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, 2020

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of VEON Ltd.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statements of financial position of VEON Ltd. and its subsidiaries (the "Company") as of December 31, 2020 and 2019, and the related consolidated income statement, statements of comprehensive income, of changes in equity and of cash flows for each of the three years in the period ended December 31, 2020, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting under Item 15. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits.

We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments.

The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Goodwill impairment assessment - Algerian cash-generating unit

As described in Notes 11 and 13 to the consolidated financial statements, the Company's consolidated goodwill balance was $3,959 million at December 31, 2019, and the amount of goodwill associated with the Algerian cash-generating unit was $1,167 million. Management conducts an impairment test as of October 1 of each year, or more frequently if events or circumstances indicate that the carrying value of goodwill may be impaired.

Potential impairment is identified by comparing the recoverable value, in particular the fair value less cost of disposal, of a cash-generating unit to its carrying value. Fair value is estimated by management using a discounted cash flow model. In estimating the fair value of the Algerian cash-generating unit, management uses assumptions relating to the discount rate, projected revenue growth rates, projected average operating margin, average capital expenditures, projected license and spectrum payments, and long-term growth rates.

The principal consideration for our determination that performing procedures relating to the valuation of goodwill for the Algerian cash-generating unit is a critical audit matter is the application of significant judgment by management when developing the fair value measurement of the cash-generating unit. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate management's significant assumptions, which include, amongst others, the discount rate, projected revenue growth rates, projected average operating margin, average capital expenditures, projected license and spectrum payments, and long-term growth rates. In addition, the audit effort involved the use of professionals with specialized skills and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill impairment assessment, including controls over the valuation of the Algerian cash-generating unit. These procedures also included, amongst others, testing the completeness, accuracy and relevance of underlying data used in the model, assessing the appropriateness of management's identification of the cash-generating unit, and retrospectively reviewing the prior year estimate to the current year actual results. Evaluating the composition of management's future cash flow forecasts included consideration of (i) the current and past performance of the Algerian cash-generating unit, (ii) the consistency with external market and industry data, and (iii) the corroboration of strategic initiatives in Algeria with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the Company's discounted cash flow model and significant assumptions.

The recognition of uncertain tax positions

As described in Note 9 to the consolidated financial statements, the Company recorded provisions of $117 million at December 31, 2019 related to uncertain tax positions. Given the unpredictable tax legislation in the markets in which it operates, the Company's estimate of tax liabilities may differ from the interpretations by relevant tax authorities of how regulations should be applied to actual transactions. Judgement is required by management in determining the likelihood of sustaining a tax position and the probability of future cash outflows as a result of the settlement process, given the unpredictability and enforcement methods of the relevant tax authorities.

The principal considerations for our determination that performing procedures relating to the recognition of uncertain tax positions is a critical audit matter are the application of significant judgments made by management when assessing the probability of future cash outflows. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate management's estimation uncertainty, which include, amongst others, the likelihood of sustaining a tax position as a result of a settlement process. In addition, the audit effort involved the use of professionals with specialized skills and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others, testing the effectiveness of controls over the timely identification of local tax laws, regulations, and judicial decisions, controls over the timely recognition of the liability for uncertain taxes, controls over the completeness of the tax provisions, and controls over the review of required disclosures. These procedures also included, amongst others, (i) testing the information used in the calculation of the liability for uncertain tax positions, including evaluating correspondence with tax authorities and assessing the outcomes of court decisions from competitors for industry-wide issues; (ii) testing the calculation of the liability for uncertain tax positions by jurisdiction, including management's assessment of the technical merits of tax positions and estimates of the amount of tax benefit expected to be sustained; (iii) testing the completeness of management's assessment of both the identification of uncertain tax positions and possible outcomes of each uncertain tax position; (iv) evaluating the status and results of tax audits with the relevant tax authorities; and (v) assessing the adequacy of the disclosures in the financial statements. Professionals with specialized skill and knowledge were used to assist in the evaluation of the completeness and measurement of the Company's uncertain tax positions, including evaluating the reasonableness of management's assessment of whether tax positions are probable of being sustained and the amount of potential benefit to be realized, the application of relevant tax laws, and estimated interest and penalties.

/s/ W. J. van der Molen RA
PricewaterhouseCoopers Accountants N.V.
Amsterdam, the Netherlands
March 13, 2020

We have served as the Company's auditor since 2014.

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CONSOLIDATED INCOME STATEMENT

for the years ended December 31

(In millions of U.S. dollars, except per share amounts)	Note	2020	2019
Service revenues		7,471	8,241
Sale of equipment and accessories		392	465
Other revenues / other income		117	158
Total operating revenues	3	**7,980**	**8,864**
Other operating income		5	—
Service costs		(1,508)	(1,553)
Cost of equipment and accessories		(382)	(479)
Selling, general and administrative expenses	4	(2,492)	(2,734)
Depreciation	11	(1,573)	(1,647)
Amortization	12	(339)	(389)
Impairment (loss) / reversal	10	(785)	(106)
Gain / (loss) on disposal of non-current assets		(37)	(44)
Gain / (loss) on disposal of subsidiaries	9	(78)	1
Operating profit		**791**	**1,913**
Finance costs		(687)	(884)
Finance income		64	78
Other non-operating gain / (loss)	14	111	22
Net foreign exchange gain / (loss)		(56)	(20)
Profit / (loss) before tax		**223**	**1,109**
Income tax expense	8	(344)	(500)
Profit / (loss) for the period		**(121)**	**609**
Attributable to:			
The owners of the parent		(154)	547
Non-controlling interest		33	62
		(121)	**609**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the years ended December 31

(In millions of U.S. dollars)	Note	2020	2019
Profit / (loss)		**(121)**	**609**
Items that may be reclassified to profit or loss			
Foreign currency translation		(622)	40
Other		1	27
Items reclassified to profit or loss			
Reclassification of accumulated foreign currency translation reserve to profit or loss upon disposal of foreign operation	9	96	—
Other	15	(15)	(19)
Other comprehensive income / (loss) for the period, net of tax		**(540)**	**48**
Total comprehensive income / (loss) for the period, net of tax		**(661)**	**657**
Attributable to:			
The owners of the parent		(604)	652
Non-controlling interests		(57)	5
		(661)	**657**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of December 31

(In millions of U.S. dollars)	Note	2020	2019
Assets			
Non-current assets			
Property and equipment	11	6,853	7,324
Intangible assets	12	4,142	5,675
Investments and derivatives	15	1,951	236
Deferred tax assets	8	186	134
Other assets	6	179	163
Total non-current assets		**13,311**	**13,532**
Current assets			
Inventories		111	169
Trade and other receivables	5	690	744
Investments and derivatives	15	338	1,554
Current income tax assets	8	70	16
Other assets	6	329	330
Cash and cash equivalents	16	1,498	1,183
Total current assets		**3,036**	**3,996**
Total assets		**16,347**	**17,528**
Equity and liabilities			
Equity			
Equity attributable to equity owners of the parent	18	1,528	2,530
Non-controlling interests		850	994
Total equity		**2,378**	**3,524**
Non-current liabilities			
Debt and derivatives	15	9,119	7,744
Provisions	7	141	138
Deferred tax liabilities	8	127	140
Other liabilities	6	27	32
Total non-current liabilities		**9,414**	**8,054**
Current liabilities			
Trade and other payables		2,202	2,177
Debt and derivatives	15	1,221	2,562
Provisions	7	110	155
Current income tax payables	8	175	102
Other liabilities	6	847	954
Total current liabilities		**4,555**	**5,950**
Total equity and liabilities		**16,347**	**17,528**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2020

(In millions of U.S. dollars)	Note	Number of shares outstanding	Attributable to equity owners of the parent: Issued capital	Capital Surplus	Other capital reserves	Accumulated deficit *	Foreign currency translation	Total	Non-controlling interests	Total equity
As of January 1, 2020		**30,099,998**	**39**	**13,385**	**(2,377)**	**(2,406)**	**(6,111)**	**2,530**	**994**	**3,524**
Profit / (loss) for the period		—	—	—	—	(154)	—	(154)	33	(121)
Other comprehensive income / (loss)		—	—	—	(10)	(4)	(436)	(450)	(90)	(540)
Total comprehensive income / (loss)		**—**	**—**	**—**	**(10)**	**(158)**	**(436)**	**(604)**	**(57)**	**(661)**
Dividends declared	19	—	—	—	—	—	—	—	(89)	(89)
(Distributions to) / capital contributions from parent		—	—	(393)	—	—	—	(393)	—	(393)
Other		—	—	—	(5)	26	(26)	(5)	2	(3)
As of December 31, 2020		**30,099,998**	**39**	**12,992**	**(2,392)**	**(2,538)**	**(6,573)**	**1,528**	**850**	**2,378**

for the year ended December 31, 2019

(In millions of U.S. dollars)	Note	Number of shares outstanding	Attributable to equity owners of the parent: Issued capital	Capital Surplus	Other capital reserves	Accumulated deficit *	Foreign currency translation	Total	Non-controlling interests	Total equity
As of December 31, 2018		**30,099,998**	**39**	**13,035**	**256**	**(2,937)**	**(6,213)**	**4,180**	**(891)**	**3,289**
Adjustments due to new accounting standards		—	—	—	—	(3)	—	(3)	(1)	(4)
As of January 1, 2019		**30,099,998**	**39**	**13,035**	**256**	**(2,940)**	**(6,213)**	**4,177**	**(892)**	**3,285**
Profit / (loss) for the period		—	—	—	—	547	—	547	62	609
Other comprehensive income / (loss)		—	—	—	4	(1)	102	105	(57)	48
Total comprehensive income / (loss)		**—**	**—**	**—**	**4**	**546**	**102**	**652**	**5**	**657**
Dividends declared	19	—	—	—	—	—	—	—	(108)	(108)
(Distributions to) / capital contributions from parent		—	—	350	—	—	—	350	—	350
Changes in ownership interest in a subsidiary that do not result in a loss of control	9	—	—	—	(2,594)	—	—	(2,594)	1,986	(608)
Other		—	—	—	(43)	(12)	—	(55)	3	(52)
As of December 31, 2019		**30,099,998**	**39**	**13,385**	**(2,377)**	**(2,406)**	**(6,111)**	**2,530**	**994**	**3,524**

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the years ended December 31

(In millions of U.S. dollars)	Note	2020	2019
Operating activities			
Profit / (loss) before tax		223	1,109
Non-cash adjustments to reconcile profit before tax to net cash flows			
Depreciation, amortization and impairment loss / (reversal)		2,697	2,142
(Gain) / loss on disposal of non-current assets		37	42
(Gain) / loss on disposal of subsidiaries		78	(1)
Finance costs		687	884
Finance income		(64)	(78)
Other non-operating (gain) / loss		(111)	(22)
Net foreign exchange (gain) / loss		56	20
Changes in trade and other receivables and prepayments		(110)	(218)
Changes in inventories		40	(28)
Changes in trade and other payables		17	61
Changes in provisions, pensions and other		(4)	99
Interest paid	15	(649)	(708)
Interest received		44	50
Income tax paid		(388)	(514)
Net cash flows from operating activities		**2,553**	**2,838**
Investing activities			
Purchase of property, plant and equipment and intangible assets		(1,774)	(1,677)
Outflow on loans granted		(389)	(771)
Payments on deposits		(142)	(922)
Receipts from deposits		69	698
Receipts from / (investment in) financial assets		(30)	(9)
Other proceeds from investing activities, net		28	29
Net cash flows from / (used in) investing activities		**(2,238)**	**(2,652)**
Financing activities			
Proceeds from borrowings, net of fees paid *	15	4,622	2,610
Repayment of debt	15	(4,076)	(2,978)
Acquisition of non-controlling interest	9	(1)	(613)
Contributions from / (Distributions to) owners of the parent	19	(393)	350
Dividends paid to non-controlling interests		(88)	(138)
Net cash flows from / (used in) financing activities		**64**	**(769)**
Net increase / (decrease) in cash and cash equivalents		379	(583)
Net foreign exchange difference		(47)	(9)
Cash and cash equivalents at beginning of period		1,159	1,751
Cash and cash equivalents at end of period, net of overdraft **	16	**1,491**	**1,159**

** Fees paid for borrowings were US$28 (2019: US$23)*

*** Overdrawn amount was US$7 (2019: US$24)*

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 15, 2021. The Company has the ability to amend and reissue the consolidated financial statements. The special purpose consolidated financial statements have been prepared to comply with reporting requirements to bond and note holders of the Company, and do not constitute statutory financial statements prepared in accordance with Title 9 of Book 2 of the Dutch Civil Code.

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

Major developments during the year ended December 31, 2020

Financing activities

In July 2020, VEON successfully refinanced its existing RUB30 billion (US$422) bilateral term loan agreement with VTB Bank. For further details, refer to Note 15.

In June 2020, VEON Holdings B.V. entered into a new RUB bilateral term loan agreement with Sberbank for a total amount of RUB100 billion (US$1,450), which was used to refinance the existing Sberbank facilities. For further details please refer to Note 15.

In April 2020, VEON established a Global Medium Term Note program for the issuance of bonds in multiple currencies, with a limit equivalent to US$6,500. In June, September and November 2020, VEON issued senior unsecured notes of RUB20 billion (US$288), RUB10 billion (US$135), and US$1.25 billion respectively, under the program. For further details, refer to Note 15.

Coronavirus outbreak

The global outbreak of COVID-19 and associated containment and mitigation measures implemented worldwide have had a sustained impact on our operations and financial performance.

The second quarter saw the full impact on our operations of the lockdowns imposed across our markets in response to COVID-19. This resulted in material disruption to our retail operations following store closures, impacting gross connections and airtime sales. Restrictions on travel resulted in a significant decline in roaming revenues and the loss of migrant customers from our subscriber base, particularly in Russia.

Although VEON's operations remained impacted by lockdown measures throughout the second half of the year, all operations saw a recovery in the performance as our local businesses continue building resilience to the restrictions related to COVID-19. Demand for our data services remains strong, enabling us to continue to grow our data revenues. We also experienced a shift in data traffic from mobile to fixed networks as lockdowns encouraged remote working and home schooling alongside a greater use of devices through our domestic broadband services.

An increase in demand for hard currencies, in part due to COVID-19, resulted in the devaluation of exchange rates in the countries in which VEON operates. As such, during the year ended December 31, 2020, the book value of assets and liabilities of our foreign operations, in U.S. dollar terms, decreased significantly, with a corresponding loss of US$622 recorded against the foreign currency translation reserve in Other Comprehensive Income.

Our management has taken appropriate measures to keep our personnel safe and secure. As of the date of these financial statements, other than as described above, we have not observed any particular material adverse impacts to our business, financial condition, and results of operations. The group liquidity is sufficient to fund the business operations for at least another 12 months.

Other developments

In October 2020, VEON concluded an agreement for the sale of its operating subsidiary in Armenia, to Team LLC for a consideration of US$51. For further details please refer to Note 9.

In September 2020, the Dhabi Group exercised its put option to sell us its 15% shareholding in Pakistan Mobile Communications Ltd (**"PMCL"**), the Company's subsidiary in Pakistan. For further details please refer to Note 15.

In the third quarter of 2020, VEON recorded impairment losses in respect of its operations in Russia and Kyrgyzstan of US$723 and US$64, respectively. For further details please refer to Note 10.

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.

In 2020, the Company has chosen to present results from remaining operating segments in 'Other frontier markets', separately to 'HQ and eliminations'. Prior year comparatives have been adjusted to conform to current year presentation.

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	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Our cornerstone						
Russia	3,819	4,481	1,504	1,957	1,017	976
Our growth engines						
Pakistan	1,233	1,321	612	669	249	213
Ukraine	933	870	630	572	179	156
Kazakhstan	479	486	265	270	119	108
Uzbekistan	198	258	68	136	52	53
Our frontier markets						
Algeria	689	775	302	354	95	108
Bangladesh	537	537	228	222	126	82
Other frontier markets	125	172	22	63	33	38
Other						
HQ and eliminations	(33)	(36)	(28)	(145)	19	(11)
Total segments	**7,980**	**8,864**	**3,603**	**4,098**	**1,889**	**1,723**

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

	2020	**2019**
Profit / (loss) before tax	**223**	**1,109**
Depreciation	1,573	1,647
Amortization	339	389
Impairment loss / (reversal)	785	106
(Gain) / loss on disposal of non-current assets	37	44
(Gain) / loss on disposal of subsidiaries	78	(1)
Finance costs	687	884
Finance income	(64)	(78)
Other non-operating (gain) / loss	(111)	(22)
Net foreign exchange (gain) / loss	56	20
Total Segments Adjusted EBITDA	**3,603**	**4,098**

3 OPERATING REVENUE

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

Revenue from contracts with customers

The table below provides a breakdown of revenue from contracts with customers for the years ended December 31. In 2020, the Company has presented 'Service revenue' (Mobile and Fixed) separately from 'Sale of equipment and accessories' and 'Other revenue', for each reportable segment. Prior year comparatives have been adjusted to conform to current year presentation.

	Service revenue				Sale of Equipment and accessories		Other revenue		Total revenue	
	Mobile		Fixed							
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Our cornerstone										
Russia	2,917	3,485	523	539	366	446	13	11	3,819	4,481
Our growth engines										
Pakistan	1,134	1,229	—	—	11	6	88	86	1,233	1,321
Ukraine	869	812	59	52	—	—	5	6	933	870
Kazakhstan	392	379	78	66	7	2	2	39	479	486
Uzbekistan	196	255	1	2	—	—	1	1	198	258
Our frontier markets										
Algeria	685	771	—	—	4	2	—	2	689	775
Bangladesh	527	525	—	—	—	1	10	11	537	537
Other frontier markets	102	135	19	27	4	8	—	2	125	172
Other										
HQ and eliminations	(31)	(36)	—	—	—	—	(2)	—	(33)	(36)
Total segments	**6,791**	**7,555**	**680**	**686**	**392**	**465**	**117**	**158**	**7,980**	**8,864**

Assets and liabilities arising from contracts with customers

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

	December 31, 2020	December 31, 2019
Contract balances		
Receivables (billed)	735	755
Contract assets (unbilled)	41	38
Contract liabilities	(233)	(243)
Capitalized costs		
Customer acquisition costs	128	101

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 VEON's performance obligation is to arrange the provision of the services by another party (VEON acts as an agent), and gross when VEON is primarily responsible for fulfilling the obligation to provide such services to the customer.

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

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

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

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

All service revenue is recognized over time.

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 6. All current contract liabilities outstanding at the beginning of the year have been recognized as revenue during the year.

Customer acquisition costs

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

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

SOURCE OF ESTIMATION UNCERTAINTY

Average customer life

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

4 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

	2020	2019
Network and IT costs	782	767
Personnel costs	726	742
Customer associated costs	653	720
Losses on receivables	62	66
Taxes, other than income taxes	57	158
Other	212	281
Total selling, general and administrative expenses	**2,492**	**2,734**

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

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.

Leases

Lease expenses are considered in recording a lease liability in the statement of financial position (see Note 15), except for short-term leases and leases for low value items which are immediately expensed as incurred.

5 TRADE AND OTHER RECEIVABLES

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

	2020	2019
Trade receivables (gross)*	776	793
Expected credit losses	(198)	(176)
Trade receivables (net)	**578**	**617**
Other receivable, net of expected credit losses allowance	112	127
Total trade and other receivables	**690**	**744**

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

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

	2020	2019
Balance as of January 1	**176**	**171**
Accruals for expected credit losses	62	66
Recoveries	(7)	(8)
Accounts receivable written off	(16)	(31)
Reclassification	—	(24)
Foreign currency translation adjustment	(17)	1
Other movements	—	1
Balance as of December 31	**198**	**176**

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

			Days past due			
	Contract assets	**Current**	**< 30 days**	**Between 31 and 120 days**	**> 120 days**	**Total**
December 31, 2020						
Expected loss rate, %	1.0%	1.3%	13.6%	40.7%	89.3%	
Trade receivables	41	468	44	27	196	**776**
Expected credit losses	—	(6)	(6)	(11)	(175)	**(198)**
Trade receivables, net	**41**	**462**	**38**	**16**	**21**	**578**
December 31, 2019						
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)**
Trade receivables, net	**38**	**446**	**78**	**33**	**22**	**617**

ACCOUNTING POLICIES

Trade and other receivables

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

Expected credit losses

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

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

6 OTHER ASSETS AND LIABILITIES

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

	2020	2019
Other non-current assets		
Customer acquisition costs (see Note 3)	128	101
Tax advances (non-income tax)	33	30
Other non-financial assets	18	32
Total other non-current assets	**179**	**163**
Other current assets		
Advances to suppliers	89	94
Input value added tax	155	152
Prepaid taxes	43	45
Other assets	42	39
Total other current assets	**329**	**330**

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

	2020	2019
Other non-current liabilities		
Long-term deferred revenue (see Note 3)	17	18
Other liabilities	10	14
Total other non-current liabilities	**27**	**32**
Other current liabilities		
Taxes payable (non-income tax)	371	408
Short-term deferred revenue (see Note 3)	158	161
Customer advances (see Note 3)	58	64
Other payments to authorities	95	97
Due to employees	133	142
Other liabilities	32	82
Total other current liabilities	**847**	**954**

7 PROVISIONS AND CONTINGENT LIABILITIES

PROVISIONS

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

	Non-income tax provisions	Decommi-ssioning provision	Legal provision	Other provisions	Total
As of January 1, 2019	**148**	**93**	**18**	**20**	**279**
Arising during the year	79	28	3	9	**119**
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**
As of December 31, 2019	**124**	**138**	**17**	**14**	**293**
Non-current	—	138	—	—	**138**
Current	124	—	17	14	**155**
As of January 1, 2020	**124**	**138**	**17**	**14**	**293**
Arising during the year	24	10	—	1	**35**
Utilized	(48)	(1)	—	—	**(49)**
Unused amounts reversed	(10)	—	—	(6)	**(16)**
Transfer and reclassification	—	—	—	—	**—**
Discount rate adjustment and imputed interest (change in estimate)	—	9	—	—	**9**
Translation adjustments and other	(4)	(15)	(3)	1	**(21)**
As of December 31, 2020	**86**	**141**	**14**	**10**	**251**
Non-current	—	141	—	—	**141**
Current	86	—	14	10	**110**

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

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

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

CONTINGENT LIABILITIES

The Group had contingent liabilities as of December 31, 2020 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$91) for unpaid SIM tax (VAT and supplementary duty). The NBR alleged that Banglalink evaded SIM tax on new SIM cards by issuing them as replacements. On the basis of 5 random SIM card purchases made by the NBR, the NBR concluded that all SIM card replacements issued by Banglalink between June 2009 and December 2011 (7,021,834 in total) were new SIM connections and subject to tax. Similar notices were sent to three other operators in Bangladesh. Banglalink and the other operators filed separate petitions in the High Court, which stayed enforcement of the demands.

In an attempt to assist the NBR in resolving the dispute, the Government ordered the NBR to form a Review Committee comprised of the NBR, the Commissioner of Taxes (**"LTU"**), Bangladesh Telecommunication Regulatory Commission (**"BTRC"**), Association of Mobile Telecom Operators of Bangladesh (**"AMTOB"**) and the operators (including Banglalink). The Review Committee identified a methodology to determine the amount of unpaid SIM tax and, after analyzing 1,200 randomly selected SIM cards issued 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 Bangalink'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$90). 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$63) in SIM tax. The demand also stated that interest may be payable. Similar demands were sent to the other operators.

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

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

SIM Cards Issued July 2012 to June 2015

On November 20, 2017, the LTU issued a final demand to Banglalink for BDT 1.69 billion (US$20) for unpaid tax on SIM card replacements issued by Banglalink between July 2012 and June 2015. On February 20, 2018, Banglalink filed its appeal against this demand before the Appellate Tribunal and deposited 10% of the amount demanded in order to proceed. By its judgment dated February 10, 2020, the Appellate Tribunal rejected Banglalink's appeal. Banglalink appealed to the High Court Division. Before hearing the appeal, the Court *suo moto* took up as a preliminary question whether, based on new law, the matter is subject to an appeal or an application for revision. On March 2,2021, the Court determined that an application for revision is the correct procedure and dismissed the appeal. Banglalink will file an appeal before the Appellate Division and is obligated to deposit 10% of the disputed amount in order to continue its challenge. As of December 31, 2020, the Company has recorded a provision of US$11 (2019: US$11).

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 legal activities in relation to the deposit monies retained by GTH. For further details, refer to the Group's audited annual consolidated financial statements as of and for the year ended December 31, 2019.

In June 2020, a settlement agreement was reached between GTH and Niel, which was subject to Niel's satisfaction of certain conditions precedent, whereby GTH would pay US$9 to Niel to resolve all claims and counterclaims at issue in the dispute, as well as associated proceedings brought by Niel in the Netherlands and Egypt. The US$41 remainder of the value deferred on the balance sheet was released to profit and loss, within 'Other non-operating gain / (loss)'.

In November 2020, the conditions of the settlement agreement were met and the settlement payment of US$9 from GTH to Niel was made.

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$484 (2019: US$69). Due to the high level of estimation uncertainty, as described in 'Source of estimation uncertainty' in this Note 7 and in Note 8, it is not practicable for the Company to reliably estimate the financial effect for certain contingencies and therefore no financial effect has been included within the preceding disclosure. The Company does not expect any liability arising from these contingencies to have a material effect on the results of operations, liquidity, capital resources or financial position of the Company. 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.

8 INCOME TAXES

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

Income tax payable

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

	2020	2019
Current tax payable	30	36
Uncertain tax provisions	145	66
Total income tax payable	**175**	**102**

The balance of uncertain tax provisions is shown net of income tax assets which can be utilized to offset future tax charges should they arise, resulting in a reduction of the current period provision by US$10 (2019: US$51), with the gross amount being US$155 (2019: US$117).

VEON is involved in a number of disputes, litigation and regulatory proceedings in the ordinary course of its business, pertaining to income tax claims. The total value of these individual contingencies that are able to be quantified amounts to US$112. Due to the high level of estimation uncertainty, as described in 'Source of estimation uncertainty' disclosed below in this Note 8, it is not practicable for the Company to reliably estimate the financial effect for certain contingencies and therefore no financial effect has been included within the preceding disclosure. The Company does not expect any liability arising from these contingencies to have a material effect on the results of operations, liquidity, capital resources or financial position of the Company, however we note that an unfavorable outcome of some or all of the specific matters could have a material adverse impact on results of operations or cash flows for a particular period. This assessment is based on our current understanding of relevant facts and circumstances. As such, our view of these matters is subject to inherent uncertainties and may change in the future. For further details on with respect to VEON's uncertain tax provisions and tax risks, please refer to the 'Accounting policies' and 'Source of estimation uncertainty' disclosed below in this Note 8.

Income tax assets

The Company reported current income tax assets of US$70 (2019: US$16).

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:

	2020	2019
Current income taxes		
Current year	406	497
Adjustments in respect of previous years	(1)	5
Total current income taxes	**405**	**502**
Deferred income taxes		
Movement of temporary differences and losses	(72)	(36)
Changes in tax rates	—	(1)
Changes in recognized deferred tax assets	2	39
Adjustments in respect of previous years	9	3
Other	—	(7)
Total deferred tax expense / (benefit)	**(61)**	**(2)**
Income tax expense	**344**	**500**

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:

	2020	2019	Explanatory notes
Profit / (loss) before tax from continuing operations	223	1,109	
Income tax benefit / (expense) at statutory tax rate (25.0%)	**(56)**	**(277)**	
Difference due to the effects of:			
Different tax rates in different jurisdictions	(29)	21	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	(207)	(78)	The Group incurs certain expenses which are non-deductible in the relevant jurisdiction. In 2020, as in previous years, such expenses include impairment losses (unless resulting in a change in temporary differences), certain non-income tax charges (i.e. minimum tax regimes) and some intra-group expenses (i.e. interest on internal loans).
Non-taxable income	37	5	The Group earns certain income which is non-taxable in the relevant jurisdiction. In 2020, non-taxable income included the revaluation of contingent consideration liability, as well as a gain relating to the settlement in connection with the dispute concerning the sale of Telecel Globe Limited. For further details, refer to Note 15 and Note 7, respectively.
Adjustments in respect of previous years	(7)	(49)	The effect of prior year adjustments mainly relates to updated tax positions.
Movements in (un)recognized deferred tax assets	(34)	(45)	Movements in (un)recognized deferred tax assets are primarily caused by tax losses and other credits for which no deferred tax asset has been recognized. This primarily occurs in holding entities in the Netherlands (2020: US$65, 2019: US$42) and in GTH (2020: nil, 2019: US$43).
Withholding taxes	(59)	(52)	Withholding taxes are recognized to the extent that dividends from foreign operations are expected to be paid in the foreseeable future. In 2020, similar to previous years, expenses relating to withholding taxes were primarily influenced by dividends expected from Russia, Algeria and Pakistan.
Uncertain tax positions	1	6	The tax legislation in the markets in which VEON operates is unpredictable and gives rise to significant uncertainties (see 'Source of estimation uncertainty' below). Movements in uncertain tax positions stem from such uncertainties. The impact of movements in uncertain tax positions is presented net of any corresponding deferred tax assets recognized.
Change in income tax rate	—	1	Changes in tax rates impact the valuation of existing temporary differences. The nominal tax rates did not change in our operating jurisdictions in 2020. Nominal tax rate changes occurred in Pakistan in 2019.
Other	10	(32)	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 7 for further details.
Income tax benefit / (expense)	**(344)**	**(500)**	
Effective tax rate	**154.3%**	**45.1%**	

Deferred taxes

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

	2020	2019
Deferred tax assets	186	134
Deferred tax liabilities	(127)	(140)
Net deferred tax position	59	(6)

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

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

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

		Movement in deferred taxes		
	Opening balance	Net income statement movement	Other movements	Closing balance
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
Net deferred tax positions	17	(2)	(21)	(6)

Unused tax losses and other credits carried forwards

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

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

As of December 31, 2019	0-5 years	6-10 years	More than 10 years	Indefinite	Total
Tax losses expiry					
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
Other credits carried forwards expiry					
Recognized credits	(13)	(46)	—	—	(59)
Recognized DTA	13	46	—	—	59
Non-recognized credits	—	—	—	(113)	(113)
Non-recognized DTA	—	—	—	28	28

Losses mainly relate to our holding entities in Luxembourg (2020: US$6,285; 2019: US$6,052) and the Netherlands (2020: US$596; 2019: US$1,186).

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$60 (2019: US$52), 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, 2020, 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$5,241 (2019: US$6,194). Accordingly, no deferred tax liability is recognized for this amount of undistributed profits.

ACCOUNTING POLICIES

Income taxes

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

Uncertain tax positions

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

Deferred taxation

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

SOURCE OF ESTIMATION UNCERTAINTY

Tax risks

The tax legislation in the markets in which VEON operates is unpredictable and gives rise to significant uncertainties, which could complicate our tax planning and business decisions. Tax laws in many of the emerging markets in which we operate have been in force for a relatively short period of time as compared to tax laws in more developed market economies. Tax authorities in our markets are often 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 7 and above in this Note 8, unless not practicable to do so.

Uncertain tax positions

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

Recoverability of deferred tax assets

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

INVESTING ACTIVITIES OF THE GROUP

9 SIGNIFICANT TRANSACTIONS

SIGNIFICANT TRANSACTIONS IN 2020

Sale of Armenian operations

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

GTH restructuring

In 2020, VEON continued the restructuring of Global Telecom Holding S.A.E. (**"GTH"**) which commenced in 2019 (see further details below), with the intragroup transfer of Mobilink Bank and GTH Finance B.V. completed in March and April 2020, respectively. As the operating assets of GTH had previously been, and will continue to be, fully consolidated within the balance sheet of the VEON Group, there was no material impact on these consolidated financial statements stemming from these intragroup transfers. The intragroup transfer for Djezzy is continuing.

SIGNIFICANT 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 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. The settlement amount was recorded in equity statement as a contribution made by parent and in the statement of cash flows it represented a cash inflow from financing activities.

Termination of network sharing 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 revenue/other income" within the consolidated income statement.

10 IMPAIRMENT OF ASSETS

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

Goodwill is tested for impairment annually (at September 30) or when circumstances indicate the carrying value may be impaired. Refer to Note 12 for an overview of the carrying value of goodwill per cash-generating unit ("CGU"). The Company's impairment test is primarily based on fair value less cost of disposal calculations (Level 3 in the fair value hierarchy) using a discounted cash flow model, based on cash flow projections from business plans prepared by management. The Company considers the relationship between its market capitalization and its book value, as well as weighted average cost of capital and the quarterly financial performances of each CGU when reviewing for indicators of impairment in interim periods. In addition to the above, the Company also considered the impact of COVID-19 when reviewing for indicators of impairment (refer to Note 1).

Impairment losses in 2020

In recent years, Beeline Russia has seen a decline in its subscriber and revenue market share on the back of competitive pressures in the market, which have impacted both revenues and profitability. This underperformance has negatively impacted the fair value of our Russian business, and over time has eroded the existing headroom over the book value of the business. The impact of a weaker Russian ruble, along with ongoing COVID lockdowns and associated travel restrictions, have had a negative impact on consumer spending, which weakened particularly during the third quarter of 2020. Together with a slower than anticipated recovery in Beeline's ARPU, which has in turn impacted our future projected revenue, a revision to our previous estimates has been deemed necessary.

Based on these revisions, VEON recorded an impairment of US$723 against the carrying value of goodwill in Russia in the third quarter of 2020. The recoverable amount of the CGU of US$3,001 was determined based on fair value less costs of disposal calculations (Level 3 in the fair value hierarchy) using a discounted cash flow model, based on cash flow projections from business plans prepared by management.

Also in the third quarter of 2020, due to the unstable political environment and uncertainties arising with respect to the recoverability of our operating assets in Kyrgyzstan, VEON has fully impaired the carrying value of all operating assets of Kyrgyzstan. As a result, the Company recorded a total impairment loss of US$64.

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

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

Impairment losses in 2019

Due to operational performance of operating companies and the Company's continuous re-evaluation of its equipment purchased but not installed, in 2019 the Company recorded an impairment of US$108. 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
2019				
Kyrgyzstan	33	3	54	90
Other	18	—	—	18
	51	**3**	**54**	**108**

KEY ASSUMPTIONS

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

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

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

Discount rates

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

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

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

	Discount rate (local currency)	
	2020	**2019**
Russia	10.1 %	9.1 %
Algeria	11.6 %	10.4 %
Pakistan	18.2 %	14.5 %
Kazakhstan	10.3 %	9.2 %
Kyrgyzstan *	—	14.1 %
Uzbekistan	13.8 %	14.5 %

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

Revenue growth rates

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

	Average annual revenue growth rate during forecast period		**Terminal growth rate**	
	2020	**2019**	**2020**	**2019**
Russia	4.3 %	1.4 %	1.8 %	1.6 %
Algeria	4.3 %	1.0 %	1.0 %	1.0 %
Pakistan	9.7 %	3.9 %	5.8 %	2.7 %
Kazakhstan	5.3 %	5.3 %	3.1 %	3.3 %
Kyrgyzstan *	—	1.6 %	—	5.0 %
Uzbekistan	3.2 %	4.1 %	5.1 %	6.0 %

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

Operating margin

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

	Average operating margin during the forecast period		Terminal period operating margin	
	2020	2019	2020	2019
Russia	31.2 %	34.7 %	35.7 %	34.5 %
Algeria	39.9 %	42.6 %	40.4 %	43.1 %
Pakistan	42.0 %	47.3 %	44.6 %	47.3 %
Kazakhstan	49.5 %	49.9 %	50.0 %	50.1 %
Kyrgyzstan *	—	31.4 %	—	33.0 %
Uzbekistan	34.0 %	51.4 %	34.0 %	52.4 %

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

CAPEX

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

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

	Average CAPEX as a percentage of revenue during the forecast period		Terminal period CAPEX as a percentage of revenue	
	2020	2019	2020	2019
Russia	27.9 %	19.9 %	21.0 %	18.5 %
Algeria	15.2 %	12.5 %	14.0 %	12.0 %
Pakistan	19.6 %	17.2 %	18.9 %	17.1 %
Kazakhstan	19.8 %	20.0 %	19.0 %	19.5 %
Kyrgyzstan *	—	26.9 %	—	20.0 %
Uzbekistan	21.4 %	19.4 %	21.0 %	20.1 %

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

SENSITIVITY TO CHANGES IN ASSUMPTIONS

The following table illustrates the potential additional impairment for the Russia CGU and the potential impairment or remaining headroom for the Algeria CGU if certain key parameters would adversely change by one percentage point within both the explicit forecast and terminal periods ('+/- 1.0 pp'), as well as the change in key assumptions required in order for the recoverable amount of the CGU to be equal to its book value ('Break-even').

Any additional adverse changes in the key parameters by more than one percentage point would increase the amount of impairment exposure approximately proportionally.

	Russia			Algeria		
Sensitivity analysis	**Assumption used ***	**+/- 1.0 pp**	**Break-even ****	**Assumption used ***	**+/- 1.0 pp**	**Break-even**
Discount rate	**10.1%**	**11.1%**	**10.1%**	**11.6%**	**12.6%**	**12.2%**
Change in key assumption	0.0 pp	1.0 pp	0.0 pp	0.0 pp	1.0 pp	0.6 pp
Headroom / (impairment)	*—*	*(473)*	*—*	*75*	*(44)*	*—*
Average annual revenue growth rate	**3.9%**	**2.9%**	**3.9%**	**3.8%**	**2.8%**	**2.9%**
Change in key assumption	0.0 pp	(1.0) pp	0.0 pp	0.0 pp	(1.0) pp	(0.9) pp
Headroom / (impairment)	*—*	*(250)*	*—*	*75*	*(12)*	*—*
Average operating margin	**32.0%**	**31.0%**	**32.0%**	**40.0%**	**39.0%**	**38.7%**
Change in key assumption	0.0 pp	(1.0) pp	0.0 pp	0.0 pp	(1.0) pp	(1.3) pp
Headroom / (impairment)	*—*	*(375)*	*—*	*75*	*19*	*—*
Average CAPEX / revenue	**26.8%**	**27.8%**	**26.8%**	**15.0%**	**16.0%**	**16.4%**
Change in key assumption	0.0 pp	1.0 pp	0.0 pp	0.0 pp	1.0 pp	1.4 pp
Headroom / (impairment)	*—*	*(380)*	*—*	*75*	*22*	*—*

** Combined average based on explicit forecast period of five years (2021-2025) and terminal period (2026), excludes intervening period of 2020*

*** Following the recognition of an impairment loss in the third quarter of 2020, the book value of the Russia CGU is equal to its recoverable amount. As such, the 'break-even' assumptions for the Russia are equivalent to the Assumptions used.*

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.

11 PROPERTY AND EQUIPMENT

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

Net book value	Telecomm-unications equipment	Land, buildings and constructions	Office and other equipment	Equipment not installed and assets under construction	Right-of-use assets	Total
As of January 1, 2019	**3,933**	**199**	**394**	**328**	**2,003**	**6,857**
Additions*	79	—	8	1,453	299	**1,839**
Disposals	(35)	(1)	(6)	(7)	(26)	**(75)**
Depreciation charge for the year	(1,030)	(32)	(139)	—	(446)	**(1,647)**
Impairment	(30)	(1)	(3)	(17)	—	**(51)**
Transfers	1,211	29	131	(1,371)	—	—
Translation adjustment	176	20	32	29	144	**401**
As of December 31, 2019	**4,304**	**214**	**417**	**415**	**1,974**	**7,324**
Additions	47	2	16	1,626	446	**2,137**
Disposals	(50)	(5)	(10)	(12)	(15)	**(92)**
Depreciation charge for the year	(1,009)	(28)	(123)	—	(413)	**(1,573)**
Impairment	(28)	(1)	(2)	(7)	(5)	**(43)**
Transfers	1,282	5	111	(1,396)	(2)	—
Translation adjustment	(498)	(30)	(57)	(59)	(256)	**(900)**
As of December 31, 2020	**4,048**	**157**	**352**	**567**	**1,729**	**6,853**
Cost	10,734	361	1,300	686	2,519	**15,600**
Accumulated depreciation and impairment	(6,686)	(204)	(948)	(119)	(790)	**(8,747)**

** Prior year comparatives have been re-presented to conform with current year presentation.*

There were no material changes in estimates related to property and equipment in 2020 other than the impairment described in Note 10 of US$43 (2019: US$51) and lease term reassessments in Russia and Ukraine (included in 'Additions') which had the effect of increasing right-of-use assets by US$181. Please refer to Note 15 for more information regarding Source of estimation uncertainty for lease terms.

During 2020, VEON acquired property and equipment in the amount of US$601 (2019: US$480), which were not paid for as of year-end.

Property and equipment pledged as security for bank borrowings amounts to US$865 as of December 31, 2020 (2019: US$652), and primarily relate to securities for borrowings of PMCL.

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

Net book value	**ROU - Telecommunications Equipment**	**ROU - Land, Buildings and Constructions**	**ROU - Office and Other Equipment**	**Total**
As of January 1, 2019	**1,594**	**402**	**7**	**2,003**
Additions*	236	63	—	299
Disposals	(18)	(6)	(2)	(26)
Depreciation charge for the year	(306)	(138)	(2)	(446)
Impairment	—	(2)	—	(2)
Transfers	18	(18)	—	—
Translation adjustment	114	32	—	146
As of December 31, 2019	**1,638**	**333**	**3**	**1,974**
Additions	339	102	5	446
Disposals	(15)	—	—	(15)
Depreciation charge for the year	(308)	(103)	(2)	(413)
Impairment	(1)	(4)	—	(5)
Transfers	—	(2)	—	(2)
Translation adjustment	(213)	(42)	(1)	(256)
As of December 31, 2020	**1,440**	**284**	**5**	**1,729**
Cost	2,022	486	11	2,519
Accumulated depreciation and impairment	(582)	(202)	(6)	(790)

COMMITMENTS

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

	2020	**2019**
Less than 1 year	747	677
Between 1 and 5 years	19	19
Total commitments	**766**	**696**

Capital commitments arising from telecommunications licenses

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

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

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

ACCOUNTING POLICIES

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

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

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

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

SOURCE OF ESTIMATION UNCERTAINTY

Depreciation and amortization of non-current assets

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

The useful lives of property and equipment and intangible assets are reviewed at least annually, taking into consideration the factors mentioned above and all other relevant factors. Estimated useful lives for similar types of assets may vary between different entities in the Group due to local factors such as growth rate, maturity of the market, historical and expected replacements or transfer of assets and quality of components used. Estimated useful life for right-of-use assets is directly impacted by the equivalent lease term, refer to Note 15 for more information regarding Source of estimation uncertainty for lease terms.

12 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	Telecommunication licenses, frequencies & permissions	Software	Brands and trademarks	Customer relationships	Other intangible assets	Goodwill	Total
As of January 1, 2019	**1,196**	**254**	**177**	**175**	**24**	**3,816**	**5,642**
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**
As of December 31, 2019	**1,100**	**304**	**149**	**142**	**21**	**3,959**	**5,675**
Additions	53	188	3	5	5	13	**267**
Disposals	—	(6)	—	—	—	—	**(6)**
Amortization charge for the year	(139)	(155)	(23)	(15)	(7)	—	**(339)**
Impairment	(5)	(3)	—	—	—	(723)	**(731)**
Transfer	—	6	—	—	(6)	—	**—**
Translation adjustment	(88)	(42)	(12)	(16)	1	(567)	**(724)**
As of December 31, 2020	**921**	**292**	**117**	**116**	**14**	**2,682**	**4,142**
Cost	*2,144*	*928*	*457*	*1,518*	*139*	*4,845*	***10,031***
Accumulated amortization and impairment	*(1,223)*	*(636)*	*(340)*	*(1,402)*	*(125)*	*(2,163)*	***(5,889)***

During 2020, there were no material changes in estimates related to intangible assets other than the impairment described in Note 10 of US$731 (2019: US$57).

During 2020, VEON acquired intangible assets in the amount of US$56 (2019: US$49), 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, 2020	Impairment	Translation adjustment	Addition	December 31, 2019
Russia	1,131	(723)	(424)	13	2,265
Algeria	1,053	—	(114)	—	1,167
Pakistan	324	—	(11)	—	335
Kazakhstan	140	—	(14)	—	154
Uzbekistan	34	—	(4)	—	38
Total	**2,682**	**(723)**	**(567)**	**13**	**3,959**

CGU	December 31, 2019	Impairment	Translation adjustment	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
Total	**3,959**	**(54)**	**197**	**3,816**

COMMITMENTS

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

	2020	2019
Less than 1 year	31	77
Between 1 and 5 years	—	5
Total commitments	**31**	**82**

ACCOUNTING POLICIES

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

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

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

Goodwill is recognized for the future economic benefits arising from net assets acquired that are not individually identified and separately recognized. Goodwill is not amortized but is tested for impairment annually and as necessary when circumstances indicate that the carrying value may be impaired, see Note 10 for further details.

SOURCE OF ESTIMATION UNCERTAINTY

Refer also to Note 11 for further details regarding source of estimation uncertainty.

Depreciation and amortization of non-current assets

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

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

13 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 2020	Equity interest held by the Group 2019
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 %
LLC "Sky Mobile"	Kyrgyzstan	Operating	50.1 %	50.1 %
VEON Luxembourg Holdings S.à r.l.	Luxembourg	Holding	100.0 %	100.0 %
VEON Luxembourg Finance Holdings S.à r.l.	Luxembourg	Holding	100.0 %	100.0 %
VEON Luxembourg Finance S.A.	Luxembourg	Holding	100.0 %	100.0 %
Global Telecom Holding S.A.E	Egypt	Holding	99.6 %	99.5 %
Omnium Telecom Algérie S.p.A.*	Algeria	Holding	45.4 %	45.4 %
Optimum Telecom Algeria S.p.A.*	Algeria	Operating	45.4 %	45.4 %
Pakistan Mobile Communications Limited	Pakistan	Operating	85.0 %	85.0 %
Banglalink Digital Communications Limited	Bangladesh	Operating	100.0 %	100.0 %

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

The Company is subject to legal restrictions to distribute accumulated profits from Algeria by virtue of local shareholding agreement (i.e. it is allowed only to distribute 42.5% of current year profit), and the rest is restricted.

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 2020	Equity interest held by NCIs 2019	Book values of material NCIs 2020	Book values of material NCIs 2019	Profit / (loss) attributable to material NCIs 2020	Profit / (loss) attributable to material NCIs 2019
LLP "KaR-Tel" (**"Kar-Tel"**)	25.0 %	25.0 %	97	106	26	27
Omnium Telecom Algérie S.p.A. (**"OTA"**)	54.4 %	54.4 %	783	871	43	55

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

Summarized income statement

	Kar-Tel 2020	Kar-Tel 2019	OTA 2020	OTA 2019
Operating revenue	446	461	689	775
Operating expenses	(316)	(319)	(564)	(621)
Other (expenses) / income	4	(6)	(17)	(17)
Profit / (loss) before tax	134	136	108	137
Income tax expense	(28)	(29)	(29)	(36)
Profit / (loss) for the year	106	107	79	101
Total comprehensive income / (loss)	106	107	79	101
Attributed to NCIs	26	27	43	55
Dividends paid to NCIs	—	—	46	69

Summarized statement of financial position

	Kar-Tel		OTA	
	2020	2019	2020	2019
Property and equipment	276	271	492	600
Intangible assets	94	86	116	158
Other non-current assets	162	185	1,071	1,187
Trade and other receivables	21	18	31	34
Cash and cash equivalents	37	39	67	67
Other current assets	31	12	50	42
Debt and derivatives	(75)	(63)	(102)	(134)
Provisions	(6)	(6)	(23)	(22)
Other liabilities	(152)	(119)	(267)	(334)
Total equity	388	423	1,435	1,598
Attributed to:				
Equity holders of the parent	291	317	652	727
Non-controlling interests	97	106	783	871

Summarized statement of cash flows

	Kar-Tel		OTA	
	2020	2019	2020	2019
Net operating cash flows	184	199	211	305
Net investing cash flows	(88)	(84)	(102)	(84)
Net financing cash flows	(97)	(104)	(103)	(205)
Net foreign exchange difference	(2)	—	(5)	(1)
Net increase / (decrease) in cash equivalents	(3)	11	1	15

SIGNIFICANT ACCOUNTING JUDGMENTS

Control over subsidiaries

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

FINANCING ACTIVITIES OF THE GROUP

14 OTHER NON-OPERATING GAIN / (LOSS)

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

	2020	2019
Ineffective portion of hedging activities *	15	20
Change of fair value of other derivatives	6	(17)
Gain /(loss) from money market funds *	12	21
Other gains / (losses)	78	(2)
Other non-operating gain / (loss), net	**111**	**22**

** Prior year comparatives have been re-presented to conform with current year presentation.*

Included in ‘Other gains / (losses)' in 2020 is a gain of US$41 relating to the revaluation of contingent consideration liability, as well as a gain of US$41 relating to the settlement in connection with the dispute concerning the sale of Telecel Globe Limited. For further details, refer to Note 15 and Note 7, respectively.

15 INVESTMENTS, DEBT AND DERIVATIVES

INVESTMENTS AND DERIVATIVE ASSETS

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

	Carrying value	
	2020	**2019**
At fair value		
Derivatives not designated as hedges	20	11
Derivatives designated as net investment hedges	3	—
Investments in debt instruments *	75	34
	98	**45**
At amortized cost		
Loans granted to subsidiaries of the ultimate parent	1,837	1,479
Security deposits and cash collateral	325	256
Other investments	29	10
	2,191	**1,745**
Total investments and derivatives	**2,289**	**1,790**
Non-current	1,951	236
Current	338	1,554

** 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 non-current financial asset in the statement of financial position.

In May, 2020 a further US$57 was paid under protest, presented within 'Receipts from / (payment on) deposits' in the statement of cash flows. The most recent hearing on this matter was concluded before the Islamabad High Court on March 1, 2021 and a judgment is now pending.

DEBT AND DERIVATIVES

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

	Carrying value	
	2020	**2019**
At fair value		
Derivatives not designated as hedges	52	52
Derivatives designated as net investment hedges	1	161
Contingent consideration	—	41
	53	**254**
At amortized cost		
Principal amount outstanding	7,675	7,497
Interest accrued	85	82
Discounts, unamortized fees, hedge basis adjustment	(5)	(10)
Bank loans and bonds	7,755	7,569
Loans received from subsidiaries of the ultimate parent	304	—
Lease liabilities	1,894	2,064
Put-option liability over non-controlling interest	273	342
Other financial liabilities	61	77
	10,287	**10,052**
Total debt and derivatives	**10,340**	**10,306**
Non-current	9,119	7,744
Current	1,221	2,562

Bank loans and bonds

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

						Principal amount outstanding	
Borrower	**Type of debt**	**Guarantor**	**Currency**	**Interest rate**	**Maturity**	**2020**	**2019**
VEON Holdings	Loans	None	RUB	8.75% to 10.0%	2022	—	2,303
VEON Holdings	Loans	None	RUB	7.35% to 7.50%	2024 - 2025	812	—
VEON Holdings	Loans	None	RUB	CBR Key Rate + 1.85% to 2.20%	2023 - 2025	1,083	—
VEON Holdings	Notes	None	US$	5.95%	2023	529	529
VEON Holdings	Notes	None	US$	3.95% to 4.95%	2024	533	1,133
VEON Holdings	Notes	PJSC VimpelCom	US$	7.50%	2022	417	417
VEON Holdings	Notes	None	US$	3.38%	2027	1,250	—
VEON Holdings	Notes	None	US$	7.25%	2023	700	—
VEON Holdings	Notes	None	RUB	6.30% to 6.50 %	2025	406	—
VEON Holdings	Notes	None	US$	4.00%	2025	1,000	700
GTH Finance B.V.	Notes	VEON Holdings	US$	6.25% to 7.25%	2020 -2023	—	1,200
PJSC VimpelCom, via VIP Finance Ireland	Eurobonds	None	US$	7.75%	2021	262	262
PMCL	Loans	None	PKR	6mKIBOR + 0.35%	2022	111	192
PMCL	Loans	None	PKR	6mKIBOR + 0.8%	2020	—	34
PMCL	Loan	EKN *	US$	6mLIBOR + 1.9%	2020	—	75
PMCL	Loan	None	PKR	6mKIBOR + 0.55%	2026	274	121
PMCL	Loan	None	PKR	6mKIBOR	2023	29	41
Banglalink	Loan	None	US$	3mLIBOR + 2.50%	2020	—	300
Banglalink	Loans	None	BDT	Average bank deposit rate + 3.0% to 4.25%	2021 - 2022	80	116
PJSC Kyivstar	Loans	None	UAH	NBU Key rate + 3.00%	2021-2023	57	—
PJSC Kyivstar	Loans	None	UAH	10.15% to 11.00%	2023-2025	85	—
	Other bank loans and bonds					47	74
	Total bank loans and bonds					**7,675**	**7,497**

** 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
Balance as of January 1, 2019	**7,366**	**1,978**	**9,344**
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, impairment and modifications	—	275	**275**
Foreign currency translation	193	150	**343**
Other non-cash movements	(23)	—	**(23)**
Balance as of December 31, 2019	**7,569**	**2,064**	**9,633**
Cash flows			
Proceeds from borrowings, net of fees paid	4,622	—	**4,622**
Repayment of debt	(3,754)	(322)	**(4,076)**
Interest paid	(499)	(150)	**(649)**
Non-cash movements			
Interest and fee accruals	544	155	**699**
Lease additions, disposals, impairment and modifications	—	431	**431**
Foreign currency translation	(398)	(284)	**(682)**
Other non-cash movements *	(329)	—	**(329)**
Balance as of December 31, 2020	**7,755**	**1,894**	**9,649**

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

FINANCING ACTIVITIES IN 2020

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

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

Financing activities in Ukraine

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

Exercise of 15% PMCL put option

In September 2020, the Dhabi Group exercised its put option to sell us its 15% shareholding in PMCL, the Company's subsidiary in Pakistan. VEON updated the fair value of its put option liability following the completion of an independent valuation process which determined a fair value for the shareholding of US$273, resulting in a gain of US$59 recorded in 'Finance costs' within the Consolidated Income Statement. The transfer, which remained subject to the conclusion of the contractual transfer mechanics with the Dhabi Group, completed in March 2021. As of this date, VEON indirectly owns 100% of PMCL.

Global Medium Term Note program

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

Refinancing of loan agreement with VTB

In July 2020, VEON Holdings B.V. successfully refinanced its existing RUB30 billion (US$422), bilateral term loan agreement with VTB Bank. This refinancing extended the final maturity of the existing loan between VTB Bank and VEON Holdings B.V. to July 2025 and amended the interest cost from a fixed rate of 8.75% to floating rate equal to CBR Key Rate + 1.85 p.p.

Refinancing of loan agreement with Sberbank

In June 2020, VEON Holdings B.V. entered into a new RUB bilateral term loan agreement with Sberbank. The agreement comprises four facilities for a total amount of RUB100 billion (US$1,450) with final maturity dates ranging between two and four years. Shortly after the agreement was signed, VEON Holdings B.V. fully utilized three facilities for a total amount of RUB87.5 billion (US$1,281) and used the proceeds to prepay all outstanding amounts under the Sberbank term facilities agreement signed in May 2017.

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

Contingent consideration

In 2015, International Wireless Communications Pakistan Limited and Pakistan Mobile Communications Ltd ("PMCL"), each indirect subsidiaries of the Company, signed an agreement with Warid Telecom Pakistan LLC and Bank Alfalah Limited, to combine their operations in Pakistan. In July 2016, the transaction was closed and PMCL acquired 100% of the voting shares in Warid Telecom (Pvt) Limited ("Warid") for a consideration of 15% of the shares in PMCL. As a result, VEON gained control over Warid.

As part of the share purchase agreement, an earn-out payment was agreed in the event that a tower transaction is effected by PMCL within four years from the acquisition date. The earn-out would also apply if another telecommunications operator in Pakistan effects a tower transaction, provided the transaction meets certain parameters, in the same timeframe. The contingent consideration would be settled with a transfer of PMCL shares.

As of June 2020, the probability of completion of a tower deal in Pakistan prior to the relevant deadline, upon which contingent consideration would be paid, became remote. As a result, the fair value of Contingent consideration was revised downwards to zero, with a corresponding gain of US$41 recognized in the consolidated income statement.

Extension and extinguishment of Banglalink syndicated loan

In April 2020, Banglalink Digital Communications Limited, a wholly-owned subsidiary, extended the maturity of its US$300 syndicated loan by an additional two years to 2022. Following this extension, VEON Digital Amsterdam B.V., a subsidiary of the Company's parent, acquired the loan from the original lenders. No material transactional costs were incurred.

In April 2020, the Company granted a loan of US$300 to VEON Digital Amsterdam B.V under the same terms as the Banglalink syndicate loan mentioned above. The initial term of the loan is two years.

Drawdowns under the Revolving Credit Facility

In March 2020, VEON Holdings B.V., the Company's wholly-owned subsidiary, executed two drawdowns under its existing revolving credit facility for an aggregate amount of US$600. Although these drawdowns are short-term in nature, VEON Holdings B.V. has an enforceable right to roll them over until final maturity date of the facility in February 2022. All outstanding drawdowns under this facility have been fully repaid during June 2020 (US$100) and July 2020 (US$500). In March 2021, VEON entered into a new multi-currency revolving credit facility agreement, refer to Note 21 for further details.

Refinancing of RUB debt - AO "Alfa-Bank"

In March 2020, VEON Holdings B.V. amended and restated the existing facility with AO "Alfa-Bank", increasing its size and utilization from RUB17.5 billion to RUB30 billion (US$165). Following this amendment and restatement, the final maturity of this facility has been set to March 2025.

GTH bonds prepayment

In February 2020, GTH Finance B.V., the Company's subsidiary, repaid at par the US$500 6.25% bonds, originally maturing April, 2020.

US$300 tap issuance of existing senior notes

In January 2020, VEON Holdings B.V., issued US$300 in senior unsecured notes due 2025, which are consolidated and form a single series with the US$700 4.00% senior notes due in 2025 issued by VEON Holdings B.V. in October 2019. VEON used the net proceeds of the tap issuance to refinance certain existing outstanding debt.

FINANCING ACTIVITIES IN 2019

VEON Holdings BV new notes

In October 2019, VEON Holdings 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.

FAIR VALUES

As of December 31, 2020, 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$8,330 (2019: US$7,867); and
- 'Lease liabilities', for which fair value has not been determined.

As of December 31, 2020 and December 31, 2019, 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, 2020 and 2019 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, 2020 and 2019, 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	
					2020	2019
Foreign currency forward contracts	Forward	foreign currency basis spread	PJSC VimpelCom	RUB	26,758 **	88,220 **

** 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, 2020 (2019: 1 year).*

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

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

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

During 2020, the fair values of the Company's derivatives designated as net investment hedges increased due to depreciation of the Russian ruble, resulting in a US$178 gain recorded against the foreign currency translation reserve. This gain partially offset the translation loss related to our foreign operations described in Note 1.

Impact of hedge accounting on equity

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

	Foreign currency translation reserve	Cost of hedging reserve **
As of January 1, 2019	**(6,213)**	**5**
Foreign currency revaluation of the foreign operations and other	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)
As of December 31, 2019	**(6,111)**	**9**
Foreign currency revaluation of the foreign operations	(614)	—
Effective portion of foreign currency revaluation of the hedging instruments *	178	—
Change in fair value of foreign currency basis spreads	—	7
Amortization of time-period related foreign currency basis spreads	—	(15)
Other movements in foreign currency translation reserve	(26)	—
As of December 31, 2020	**(6,573)**	**1**

** 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 cancellable by the Company immediately or on short notice. The Company includes these cancellable future lease periods within the assessed lease term, which increases the future lease payments used in determining the lease liability upon initial recognition.

The Company continuously assesses whether a revision of lease terms is required due to a change in management judgment regarding, for example, the exercise of extension and/or termination options. 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:

	2020	2019
Cash and cash equivalents at banks and on hand	598	867
Cash equivalents with original maturity of less than three months	900	316
Cash and cash equivalents	**1,498**	**1,183**
Less overdrafts	(7)	(24)
Cash and cash equivalents, net of overdrafts, as presented in the consolidated statement of cash flows	**1,491**	**1,159**

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, 2020, there were no restricted cash and cash equivalent balances (2019: nil).

Cash balances include investments in money market funds of US$543 (2019: US$155), 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, 2020, 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$7 (2019: US$24). 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, 2020, approximately 76% of the Company's borrowings are at a fixed rate of interest (2019: 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**	
Change in foreign exchange rate against US$	10% depreciation	10% appreciation	10% depreciation	10% appreciation
2020				
Russian Ruble	35	(39)	32	(39)
Bangladeshi Taka	(30)	33	—	—
Pakistani Rupee	(4)	4	—	—
Georgian Lari	(36)	40	—	—
Other currencies (net)	8	(9)	4	(4)
2019				
Russian Ruble	(9)	11	119	(145)
Bangladeshi Taka	(27)	30	—	—
Pakistani Rupee	(10)	11	—	—
Georgian Lari	(36)	39	—	—
Other currencies (net)	(4)	5	—	—

CREDIT RISK

The Company is exposed to credit risk from its operating activities (primarily from trade receivables), and from its treasury activities, including deposits with banks and financial institutions, loans granted to subsidiaries of the ultimate parent, derivative financial instruments and other financial instruments. See Note 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, 2020 and 2019, 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, 2020 and 2019 is the carrying amount as illustrated in Note 5, Note 15, Note 16 and within this 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, 2020, 5% of the Company's debt (2019: 21%) 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
2020							
VEON Holdings B.V. – Revolving Credit Facility *	Feb 2022	US$1,585 *	—	US$1,585	1,585	—	1,585
PMCL - Term Facility	Sep 2021	PKR 14,369	PKR 9,999	PKR 4,370	90	62	28
Kartel - Term Facility	Nov 2023	KZT 10,000	KZT 5,000	KZT 5,000	24	12	12

** Facility amount of US$1,586 is available until February 2021. Subsequently, a reduced facility amount of US$1,382 is available until February 2022. In March 2021, VEON entered into a new multi-currency revolving credit facility agreement, refer to Note 21 for further details.*

	Amounts in millions of transactional currency				US$ equivalent amounts		
	Final availability period	Facility amount	Utilized	Available	Facility amount	Utilized	Available
2019							
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. In March 2021, VEON entered into a new multi-currency revolving credit facility agreement, refer to Note 21 for further details.*

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, 2020 and 2019, 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
As of December 31, 2020					
Bank loans and bonds	842	3,803	3,123	1,408	9,176
Loans from related parties	11	305	—	—	316
Lease liabilities	525	896	639	239	2,299
Derivative financial liabilities					
Gross cash inflows	(228)	—	—	—	(228)
Gross cash outflows	237	—	—	—	237
Trade and other payables	2,202	—	—	—	2,202
Other financial liabilities	1	60	—	—	61
Warid non-controlling interest put option liability	273	—	—	—	273
Total financial liabilities	3,863	5,064	3,762	1,647	14,336
Related derivatives financial assets					
Gross cash inflows	152	—	—	—	152
Gross cash outflows	(149)	—	—	—	(149)
Related derivative financial assets	3	—	—	—	3
Total financial liabilities, net of derivative assets	**3,866**	**5,064**	**3,762**	**1,647**	**14,339**

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
As of December 31, 2019					
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
Total financial liabilities	5,374	4,940	2,737	1,214	14,265
Related derivatives financial assets					
Gross cash inflows	(273)	—	—	—	(273)
Gross cash outflows	262	—	—	—	262
Related derivative financial assets	(11)	—	—	—	(11)
Total financial liabilities, net of derivative assets	**5,363**	**4,940**	**2,737**	**1,214**	**14,254**

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. Since 2019, VEON's dividend policy 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 2020.

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

	2020	2019
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, 2020, the Company had 70,000,000 authorized common shares (2019: 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 (2019: 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 13). 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

There were no dividends declared by the Company in respect of the year 2020.

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

DIVIDENDS DECLARED TO NON-CONTROLLING INTERESTS

During 2020 and 2019 , certain subsidiaries of the Company declared dividends, of which a portion was paid or payable to non-controlling interests as shown in the table below:

Name of subsidiary	2020	2019
Omnium Telecom Algeria S.p.A	45	69
VIP Kazakhstan Holding AG	24	24
TNS Plus LLP	16	12
Other	2	3
Total dividends declared to non-controlling interests	**87**	**108**

In 2020, PMCL, a subsidiary of the Company, declared dividends to its shareholders, of which US$25 (2019: US$24) 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, 2020, there is no remaining amount payable to non-controlling interests (2019: none).

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:

	2020	2019
Revenue from		
VEON Wholesale Services B.V.	—	59
Finance income	43	34
	43	**93**
Services from		
VEON Wholesale Services B.V.	3	51
VEON Ltd.	(9)	18
Finance cost	**8**	—
	2	**69**

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

	2020	2019
Accounts receivable due from		
VEON Ltd.	100	96
Others	20	19
Financial asset receivable, including interest accrued, from		
VEON Amsterdam B.V.	1,328	1,289
VEON Digital Amsterdam B.V.	302	—
VC ESOP N.V.	152	155
VEON Digital limited	33	19
Interest accrued	22	15
	1,957	**1,593**
Accounts payable to related parties		
VEON Ltd.	213	326
VEON Digital Amsterdam B.V.	300	—
Others	29	36
Financial liabilities to related parties	4	3
	546	**365**

As of December 31, 2020, 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 statutory directors of VEON Holdings B.V. are Kaan Terzioğlu, Sergi Herrero and Murat Kirkgöz.

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:

	2020	2019
Short-term employee benefits	35	48
Long-term employee benefits	1	—
Share-based payments	—	3
Termination benefits	4	—
Total compensation to directors and senior management *	**40**	**51**

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

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

Compensation of Key Senior Managers

The following table sets forth the total remuneration expense to the key senior managers in 2020 and 2019 (gross amounts in whole euro and whole US$ equivalents). For further details on compensation and changes to key senior managers, please refer to the Explanatory notes below.

In whole euros	**Kaan Terzioglu** Group Co-CEO	**Sergi Herrero** Group Co-CEO	**Ursula Burns** Group CEO	**Serkan Okandan** Group CFO	**Trond Westlie** Group CFO	**Murat Kirkgoz** Acting Group CFO	**Kjell Johnsen** Group COO	**Scott Dresser** General Counsel	**Alex Kazbegi** Strategy Officer	**Joop Brakenhoff** Compliance Officer
2020										
Short-term employee benefits										
Base salary	1,323,000	1,181,368	1,162,750	864,000	16,810	211,600	—	1,300,000	553,500	224,100
Annual incentive	930,418	769,643	540,984	525,730	—	80,302	—	2,300,000	338,378	147,813
Other	439,657	2,158,022	554,328	297,341	212,631	40,360	299,333	24,100	104,124	39,908
Long-term employee benefits	76,366	706,925	—	—	—	—	—	—	—	—
Share-based payments	88,056	58,707	111,403	76,316	(217,080)	(7,954)	(217,080)	(65,526)	—	8,775
Termination benefits	—	—	—	—	—	—	—	—	—	—
Total remuneration expense *	**2,857,497**	**4,874,665**	**2,369,465**	**1,763,387**	**12,361**	**324,308**	**82,253**	**3,558,574**	**996,002**	**420,596**
2019										
Short-term employee benefits										
Base salary	220,500	342,036	5,500,000	—	1,500,000	264,500	1,250,000	1,300,000	394,795	—
Annual incentive	472,151	514,460	10,461,000	—	1,455,216	211,713	4,184,355	2,258,882	700,000	—
Other	105,999	1,560,229	1,146,503	—	24,100	35,750	46,857	29,100	677,662	—
Long-term employee benefits	—	—	—	—	—	—	—	—	—	—
Share-based payments	—	—	—	—	64,842	8,242	(828,047)	(697,504)	—	—
Termination benefits	—	—	—	—	—	—	—	—	—	—
Total remuneration expense	**798,650**	**2,416,725**	**17,107,503**	**—**	**3,044,158**	**520,205**	**4,653,165**	**2,890,478**	**1,772,457**	**—**

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

In whole US dollars	**Kaan Terzioglu** Group Co-CEO	**Sergi Herrero** Group Co-CEO	**Ursula Burns** Group CEO	**Serkan Okandan** Group CFO	**Trond Westlie** Group CFO	**Murat Kirkgoz** Acting Group CFO	**Kjell Johnsen** Group COO	**Scott Dresser** Group General Counsel	**Alex Kazbegi** Chief Strategy Officer	**Joop Brakenhoff** Chief Internal Audit &
2020										
Short-term employee benefits										
Base salary	1,508,380	1,346,902	1,325,676	985,064	19,165	241,250	—	1,482,157	631,057	255,501
Annual incentive	1,060,789	877,486	616,787	599,396	—	91,554	—	2,622,278	385,792	168,525
Other	501,262	2,460,406	632,001	339,005	242,425	46,015	341,276	27,477	118,714	45,500
Long-term employee benefits	87,066	805,980	—	—	—	—	—	—	—	—
Share-based payments	100,394	66,933	127,013	87,009	(247,497)	(9,069)	(247,497)	(74,708)	—	10,005
Termination benefits	—	—	—	—	—	—	—	—	—	—
Total remuneration expense *	**3,257,891**	**5,557,707**	**2,701,477**	**2,010,474**	**14,093**	**369,750**	**93,779**	**4,057,204**	**1,135,563**	**479,531**
2019										
Short-term employee benefits										
Base salary	246,782	382,805	6,155,568	—	1,678,791	296,027	1,398,993	1,454,952	441,852	—
Annual incentive	528,429	575,781	11,707,890	—	1,628,669	236,948	4,683,106	2,528,128	783,436	—
Other	118,633	1,746,199	1,283,159	—	26,973	40,011	52,442	32,569	758,435	—
Long-term employee benefits	—	—	—	—	—	—	—	—	—	—
Share-based payments	—	—	—	—	72,571	9,224	(926,745)	(780,642)	—	—
Termination benefits	—	—	—	—	—	—	—	—	—	—
Total remuneration expense	**893,844**	**2,704,785**	**19,146,617**	—	**3,407,004**	**582,210**	**5,207,796**	**3,235,007**	**1,983,723**	—

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

Explanatory notes

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

Share-based payments expense relates to amounts accrued under the value growth cash-based multi-year incentive plans, see below for further details.

Changes in Key Senior Managers

Ursula Burns stepped down as Group CEO with effect from March 1, 2020. Sergi Herrero and Kaan Terzioğlu were appointed as Co-CEOs with effective from March 1, 2020, having previously served as Joint COOs since September 2, 2019 and November 1, 2019, respectively.

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

Kjell Johnsen stepped down from the role of Group COO on November 1, 2019.

The Key Senior Managers of VEON include Group (co-)CEOs, Group CFO, Group COO and Group General Counsel. In addition to the Key Senior Managers disclosed, VEON has also voluntarily disclosed other senior managers. Alex Kazbegi was appointed Group Chief Strategy Officer effective from February 18, 2019, and Joop Brakenhoff was appointed Group Chief Internal Audit & Compliance Officer, effective July 1, 2020.

Compensation of Board of Directors

The following table sets forth the total remuneration expense to the members of the Board of Directors members in 2020 and 2019 (gross amounts in whole euro and whole US dollar equivalents). For details on changes in Board of Directors, please refer to explanations below.

	Retainer		Committees		Other compensation		Total	
In whole euros	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Hans Holger Albrecht	204,167	—	72,917	—	—	—	**277,084**	—
Guillaume Bacuvier	105,114	250,000	23,125	53,909	—	—	**128,239**	303,909
Osama Bedier	308,333	250,000	68,750	25,000	—	—	**377,083**	275,000
Ursula Burns	323,864	—	—	5,952	—	—	**323,864**	5,952
Mariano De Beer	204,167	—	87,500	—	—	—	**291,667**	—
Peter Derby	204,167	—	87,500	—	—	—	**291,667**	—
Mikhail Fridman	60,417	40,000	—	—	—	—	**60,417**	40,000
Gennady Gazin	629,167	250,000	33,333	80,000	—	—	**662,500**	330,000
Amos Genish	204,167	—	87,500	—	—	—	**291,667**	—
Yaroslav Glazunov	13,350	—	—	—	—	—	**13,350**	—
Andrei Gusev	60,417	40,000	—	—	500,000	750,000	**560,417**	790,000
Gunnar Holt	308,333	250,000	118,750	69,643	—	—	**427,083**	319,643
Sir Julian Horn-Smith	105,114	250,000	10,511	25,000	—	—	**115,625**	275,000
Robert Jan van de Kraats	308,333	250,000	85,417	30,000	—	—	**393,750**	280,000
Guy Laurence	104,167	250,000	12,500	30,000	—	—	**116,667**	280,000
Alexander Pertsovsky	47,917	40,000	—	—	—	—	**47,917**	40,000
Steve Pusey	204,167	—	58,333	—	—	—	**262,500**	—
Kaan Terzioglu	—	92,708	—	9,063	—	—	—	101,771
Total compensation	**3,395,361**	**1,962,708**	**746,136**	**328,567**	**500,000**	**750,000**	**4,641,497**	**3,041,275**

	Retainer		Committees		Other compensation		Total	
In whole US dollars	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Hans Holger Albrecht	232,775	—	83,134	—	—	—	**315,909**	—
Guillaume Bacuvier	119,843	279,799	26,365	60,335	—	—	**146,208**	340,134
Osama Bedier	351,537	279,799	78,383	27,980	—	—	**429,920**	307,779
Ursula Burns	369,244	—	—	6,661	—	—	**369,244**	6,661
Mariano De Beer	232,775	—	99,761	—	—	—	**332,536**	—
Peter Derby	232,775	—	99,761	—	—	—	**332,536**	—
Mikhail Fridman	68,883	44,768	—	—	—	—	**68,883**	44,768
Gennady Gazin	717,326	279,799	38,004	89,536	—	—	**755,330**	369,335
Amos Genish	232,775	—	99,761	—	—	—	**332,536**	—
Yaroslav Glazunov	15,221	—	—	—	—	—	**15,221**	—
Andrei Gusev	68,883	44,768	—	—	570,060	839,396	**638,943**	884,164
Gunnar Holt	351,537	279,799	135,389	77,944	—	—	**486,926**	357,743
Sir Julian Horn-Smith	119,843	279,799	11,984	27,980	—	—	**131,827**	307,779
Robert Jan van de Kraats	351,537	279,799	97,386	33,576	—	—	**448,923**	313,375
Guy Laurence	118,763	279,799	14,252	33,576	—	—	**133,015**	313,375
Alexander Pertsovsky	54,631	44,768	—	—	—	—	**54,631**	44,768
Steve Pusey	232,775	—	66,507	—	—	—	**299,282**	—
Kaan Terzioglu	—	103,758	—	10,143	—	—	—	113,901
Total compensation	**3,871,123**	**2,196,655**	**850,687**	**367,731**	**570,060**	**839,396**	**5,291,870**	**3,403,782**

Changes in Board of Directors

Ursula Burns was appointed Group CEO and Chairman of the VEON Ltd. board of directors on December 12, 2018. Accordingly, her total compensation for 2019 and until March 1, 2020, has been included in the section "Compensation of Key Senior Managers" above, except for payments received in respect of her role on Board Committees. Ursula Burns stepped down as Group CEO on March 1, 2020, and later stepped down as Chairman on June 1, 2020.

On June 1, 2020 VEON announced the results of the elections conducted at its Annual General Meeting of Shareholders. Shareholders elected five new members to the Company's Board of Directors, Hans Holger Albrecht, Mariano De Beer, Peter Derby, Amos Genish and Stephen Pusey, as well as seven previously serving directors: Osama Bedier, Mikhail M. Fridman, Gennady Gazin, Andrei Gusev, Gunnar Holt, Robert Jan van de Kraats and Alexander Pertsovsky.

Following the election of the directors, Gennady Gazin was appointed as Chairman of VEON's Board of Directors, effective June 1, 2020.

Value growth cash-based multi-year incentive plans

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

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

Short Term Incentive Scheme

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

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

21 EVENTS AFTER THE REPORTING PERIOD

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

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

VEON subsidiary Banglalink successfully acquires 9.4MHz in spectrum auction

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

VEON increases facility with Alfa-Bank

In March 2021, VEON successfully amended and restated its existing RUB 30 billion (US$394), bilateral term loan agreement with Alfa Bank and increased the total facility size to RUB 45 billion (US$591), by adding a new floating rate tranche of RUB 15 billion (US$197). The new tranche has a 5 year term.

22 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION

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

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

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

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Company has control. Please refer to Note 13 for a list of significant subsidiaries.

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

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

FOREIGN CURRENCY TRANSLATION

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

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

23 SIGNIFICANT ACCOUNTING POLICIES

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Significant accounting judgment / source of estimation uncertainty	Described in
Revenue recognition	Note 3
Deferred tax assets and uncertain tax positions	Note 8
Provisions and contingent liabilities	Note 7
Impairment of non-current assets	Note 10
Control over subsidiaries	Note 13
Depreciation and amortization of non-current assets	Note 11 and Note 12
Fair value of financial instruments	Note 15
Measurement of lease liabilities	Note 15

NEW STANDARDS AND INTERPRETATIONS

Not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2020 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 2020

A number of new and amended standards became effective as of January 1, 2020, which did not have a material impact on VEON financial statements. The Group has not early adopted any other standards, interpretations or amendments that have been issued but have not yet become effective.

In May 2020, the IASB issued an amendment to IFRS 16 'Leases', providing an option to apply a practical expedient in respect of accounting for certain rent concessions arising as a direct consequence of COVID-19, such as rent holidays and temporary rent reductions. Under this amendment, which became effective in 2020, lessees are exempted from having to consider whether these rent concessions are lease modifications. The Group has chosen not to apply the practical expedient available, and will therefore account for any rent concessions as lease modifications.

Amsterdam,
April 15, 2021

VEON Holdings B.V..