTMENTS AND DERIVATIVE ASSETS

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

	Carrying value	
	2019	2018
<b>At fair value through profit or loss</b>		
Derivatives not designated as hedges	11	14
Derivatives designated as net investment hedges	—	45
Investments in debt instruments *	34	36
Other	—	3
	<b>45</b>	<b>98</b>
<b>At amortized cost</b>		
Loans granted to subsidiaries of the ultimate parent	1,479	673
Security deposits and cash collateral	256	31
Other investments	10	17
	<b>1,745</b>	<b>721</b>
<b>Total investments and derivatives</b>	<b>1,790</b>	<b>819</b>
Non-current	236	58
Current	1,554	761

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

#### Security deposits

The ex-Warid license renewal was due in May 2019. Pursuant to directions from the Islamabad High Court, the Pakistan Telecommunication Authority (“PTA”) issued a license renewal decision on July 22, 2019 requiring payment of US\$40 per MHz for 900 MHz spectrum and US\$30 per MHz for 1800 MHz spectrum, equating to an aggregate price of approximately US\$450 (excluding applicable taxes of approximately 13%). On August 17, 2019, Jazz appealed the PTA’s order to the Islamabad High Court. On August 21, 2019, the Islamabad High Court suspended the PTA’s order pending the outcome of the appeal and subject to Jazz making payment in the form of security (under protest) as per the options given in the PTA’s order.

In September 2019, Jazz deposited approximately US\$225 in order to maintain its appeal in the Islamabad High Court regarding the PTA’s underlying decision on the license renewal. There were no specific terms and conditions attached to the deposit. The deposit is recorded as a financial investment asset within the statement of financial position and is presented as "Payments on deposits" within the statement of cash flows. The Islamabad High Court has not yet scheduled a hearing date.



## DEBT AND DERIVATIVES

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

	Carrying value	
	2019	2018
<b>At fair value through profit or loss</b>		
Derivatives not designated as hedges	52	65
Derivatives designated as net investment hedges	161	—
Contingent consideration	41	40
Other	—	3
	<b>254</b>	<b>108</b>
<b>At amortized cost</b>		
Principal amount outstanding	7,497	7,297
Interest accrued	82	81
Discounts, unamortized fees, hedge basis adjustment	(10)	(12)
Bank loans and bonds	7,569	7,366
Lease liabilities	2,064	—
Put-option liability over non-controlling interest	342	306
Other financial liabilities	77	77
	<b>10,052</b>	<b>7,749</b>
<b>Total debt and derivatives</b>		
	<b>10,306</b>	<b>7,857</b>
Non-current	7,744	6,567
Current	2,562	1,290

### Bank loans and bonds

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

Borrower	Type of debt	Guarantor	Currency	Interest rate	Maturity	Principal amount outstanding	
						2019	2018
VEON Holdings	Loans	None	RUB	8.75% to 10.0%	2022	2,303	2,051
VEON Holdings	Notes	None	US\$	5.2% to 5.95%	2019 - 2023	529	1,100
VEON Holdings	Notes	None	US\$	3.95% to 4.95%	2021 - 2024	1,133	1,133
VEON Holdings	Notes	PJSC VimpelCom	US\$	7.50%	2022	417	417
VEON Holdings	Notes	None	US\$	4.00 %	2025	700	—
GTH Finance B.V.	Notes	VEON Holdings	US\$	6.25% to 7.25%	2020 - 2023	1,200	1,200
PJSC VimpelCom, via VIP Finance Ireland	Eurobonds	None	US\$	7.75 %	2021	262	262
PMCL	Loans	None	PKR	6mKIBOR + 0.35% to 0.8%	2020 - 2022	226	256
PMCL	Loan	EKN *	US\$	6mLIBOR + 1.9%	2020	75	137
PMCL	Loan	None	PKR	6mKIBOR + 0.75%	2026	121	—
Banglalink	Loan	None	US\$	3mLIBOR + 2.50%	2020	300	—
Banglalink	Notes	None	US\$	8.63%	2019	—	300
Banglalink	Loans	None	BDT	Average bank deposit rate + 3.0% to 4.25%	2020 - 2022	116	146
	Other bank loans and bonds					115	295
	<b>Total bank loans and bonds</b>					<b>7,497</b>	<b>7,297</b>

\* Exportkreditnämnden (The Swedish Export Credit Agency)

## SIGNIFICANT CHANGES IN DEBT AND DERIVATIVES

### Reconciliation of cash flows from financing activities

	Bank loans and bonds	Lease liabilities	Total
<b>Balance as of January 1, 2018</b>	<b>10,748</b>	—	<b>10,748</b>
Cash flows			
Proceeds from borrowings, net of fees paid	807	—	807
Repayment of debt	(3,662)	—	(3,662)
Interest paid	(724)	—	(724)
Non-cash movements			
Interest and fee accruals	678	—	678
Early redemption premium accrued *	44	—	44
Foreign currency translation	(573)	—	(573)
Other non-cash movements	48	—	48
<b>Balance as of December 31, 2018</b>	<b>7,366</b>	—	<b>7,366</b>
Adjustment due to new accounting standards	—	1,978	1,978
<b>Balance as of January 1, 2019</b>	<b>7,366</b>	<b>1,978</b>	<b>9,344</b>
Cash flows			
Proceeds from borrowings, net of fees paid	2,610	—	2,610
Repayment of debt	(2,612)	(366)	(2,978)
Interest paid	(558)	(150)	(708)
Non-cash movements			
Interest and fee accruals	593	177	770
Lease additions, disposals, modifications	—	275	275
Foreign currency translation	193	150	343
Other non-cash movements	(23)	—	(23)
<b>Balance as of December 31</b>	<b>7,569</b>	<b>2,064</b>	<b>9,633</b>

\* Early redemption premium accrued in respect of the settlement of the cash tender offer for certain outstanding debt securities. The amount accrued relates to the excess of purchase price over the principal amount outstanding, which, together with the release of unamortized debt issuance costs and unamortized fair value hedge basis adjustment, resulted in a loss from early debt redemption of US\$30 in 2018.

### VEON Holdings BV new notes

In October 2019, Company issued US\$700 4.00% senior unsecured notes due 2025. The net proceeds of the notes issued have been used primarily to refinance drawings on the revolving credit facility used to fund the MTO for GTH.

### Pakistan Mobile Communications Limited new bilateral term facility

In June 2019, PMCL entered into a bilateral secured PKR 14,369 million (approximately US\$92) 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 based on terms comparable with 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 (approximately US\$287) 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 based on terms comparable with PMCL's existing debt.

### Banglalink Digital Communications Limited new syndicated term facility agreement

In April 2019, Banglalink entered into a new US\$300 syndicated term facility agreement with several international banks. The facility is guaranteed by VEON Holdings 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 in May 2019.

## Lease liabilities

On January 1, 2019, the Company adopted IFRS 16 Leases, for further details please refer to [Note 23](#). In 2019, interest in respect of lease liabilities is presented in "Finance costs" within the consolidated income statement.

## FAIR VALUES

As of December 31, 2019, the carrying amounts of all financial assets and liabilities are equal to or approximate their respective fair values as shown in the table at the beginning of this note, with the exception of:

- 'Bank loans and bonds, including interest accrued', for which fair value is equal to US\$7,867 (2018: US\$7,430); and
- 'Lease liabilities', for which fair value has not been determined.

As of December 31, 2019 and December 31, 2018, all of the Group's financial instruments carried at fair value in the statement of financial position were measured based on Level 2 inputs, except for the Contingent consideration, for which fair value is classified as Level 3.

All movements in Contingent consideration in the years ended December 31, 2019 and 2018 relate to changes in fair value, which are unrealized, and are recorded in "Other non-operating gain / (loss)" within the consolidated income statement.

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

On a quarterly basis, the Company reviews if there are any indicators for a possible transfer between fair value hierarchy levels. This depends on how the Company is able to obtain the underlying input parameters when assessing the fair valuations. During the years ended December 31, 2019 and 2018, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

## HEDGE ACCOUNTING

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

Hedging instruments *	Designated rate	Excluded component	Hedged item	Currency	Aggregated designated nominal value of hedged items, million	
					2019	2018
Foreign currency forward contracts	Forward	foreign currency basis spread	PJSC VimpelCom	RUB	88,220 **	68,639 **

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

\*\* Hedging instruments have a weighted average term to maturity of 1 year as of December 31, 2019 (2018: 2 years).

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

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

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

**Impact of hedge accounting on equity**

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

	Foreign currency translation reserve	Cost of hedging reserve **
<b>As of January 1, 2018</b>	<b>(5,473)</b>	—
Foreign currency revaluation of the foreign operations and other	(744)	—
Effective portion of foreign currency revaluation of the hedging instruments *	83	—
Change in fair value of foreign currency basis spreads	—	(4)
Amortization of time-period related foreign currency basis spreads	—	5
Net investment hedge amount reclassified to profit or loss – sale of Italy Joint Venture	80	4
Disposal of subsidiaries – reclassification to profit or loss	(159)	—
<b>As of December 31, 2018</b>	<b>(6,213)</b>	<b>5</b>
Foreign currency revaluation of the foreign operations	330	—
Effective portion of foreign currency revaluation of the hedging instruments *	(228)	—
Change in fair value of foreign currency basis spreads	—	23
Amortization of time-period related foreign currency basis spreads	—	(19)
<b>As of December 31, 2019</b>	<b>(6,111)</b>	<b>9</b>

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

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

**ACCOUNTING POLICIES AND SOURCES OF ESTIMATION UNCERTAINTY**

**Put options over non-controlling interest**

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

**Derivative contracts**

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

**Hedges of a net investment**

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

### **Fair value of financial instruments**

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

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

### **Measurement of lease liabilities**

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

A significant portion of the lease contracts included within Company's lease portfolio includes lease contracts which are extendable through mutual agreement between VEON and the lessor, or lease contracts which are cancelable by the Company immediately or on short notice. The Company includes these cancelable future lease periods within the lease term, which increases the future lease payments used in determining the lease liability upon initial recognition. VEON's determination of the lease term is based on facts and circumstances related to the underlying leased asset and lease contracts.

## 16 CASH AND CASH EQUIVALENTS

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

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

	<b>2019</b>	<b>2018</b>
Cash and cash equivalents at banks and on hand	867	714
Cash equivalents with original maturity of less than three months	316	1,053
<b>Cash and cash equivalents</b>	<b>1,183</b>	<b>1,767</b>
Less overdrafts	(24)	(16)
<b>Cash and cash equivalents, net of overdrafts, as presented in the consolidated statement of cash flows</b>	<b>1,159</b>	<b>1,751</b>

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

The imposition of currency exchange controls or other similar restrictions on currency convertibility in the countries in which VEON operates could limit VEON's ability to convert local currencies or repatriate local cash in a timely manner or at all, as well as remit dividends from the respective countries. As of December 31, 2019, there were no restricted cash and cash equivalent balances (2018: nil).

Cash balances include investments in money market funds of US\$155 (2018: US\$349), which are carried at fair value through profit or loss with gains presented within 'Other non-operating gain / (loss)' within the consolidated income statement.

As of December 31, 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\$24 (2018: US\$16). Even though the total balance of the cash pool remained positive, the Company has no legally enforceable right of set-off and therefore the overdrawn accounts are presented as debt and derivatives within the statement of financial position. At the same time, because the overdrawn accounts are an integral part of the Company's cash management, they were included as cash and cash equivalents within the statement of cash flows.

## **17 FINANCIAL RISK MANAGEMENT**

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

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

### **INTEREST RATE RISK**

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

As of December 31, 2019, after taking into account the effect of interest rate swaps, approximately 92% of the Company's borrowings are at a fixed rate of interest (2018: 91%).

The Group is exposed to possible changes in interest rates on variable interest loans and borrowings, partially mitigated through related derivative financial instruments, cash and cash equivalents and current deposits. With all other variables held constant, the Company's profit before tax is affected through changes in the floating rate of borrowings while the Company's equity is affected through the impact of a parallel shift of the yield curve on the fair value of hedging derivatives. An increase or decrease of 100 basis points in interest rates would have an immaterial impact on the Company's income statement and other comprehensive income.

### **FOREIGN CURRENCY RISK**

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

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

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

#### **Foreign currency sensitivity**

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

	Effect on profit / (loss) before tax		Effect on other comprehensive income	
	10% depreciation	10% appreciation	10% depreciation	10% appreciation
Change in foreign exchange rate against US\$				
<b>2019</b>				
Euro	(3)	3	—	—
Russian Ruble	(9)	11	119	(145)
Bangladeshi Taka	(27)	30	—	—
Pakistani Rupee	(10)	11	—	—
Georgian Lari	(36)	39	—	—
Other currencies (net)	(2)	2	—	—
<b>2018</b>				
Euro	(2)	3	—	—
Russian Ruble	(32)	35	70	(77)
Bangladeshi Taka	(76)	83	—	—
Pakistani Rupee	(19)	20	—	—
Georgian Lari	(34)	37	—	—
Other currencies (net)	—	—	—	—

## CREDIT RISK

The Company is exposed to credit risk from its operating activities (primarily from trade receivables), and from its treasury activities, including deposits with banks and financial institutions, derivative financial instruments and other financial instruments. See Note 16 for further information on restrictions on cash balances.

Trade receivables consist of amounts due from customers for airtime usage and amounts due from dealers and customers for equipment sales. VEON's credit risk arising from the services the Company provides to customers is mitigated to a large extent due to the majority of its active customers being subscribed to a prepaid service as of December 31, 2019 and 2018, and accordingly not giving rise to credit risk. For postpaid services, in certain circumstances, VEON requires deposits as collateral for airtime usage. Equipment sales are typically paid in advance of delivery, except for equipment sold to dealers on credit terms.

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

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

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

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

The Company's maximum exposure to credit risk for the components of the statement of financial position at December 31, 2019 and 2018 is the carrying amount as illustrated in [Note 15](#), [Note 7](#) and [Note 17](#).



## LIQUIDITY RISK

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bonds, bank overdrafts, bank loans and lease contracts. The Company's policy is to create a balanced debt maturity profile. As of December 31, 2019, 21% of the Company's debt (2018: 17%) will mature in less than one year based on the carrying value of bank loans, bonds and other borrowings reflected in the financial statements. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low based on liquidity in the markets the Company has access to, and recent history of refinancing. The Company believes that access to sources of funding is sufficiently available and the Company's policy is to diversify the funding sources where possible.

### Available facilities

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

	Amounts in millions of transactional currency				US\$ equivalent amounts		
	Final availability period	Facility amount	Utilized	Available	Facility amount	Utilized	Available
<b>2019</b>							
VEON Holdings B.V. – Revolving Credit Facility	Feb 2022	US\$1,688*	—	US\$1,688	1,688	—	1,688
PMCL - Syndicated Term Facility and Islamic Finance Facility	Mar 2020	PKR 45,000	PKR 15,885	PKR 29,115	291	103	188
PMCL - Term Facility	Sep 2020	PKR 14,369	PKR 2,963	PKR 11,406	93	19	74

\* Facility amount of US\$1,688 is available until February 2020. Subsequently a reduced facility amount of US\$1,586 is available until February 2021 and further reduced facility amount of US\$1,382 is available until February 2022

	Amounts in millions of transactional currency				US\$ equivalent amounts		
	Final availability period	Facility amount	Utilized	Available	Facility amount	Utilized	Available
<b>2018</b>							
VEON Holdings B.V. – Revolving Credit Facility	Feb 2022	US\$1,688*	—	US\$1,688	1,688	—	1,688
Pakistan Mobile Communications Limited - Syndicated Term Loan Facility	Jun 2019	PKR 26,750	PKR 17,000	PKR 9,750	191	122	69
Pakistan Mobile Communications Limited - Term Loan Facility	Jun 2019	PKR 10,000	PKR 5,463	PKR 4,537	72	39	33

\* Facility amount of US\$1,688 is available until February 2020. Subsequently a reduced facility amount of US\$1,586 is available until February 2021.

## Maturity profile

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments. Payments related to variable interest rate financial liabilities and derivatives are included based on the interest rates and foreign currency exchange rates applicable as of December 31, 2019 and 2018, respectively. The total amounts in the table differ from the carrying amounts as stated in Note 15 as the below table includes both undiscounted principal amounts and interest while the carrying amounts are measured using the effective interest rate method.

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
<b>As of December 31, 2019</b>					
Bank loans and bonds	2,071	3,909	2,009	794	8,783
Lease liabilities	569	914	728	420	2,631
Derivative financial liabilities					
Gross cash inflows	(1,150)	(378)	—	—	(1,528)
Gross cash outflows	1,311	483	—	—	1,794
Trade and other payables	2,177	—	—	—	2,177
Other financial liabilities	54	12	—	—	66
Warid non-controlling interest put option liability	342	—	—	—	342
<b>Total financial liabilities</b>	<b>5,374</b>	<b>4,940</b>	<b>2,737</b>	<b>1,214</b>	<b>14,265</b>
Related derivatives financial assets					
Gross cash inflows	(273)	—	—	—	(273)
Gross cash outflows	262	—	—	—	262
<b>Related derivative financial assets</b>	<b>(11)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(11)</b>
<b>Total financial liabilities, net of derivative assets</b>	<b>5,363</b>	<b>4,940</b>	<b>2,737</b>	<b>1,214</b>	<b>14,254</b>

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
<b>As of December 31, 2018</b>					
Bank loans and bonds	1,696	3,866	2,642	579	8,783
Derivative financial liabilities					
Gross cash inflows	(368)	(54)	—	—	(422)
Gross cash outflows	394	68	—	—	462
Trade and other payables *	1,967	—	—	—	1,967
Other financial liabilities	—	62	—	—	62
Warid non-controlling interest put option liability	—	306	—	—	306
<b>Total financial liabilities</b>	<b>3,689</b>	<b>4,248</b>	<b>2,642</b>	<b>579</b>	<b>11,158</b>
Related derivatives financial assets					
Gross cash inflows	(300)	(610)	(330)	—	(1,240)
Gross cash outflows	286	634	354	—	1,274
<b>Related derivative financial assets</b>	<b>(14)</b>	<b>24</b>	<b>24</b>	<b>—</b>	<b>34</b>
<b>Total financial liabilities, net of derivative assets</b>	<b>3,675</b>	<b>4,272</b>	<b>2,666</b>	<b>579</b>	<b>11,192</b>

\* Comparative amounts have been reclassified to conform to the current period presentation, refer to [Note 22](#) for further details.

## CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios, so as to secure access to debt and capital markets at all times and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. Current credit ratings of the Company support its capital structure objectives. Capital is managed primarily at the level of the ultimate parent of the Company (VEON Ltd.). In September 2019, VEON Ltd. announced a revised dividend policy that targets paying at least 50% of prior year Equity Free Cash Flow after licenses. There were no changes made in the Company's objectives, policies or processes for managing capital during 2019.

The Net Debt to Adjusted EBITDA ratio is an important measure used by the Company to assess its capital structure. Net Debt represents the principal amount of interest-bearing debt less cash and cash equivalents and bank deposits. Adjusted EBITDA is defined as last twelve months earnings before interest, tax, depreciation, amortization and impairment, loss on disposals of non-current assets, other non-operating losses and share of profit / (loss) of joint ventures. For reconciliation of Adjusted EBITDA to Profit / (loss) before tax, refer to Note 2. VEON Ltd's internal target is to keep Net Debt to Adjusted EBITDA at around 2.0x on the basis of the so called "GAAP freeze" principle, i.e. under the IAS 17 framework which is equivalent to 2.4x on the post-IFRS 16 basis.

Further, this ratio is included as a financial covenant in the credit facilities of the Company. For most of our credit facilities the Net Debt to Adjusted EBITDA ratio is calculated at consolidated level of VEON Ltd. and is "pro-forma" adjusted for acquisitions and divestments of any business bought or sold during the relevant period. Under these credit facilities, the Company is required to maintain the Net Debt to Adjusted EBITDA ratio below 3.5x (on the basis of the so called "GAAP freeze" principle). The Company has not breached any financial covenants during the period covered by these financial statements.

## 18 ISSUED CAPITAL AND RESERVES

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

	<b>2019</b>	<b>2018</b>
Authorized common shares (nominal value of EUR 1 per share)	70,000,000	70,000,000
Issued and outstanding shares	30,099,998	30,099,998

As of December 31, 2019, the Company had 70,000,000 authorized common shares (2018: 70,000,000) with a nominal value of EUR 1 per share, of which 30,099,998 shares were issued, outstanding and are fully paid-up (2018: 30,099,998).

### **Nature and purpose of reserves**

Other capital reserves are mainly used to recognize the results of transactions that do not result in a change of control with non-controlling interest (see [Note 14](#)). The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries, net of any related hedging activities (see [Note 15](#)).

## 19 DIVIDENDS PAID AND PROPOSED

During 2019 the Company did not declare any dividends to its shareholder.

In March 2018, the Company declared and made two distributions to its shareholder of US\$340 and US\$262 respectively. In July 2018, the Company's immediate parent, VimpelCom Amsterdam B.V., made a cash capital contribution to the Company of US\$85.

### DIVIDENDS DECLARED TO NON-CONTROLLING INTERESTS

During the 2019 and 2018 years, certain subsidiaries of the Company declared dividends, of which a portion was paid or payable to non-controlling interests.

Name of subsidiary	Dividend declared	Dividend paid	Paid or payable to non-controlling interests
Omnium Telecom Algeria S.p.A	June 2019	September 2019	69
VIP Kazakhstan Holding AG	January 2019	January 2019	24
TNS Plus LLP	April 2019	April 2019	12
Rascom CJSC	June 2019	August 2019	3
<b>Total for 2019</b>			<b>108</b>
Omnium Telecom Algeria S.p.A	June 2018	August 2018	76
TNS Plus LLP	April 2018	April 2018	11
TNS Plus LLP	April 2018	August 2018	2
Rascom CJSC	June 2018	July 2018	2
Buzton LLC	July 2018	September 2018	2
<b>Total for 2018</b>			<b>93</b>
VIP Kazakhstan Holding AG	October 2017	October 2017	11
Omnium Telecom Algeria S.p.A	June 2017	August 2017	82
TNS Plus LLP	May 2017	May 2017	12
VIP Kyrgyzstan Holding AG	February 2017	February 2017	55
TNS Plus LLP	January 2017	January 2017	8
<b>Total for 2017</b>			<b>168</b>

In 2019, PMCL, a subsidiary of the Company, declared dividends to its shareholders, of which US\$24 (2018: US\$11) was declared to non-controlling shareholders of PMCL. Dividends declared to non-controlling interests of PMCL reduces the principal amount of the put-option liability over non-controlling interest on the date of declaration. As of December 31, 2019, there is no remaining amount payable to non-controlling interests (2018: US\$7).

## ADDITIONAL INFORMATION

### 20 RELATED PARTIES

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

The following table provides the total amount of transactions that have been entered into with related parties and their affiliates for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Revenue from		
VEON Wholesale Services B.V.	59	51
Others	—	8
Finance income	<u>34</u>	<u>7</u>
	<b><u>128</u></b>	<b><u>66</u></b>
Services from		
VEON Wholesale Services B.V.	51	78
VEON Ltd.	18	58
Others	<u>8</u>	<u>8</u>
	<b><u>69</u></b>	<b><u>144</u></b>

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

	<u>2019</u>	<u>2018</u>
Accounts receivable due from		
VEON Ltd.	96	95
Others	19	32
Financial asset receivable, including interest accrued, from		
VEON Amsterdam B.V. *	1,289	520
VC ESOP N.V.	155	150
VEON Digital Limited	19	-
Interest accrued	<u>15</u>	<u>3</u>
	<b><u>1,593</u></b>	<b><u>800</u></b>
Accounts payable to related parties		
VEON Ltd.	326	380
Others	36	38
Financial liabilities to related parties	<u>3</u>	<u>3</u>
	<b><u>365</u></b>	<b><u>421</u></b>

\*The Company intends to settle the notes receivable balances outstanding with VEON Amsterdam B.V. under the Facility Agreement dated 16 August 2018 within the 12 months following the balance sheet date.

As of December 31, 2019, the Company has no ultimate controlling shareholder. See also [Note 18](#) for details regarding ownership structure.

### COMPENSATION TO DIRECTORS AND SENIOR MANAGERS OF THE COMPANY

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

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

	2019	2018
Short-term employee benefits	48	35
Long-term employee benefits	—	—
Share-based payments	3	—
Termination benefits	—	2
<b>Total compensation to directors and senior management *</b>	<b>51</b>	<b>37</b>

\* The number of directors and senior managers vary from year to year. Amounts disclosed in previous years for 'Long-term employee benefits' represented total nominal values of the grants covering multiple years. Total compensation paid to directors and senior management approximates the amount charged in the consolidated income statement for that year.

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

### Compensation of Key Senior Managers

The following table sets forth the total remuneration expense and compensation paid to the key senior managers in 2019 and 2018 (gross amounts in whole euro and whole US\$ equivalents):

	Ursula Burns	Jean-Yves Charlier	Trond Westlie	Murat Kirkgoz	Kjell Johnsen	Kaan Terzioglu	Sergi Herrero	Scott Dresser
<i>In whole euros</i>	Group CEO	Group CEO	Group CFO <sup>(v)</sup>	Deputy Group CFO <sup>(v)</sup>	Group COO <sup>(v)</sup>	Joint Group COO <sup>(v)</sup>	Joint Group COO <sup>(v)</sup>	Group General Counsel
<b>2019</b>								
Short-term employee benefits								
Base salary <sup>(i)</sup>	5,500,000	—	1,500,000	264,500	1,250,000	220,500	342,036	1,300,000
Annual incentive <sup>(ii)</sup>	10,461,000	—	1,455,216	211,713	4,184,355	472,151	514,460	2,258,882
Other <sup>(iii)</sup>	1,146,503	—	24,100	35,750	46,857	105,999	1,560,229	29,100
Long-term employee benefits	—	—	—	—	—	—	—	—
Share-based payments <sup>(iv)</sup>	—	—	64,842	8,242	(828,047)	—	—	(697,504)
Termination benefits	—	—	—	—	—	—	—	—
<b>Total remuneration expense</b>	<b>17,107,503</b>	<b>—</b>	<b>3,044,158</b>	<b>520,205</b>	<b>4,653,165</b>	<b>798,650</b>	<b>2,416,725</b>	<b>2,890,478</b>
<b>2019</b>								
Short-term employee benefits								
Base salary <sup>(i)</sup>	5,500,000	—	1,500,000	264,500	1,250,000	220,500	342,036	1,300,000
Annual incentive <sup>(ii)</sup>	5,472,400	—	1,412,613	—	3,766,855	—	—	2,470,653
Other <sup>(iii)</sup>	1,146,503	—	24,100	35,750	46,857	105,999	1,560,229	29,100
Long-term employee benefits	—	—	—	—	—	—	—	—
Share-based payments	2,791,290	—	—	—	—	—	—	—
Termination benefits	—	—	—	—	—	—	—	—
<b>Total remuneration paid</b>	<b>14,910,193</b>	<b>—</b>	<b>2,936,713</b>	<b>300,250</b>	<b>5,063,712</b>	<b>326,499</b>	<b>1,902,265</b>	<b>3,799,753</b>
<b>2018</b>								
Short-term employee benefits								
Base salary <sup>(i)</sup>	4,602,902	1,902,600	1,500,000	—	1,425,000	—	—	1,233,333
Annual incentive <sup>(ii)</sup>	—	7,717,900	127,313	—	—	—	—	405,899
Other <sup>(iii)</sup>	104,645	489,070	21,695	—	70,442	—	—	927,489
Long-term employee benefits	—	—	—	—	—	—	—	—
Share-based payments	—	—	—	—	—	—	—	—
Termination benefits	—	1,340,278	—	—	—	—	—	—
<b>Total remuneration paid</b>	<b>4,707,547</b>	<b>11,449,848</b>	<b>1,649,008</b>	<b>—</b>	<b>1,495,442</b>	<b>—</b>	<b>—</b>	<b>2,566,721</b>

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	Ursula Burns	Jean-Yves Charlier	Trond Westlie	Murat Kirkgoz	Kjell Johnsen	Kaan Terzioğlu	Sergi Herrero	Scott Dresser
<i>In whole US dollars</i>	Group CEO	Group CEO	Group CFO <sup>(v)</sup>	Deputy Group CFO <sup>(v)</sup>	Group COO <sup>(vi)</sup>	Joint Group COO <sup>(v)</sup>	Joint Group COO <sup>(v)</sup>	Group General Counsel
<b>2019</b>								
Short-term employee benefits								
Base salary <sup>(i)</sup>	6,155,568	—	1,678,791	296,027	1,398,993	246,782	382,805	1,454,952
Annual incentive <sup>(ii)</sup>	11,707,890	—	1,628,669	236,948	4,683,106	528,429	575,781	2,528,128
Other <sup>(iii)</sup>	1,283,159	—	26,973	40,011	52,442	118,633	1,746,199	32,569
Long-term employee benefits	—	—	—	—	—	—	—	—
Share-based payments <sup>(iv)</sup>	—	—	72,571	9,224	(926,745)	—	—	(780,642)
Termination benefits	—	—	—	—	—	—	—	—
<b>Total remuneration expense</b>	<b>19,146,617</b>	<b>—</b>	<b>3,407,004</b>	<b>582,210</b>	<b>5,207,796</b>	<b>893,844</b>	<b>2,704,785</b>	<b>3,235,007</b>
<b>2019</b>								
Short-term employee benefits								
Base salary <sup>(i)</sup>	6,155,568	—	1,678,791	296,027	1,398,993	246,782	382,800	1,454,952
Annual incentive <sup>(ii)</sup>	6,124,678	—	1,580,988	—	4,215,842	—	—	2,765,140
Other <sup>(iii)</sup>	1,283,160	—	26,973	40,011	52,442	118,633	1,746,175	32,569
Long-term employee benefits	—	—	—	—	—	—	—	—
Share-based payments	3,123,996	—	—	—	—	—	—	—
Termination benefits	—	—	—	—	—	—	—	—
<b>Total remuneration paid</b>	<b>16,687,402</b>	<b>—</b>	<b>3,286,752</b>	<b>336,038</b>	<b>5,667,277</b>	<b>365,415</b>	<b>2,128,975</b>	<b>4,252,661</b>
<b>2018</b>								
Short-term employee benefits								
Base salary <sup>(i)</sup>	5,429,871	2,244,426	1,769,494	—	1,681,019	—	—	1,454,917
Annual incentive <sup>(ii)</sup>	—	9,104,518	150,186	—	—	—	—	478,824
Other <sup>(iii)</sup>	123,446	576,938	25,593	—	83,098	—	—	1,094,124
Long-term employee benefits	—	—	—	—	—	—	—	—
Share-based payments	—	—	—	—	—	—	—	—
Termination benefits	—	1,581,076	—	—	—	—	—	—
<b>Total remuneration paid</b>	<b>5,553,317</b>	<b>13,506,958</b>	<b>1,945,273</b>	<b>—</b>	<b>1,764,117</b>	<b>—</b>	<b>—</b>	<b>3,027,865</b>

<sup>(i)</sup> Base salary includes includes holiday and/or pension allowances pursuant to the terms of an individual's employment agreement.

<sup>(ii)</sup> Annual incentive expense includes amounts accrued under the short-term incentive in respect of performance during the current year, while annual incentive paid includes amounts paid under the short-term incentive in respect of performance during the previous year.

<sup>(iii)</sup> Other includes certain allowances and support (for example, relocation support).

<sup>(iv)</sup> Share-based payments expense relates to amounts accrued under the value growth cash-based multi-year incentive plan, see below for further details.

<sup>(v)</sup> Trond Westlie stepped down from the role of Group CFO on September 30, 2019. Meanwhile, Murat Kirkgoz commenced duties as Deputy Group CFO on August 1, 2019.

<sup>(vi)</sup> Kjell Johnsen stepped down from the role of Group COO on November 1, 2019. Sergi Herrero and Kaan Terzioğlu assumed their roles on September 2, 2019 and November 1, 2019, respectively.



## Compensation of Board of Directors

The following table sets forth the total remuneration expense to the members of the Board of Directors members in 2019 and 2018 (gross amounts in whole euro and whole US dollar equivalents):

<i>In whole euros</i>	Retainer		Committees		Other compensation		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Guillaume Bacuvier	250,000	105,000	53,909	21,000	—	—	303,909	126,000
Osama Bedier	250,000	105,000	25,000	10,500	—	—	275,000	115,500
Ursula Burns *	—	—	5,952	—	—	—	5,952	—
Stan Chudnovsky	—	145,833	—	—	—	—	—	145,833
Mikhail Fridman	40,000	40,000	—	—	—	—	40,000	40,000
Gennady Gazin	250,000	250,000	80,000	65,500	—	—	330,000	315,500
Andrei Gusev	40,000	40,000	—	—	750,000	—	790,000	40,000
Gunnar Holt	250,000	250,000	69,643	50,000	—	—	319,643	300,000
Sir Julian Horn-Smith	250,000	250,000	25,000	10,500	—	—	275,000	260,500
Jørn P. Jensen	—	163,333	—	—	—	—	—	163,333
Robert Jan van de Kraats	250,000	105,000	30,000	12,600	—	—	280,000	117,600
Guy Laurence	250,000	250,000	30,000	41,600	—	16,250	280,000	307,850
Alexander Pertsovsky	40,000	40,000	—	—	—	—	40,000	40,000
Kaan Terzioglu	92,708	—	9,063	—	—	—	101,771	—
<b>Total compensation</b>	<b>1,962,708</b>	<b>1,744,166</b>	<b>328,567</b>	<b>211,700</b>	<b>750,000</b>	<b>16,250</b>	<b>3,041,275</b>	<b>1,972,116</b>

<i>In whole US dollars</i>	Retainer		Committees		Other compensation		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Guillaume Bacuvier	279,799	123,869	60,335	24,774	—	—	340,134	148,643
Osama Bedier	279,799	123,869	27,980	12,387	—	—	307,779	136,256
Ursula Burns *	—	—	6,661	—	—	—	6,661	—
Stan Chudnovsky	—	172,039	—	—	—	—	—	172,039
Mikhail Fridman	44,768	47,188	—	—	—	—	44,768	47,188
Gennady Gazin	279,799	294,925	89,536	77,270	—	—	369,335	372,195
Andrei Gusev	44,768	47,188	—	—	839,396	—	884,164	47,188
Gunnar Holt	279,799	294,925	77,944	58,985	—	—	357,743	353,910
Sir Julian Horn-Smith	279,799	294,925	27,980	12,387	—	—	307,779	307,312
Jørn P. Jensen	—	192,684	—	—	—	—	—	192,684
Robert Jan van de Kraats	279,799	123,869	33,576	14,864	—	—	313,375	138,733
Guy Laurence	279,799	294,925	33,576	49,076	—	19,170	313,375	363,171
Alexander Pertsovsky	44,768	47,188	—	—	—	—	44,768	47,188
Kaan Terzioglu	103,758	—	10,143	—	—	—	113,901	—
<b>Total compensation</b>	<b>2,196,655</b>	<b>2,057,594</b>	<b>367,731</b>	<b>249,743</b>	<b>839,396</b>	<b>19,170</b>	<b>3,403,782</b>	<b>2,326,507</b>

\* Ursula Burns was appointed Group CEO and Chairman of the VEON Ltd. board of directors on December 12, 2018. Accordingly, her total compensation for 2019 and 2018 has been included in the section "Compensation of Key Senior Managers" above, except for payments received in respect of her role on Board Committees.

Members of our Board of Directors are eligible to participate in a value growth cash-based long-term incentive plan discussed below.

### Value growth cash-based multi-year incentive plan

To stimulate and reward leadership efforts that result in sustainable success, value growth cash-based multi-year incentive plan ("LTI Plans") were designed for members of our recognized leadership community. The participants in the LTI Plans may receive cash payouts after the end of each relevant award performance period. For senior management, vesting is based on the attainment of certain Key Performance Indicators ("KPIs") based on an absolute share price performance target. For the Company's chairman and CEO, vesting is based on total return per share, and may be exercised by the participant at any time during a defined exercise period, subject to the Company's insider trading policy.

As of December 31, 2019, the total target amount (all unvested) granted for awards launched under the LTI Plan was equal to US\$38 (2018: US\$59). The carrying value of obligations under the LTI Plan as of December 31, 2019, was equal to US\$7 (2018: US\$19). Included within

'Selling, general and administrative expenses' for 2019 is a gain of US\$10 (2018: gain of US\$4) relating to share-based payments under the LTI Plan. The awards that are active as of December 31, 2019.

### **Short Term Incentive Scheme**

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

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

## **21 EVENTS AFTER THE REPORTING PERIOD**

### **New credit facility**

On March 10, 2020, VEON Holdings B.V. amended and restated the existing facility with AO “Alfa-Bank”, increasing its size and utilization from RUB 17.5 billion to RUB 30 billion. Following this amendment and restatement, the final maturity of this facility has been set to March 10, 2025.

### **GTH bonds repayment**

On February 24, 2020, GTH Finance B.V., the Company’s subsidiary, early repaid at par the US\$500 6.25% bonds originally maturing April 26, 2020.

### **Dividends declared**

On March 2, 2020, the Company declared to return US\$270 of its share premium to its shareholder which was fully paid on March 4, 2020.

### **US\$300 tap issuance of existing senior notes**

On January 14, 2020, the Company issued US\$300 in senior unsecured notes due in 2025, to be consolidated and form a single series with the US\$700 4.00% senior notes due in 2025 issued by the Company previously on October 9, 2019. VEON intends to use the net proceeds of the tap issuance to refinance certain existing outstanding debt and address upcoming debt maturities and for general corporate purposes.

### **Coronavirus Outbreak**

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. In light of the coronavirus outbreak, our management has taken appropriate measures to keep its personnel safe and secure, and it has not observed, as of the date of these financial statements, any particular material adverse impacts to our business, financial condition, and results of operations, and the group liquidity is sufficient to fund the business operations for at least another 12 months. Refer to our Directors’ Report for more disclosures around risks and their long-term implications on the business.

## **22 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

### **BASIS OF PREPARATION**

These special purpose consolidated financial statements have been prepared to comply with reporting requirements to the bond and note holders of the Company (see Note 15).

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

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

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

Certain comparative amounts have been reclassified to conform to the current period presentation. Specifically, the following 2018 balances were reclassified in the consolidated statement of financial position:

- Goodwill of US\$3,816 is now presented within Intangible assets (previously within Goodwill);
- Income tax provision of US\$164 is now presented within Current income tax payable (previously within current Provisions);
- Certain customer advances of US\$192 is now presented within current Trade and other payables (previously within current Other liabilities);
- Investments and derivatives (non-current) of US\$58 is now presented separately (previously within non-current Other assets).
- Current income tax assets of US\$112 is now presented separately (previously within current Other assets)
- Current income tax payable of US\$196 is now presented separately (previously within current Other liabilities)

### **BASIS OF CONSOLIDATION**

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

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

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

### **FOREIGN CURRENCY TRANSLATION**

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

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

## 23 SIGNIFICANT ACCOUNTING POLICIES

### SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

<b>Significant accounting judgment / source of estimation uncertainty</b>	<b>Described in</b>
Revenue recognition	<a href="#">Note 3</a>
Deferred tax assets and uncertain tax positions	<a href="#">Note 9</a>
Provisions	<a href="#">Note 8</a>
Impairment of non-current assets	<a href="#">Note 11</a>
Control over subsidiaries	<a href="#">Note 14</a>
Depreciation and amortization of non-current assets	<a href="#">Note 12</a> and <a href="#">Note 13</a>
Fair value of financial instruments	<a href="#">Note 15</a>
Measurement of lease liabilities	<a href="#">Note 15</a>

### NEW STANDARDS AND INTERPRETATIONS

#### Not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on VEON financial statements in current or future reporting periods or on foreseeable future transactions.

#### Adopted in 2019

##### IFRIC 23 ‘Uncertainty over income tax treatments’

The interpretation clarifies the application of recognition and measurement requirements in IAS 12 ‘Income Taxes’ when there is uncertainty over income tax treatments. The Group has 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
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment			
Property and equipment	4,925	(71)	4,854
Right-of-use assets	—	2,003	2,003
Intangible assets	1,841	(15)	1,826
Goodwill	3,816	—	3,816
Deferred tax assets	197	—	197
Other assets	193	(1)	192
<b>Total non-current assets</b>	<b>10,972</b>	<b>1,916</b>	<b>12,888</b>
<b>Current assets</b>			
Trade and other receivables	691	(61)	630
Other current assets	3,138	—	3,138
<b>Total current assets</b>	<b>3,829</b>	<b>(61)</b>	<b>3,768</b>
Assets classified as held for sale	17	4	21
<b>Total assets</b>	<b>14,818</b>	<b>1,859</b>	<b>16,677</b>
<b>Equity</b>			
Equity attributable to equity owners of the parent	4,180	(3)	4,177
Non-controlling interest	(891)	(1)	(892)
<b>Total equity</b>	<b>3,289</b>	<b>(4)</b>	<b>3,285</b>
<b>Non-current liabilities</b>			
Debt and derivatives	6,567	(45)	6,522
Provisions	93	—	93
Lease liabilities	—	1,617	1,617
Deferred tax liabilities	180	—	180
Other liabilities	37	(9)	28
<b>Total non-current liabilities</b>	<b>6,877</b>	<b>1,563</b>	<b>8,440</b>
<b>Current liabilities</b>			
Trade and other payables	1,775	(53)	1,722
Debt and derivatives	1,290	(6)	1,284
Lease liabilities	—	361	361
Provisions	350	(3)	347
Other liabilities	1,233	(3)	1,230
<b>Total current liabilities</b>	<b>4,648</b>	<b>296</b>	<b>4,944</b>
Liabilities associated with assets held for sale	4	4	8
<b>Total equity and liabilities</b>	<b>14,818</b>	<b>1,859</b>	<b>16,677</b>

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 initially measure lease liability adjusted for lease prepayments, initial direct cost, lease incentives and the discounted estimated asset retirement obligation. Subsequently the right of use assets 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. 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:

- Change in lease price due to indexation or rate which has become effective in reporting period

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- 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 becomes 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 of 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.

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.

	<b>US\$</b>
Operating lease commitments as of December 31, 2018 (see <a href="#">Note 4</a> )	608
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
<b>Total undiscounted lease payments which are reasonably certain</b>	<b>2,484</b>
Discounting effect using incremental borrowing rate	(556)
IAS 17 finance lease liabilities recognized on balance sheet as of December 31, 2018 (discounted)	54
	<hr/>
<b>IFRS 16 Lease liability recognized on balance sheet as of January 1, 2019</b>	<b>1,982</b>
	<hr/>
IFRS 16 lease liability presented as	
Non-current	1,617
Current	361
Liabilities associated with assets held for sale	4
	<hr/>
	<b>1,982</b>
	<hr/>

Amsterdam,

April 2, 2020

VEON Holdings B.V.