VEON

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VEON REPORTS 2Q20 RESULTS

Amsterdam (6 August 2020) – VEON Ltd. (NASDAQ: VEON, Euronext Amsterdam: VEON), a leading global provider of connectivity and digital services, today announces results for the quarter ended 30 June 2020.

KEY POINTS

- Lockdowns across our operating markets put pressure on both our operational and financial performance during the quarter before gradual relaxations enabled a steady late-quarter improvement across a number of markets.
- Our operations were impacted by, amongst others, store closures, the loss of roaming and migrant customer revenues, and lower equipment and accessory sales.
- Lockdowns have accelerated digital adoption, driving additional growth in self-care and digital customers, demand from which we are meeting through our sustained program of 4G network investment.
- Our ongoing focus on cost control allowed the Group to mitigate the impact of declining revenues on Group EBITDA margins and will remain a key priority for the remainder of the financial year.
- Strong demand for digital services enabled us to continue to grow data revenues at a double-digit pace and contributed to positive underlying performances from Ukraine, Kazakhstan and Pakistan.
- The Group has continued to enhance its capital structure during the COVID-19 pandemic through debt refinancing that supported a 100bp reduction in borrowing costs during the quarter and a further extension of debt maturities.
- Russia's operational performance was challenged by ARPU and margin pressures as the lockdown constrained revenue opportunities and continued network investment lifted costs.
- Our commitment to a turnaround of our Russian business remains resolute and is underpinned by considerable network investment, the financial benefits of which we anticipate in the first half of FY 2021.
- We are reintroducing financial guidance for FY 2020 and anticipate a steady recovery in Group revenue and EBITDA during the second half of the financial year, assuming the gradual lifting of lockdown measures continues.
- The long-term growth opportunities offered by our markets remain highly attractive and lockdowns have drawn forward demand for digital services, which we are well-positioned to capture through current levels of network capex.
- The impact of the COVID-19 pandemic on our performance is not at this time anticipated to have a significant impact on our capex plans for FY 2020.

KAAN TERZIOĞLU AND SERGI HERRERO, CO-CHIEF EXECUTIVE OFFICERS, COMMENT:

"The second quarter of 2020 saw the full impact of the COVID-19 pandemic on activity across our operating markets. National and local lockdowns deepened the reliance of our customers on connectivity services as the challenges of physical isolation intensified. Safeguarding lives, sustaining livelihoods and enhancing lifestyles continued to define VEON's commitment to our customers throughout as we help them adapt to the unprecedented challenges presented by this crisis.

Cost reduction remains a key priority for the Group as we seek to limit the financial impact of lockdown measures on our operating performance. Planned restructuring of our headquarters and reductions in our staff-related costs in the second quarter lessened the margin impact of lower revenues. This was achieved despite higher network opex, particularly in Russia where we continued to invest in our 4G infrastructure to ensure our customers can enjoy best-in-class experiences of our services. Growth in our B2B business, mobile data revenue and home connectivity services are encouraging signs of consumer confidence. Across our markets, we remain committed to expanding our 4G networks in order to meet the considerable demand from our customers for data, which continued to grow at a double-digit pace during the second quarter as lockdowns accelerated adoption of our expanding range of digital services.

The current pandemic continues to drive divergent revenue trends across our markets, with greater demand for data and digital services offset by lower in-store sales and roaming activity. These trends are likely to dominate the second half of the year and are reflected in our revised financial guidance for FY 2020, which forecasts a gradual recovery in Group revenue and EBITDA from second-quarter levels as lockdowns are eased but a decline in each on a year-over-year basis given the extent of the pandemic's impact on our operating activities to date.

Longer term, we remain excited by the growth opportunities we enjoy as our 4G network deployment program drives greater levels of customer engagement and services adoption. We are committed to executing further on our planned operational improvements, particularly in Russia, where we continue to invest in network quality and a growing range of digital services. Elsewhere, the early-stage nature of our markets provides us with a structural growth opportunity in digital adoption which the current pandemic is accelerating. We remain committed to our current capex plans to ensure we are positioned strongly to capture this."

2Q20 RESULTS[1]

- **Revenue:** USD 1,892 million, -16.3% YoY on a reported basis; -6.9% YoY in local currency, excluding one-off item[3]
- **EBITDA:** USD 809 million, -18.7% YoY on a reported basis; -7.7% YoY in local currency, excluding one-off item[3]
- **Mobile subscriber base:** 205 million active subscribers, -3.4% YoY
- **Operational Capex[4]:** USD 492 million, with LTM capex intensity of 20.8%

- **Revenues impacted by lockdowns and currency headwinds:** in addition, Russia revenues were challenged by ongoing pressure on subscriber numbers and lower ARPU during lockdown, and Pakistan year-on-year revenue trend remained positive excluding tax regime[5] change
- **Encouraging Data revenue growth[2]:** the momentum in mobile data revenue continued in the period, growing in local currency[2] terms by +14.4% YoY, supported by growth in Ukraine of +13.1% YoY, in Pakistan of +27.6%YoY and in Bangladesh of +30.3% YoY, as a result of ongoing 4G investments
- **Stable performance in EBITDA margin Adjusted[3]:** strong focus on cost management allowed for a stable EBITDA margin Adjusted performance in 2Q20 despite the pressure on revenues
- **LTM Capex Intensity[4] of 20.8%** reflecting continued 4G investments in all operating companies
- **Strong capital structure**: leverage level at 2.0x excluding lease liabilities; total cash and undrawn committed credit lines at USD 2.5 billion; 1H20 refinancing activities decreased average cost of debt to 6.4% and improved average debt maturity to 2.8 years[6]
- **Strong profit for the period:** USD 156 million, up 124.8% YoY

KEY DEVELOPMENTS

- FY 2020 financial guidance reintroduced, anticipating a steady recovery in operations in 2H20, subject to the gradual lifting of lockdown measures: expecting a low to mid-single-digit local currency[7] YoY decline in both Group revenue and EBITDA, with capex intensity[4] of 22-24%
- New members elected to Group Board of Directors and Gennady Gazin elected as Chairman of the Board
- VEON's JazzCash announced a partnership with Mastercard that strengthens Pakistan's payments ecosystem
- Establishment of a USD 6.5 billion Global Medium-Term Note program, followed by the issuance of RUB 20 billion senior unsecured notes under the MTN program
- New RUB 100 billion loan concluded with Sberbank, partially refinancing the Group's existing loan agreement
- Refinancing of our RUB 30 billion loan agreement with VTB

[1] Results as compared to prior year results unless stated otherwise.
[2] Local currency growth for FY 2020 excludes the impact of foreign currency movements.
[3] Local currency revenue and EBITDA Adjusted growth in 2Q20 additionally excludes a one-off payment of USD 38 million received in 2Q19 in relation to the termination of a network sharing agreement in Kazakhstan between our subsidiary KaR-Tel LLP and Kcell Joint Stock Company ("Kcell") following Kazakhtelecom JSC's acquisition of 75 percent of Kcell's shares.
[4] Operational Capex is used here and defined as capex excluding license expenditures and capitalized leases. Last twelve months (LTM) Capex Intensity (or Operational Capex ratio) is defined as last twelve months operational capex divided by last twelve months total revenue.
[5] In June 2018, the Supreme Court ordered an interim suspension of the deduction of taxes and service/maintenance charges on prepaid and postpaid connections on each recharge/top-up/load levied by mobile phone service providers. On 24 April 2019, the Supreme Court disposed of the proceedings and restored the impugned tax deductions, deciding that it would not interfere in the matter of the collection of public revenue (the "suo moto order"). On 3 July 2019, the Supreme Court issued its judgment dated 10 May 2019 and, in addition to confirming its ruling on tax deductions, further clarified that mobile phone service providers cannot charge customers for service and maintenance charges, which were 10% of customer recharges. As a result of the judgment by the Supreme Court, the Pakistan Telecommunication Authority ("PTA") issued two letters to Jazz, dated 30 August 2019 and 19 September 2019, requesting Jazz to refund the service and maintenance charges (the "administration fees") collected by Jazz between April 2019 and July 2019. Further to the PTA's directions, on 29 September 2019, Jazz proceeded with crediting these administration fees to the balances of the affected customers. On 6 December 2019, the PTA issued a show cause notice alleging that the credits were made with conditions attached to them and, therefore, the PTA required Jazz to credit the affected customers again within fifteen (15) days. Jazz disputes the PTA's allegation and, on 3 January 2020, provided the PTA with a complete factual explanation of the credits that were made and requested the withdrawal of the show cause notice. At a hearing on 25 June 2020, Jazz presented its case before PTA. Jazz is currently awaiting PTA's decision.
[6] In Q2 2020 VEON Holdings B.V. had outstanding drawings under its RCF of USD 500 million. Because we have an enforceable right to roll them over until final maturity date of the facility in February 2022, maturity dates of those drawings have been assumed to match the facility maturity date.
[7] Local currency growth for FY 2020 excludes the impact of foreign currency movements. Local currency revenue growth additionally excludes a one-off payment of USD 38 million received in 2Q19 in relation to the termination of a network sharing agreement in Kazakhstan between our subsidiary KaR-Tel LLP and Kcell Joint Stock Company ("Kcell") following Kazakhtelecom JSC's acquisition of 75 percent of Kcell's shares. Local currency growth for EBITDA, in addition to foreign currency movements, excludes both a one-off vendor payment of USD 350 million received in 1Q19 and the Kcell payment of USD 38 million in 2Q19

KEY RESULTS: CONSOLIDATED FINANCIAL AND OPERATING HIGHLIGHTS

USD million	2Q20	2Q19	Reported YoY	Local currency YoY [1]
Total revenue[2], of which	1,892	2,261	(16.3%)	**(6.9%)**
mobile and fixed service revenue	1,795	2,080	(13.7%)	(5.7%)
mobile data revenue	621	590	5.2%	14.4%
EBITDA	809	994	(18.7%)	**(11.2%)**
EBITDA margin (EBITDA/total revenue)	42.7%	44.0%	(1.2p.p.)	(1.3p.p.)
EBITDA Adjusted[3]	809	956	(15.4%)	**(7.7%)**
EBITDA margin Adjusted[2] (EBITDA Adjusted/total revenue)	42.7%	43.0%	(0.3p.p.)	(0.4p.p.)
Profit for the period	175	75	134.2%	
Profit for the period attributable to VEON shareholders	156	69	124.8%	
Equity free cash flow after licenses [4]	(36)	231	(115.6%)	
Operational capital expenditures[5]	492	450	9.5%	
Capex intensity (LTM Operational capital expenditures/revenue)[5]	20.8%	16.7%	4.1p.p.	
Net debt	8,166	8,179	(0.2%)	
Net debt/LTM EBITDA	2.2	2.1	0.1	
Net debt (excl. lease liabilities)	6,390	6,134	4.2%	
Net debt/LTM EBITDA (excl. lease liabilities)	2.0	1.7	0.3	
Total mobile subscribers (millions)	205	212	(3.4%)	
Total fixed-line broadband subscribers (millions)	4.3	4.0	8.4%	

USD million	1H20	1H19	Reported YoY	Local currency YoY [1]
Total revenue[2], of which	3,988	4,385	(9.1%)	**(3.4%)**
mobile and fixed service revenue	3,773	4,085	(7.6%)	(2.8%)
mobile data revenue	1,282	1,157	10.8%	16.3%
EBITDA	1,729	2,292	(24.6%)	**(20.9%)**
EBITDA margin (EBITDA/total revenue)	43.3%	52.3%	(8.9p.p.)	(9.1p.p.)
EBITDA Adjusted [3]	1,729	1,904	(9.2%)	**(4.8%)**
EBITDA margin Adjusted [3] (EBITDA Adjusted/total revenue)	43.3%	43.8%	(0.5p.p.)	(0.6p.p.)
Profit for the period [6]	294	605	(51.4%)	
Profit for the period attributable to VEON shareholders	264	565	(53.3%)	
Equity free cash flow after licenses [4]	68	600	(88.6%)	
Operational capital expenditures [5]	860	838	2.6%	
Capex intensity (LTM Operational capital expenditures/revenue) [5]	20.8%	16.7%	4.1p.p.	
Net debt	8,166	8,179	(0.2%)	
Net debt/LTM EBITDA	2.2	2.1	0.1	
Net debt (excl. lease liabilities)	6,390	6,134	4.2%	
Net debt/LTM EBITDA (excl. lease liabilities)	2.0	1.7	0.3	
Total mobile subscribers (millions)	205	212	(3.4%)	
Total fixed-line broadband subscribers (millions)	4.3	4.0	8.4%	

1 Local currency growth for FY 2020 excludes the impact of foreign currency movements.
2 Local currency revenue growth in 2Q20 and in 1H20 additionally excludes a one-off payment of USD 38 million received in 2Q19 in relation to the termination of a network sharing agreement in Kazakhstan between our subsidiary KaR-Tel LLP and Kcell Joint Stock Company ("Kcell") following Kazakhtelecom JSC's acquisition of 75 percent of Kcell's shares.
3 Local currency growth for EBITDA Adjusted additionally excludes both Kcell payment of USD 38 million in 2Q19 and a one-off vendor payment of USD 350 million received in 1H19.
4 Equity free cash flow after licenses (excluding capitalized leases) is a non-IFRS measure and is defined as free cash flow from operating activities less repayment of lease liabilities and cash flow used in investing activities, excluding M&A transactions, inflow/outflow of deposits, financial assets, and other one-off items. See attachment C for reconciliations.
5 Operational Capex is defined as Capex excluding license expenditures and capitalized leases. Capex Intensity is defined as Operational Capex divided by total revenue.
6 Profit for the period in 1H19 was positively impacted by both Kcell payment of USD 38 million in 2Q19 and a one-off vendor payment of USD 350 million received in 1H19.

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PRESENTATION OF FINANCIAL RESULTS

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

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

The following non-IFRS measures disclosed in the document, i.e. EBITDA, EBITDA margin, EBIT, net debt, equity free cash flow (after licenses), local currency measures, capital expenditures excluding licenses, are reconciled to the comparable IFRS measures in Attachment C.

All comparisons are on a year on year (YoY) basis unless otherwise stated.

MAIN EVENTS

REVENUE AND EBITDA

In 2Q20 reported revenue declined by 16.3% YoY and EBITDA declined by 18.7%. Reported revenue and EBITDA were negatively impacted by currency movements of USD 178 million and USD 74 million, respectively.

During 2Q19, revenue and EBITDA were positively impacted by special compensation of USD 38 million related to the termination of a network sharing agreement in Kazakhstan between our subsidiary KaR-Tel LLP and Kcell Joint Stock Company ("Kcell") due to Kazakhtelecom JSC's acquisition of 75 percent of Kcell's shares.

Adjusted for these impacts, in 2Q20 total revenue decreased in local currency[1] by 6.9% YoY and EBITDA decreased by 7.7% YoY as all VEON markets faced significant disruption of retail operations following store closures, which resulted in lower gross connections, device sales and airtime sales and a decline in roaming revenues due to travel restrictions. In addition, Russia revenues were challenged by the ongoing pressure on subscriber numbers and ARPU, which intensified during lockdown. Pakistan year-on-year revenues continue to be impacted by last year's tax regime changes[2].

COVID-19 UPDATE

The second quarter saw an impact on our operations as a result of the lockdowns imposed across our markets in response to the COVID-19 pandemic. This resulted in significant disruption to our retail operations following store closures, which resulted in lower gross connections, weaker airtime sales and reduced sales of equipment and accessories. Restrictions on travel resulted in a significant decline in roaming revenues and the loss of migrant customers from our subscriber base, particularly in Russia. Conversely, demand for our data services remained strong during the quarter, enabling us to continue to grow our data revenues at a double-digit pace. We also experienced a continued shift in data consumption from mobile to fixed-line networks as lockdowns encouraged home working and schooling alongside a greater use of devices through our domestic broadband services. For example, in some markets we have seen the traffic on our fixed-line networks peak 35% above 1Q20 levels during strict lockdowns.

Lockdowns have accelerated the adoption of self-care applications and digital services by our customers. This occurred alongside a steady improvement in operational trends evident in June and July in some of our markets as lockdown measures were eased. For the remainder of the financial year, we expect a continued divergence in our operating trends within a steady recovery in Group revenue and EBITDA. This assumes a slow resumption of roaming revenues and migrant customers as travel resumes and a partial, more gradual shift in urban populations back to urban centers as workplaces reopen.

The Group remains focused on mitigating the impact of the pandemic on our financial performance through continued optimization of our cost base and measures to ease its financial impact on our working capital. Maintaining a strong balance sheet and liquidity position also remain key priorities, as evidenced by our recent refinancing activities and the reduction in borrowing costs we have secured through them, and we will continue to actively manage our balance sheet as market opportunities arise.

We are similarly committed to investing in the longer-term opportunities the pandemic presents. Most immediately, this involves continued investment in our networks to capture faster digital adoption and fixed-line data demand alongside further development of our online channels and the growing range of digital services we are offering through them. Longer term, we will continue to seek market opportunities resulting from the current economic disruption and will continue to assess assets that may complement our services and the evolving needs of our customers.

[1] Local currency growth excludes the impact of foreign currency movements. Local currency revenue and EBITDA Adjusted growth for 2Q20 additionally excludes a one-off payment of USD 38 million received in 2Q19 in relation to the termination of a network sharing agreement in Kazakhstan between our subsidiary KaR-Tel LLP and Kcell Joint Stock Company ("Kcell") following Kazakhtelecom JSC's acquisition of 75 percent of Kcell's shares.

[2] In June 2018, the Supreme Court ordered an interim suspension of the deduction of taxes and service/maintenance charges on prepaid and postpaid connections on each recharge/top-up/load levied by mobile phone service providers. On 24 April 2019, the Supreme Court disposed of the proceedings and restored the impugned tax deductions, deciding that it would not interfere in the matter of the collection of public revenue (the "suo moto order"). On 3 July 2019, the Supreme Court issued its judgment dated 10 May 2019 and, in addition to confirming its ruling on tax deductions, further clarified that mobile phone service providers cannot charge customers for service and maintenance charges, which were 10% of customer recharges. As a result of the judgment by the Supreme Court, the Pakistan Telecommunication Authority ("PTA") issued two letters to Jazz, dated 30 August 2019 and 19 September 2019, requesting Jazz to refund the service and maintenance charges (the "administration fees") collected by Jazz between April 2019 and July 2019. Further to the PTA's directions, on 29 September 2019, Jazz proceeded with crediting these administration fees to the balances of the affected customers. On 6 December 2019, the PTA issued a show cause notice alleging that the credits were made with conditions attached to them and, therefore, the PTA required Jazz to credit the affected customers again within fifteen (15) days. Jazz disputes the PTA's allegation and, on 3 January 2020, provided the PTA with a complete factual explanation of the credits that were made and requested the withdrawal of the show cause notice. At a hearing on 25 June 2020, Jazz presented its case before PTA. Jazz is currently awaiting PTA's decision.

FY 2020 GUIDANCE

VEON reintroduces FY 2020 financial guidance and anticipates a low to mid-single-digit local currency[1] YoY decline in both Group revenue and EBITDA, and capex intensity of 22-24%.

Our guidance assumes the gradual lifting of lockdown measures in VEON's operating markets that occurred during 2Q20 will continue, supporting a steady recovery in operations in the second half of the financial year. It also assumes that the outlook for Russia will remain challenging in 3Q20 given the underlying performance issues we are tackling. Reinvestment in our network in Russia continues and we expect the benefits of this and other measures in support of an operational turnaround will be evident in Beeline's performance during the first half of 2021.

The YoY change anticipated in this guidance excludes 2019 exceptional items; namely, other operating income of USD 350 million related to one-off vendor payment recorded in 1Q19 and special compensation of USD 38 million received in Kazakhstan recorded in 2Q19.

Regarding dividends, our policy remains as previously disclosed: to pay at least 50% of EFCF after licenses while maintaining Net Debt/LTM EBITDA at around 2.0x and taking into account medium-term investment opportunities. Cash flows generated in the first half of 2020 were weaker compared to last year. Given that in the second half we may potentially face a number of uncertainties, we currently believe it is unlikely that we will pay a dividend for FY 2020.

2020 AGM

On 1 June 2020, VEON announced the election results of its Annual General Meeting of Shareholders where five new members were elected 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 1 June 2020.

PARTNERSHIP WITH MASTERCARD

On 5 May 2020, VEON announced a partnership between JazzCash and payment technology leader Mastercard, which strengthens the payments ecosystem for merchants and customers in Pakistan.

More than 8 million customers and merchants use JazzCash every month, making it Pakistan's leading digital payments platform. Our partnership with Mastercard allows merchants to accept digital payments from customers, digitize their supply chain and move to cashless operations. In a first for Pakistan, merchants and consumers who sign up for the JazzCash wallet will be able to benefit from a wide range of Mastercard's digital solutions and capabilities to pay for orders and services via all digital channels, as well as make online payments in a fast, safe and convenient manner.

JazzCash customers will also have access to Mastercard's virtual and branded debit cards, which can be used in 55,000 points of sale and ATMs in Pakistan, in addition to JazzCash merchants and e-commerce sites.

RECENT FINANCING TRANSACTIONS

On 16 April 2020, VEON established a Global Medium-Term Note program for the issuance of bonds (the "MTN Program"), with a program limit of a USD 6.5 billion, or the equivalent thereof, in other currencies. On 11 June 2020, VEON issued RUB 20 billion 6.30 % senior unsecured notes due 2025 in 144A / Reg S format under the MTN Program. The proceeds have been used for general corporate purposes.

On 22 April 2020, Banglalink extended the maturity of its USD 300 million syndicated loan by an additional two years to 2022. Following this extension, VEON, via a wholly-owned subsidiary, acquired the loan from the original lenders, leading to an effective extinguishment of this debt for the VEON Group.

[1] Local currency growth for FY 2020 excludes the impact of foreign currency movements. Local currency revenue growth additionally excludes a one-off payment of USD 38 million received in 2Q19 in relation to the termination of a network sharing agreement in Kazakhstan between our subsidiary KaR-Tel LLP and Kcell Joint Stock Company ("Kcell") following Kazakhtelecom JSC's acquisition of 75 percent of Kcell's shares. Local currency growth for EBITDA, in addition to foreign currency movements, excludes both a one-off vendor payment of USD 350 million received in 1Q19 and the Kcell payment of USD 38 million in 2Q19.

On 4 June 2020, VEON entered into a new RUB 100 billion (approximately USD 1.5 billion) bilateral term loan agreement with Sberbank. The loan was used to refinance and extend the maturity of the existing loan between Sberbank and VEON Holdings, as well as to provide additional funds for general corporate purposes.

On 9 July 2020, VEON refinanced its existing RUB 30 billion (~ USD 422 million) bilateral term loan agreement with VTB Bank. This refinancing extends the maturity and reduces the cost of the existing loan between VTB Bank and VEON Holdings.

GROUP PERFORMANCE

FINANCIALS BY COUNTRY

USD million	2Q20	2Q19	Reported YoY	Local currency[1] YoY	1H20	1H19	Reported YoY	Local currency[2] YoY
Total revenue	1,892	2,261	(16.3%)	(6.9%)	3,988	4,385	(9.1%)	(3.4%)
Russia	907	1,124	(19.3%)	(9.7%)	1,927	2,172	(11.3%)	(6.2%)
Pakistan	288	348	(17.2%)	(7.9%)	604	710	(14.9%)	(5.3%)
Ukraine	223	212	5.5%	6.8%	461	400	15.3%	11.3%
Algeria	160	187	(14.3%)	(7.9%)	345	379	(8.9%)	(5.0%)
Bangladesh	130	137	(4.6%)	(3.9%)	267	271	(1.1%)	(0.2%)
Kazakhstan	111	150	(25.8%)	9.2%	229	253	(9.6%)	13.3%
Uzbekistan	48	67	(28.7%)	(15.5%)	102	131	(21.6%)	(9.2%)
Other	31	43	(27.9%)		69	83	(16.9%)	
HQ and Eliminations	(8)	(7)			(17)	(13)		
Service revenue	1,795	2,080	(13.7%)	(5.7%)	3,773	4,085	(7.6%)	(2.8%)
Russia	839	1,014	(17.3%)	(7.4%)	1,772	1,974	(10.2%)	(5.1%)
Pakistan	266	324	(18.1%)	(8.9%)	559	662	(15.5%)	(6.0%)
Ukraine	222	210	5.6%	7.0%	458	397	15.4%	11.4%
Algeria	159	187	(14.7%)	(8.2%)	343	378	(9.2%)	(5.3%)
Bangladesh	128	134	(4.4%)	(3.7%)	262	264	(0.8%)	0.2%
Kazakhstan	110	111	(0.3%)	9.4%	227	213	6.3%	13.1%
Uzbekistan	48	67	(28.6%)	(15.4%)	102	131	(21.8%)	(9.4%)
Other	30	41	(26.8%)		66	80	(17.5%)	
HQ and Eliminations	(7)	(7)			(16)	(14)		
EBITDA[2]	809	994	(18.7%)	(7.7%)	1,729	2,292	(24.6%)	(4.8%)
Russia	357	498	(28.4%)	(20.0%)	784	966	(18.9%)	(14.6%)
Pakistan	133	185	(28.5%)	(20.6%)	280	369	(24.2%)	(15.8%)
Ukraine	151	138	10.0%	11.5%	313	256	22.2%	18.0%
Algeria	64	84	(23.2%)	(17.4%)	145	172	(16.0%)	(12.4%)
Bangladesh	54	55	(0.8%)	(0.1%)	113	114	(1.2%)	(0.2%)
Kazakhstan	61	97	(37.3%)	13.4%	124	152	(18.6%)	15.5%
Uzbekistan	20	35	(42.4%)	(31.8%)	45	67	(31.8%)	(21.1%)
Other	11	15	(27.6%)		25	28	(10.7%)	
HQ and Eliminations	(42)	(112)			(100)	168		
EBITDA margin	42.7%	44.0%	(1.2p.p.)	(0.4p.p.)	43.3%	52.3%	(8.9p.p.)	(0.6p.p.)

Reported total revenue decreased by 16.3 % YoY in 2Q20 to USD 1.9 billion, negatively impacted by special compensation of USD 38 million received in 2Q19. The decline is a result of currency headwinds and the negative impact of lockdowns in all VEON markets.

Total revenue decreased by 6.9% in local currency[1] as a result of weak operational performances in Russia, Uzbekistan, Algeria and in Pakistan, where the YoY trend was also impacted by tax regime changes. These were slightly offset by the positive growth in Ukraine +6.8% YoY and Kazakhstan +9.2% YoY (excluding special compensation of USD 38 million) despite the lockdowns. Addressing the revenue trends in Russia remains a key focus for management.

[1] Local currency growth for FY 2020 excludes the impact of foreign currency movements. Local currency revenue and EBITDA growth additionally excludes a one-off payment of USD 38 million received in 2Q19 in relation to the termination of a network sharing agreement in Kazakhstan between our subsidiary KaR-Tel LLP and Kcell Joint Stock Company "Kcell"). following Kazakhtelecom JSC's acquisition of 75 percent of Kcell's share

[2] Local currency growth for FY 2020 excludes the impact of foreign currency movements. Local currency revenue growth for 1H20 additionally excludes a one-off payment of USD 38 million received in 2Q19 in relation to the termination of a network sharing agreement in Kazakhstan between our subsidiary KaR-Tel LLP and Kcell Joint Stock Company "Kcell") following Kazakhtelecom JSC's acquisition of 75 percent of Kcell's share and local currency growth for EBITDA additionally excludes both a one-off vendor payment of USD 350 million received in 1Q19 and Kcell payment of USD 38 million

Despite the data traffic shift from mobile to fixed-line during lockdown, 2Q20 mobile data revenue increased by 14.4% in local currency[1]. Reported mobile data revenue +5.2% YoY was negatively impacted by currency headwinds of USD 54 million.

The Group's total mobile subscribers declined YoY to 205 million at the end of 2Q20, mainly as a result of lockdown measures in our operations where for a short period of time we had up to 90% of our retail points-of-sale closed.

Reported EBITDA decreased by 18.7% YoY, negatively impacted by a special compensation of USD 38 million received in 2Q19 and currency headwinds during the quarter. EBITDA decreased in local currency[1] by 7.7% to USD 809 million, with the positive contribution of Ukraine and Kazakhstan being more than offset by the underperformance of Russia and Algeria and by the tax regime change impact in Pakistan. Excluding the impact of tax regime changes in Pakistan, Group EBITDA would have decreased by 5.4% YoY in local currency[1].

VEON's HQ and elimination segment consists largely of corporate costs. In 2Q20, corporate costs[4] were USD 37 million, compared to USD 56 million reported in 2Q19, mainly due to lower personnel costs.

"Other" in 2Q20 includes the results of Kyrgyzstan, Armenia and Georgia.

INCOME STATEMENT & CAPITAL EXPENDITURES

USD million	2Q20	2Q19	Reported YoY	Local currency YoY[1]	1H20	1H19	Reported YoY	Local currency YoY[1]
Total revenue	1,892	2,261	(16.3%)	(6.9%)	3,988	4,385	(9.1%)	(3.4%)
Service revenue	1,795	2,080	(13.7%)	(5.7%)	3,773	4,085	(7.6%)	(2.8%)
EBITDA	809	994	(18.7%)	(11.2%)	1,729	2,292	(24.6%)	(20.9%)
EBITDA margin	42.7%	44.0%	(1.2p.p.)	(1.3p.p.)	43.3%	52.3%	(8.9p.p.)	(9.1p.p.)
EBITDA Adjusted[2]	809	956	(15.4%)	(7.7%)	1,729	1,904	(9.2%)	(4.8%)
EBITDA Adjusted[2] margin	42.7%	43.0%	(0.3p.p.)	(0.4p.p.)	43.3%	43.8%	(0.5p.p.)	(0.6p.p.)
Depreciation, amortization, impairments and other	(481)	(530)	(9.2%)		(995)	(1,040)	(4.4%)	
EBIT (Operating Profit)	327	464	(29.5%)		734	1,252	(41.4%)	
Financial income and expenses	(178)	(196)	(9.5%)		(376)	(393)	(4.4%)	
Net foreign exchange (loss)/gain and others	7	(22)	n.m.		(21)	(8)	n.m.	
Other non operating gains / losses	86	10	n.m.		101	14	n.m.	
Profit before tax	243	256	(5.3%)		438	865	(49.4%)	
Income tax expense	(68)	(182)	(62.6%)		(144)	(260)	44.7%	
Profit for the period	175	75	134.2%		294	605	(51.4%)	
Of which Profit/(Loss) attributable to non-controlling interest	19	5	257.5%		30	40	(23.5%)	
Of which Profit/(Loss) attributable to VEON shareholders	156	70	124.8%		264	565	(53.3%)	

	2Q20	2Q19	Reported YoY	1H20	1H19	Reported YoY
Capex	540	554	(2.6%)	988	999	(1.2%)
Operational capex[3]	492	450	9.5%	860	838	2.6%
Capex intensity (LTM Operational capex/revenue)[3]	20.8%	16.7%	4.1p.p.	20.8%	16.7%	4.1p.p.

Note: prior year comparatives for capital expenditures are adjusted to reflect correct IFRS 16 impact of prior periods.

2Q20 ANALYSIS

Reported EBITDA of USD 809 million decreased by 18.7% YoY, negatively impacted by the one-off special compensation of USD 38 million received in 2Q19 in Kazakhstan and currency headwinds during the quarter. EBITDA Adjusted decreased in local currency[1] (excluding the special compensation received in 2Q19) by 7.7%, mainly as a result of challenging results in Russia and local lockdowns that effected operations in all countries. However, a strong focus on cost management, particularly in HQ, allowed for a stable EBITDA margin performance in 2Q20 despite the pressure on revenues.

[1] Local currency growth excludes the impact of foreign currency movements. Local currency revenue and EBITDA growth for 1H20 additionally excludes a one-off payment of USD 38 million received in 2Q19 in relation to the termination of a network sharing agreement in Kazakhstan between our subsidiary KaR-Tel LLP and Kcell Joint Stock Company ("Kcell") following Kazakhtelecom JSC's acquisition of 75 percent of Kcell's share. Local currency growth for EBITDA additionally excludes both a one-off vendor payment of USD 350 million received in 1Q19 and the Kcell payment of USD 38 million in 2Q19.

[2] EBITDA Adjusted in 1Q19 excludes special compensation of USD 38 million received in 2Q19, EBITDA adjusted in 1H19 additionally excludes other operating income of USD 350 million related to one-off vendor payment recorded in 1Q19.

[3] Operational Capex is defined as capex excluding license expenditures and capitalized leases. Capex intensity (operational capex ratio) is defined as operational capex divided by total revenue.

[4] Corporate costs are a non-IFRS financial measure and represent costs incurred by the holding entities in the Netherlands, Luxembourg, United Kingdom and Egypt, primarily comprised of salary costs and consulting costs.

Operating profit in 2Q20 was USD 327 million, a decrease compared to the operating profit in 2Q19 of USD 464 million, which was a result of lower EBITDA, partially offset by lower depreciation and amortization charges due to the devaluation of local currencies against the US dollar. Other non-operating gains/losses in the 2Q20 amounted to USD 86 million as compared to USD 10 million in 2Q19. The increase was mainly driven by the revaluation of a contingent consideration liability associated with our past acquisition of Warid in Pakistan in 2016, and recognition of a gain upon reaching a settlement in connection with the dispute concerning sale of Telecel Globe Limited. For more information on these items, please refer to, respectively, Note 7 and Note 12 of our unaudited interim condensed consolidated financial statements.

In 2Q20, net financial income and expenses decreased YoY as a result of a lower average cost of debt. At the end of 2Q20, average cost of debt was 6.4%, which is 100bps lower compared to average cost of debt at the end of 2Q19.

In 2Q20, income tax expense was USD 68 million. In 2Q19 the company recorded USD 182 million as income tax expense, which included exceptional items; namely, a portion of an additional tax provision of USD 27 million recorded as a result of the GTH tax settlement and a reversal of deferred tax assets at HQ of USD 49 million. Excluding these exceptional items, the YoY decrease primarily reflects the depreciation of local currencies and the lower profit, and therefore lower tax, recorded in Russia.

In 2Q20, the Company recorded a net profit of USD 175 million before minority payments, with net profit of USD 156 million attributable to VEON shareholders.

Operational Capex[1] excluding licenses was USD 492 million in 2Q20, up from the USD 450 million recorded in 2Q19, due mainly to VEON's focus on its 4G network investment program. The ratio of 2Q20 Operational capex (excluding licenses and capitalized leases) to revenue for the last twelve months was 20.8%.

[1] Operational Capex is defined as capex excluding license expenditures and capitalized leases. Capex intensity (operational capex ratio) is defined as operational capex divided by total revenue

FINANCIAL POSITION & CASH FLOW

USD million	2Q20	1Q20	QoQ
Total assets	14,735	14,424	2.2%
Shareholders' equity	811	543	49.4%
Gross debt	9,353	9,229	1.4%
Gross debt excl. lease liabilities	7,574	7,541	0.4%
Net debt	8,166	7,741	5.5%
Net debt (excl.lease liabilities)	6,390	6,054	5.5%
Net debt/LTM EBITDA	2.2	2.0	
Net debt/LTM EBITDA (excl.lease liabilities)	2.0	1.8	

USD million	2Q20	2Q19	YoY	1H20	1H19	YoY
Net cash from/(used in) operating activities	479	735	(256)	1,105	1,565	(460)
Net cash from/(used in) investing activities	(553)	(458)	(95)	(1,048)	(1,491)	443
Net cash from/(used in) financing activities	(185)	(178)	(7)	(61)	(583)	522

Note: Certain comparative amounts have been reclassified to conform to the current period presentation

Gross debt increased slightly in 2Q20 largely due to the increase in lease liabilities as a result of extensive network rollout and new rent agreements. Excluding this impact, gross debt remained stable QoQ. During 2Q20, VEON issued RUB 20 billion (USD 287 million equivalent) under its MTN program, established in April 2020, drew down new debt in Pakistan of USD 49 million equivalent (net of repayments) and entered into a new RUB 100 billion (USD 1.3 billion equivalent) bilateral term loan agreement with Sberbank, which was used to refinance and extend the maturity of the existing loans with Sberbank. VEON Holdings also purchased Banglalink’s USD 300 million facility from a syndicate of international lenders and repaid USD 100 million of the outstanding amount of VEON’s Revolving Credit Facility.

Net debt, including capitalized leases, in 2Q20 was USD 8.2 billion and the net debt/LTM EBITDA ratio was 2.2x. Excluding capitalized leases, 2Q20 net debt was 6.4 billion and the net debt/LTM EBITDA ratio was 2.0x.

Net cash from operating activities decreased YoY, mainly due to local currency headwinds, the negative impact of lockdown on revenue, operational challenges in our Russian business and lower movements in working capital, as 2Q19 working capital had been positively affected by the second of two payments from Ericsson of USD 175 million in respect of a revised partnership agreement announced in 1Q19, which in turn was partially offset by the first payment of USD 54 million related to the GTH Tax Settlement.

Net cash flow used in investing activities in 2Q20 increased by 95 million to USD 553 million, mainly due to higher outflow from financial assets and deposit during the quarter in Pakistan.

Net cash used in financing activities was USD 185 million, primarily as a result of movements in the gross debt as described above.

COUNTRY PERFORMANCE

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

RUSSIA

RUB million	2Q20	2Q19	YoY	1H20	1H19	YoY
Total revenue	65,513	72,554	(9.7%)	132,971	141,801	(6.2%)
Mobile service revenue	51,425	56,992	(9.8%)	103,942	111,926	(7.1%)
Fixed-line service revenue	9,220	8,465	8.9%	18,332	16,967	8.0%
EBITDA	25,737	32,172	(20.0%)	53,917	63,106	(14.6%)
EBITDA margin	39.3%	44.3%	(5.1p.p.)	40.5%	44.5%	(4.0p.p.)
Capex excl. licenses	19,558	19,541	0.1%	31,661	37,006	(14.4%)
LTM Capex excl. licenses /revenue	25.5%	20.8%	4.7p.p.	25.5%	20.8%	4.7p.p.
Mobile						
Total revenue	56,227	64,047	(12.2%)	114,409	124,755	(8.3%)
- of which mobile data	16,201	15,450	4.9%	32,499	30,471	6.7%
Customers (mln)	49.8	54.3	(8.4%)			
- of which data users (mln)	31.5	35.8	(11.8%)			
ARPU (RUB)	332	348	(4.6%)			
MOU (min)	321	305	5.3%			
Data usage (MB/user)	8,244	5,046	63.4%			
Fixed-line						
Total revenue	9,287	8,507	9.2%	18,562	17,046	8.9%
Broadband revenue	2,701	2,711	(0.4%)	5,527	5,372	2.9%
Broadband customers (mln)	2.7	2.5	7.9%			
Broadband ARPU (RUB)	336	365	(7.9%)			

In Russia, Beeline remained focused on improving the customer experience and stabilising the operating performance as we continue to work towards executing a business turnaround over the coming quarters. Our continuing work on network improvement is a key element in achieving this.

The network investment continued during 2Q20 and Beeline increased its number of 4G base stations by 24% YoY as at 30 June 2020.

Capex excluding licenses was flat YoY, leading to a LTM capex intensity ratio of 25.5%. Beeline continues to invest in network development with a strong separate focus on Moscow and St. Petersburg to ensure these cities have high quality infrastructure that is ready to integrate new technologies. In Moscow, 4G population coverage reached 99.4% during 2Q20 alongside the start of 5G-ready deployment and boosting network deployment in the Moscow metro area. Beeline remains committed to ongoing network improvement to provide customers with consistent service quality in order to improve our customer experience.

During 2Q20, our business was challenged due to lockdown measures as we had to close more than 1400 stores temporarily. By contrast, in line with our enhancement of retail efficiency and placement of a greater emphasis on online retail distribution, we have permanently closed a total of 627 stores over the last nine months.

Lockdowns have accelerated digital adoption, driving growth in our self-care and digital services customers during the quarter as we experienced an increase of 40% YoY in monthly active users of our self-care application. We note that the COVID-19 lockdown measures could accelerate the natural trend of increasing online sales and potentially positively affect the overall market as this may lead to a more balanced sales approach with fewer retail points in the future. In the meantime, we are driving online channels with a specific focus on self-registration products.

Total revenue in 2Q20 was RUB 65.5 billion, representing a YoY decrease of 9.7%. Following the lockdown, roaming revenues declined sharply (by almost 90% in the quarter) and together with a decline in the customer base of 8.4% YoY led to a decline in mobile service revenue of 9.8% to RUB 51.4 billion, which was partially offset by an increase in fixed service revenue of 8.9% YoY. As a consequence, ARPU declined by 4.6% YoY to RUB 332.

The subscriber base decline of 8.4% YoY was a combined result of the temporary closure of our stores and a significant decline in our migrant customer base of 56% during 2Q20, as well as the customer perception that our network quality is still lagging. However, during the last weeks of June and early July we have seen positive trends in customer additions. With network quality improving, we believe that in the coming quarters this will result in an enhanced customer experience that will, in turn, support customer perception and a reduction in churn.

As a result of increased network quality, data usage per user (MBs/user) continued to grow strongly, up 63.4% YoY, supported by a 4G population coverage increase to 87% (versus 81% in June 2019) and a 16% YoY increase in our 4G customer base.

The growth in data revenue was insufficient to offset the decline in voice and messaging revenue. Revenue from equipment and accessory sales declined significantly, down approximately 29.2% YoY due to the lockdown restrictions impacting Beeline store operations.

Beeline continues to focus on the B2B segment, improving its proposition with new digital offers and solutions directed at both small and large enterprises. In 2Q20, B2B service mobile revenue increased by 2.5% YoY. With most of our B2B customers working from home as a result of social distancing measures, we believe these customers are finding significant value in our Beeline developed platform called BeeFree which provides IT, communications and HR-solutions based on a Workplace-as-a-Service concept.

In 2Q20, Beeline grew total fixed-line revenue by 9.2% YoY supported by both B2B revenue and increases in transit service revenue. Beeline's Fixed Mobile Convergence ("FMC") proposition is playing an important role in the turnaround of Beeline. Our FMC customer base grew by 19% YoY in 2Q20 to more than 1.4 million, which represents a 52% FMC penetration of our broadband customer base.

EBITDA for 2Q20 decreased 20%, driven primarily by the revenue pressure as result of lockdown measures during the quarter, as well as higher structural costs following the increased network investment and higher interconnection costs due to the increased ratio of off-net traffic. The decline in EBITDA was partially mitigated by a number of cost initiatives to offset negative impact of lockdown measures.

UKRAINE

UAH million	2Q20	2Q19	YoY	1H20	1H19	YoY
Total revenue	6,009	5,624	6.8%	11,960	10,750	11.3%
Mobile service revenue	5,593	5,257	6.4%	11,123	10,020	11.0%
Fixed-line service revenue	388	333	16.7%	773	662	16.8%
EBITDA	4,075	3,656	11.5%	8,116	6,880	18.0%
EBITDA margin	67.8%	65.0%	2.8p.p.	67.9%	64.0%	3.9p.p.
Capex excl. licenses	1,766	1,152	53.4%	3,114	2,134	45.9%
LTM capex excl. licenses/revenue	25.8%	17.5%	8.3p.p.	25.8%	17.5%	8.3p.p.
Mobile						
Total operating revenue	5,593	5,248	6.6%	11,123	10,020	11.0%
- of which mobile data	3,149	2,784	13.1%	6,153	5,238	17.5%
Customers (mln)	25.4	26.2	(3.1%)			
- of which data customers (mln)	15.9	15.7	1.1%			
ARPU (UAH)	72	66	9.4%			
MOU (min)	641	571	12.2%			
Data usage (MB/user)	5,160	3,345	54.3%			
Fixed-line						
Total operating revenue	388	333	16.7%	773	662	16.8%
Broadband revenue	257	215	19.4%	505	424	19.1%
Broadband customers (mln)	1.0	1.0	9.1%			
Broadband ARPU (UAH)	83	76	9.0%			

In Ukraine, Kyivstar continued to deliver solid results during the quarter, supported by our marketing activities and strong growth in data consumption enabled by ongoing investment in Kyivstar's network. The business reported revenue growth of 6.8% YoY to UAH 6 billion with EBITDA up 11.5% YoY.

Lockdowns have accelerated digital adoption, driving growth in our self-care and digital services customers during the quarter. Big data performance during the second quarter 2020 was very strong due to scoring and analytical products development.

Total revenue grew by 6.8% YoY to UAH 6.0 billion and mobile service revenue increased by 6.4% YoY to UAH 5.6 billion. Revenue growth was supported by strong data and fixed-line revenue performance as we see a shift of customer consumption patterns from mobile to fixed data mainly related to lockdowns.

Growth in data customers and data usage supported an ARPU increase of 9.4% YoY to UAH 72. Overall, Kyivstar's mobile subscriber base decreased by 3.1% to 25.4 million, reflecting the lower gross additions during the quarter as a result of lockdown measures including the partial closure of Kyivstar stores, as well as a reduction in multi-SIM users in the market and demographic trends in Ukraine, including a lower birth rate and higher rates of emigration. Data penetration continued to increase, with our 4G subscriber base penetration increasing to 31%, with total 4G customers at 7.8 million, representing a significant YoY increase of 52%.

In 2Q20, Kyivstar recorded a quarterly churn of 5.4%. Fixed-line service revenue grew by 16.7% YoY to UAH 388 million, continuing the trend of 1Q20. Our fixed broadband customer base increased by of 9.1% YoY, while fixed broadband ARPU increased by 9.0% YoY to UAH 83.

EBITDA increased by 11.5% YoY, driving an EBITDA margin of 67.8%. Strong EBITDA growth was supported by a solid revenue performance and lower service and commercial costs, which were partially offset by higher structural opex. Capex excluding licenses increased by 53.4% YoY as a result of a strategic focus on further 4G roll-out during the quarter, which achieved 4G population coverage of 81%. According to recognised speed tests[1], Kyivstar was a market leader in coverage and speed at the end of 2Q20.

In July 2020 Kyivstar and Vodafone signed a memorandum on mobile network sharing accelerate the deployment of 4G networks in rural areas and on highways.

[1] According to Ookla recognized test

PAKISTAN

PKR billion	2Q20	2Q19	YoY	1H20	1H19	YoY
Total revenue	47.1	51.1	(7.9%)	96.3	101.7	(5.3%)
Mobile service revenue	43.4	47.7	(8.9%)	89.1	94.8	(6.0%)
of which mobile data	16.0	12.5	27.6%	31.9	26.1	22.2%
EBITDA	21.7	27.3	(20.6%)	44.6	52.9	(15.8%)
EBITDA margin	46.1%	53.4%	(7.4p.p.)	46.3%	52.0%	(5.8p.p.)
Capex excl. licenses	14.3	9.7	48.0%	25.1	17.0	47.5%
LTM Capex excl. licenses /revenue	21.3%	13.5%	7.8p.p.	21.3%	13.5%	7.8p.p.
Mobile						
Customers (mln)	62.8	59.5	5.6%			
- of which data users (mln)	41.0	36.9	11.1%			
ARPU (PKR)	231	268	(14.0%)			
MOU (min)	475	520	(8.8%)			
Data usage (MB/user)	3624	1831	97.9%			

Jazz continued to show positive growth despite the lockdown measures which led to the temporary closure of Jazz stores, lower business activity and an overall economic slowdown. Notwithstanding these challenges, Jazz remained focused on expanding its digital services to drive further growth and the demographics of Pakistan make the country one of the most exciting opportunities across our emerging markets.

Total revenue decreased by 7.9% YoY impacted by last year's tax regime changes and the negative impact of lockdowns. Excluding the tax regime changes revenue would have increased by 0.5% YoY despite the pandemic challenges of the quarter. In 2Q20, data revenue significantly increased by 27.6% YoY. Data revenue growth was driven by an increase in 4G subscriber base of 72% YoY and the continued increase in data usage through higher bundle penetration and network expansion.

Digital Financial services revenue decreased by 14.9% YoY due to the lockdown impact which led to lower economic activity overall with the temporary removal of fees on money transfers by the State Bank of Pakistan, representing a significant drag on revenues. However, the number of monthly active mobile wallets continued to increase reaching 8.1 million, a YoY increase of 41%. Jazz's self-care app, Jazz World, has crossed 6 million monthly active users (MAUs), a YoY increase of 305% in 2Q20, making it the largest telco app in Pakistan. Jazz TV and content services are also seeing encouraging momentum, content services (Bajao & Deikho) showing encouraging progress.

Jazz's subscriber base increased by 5.6% YoY, reaching 62.8 million supported by multiple sales channel initiatives during the lockdown and lower churn. This base increase was also supported by greater subscriber engagement and a higher number of data customers on the back of the continued expansion of the data network, resulting to a higher 4G subscriber penetration of 30.6%. The YoY customer trend reflects our commercial strategy to focus on higher quality of sales in order to further improve the customer mix of our subscriber base, leveraging our network quality to drive this.

EBITDA decreased YoY by 20.6%, mainly due to due to changes in the tax regime and the re-classification of amortization of the Ex-Warid license from below EBITDA to service costs (~ PKR 0.8 billion). This relates to a payment made in the form of security (under protest) as per the options given in the PTA's license renewal order. Excluding tax regime changes in 2019 and the reclassification of license amortization in 2020, EBITDA would have decreased by 6.4% YoY. The EBITDA margin was 46.1%, decreasing by 7.4 percentage points YoY, impacted by the factors discussed above. Increased investment in JazzCash was also a drag on margins.

In 2Q20, capex excluding licenses increased to PKR 14.3 billion, mainly due to 4G capacity expansions, network roll out and the adverse impact of foreign currency. At the end of 2Q20, the population coverage of Jazz's data network was more than 62%.

The ex-Warid license renewal was due in May 2019. Pursuant to the directions from Islamabad High Court, Pakistan Telecommunication Authority ("PTA") issued a license renewal decision on 22 July 2019 requiring payment of USD 39.5 million per MHz for 900 MHz spectrum and USD 29.5 million per MHz for 1800 MHz spectrum, equating to an aggregate price of approximately USD 450 million (excluding advance tax of 10%). On 17 August 2019, Jazz appealed the PTA's order to the Islamabad High Court. On 21 August 2019, Islamabad High Court suspended 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 USD 225 million 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. On May 18, 2020, Jazz had to deposit a further payment of USD 57.5 million (under protest) as security. A hearing date before the Islamabad High Court was scheduled for 9 April 2020 but was adjourned in light of court closures due to COVID-19.

UZBEKISTAN

UZS bln	2Q20	2Q19	YoY	1H20	1H19	YoY
Total revenue	479.9	567.8	(15.5%)	1,001	1,102	(9.2%)
Mobile service revenue	476.3	563.0	(15.4%)	991	1,094	(9.4%)
- of which mobile data	253.9	255.4	(0.6%)	552	491	12.4%
Fixed-line service revenue	2.9	3.4	(15.7%)	6.0	6.9	(13.6%)
EBITDA	201.7	295.6	(31.8%)	444	562	(21.1%)
EBITDA margin	42.0%	52.1%	(10.0p.p.)	44.3%	51.0%	(6.7p.p.)
Capex excl. licenses	232.0	118.7	95.4%	295	372	(20.8%)
LTM Capex excl. licenses/revenue	20.0%	20.1%	(0.2p.p.)	20.0%	20.1%	(0.2p.p.)
Mobile						
Customers (mln)	7.1	8.7	(18.2%)			
- of which mobile data customers (mln)	4.6	5.4	(14.8%)			
ARPU (UZS)	21,282	20,873	2.0%			
MOU (min)	642	616	4.2%			
Data usage (MB/user)	3,292	2,215	48.6%			

Total revenue for the quarter decreased by 15.5% YoY to UZS 479.9 billion, impacted by lockdown measures, the new excise duty methodology and IMEI registration implementation. Adjusted for these negative effects, the revenue trend would have decreased by 13.2% YoY compared to 2Q19. Mobile data traffic increased by 49% YoY, supported by the continued roll-out of high-speed data networks, increased smartphone penetration and the increased penetration of bundled offerings in Unitel´s customer base. Mobile data revenue slightly decreased by 0.6% YoY, reflecting a change in allocation between voice and data revenue.

Beeline Uzbekistan's customer base declined to 7.1 million, down 18.2% YoY impacted by higher churn, primarily among customers with irregular mobile spending. This decline also reflects the impact of strict lockdown measures which have resulted in a fall in migrant customers following the closing of national borders and curfew measures that have curtailed demand for mobile data use. As a result, ARPU increased by 2.0% YoY. EBITDA decreased by 31.8% to UZS 202 billion, driven by lower revenues. The EBITDA margin in 2Q20 was 42.0%.

Capex excluding licenses increased to UZS 232 billion as we continued to invest in our high speed data network, improving 4G population coverage to 34% vs 26% in 1Q20. The 2Q20 LTM capex to revenue ratio was 20%.

Further improvements to our high-speed data networks will continue to be a priority for Beeline Uzbekistan in 2020 and increasing mobile data penetration continues to be the key long term growth driver for us in the Uzbekistan market.

KAZAKHSTAN

KZT billion	2Q20	2Q19	YoY	1H20	1H19	YoY
Total revenue	46.4	57.0	(18.6%)	92.3	96.0	(3.8%)
Mobile service revenue	38.3	35.8	7.1%	76.5	68.4	11.9%
Fixed-line service revenue	7.8	6.4	22.1%	14.9	12.5	19.2%
EBITDA	25.3	36.8	(31.3%)	50.0	57.7	(13.5%)
EBITDA margin	54.6%	64.7%	(10.1p.p.)	54.1%	60.2%	(6.1p.p.)
Capex excl. licenses	12.4	23.4	(46.8%)	24.3	28.1	(13.8%)
LTM capex excl. licenses/revenue	21.8%	23.5%	(1.8p.p.)	21.8%	23.5%	(1.8p.p.)
Mobile						
Total operating revenue	38.6	50.6	(23.7%)	77.4	83.5	(7.3%)
- of which mobile data	19.9	14.3	39.1%	38.6	27.0	42.6%
Customers (mln)	9.4	10.0	(6.0%)			
- of which mobile data customers (mln)	6.6	6.3	3.7%			
ARPU (KZT)	1,341	1,199	11.9%			
MOU (min)	332	326	1.8%			
Data usage (MB/user)	8,729	5,695	53.3%			
Fixed-line						
Total operating revenue	7.8	6.4	22.0%	14.9	12.5	19.2%
Broadband revenue	3.6	3.2	12.6%	6.9	6.4	7.8%
Broadband customers (mln)	0.5	0.4	13.8%			
Broadband ARPU (KZT)	2,641	2,635	0.2%			

In Kazakhstan, Beeline continues to deliver good operational results as data revenue continues to drive growth. The YoY comparison for revenue and EBITDA are negatively impacted by special compensation received in 2Q19 of KZT 14.6 billion (equivalent of USD 38 million). In 2Q20, Beeline maintained its strong value proposition and its focus on customer base value management and digital services development. The operational performance was supported by infrastructure modernization and 4G network coverage expansion.

Lockdowns have accelerated digital adoption, driving growth in our digital and self-care services customers during the quarter. Through constant work on connecting new agents to the company's mobile financial platform and expanding payment and transfer services the mobile finance customers reached 1.9 million in quarter. Mobile TV revenues in the quarter showed growth of 52% YoY due to both content development and promotion. Through upgrading our MyBeeline self-care app and providing a wider range of online telco services for customers, we saw significant increase of app users by 54% YoY to 1.2 million. We are also experiencing early signs of progress in new ventures through our digital operator and mobile OTT services provider 'Izi'.

Total revenue declined by 18.6% YoY to KZT 46.4 billion, impacted by the special compensation received in 2Q19. Adjusting for this impact, revenue would have increased by 9.2% YoY. Growth was supported by both strong data revenue growth and fixed line service revenue growth. Mobile service revenue grew by 7.1% to KZT 38.3 billion, supporting a solid increase in ARPU of 11.9% while data customer base increased by 3.7% to 6.6 million. Strong data revenue growth of 39.1% YoY was driven by continuous 4G network development and modernisation, supported by strong customer value propositions. The mobile customer base decreased by 6.0% to 9.4 million impacted by the launch of IMEI registration and the lockdown impact on sales channels.

The IMEI registration requirement is expected to improve the quality of the company's customer base by removing multi-SIM users and zero-ARPU customers. Data customers grew by 3.7% YoY to 6.6 million, and penetration has reached 72%. 4G data customers grew 21% YoY.

Fixed-line service revenue grew by 22.1% YoY to KZT 7.8 billion, driven by an increase in the fixed broadband customer base of 13.8% YoY. This includes YoY growth of our convergent products customer base by 39,000 (+111% YoY). Approximately 17% of fixed-line customers use convergent products.

EBITDA decreased by 31.3% YoY, driving an EBITDA margin of 54.6%. The YoY EBITDA performance was impacted by special compensation in 2Q19; adjusting for this, EBITDA growth would have been 13.4% YoY.

Capex excluding licenses decreased by 46.8% YoY as a result of a significant increase in spending for rollout in 2Q19 after the termination of a network sharing agreement with Kcell and other factors related to IFRS16.

ALGERIA

DZD billion	2Q20	2Q19	YoY	1H20	1H19	YoY
Total revenue	20.6	22.3	(7.9%)	42.9	45.1	(5.0%)
Mobile service revenue	20.4	22.3	(8.2%)	42.6	45.0	(5.3%)
of which mobile data	8.0	6.4	24.3%	16.2	12.7	27.9%
EBITDA	8.2	10.0	(17.4%)	18.0	20.5	(12.4%)
EBITDA margin	40.0%	44.6%	(4.6p.p.)	41.9%	45.5%	(3.6p.p.)
Capex excl. licenses	3.1	3.5	(11.8%)	4.9	6.0	(19.0%)
LTM capex excl. licenses/revenue	13.5%	14.7%	(1.1p.p.)	13.5%	14.7%	(1.1p.p.)
Mobile						
Customers (mln)	13.9	15.6	(10.3%)			
- of which mobile data customers (mln)	9.1	9.3	(2.5%)			
ARPU (DZD)	484	469	3.3%			
MOU (min)	464	413	12.4%			
Data usage (MB/user)	5,059	2,703	87.2%			

In Algeria, macroeconomic challenges intensified during the quarter as a result of lockdown measures and political uncertainty remains. In an overall declining market, competition remained aggressive. Against this backdrop, Djezzy continued its segmented approach, improving its share of the high value segment and aiming to drive up market value while simultaneously preserving and strengthening its share in the mass market segment. Djezzy repositioned itself towards a younger demographic through a digital-centric value proposition emphasising the operator's digital ambitions.

Djezzy's 2Q20 service revenue was DZD 20.6 billion, a YoY decline of 7.9%. The MTR rate change to DZD 0.67 per minute (from 0.95 DZD/min) implemented by the Algerian Telecommunication Regulatory Authority in November 2019 is reintroducing asymmetry to the market affecting YoY comparability, with Djezzy suffering the greatest impact of almost -29% versus other market operators. This change of MTR negatively impacted Djezzy's revenue by DZD 0.5 billion.

Data revenue increased by 24.3% YoY due to higher usage and an increase in 4G data penetration. During 2Q19, Djezzy introduced a modernised and updated tariff portfolio which supported YoY ARPU growth of 3.3% for the third quarter in a row. High value acquisition strategy combined with an intense competitive environment and lockdown measures have driven a decline in acquisition that drove a continued customer base decline by 10% YoY.

EBITDA decreased YoY by 17.4%, resulting in a margin of 40.0%. The decline in revenue remains a challenge for EBITDA performance, alongside with the negative effect of the aforementioned asymmetry, an increase in HR costs and higher interconnection costs.

For 2Q20, Djezzy's 4G services covered 41 wilayas and approximately 44% of Algeria's population, while its 3G network covered all 48 wilayas and approximately 75% of Algeria's population. In 2Q20, capex excluding licenses was DZD 3.1 billion, representing a 11.8% decrease YoY mainly related to delayed network equipment delivery as a result of new local regulations on shipment terms and other COVID-19 related impacts.

BANGLADESH

BDT billion	2Q20	2Q19	YoY	1H20	1H19	YoY
Total revenue	11.1	11.5	(3.9%)	22.7	22.7	(0.2%)
Mobile service revenue	10.9	11.3	(3.7%)	22.3	22.2	0.2%
of which mobile data	2.9	2.3	30.3%	5.6	4.5	24.4%
EBITDA	4.6	4.6	(0.1%)	9.6	9.6	(0.2%)
EBITDA margin	41.4%	39.8%	1.6p.p.	42.3%	42.3%	-
Capex excl. licenses	1.9	1.8	3.3%	5.9	3.2	87.2%
LTM capex excl. licenses/revenue	24.0%	10.3%	13.7p.p.	24.0%	10.3%	13.7p.p.
Mobile						
Customers (mln)	32.1	32.9	(2.5%)			
- of which mobile data customers (mln)	21.8	21.1	3.3%			
ARPU (BDT)	110	114	(3.3%)			
MOU (min)	212	236	(10.1%)			
Data usage (MB/user)	2,240	1,250	79.2%			

Banglalink maintained solid business momentum during the quarter despite the effects of the pandemic crisis.

Banglalink's total revenue in 2Q20 fell by 3.9% YoY, although data revenue posted 30.3% YoY growth as Banglalink continued monetizing its investments in 4G capacity and focusing on selected digital services. Its enhanced 4G network was a significant enabler of the 79.2% YoY increase in data usage recorded in the quarter, supported by accelerated 4G penetration which resulted in 3.3% YoY growth in data customers.

Given lockdown restrictions on customer movement until the end of May and continued health safety concerns, Banglalink actively promoted the use of digital channels to facilitate top-ups, account management and the adoption of additional services. As a consequence, the user base of the Banglalink self-care app increased by 58% during 2Q20 compared to 1Q20 while Banglalink's video streaming app "Toffee" saw a 62% uplift in its user numbers.

In line with the broader industry trend, Banglalink experienced a decline in its total subscriber base during 2Q20, which fell by 2.5% YoY despite a continued focus on customer acquisition, which in turn helped to secure a 3.3% rise in data customers alongside simplified product offers and continued expansion of 4G network coverage.

EBITDA decreased marginally by 0.1% YoY in 2Q20, mainly due to lower revenue and higher technology costs which were partially offset by the absence of lower operating expenses and the negative impact of tax changes.

Capex excluding licenses was BDT 1.9 billion, reflecting a front-loading of network investments to support 4G expansion. At the end of 2Q20, our 3G network population coverage was approximately 74% while 4G population coverage was 52%. Banglalink has recently been awarded as the fastest Mobile Network in Bangladesh during 1st half of 2020[1].

The Bangladesh tax authority introduced several changes to the local tax regime in June 2020. These include supplementary duty on mobile usage increased from 10% to 15%; an increase in the required deposit for filing an appeal to certain authorities' from 10% to 20% of the disputed tax; and a VAT Rebate on telecom equipment and accessories.

[1] According to Ookla recognized test

CONFERENCE CALL INFORMATION

On 6 August 2020, VEON will host a conference call by senior management at 14:00 CET (13:00 BST), which will be made available through following dial-in numbers. The call and slide presentation may be accessed at http://www.veon.com.

14:00 CET investor and analyst conference call

US call-in number: +1 646 787 1226

Confirmation Code: 6780798

International call-in number: +44 203 0095709

Confirmation Code: 6780798

The conference call replay and the slide presentation webcast will be available for 12 months after the end of the event at the same link as the live webcast.

The slide presentation will also be available for download from VEON's website.

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DISCLAIMER

This press release contains “forward-looking statements”, as the phrase is defined in Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. These forward-looking statements may be identified by words such as “may,” “might,” “will,” “could,” “would,” “should,” “expect,” “plan,” “anticipate,” “intend,” “seek,” “believe,” “estimate,” “predict,” “potential,” “continue,” “contemplate,” “possible” and other similar words. Forward-looking statements include statements relating to, among other things, VEON’s plans to implement its strategic priorities, including operating model and development plans, among others; anticipated performance and guidance for 2020, including VEON’s ability to sufficient cash flow; VEON’s assessment of the impact of the COVID-19 pandemic on its operations and financial condition; future market developments and trends; operational and network development and network investment, including expectations regarding the roll-out and benefits of 3G/4G/LTE networks, as applicable; spectrum acquisitions and renewals; the effect of the acquisition of additional spectrum on customer experience; VEON’s ability to realize the acquisition and disposition of any of its businesses and assets and to execute its strategic transactions in the timeframes anticipated, or at all; VEON’s ability to realize financial improvements, including an expected reduction of net pro-forma leverage ratio following the successful completion of certain dispositions and acquisitions; our dividends; and VEON’s ability to realize its targets and commercial initiatives in its various countries of operation. The forward-looking statements included in this press release are based on management’s best assessment of VEON’s strategic and financial position and of future market conditions, trends and other potential developments. These discussions involve risks and uncertainties. The actual outcome may differ materially from these statements as a result of further unanticipated developments related to the COVID-19 pandemic that negatively affected VEON’s operations and financial condition; demand for and market acceptance of VEON’s products and services; our plans regarding our dividend payments and policies, as well as our ability to receive dividends, distributions, loans, transfers or other payments or guarantees from our subsidiaries; continued volatility in the economies in VEON’s markets; including adverse macroeconomic developments caused by recent volatility in oil prices in the wake of COVID-19; unforeseen developments from competition; governmental regulation of the telecommunications industries; general political uncertainties in VEON’s markets; government investigations or other regulatory actions; litigation or disputes with third parties or other negative developments regarding such parties; the impact of export controls and laws affecting trade and investments on our and important third-party suppliers' ability to procure goods, software or technology necessary for the services we provide to our customers; risks associated with data protection or cyber security, other risks beyond the parties’ control or a failure to meet expectations regarding various strategic priorities, the effect of foreign currency fluctuations, increased competition in the markets in which VEON operates and the effect of consumer taxes on the purchasing activities of consumers of VEON’s services. Certain other factors that could cause actual results to differ materially from those discussed in any forward-looking statements include the risk factors described in VEON’s Annual Report on Form 20-F for the year ended December 31, 2019 filed with the U.S. Securities and Exchange Commission (the “SEC”) and other public filings made by VEON with the SEC. Other unknown or unpredictable factors also could harm our future results. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Under no circumstances should the inclusion of such forward-looking statements in this press release be regarded as a representation or warranty by us or any other person with respect to the achievement of results set out in such statements or that the underlying assumptions used will in fact be the case. Therefore, you are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements speak only as of the date hereof. We cannot assure you that any projected results or events will be achieved. Except to the extent required by law, we disclaim any obligation to update or revise any of these forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made, or to reflect the occurrence of unanticipated events. Furthermore, elements of this press release contain or may contain, “inside information” as defined under the Market Abuse Regulation (EU) No. 596/2014.

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

ABOUT VEON

VEON is a NASDAQ and Euronext Amsterdam-listed global provider of connectivity and digital services, headquartered in Amsterdam. Our vision is to empower customer ambitions through technology, acting as a digital concierge to guide their choices and connect them with resources that match their needs.

For more information visit: http://www.veon.com

CONTENT OF THE ATTACHMENTS

For more information on financial and operating data for specific countries, please refer to the supplementary file Factbook2Q2020.xls on VEON’s website at http://veon.com/Investor-relations/Reports--results/Results/.

ATTACHMENT A: CUSTOMERS

	Mobile			Fixed-line broadband		
million	2Q20	2Q19	YoY	2Q20	2Q19	YoY
Russia	49.8	54.3	(8.4%)	2.7	2.5	7.9%
Pakistan	62.8	59.5	5.6%			
Ukraine	25.4	26.2	(3.1%)	1.0	1.0	9.1%
Algeria	13.9	15.6	(10.3%)			
Bangladesh	32.1	32.9	(2.5%)			
Kazakhstan	9.4	10.0	(6.0%)	0.5	0.4	13.8%
Uzbekistan	7.1	8.7	(18.2%)			
Other	4.0	4.7	(13.9%)	0.1	0.1	(4.6%)
Total	**204.6**	**211.9**	**(3.4%)**	**4.3**	**4.0**	**8.4%**

ATTACHMENT B: DEFINITIONS

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

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

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

Capital expenditures (capex) exc. licenses is calculated as capex, excluding purchases of new spectrum licenses

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

Adjusted EBITDA (called EBITDA in this document) is a non-IFRS financial measure. VEON calculates Adjusted EBITDA as (loss)/profit before interest, tax, depreciation, amortization, impairment, gain / loss on disposals of non-current assets, other non-operating gains / losses and share of profit / loss of joint ventures and associates Our Adjusted EBITDA may be used to evaluate our performance against other telecommunications companies that provide EBITDA.

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

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

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

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

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

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

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

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

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

NPS (Net Promoter Score) is the methodology VEON uses to measure customer satisfaction.

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

VEON’s reportable segments are the following, which are principally based on business activities in different geographical areas: Russia, Pakistan, Algeria, Bangladesh, Ukraine, Uzbekistan, Kazakhstan and HQ based on the business activities in different geographical areas.

Total revenue in this document is fully comparable with Total operating revenue in our Management’s Discussion and Analysis of Financial Condition and Results of Operations” provided separately on Form 6-K.

ATTACHMENT C: RECONCILIATION TABLES

RECONCILIATION OF CONSOLIDATED EBITDA

USD mln	2Q20	2Q19	1H20	1H19
Unaudited				
EBITDA	**809**	**994**	**1,729**	**2,292**
Depreciation	(389)	(409)	(804)	(812)
Amortization	(86)	(111)	(178)	(205)
Impairment loss	(1)	(4)	(1)	(10)
Loss on disposals of non-current assets	(6)	(7)	(12)	(14)
Operating profit	**327**	**464**	**734**	**1,252**
Financial Income and Expenses	(178)	(196)	(376)	(393)
- including finance income	6	14	15	28
- including finance costs	(184)	(210)	(391)	(421)
Net foreign exchange (loss)/gain and others	93	(11)	80	6
- including other non-operating (losses)/gains	86	10	101	14
- including shares of loss of associates and joint ventures accounted for using the equity method, including impairments of JV and associates	-	(0)	-	(0)
- including net foreign exchange gain	7	(22)	(21)	(8)
Profit before tax	**243**	**256**	**438**	**865**
Income tax expense	(68)	(182)	(144)	(260)
(Loss)/Profit from continue operations	175	75	294	605
(Loss)/Profit for the period	**175**	**75**	**294**	**605**
Of which profit/(loss) attributable to non-controlling interest	19	5	30	40
Of which profit/(loss) for the year attributable to VEON shareholders	156	69	264	565

RECONCILIATION OF CAPEX

USD mln unaudited	2Q20	2Q19	1H20	1H19
Cash paid for purchase of property, plant and equipment and intangible assets	**444**	**436**	**893**	**825**
Net difference between timing of recognition and payments for purchase of property, plant and equipment and intangible assets	96	119	95	174
Capital expenditures	**540**	**554**	**988**	**999**
Less capital expenditures in licenses and other	(5)	(7)	(39)	(12)
Capital expenditures excl. licenses	**535**	**547**	**948**	**988**

RECONCILIATION OF ORGANIC AND REPORTED GROWTH RATES

2Q20 vs 2Q19

	Total Revenue			EBITDA		
	Local currency	**Forex and Other[1]**	**Reported**	**Local currency**	**Forex and Other[1]**	**Reported**
Russia	(9.7%)	(9.6%)	(19.3%)	(20.0%)	(8.4%)	(28.4%)
Pakistan	(7.9%)	(9.3%)	(17.2%)	(20.6%)	(7.9%)	(28.5%)
Ukraine	6.8%	(1.3%)	5.5%	11.5%	(1.5%)	10.0%
Algeria	(7.9%)	(6.4%)	(14.3%)	(17.4%)	(5.8%)	(23.2%)
Bangladesh	(3.9%)	(0.7%)	(4.6%)	(0.1%)	(0.7%)	(0.8%)
Kazakhstan	9.2%	(35.0%)	(25.8%)	13.4%	(50.7%)	(37.3%)
Uzbekistan	(15.5%)	(13.2%)	(28.7%)	(31.8%)	(10.6%)	(42.4%)
Total	**(6.9%)**	**(9.4%)**	**(16.3%)**	**(7.7%)**	**(11.0%)**	**(18.7%)**

1H20 vs 1H19

	Total Revenue			EBITDA		
	Local currency	**Forex and Other[2]**	**Reported**	**Local currency**	**Forex and Other[2]**	**Reported**
Russia	(6.2%)	(5.1%)	(11.3%)	(14.6%)	(4.3%)	(18.9%)
Pakistan	(5.3%)	(9.6%)	(14.9%)	(15.8%)	(8.4%)	(24.2%)
Ukraine	11.3%	4.0%	15.3%	18.0%	4.2%	22.2%
Algeria	(5.0%)	(3.9%)	(8.9%)	(12.4%)	(3.6%)	(16.0%)
Bangladesh	(0.2%)	(0.9%)	(1.1%)	(0.2%)	(1.0%)	(1.2%)
Kazakhstan	13.3%	(22.9%)	(9.6%)	15.5%	(34.1%)	(18.6%)
Uzbekistan	(9.2%)	(12.4%)	(21.6%)	(21.1%)	(10.7%)	(31.8%)
Total	**(3.4%)**	**12.5%**	**9.1%**	**(4.8%)**	**(19.8%)**	**(24.6%)**

RECONCILIATION OF VEON CONSOLIDATED NET DEBT

USD mln	30 June 2020	31 March 2020	31 December 2019
Net debt	**8,166**	**7,741**	**8,342**
Cash and cash equivalents	1,166	1,486	1,250
Long - term and short-term deposits	21	2	2
Gross debt	**9,353**	**9,229**	**9,593**
Interest accrued related to financial liabilities	92	109	88
Other unamortised adjustments to financial liabilities (fees, discounts etc.)	(6)	(1)	(10)
Put-option liability over non-controlling interest	320	321	342
Derivatives not designated as hedges	62	112	52
Derivatives designated as hedges	26	-	161
Other financial liabilities	263	283	322
Total other financial liabilities	10,110	10,052	10,549

[1] Other includes a one-off payment of USD 38 million received in 2Q19 in relation to the termination of a network sharing agreement in Kazakhstan between our subsidiary KaR-Tel LLP and Kcell Joint Stock Company ("Kcell") following Kazakhtelecom JSC's acquisition of 75 percent of Kcell's shares.
[2] Other includes a one-off payment of USD 38 million received in 2Q19 in relation to the termination of a network sharing agreement in Kazakhstan between our subsidiary KaR-Tel LLP and Kcell Joint Stock Company ("Kcell") following Kazakhtelecom JSC's acquisition of 75 percent of Kcell's shares and a one-off vendor payment of USD 350 million received in 1Q19

RECONCILIATION OF EQUITY FREE CASH FLOW AFTER LICENSES

USD million	2Q20	2Q19	YoY
EBITDA	**809**	**994**	**(18.7%)**
Changes in working capital	(71)	49	(243.3%)
Movements in provision	16	30	(47.1%)
Net interest paid received	(172)	(194)	(11.0%)
Income tax paid	(102)	(146)	(30.0%)
Non cash adjustment on operating activities related to IFRS 16	(74)	(88)	(16.0%)
Cash flow from operating activities (excl. lease liabilities)	**406**	**646**	**(37.3%)**
Capex excl.licenses	(535)	(547)	(2.1%)
Non cash adjustment on Capex excl.licenses related to IFRS 16	43	97	(55.8%)
Working capital related to Capex excl. license	55	22	151.4%
Disposals of capital assets	3	20	(86.3%)
Licenses	(7)	(8)	(11.2%)
Equity Free Cash Flow after licenses [1]	**(36)**	**231**	**(115.6%)**

EBITDA RECONCILIATION FOR COUNTRY

Q2 2020

USD mln	Russia	Pakistan	Ukraine	Algeria	Bangladesh	Kazakhstan	Uzbekistan	Other	HQ and eliminations	**VEON Consolidated**
EBITDA	357	133	151	64	54	61	20	11	(42)	**809**
Less										
Depreciation	(227)	(42)	(25)	(35)	(27)	(18)	(8)	(8)	(1)	**(389)**
Amortization	(33)	(10)	(15)	(8)	(11)	(6)	(1)	(1)	(1)	**(86)**
Impairment loss	-	-	(1)	-	(0)	(0)	(0)	(0)		**(1)**
Loss on disposals of non-current assets	(3)	(0)	(1)	0	(0)	(0)	(0)	(0)	-	**(6)**
Gains/(losses) on sale of investments in subsidiaries	(33)	-	-	-	-	-	-	-	33	**-**
Operating profit	61	80	110	21	16	37	11	2	(11)	**327**

Q2 2019

USD mln	Russia	Pakistan	Ukraine	Algeria	Bangladesh	Kazakhstan	Uzbekistan	Other	HQ and eliminations	**VEON Consolidated**
EBITDA	498	185	138	84	55	97	35	15	(112)	**994**
Less										
Depreciation	(253)	(42)	(20)	(34)	(25)	(18)	(8)	(8)	(1)	**(409)**
Amortization	(29)	(18)	(13)	(31)	(10)	(6)	(1)	(2)	(1)	**(111)**
Impairment loss	(2)		(1)	-	-	(0)		-	(1)	**(4)**
Loss on disposals of non-current assets	(6)		(1)	-	-	-	-	1	(1)	**(7)**
Operating profit	208	125	103	19	19	73	26	6	(116)	**464**

[1] Equity free cash flow after licenses (excluding capitalized leases) is a non-IFRS measure and is defined as free cash flow from operating activities less repayment of lease liabilities and cash flow used in investing activities, excluding M&A transactions, inflow/outflow of deposits, financial assets, other one-off items

RATES OF FUNCTIONAL CURRENCIES TO USD

	Average rates			Closing rates		
	2Q20	2Q19	YoY	2Q20	2Q19	YoY
Russian Ruble	72.36	64.56	(12.1%)	69.95	63.08	(10.9%)
Algerian Dinar	128.30	119.35	(7.5%)	129.11	118.65	(8.8%)
Pakistan Rupee	163.54	147.06	(11.2%)	167.89	159.52	(5.3%)
Bangladeshi Taka	84.93	84.29	(0.8%)	84.93	84.53	(0.5%)
Ukrainian Hryvnia	26.91	26.56	(1.3%)	26.69	26.17	(2.0%)
Kazakh Tenge	418.17	380.52	(9.9%)	403.83	380.53	(6.1%)
Uzbekistan Som	10,050.86	8,474.83	(18.6%)	10,173.38	8,562.34	(18.8%)
Armenian Dram	484.54	481.07	(0.7%)	482.36	477.11	(1.1%)
Kyrgyz Som	77.34	69.79	(10.8%)	75.99	69.49	(9.3%)
Georgian Lari	3.14	2.74	(14.6%)	3.06	2.87	(6.5%)

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

The following discussion and analysis is based on, and should be read in conjunction with, our unaudited interim condensed consolidated financial statements as of and for the six-month period ended June 30, 2020 and 2019, and the related notes, attached hereto.

References to "VEON" as well as references to "our company," "the company," "our group," "the group," "we," "us," "our" and similar pronouns, are references to VEON Ltd. an exempted company limited by shares registered in Bermuda, and its consolidated subsidiaries. References to VEON Ltd. are to VEON Ltd. alone. The unaudited interim condensed consolidated financial statements as of June 30, 2020 and for the six-month period ended June 30, 2020 and 2019 attached hereto have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union, and are presented in U.S. dollars. VEON Ltd. adopted IFRS as of January 1, 2009.

The discussion of our business and the telecommunications industry included herein contains references to certain terms specific to our business, including numerous technical and industry terms. For a comprehensive discussion of our critical accounting estimates and assumptions, please refer to Note 24 to our audited consolidated financial statements included in our 2019 Annual Report.

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

- our ability to implement and execute our strategic priorities successfully and to achieve the expected benefits from our existing and future transactions;
- our assessment of the impact of the COVID-19 pandemic on our operations and financial condition;
- our targets and strategic initiatives in the various countries in which we operate;
- our ability to develop new revenue streams and achieve portfolio and asset optimizations, improve customer experience and optimize our capital structure;
- our ability to generate sufficient cash flow to meet our debt service obligations, our expectations regarding working capital and the repayment of our debt and our projected capital requirements;
- our plans regarding our dividend payments and policies, as well as our ability to receive dividends, distributions, loans, transfers or other payments or guarantees from our subsidiaries;
- our expectations regarding our capital and operational expenditures in and after 2020;

- our goals regarding value, experience and service for our customers, as well as our ability to retain and attract customers and to maintain and expand our market share positions;
- our plans to develop, provide and expand our products and services, including operational and network development, optimization and investment, such as expectations regarding the expansion or roll-out and benefits of 3G, 4G/LTE and 5G networks or other networks, broadband services and integrated products and services, such as fixed-mobile convergence;
- our expectations as to pricing for our products and services in the future, improving our ARPU and our future costs and operating results;
- our ability to meet license requirements, to obtain, maintain, renew or extend licenses, frequency allocations and frequency channels and to obtain related regulatory approvals;
- our plans regarding marketing and distribution of our products and services, including customer loyalty programs;
- our expectations regarding our competitive strengths, customer demands, market trends and future developments in the industry and markets in which we operate;
- our expectations regarding management changes; and
- other statements regarding matters that are not historical facts.

These statements are management's best assessment of our strategic and financial position and of future market conditions, trends and other potential developments. While they are based on sources believed to be reliable and on our management's current knowledge and best belief, they are merely estimates or predictions and cannot be relied upon. We cannot assure you that future results will be achieved. The risks and uncertainties that may cause our actual results to differ materially from the results indicated, expressed or implied in the forward-looking statements used in this document include, without limitation:

- risks relating to changes in political, economic and social conditions in each of the countries in which we operate and where laws are applicable to us (including as a result of armed conflict) such as any harm, reputational or otherwise, that may arise due to changing social norms, our business involvement in a particular jurisdiction or an otherwise unforeseen development in science or technology;
- risks associated with further unanticipated developments related to the COVID-19 pandemic that negatively affect our operations and financial condition, including adverse macroeconomic developments caused by recent volatility in oil prices in the wake of the COVID-19 outbreak;
- in each of the countries in which we operate and where laws are applicable to us, risks relating to legislation, regulation, taxation and currency, including costs of compliance, currency and exchange controls, currency fluctuations, and abrupt changes to laws, regulations, decrees and decisions governing the telecommunications industry and the taxation thereof, laws on foreign investment, anti-corruption and anti-terror laws, economic sanctions and their official interpretation by governmental and other regulatory bodies and courts;
- risks related to the impact of export controls on our and important third-party suppliers' ability to procure goods, software or technology necessary for the services we provide to our customers, particularly on the production and delivery of supplies, support services, software, and equipment that we source from these suppliers - for example, in April 2018, the U.S. Department of Commerce, Bureau of Industry and Security ("BIS") issued an Export Administration Regulation ("EAR") Denial Order to ZTE Corporation ("ZTE") which prohibited, among other things, exports, re-exports and in-country transfers of goods, software and technology (collectively, "Items"), each of which could have led to service degradation and disruptions in certain markets, and in May and August 2019, BIS added Huawei Technologies Company Ltd. and 114 of its affiliates (collectively, "Huawei") to its "Entity List", prohibiting companies globally from directly or indirectly exporting, re-exporting or in-country transferring all Items subject to the EAR to Huawei and procuring Items from Huawei when they have reason to know that the Items were originally procured by Huawei in violation of U.S. law;

- risks relating to a failure to meet expectations regarding various strategic initiatives, including, but not limited to, changes to our portfolio;
- risks related to solvency and other cash flow issues, including our ability to raise the necessary additional capital and incur additional indebtedness, the ability of our subsidiaries to make dividend payments, our ability to develop additional sources of revenue and unforeseen disruptions in our revenue streams;
- risks that the adjudications by the various regulatory agencies or other parties with whom we are involved in legal challenges, tax disputes or appeals may not result in a final resolution in our favor or that we are unsuccessful in our defense of material litigation claims or are unable to settle such claims;
- risks relating to our company and its operations in each of the countries in which we operate and where laws are applicable to us, including demand for and market acceptance of our products and services, regulatory uncertainty regarding our licenses, frequency allocations and numbering capacity, constraints on our spectrum capacity, availability of line capacity, intellectual property rights protection, labor issues, interconnection agreements, equipment failures and competitive product and pricing pressures;
- risks related to developments from competition, unforeseen or otherwise, in each of the countries in which we operate and where laws are applicable to us including our ability to keep pace with technological change and evolving industry standards;
- risks related to the activities of our strategic shareholders, lenders, employees, joint venture partners, representatives, agents, suppliers, customers and other third parties;
- risks associated with our existing and future transactions, including with respect to realizing the expected synergies of closed transactions, satisfying closing conditions for new transactions, obtaining regulatory approvals and implementing remedies;
- risks associated with data protection, cyber-attacks or systems and network disruptions, or the perception of such attacks or failures in each of the countries in which we operate, including the costs associated with such events and the reputational harm that could arise therefrom;
- risks related to the ownership of our American Depositary Receipts, including those associated with VEON Ltd.’s status as a Bermuda company and a foreign private issuer; and
- other risks and uncertainties, including those set forth in Item 3 - Key Information — D. Risk Factors in our 2019 Annual Report.

These factors and the other risk factors described in our 2019 Annual Report are not necessarily all of the factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could harm our future results. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Under no circumstances should the inclusion of such forward-looking statements in this document be regarded as a representation or warranty by us or any other person with respect to the achievement of results set out in such statements or that the underlying assumptions used will in fact be the case. Therefore, you are cautioned not to place undue reliance on these forward-looking statements.

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

OVERVIEW

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

BASIS OF PRESENTATION OF FINANCIAL RESULTS

Our unaudited interim condensed consolidated financial statements attached hereto have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements as of and for the year ended December 31, 2019.

REPORTABLE SEGMENTS

We present our reportable segments based on economic environments and stages of development in different geographical areas, requiring different investment and marketing strategies.

As of June 30, 2020, our reportable segments consist of the following seven segments: Russia, representing our "cornerstone" market; Pakistan, Ukraine, Kazakhstan and Uzbekistan, representing our "growth engines"; and Algeria and Bangladesh, representing our "frontier markets".

We also present our results of operations for our "Other frontier markets" and "HQ and eliminations" although these are not reportable segments. "Other frontier markets" represents our results of operations in Kyrgyzstan, Armenia and Georgia. "HQ and eliminations" represents transactions related to management activities within the group in Amsterdam, London and Luxembourg and costs relating to centrally managed operations, as well as intercompany eliminations to reconcile with our total revenue and Adjusted EBITDA.

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

KEY DEVELOPMENTS DURING THE FIRST HALF OF 2020

COVID-19

The second quarter saw the full impact on our operations of the lockdowns imposed across our markets in response to the COVID-19 pandemic. This resulted in material disruption to our retail operations following store closures, which impacted 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. Conversely, demand for our data services remained strong during the quarter, enabling us to continue to grow our data revenues at a double-digit pace. We also experienced a continued shift in data traffic from mobile to fixed networks as lockdowns encouraged home working and schooling alongside a greater use of devices through our domestic broadband services.

Lockdowns have accelerated the adoption of self-care applications and digital services by our customers. This occurred alongside a steady improvement in operational trends evident in June and July as lockdown measures were eased. For the remainder of the financial year, we expect continued divergence in our operating trends within a steady recovery in Group revenue and Adjusted EBITDA. This assumes a slow resumption in roaming revenues and migrant customers as travel resumes and a partial, more gradual shift in urban populations back to urban centers as workplaces reopen. We also expect some current customer behaviors to outlast the pandemic phase, including home-working which constitutes a structural shift from mobile to fixed-line data that we continue to position for through investment in both networks and tailored services for our new business-to-home (B2H) customers. Similarly, the pandemic has placed a greater emphasis on the importance of digital sales channels, which we are well positioned to serve given our recent investment in customer self-care applications and the digital business support systems that enable them.

An increase in demand for hard currencies has resulted in the devaluation of exchange rates in the countries in which VEON operates. As such, in the first half of 2020, the book value of assets and liabilities of our foreign operations, in U.S. dollar terms, has decreased significantly, with a corresponding loss of USD 486 million recorded against the foreign currency translation reserve in the Statement of Comprehensive Income.

The Group remains focused on mitigating the impact of the pandemic on our financial performance through continued optimization of our cost base and measures to ease its financial impact on our working capital. Maintaining a strong balance sheet and liquidity position also remain key priorities, as evidenced by our recent refinancing activities and the reduction in borrowing costs we have secured through them, and we will continue to actively manage our balance sheet as market opportunities arise.

We are similarly committed to investing in the longer-term opportunities the pandemic presents. Most immediately, this involves continued investment in our networks to capture faster digital adoption and fixed-line data demand alongside further development of our online channels and the growing range of digital services we are offering through them. Longer-term, we remain vigilant to market opportunities that the current economic dislocation is generating and will continue to assess assets that we believe have the potential to complement our services and the evolving needs of our customers.

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

Regarding dividends, our policy remains as previously disclosed: to pay at least 50% of EFCF after licenses while maintaining Net Debt/LTM EBITDA at around 2.0x and taking into account medium-term investment opportunities. Cash flows generated in the first half of 2020 were weaker compared to last year. Given that in the second half we may potentially face a number of uncertainties, we currently believe it is unlikely that we will pay a dividend for FY 2020.

2020 AGM

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 1 June 2020.

MANAGEMENT CHANGES

On May 1, 2020, Serkan Okandan joined VEON as Group Chief Financial Officer. Serkan brings a wealth of experience which will be invaluable as we look to consolidate our position in connectivity and digital services.

Alexander Torbakhov joined as Chief Executive Officer of Beeline Russia on April 6, 2020. Alexander brings with him a wealth of success from some of the country's largest consumer and technology businesses.

Erwan Gelebart was appointed as Chief Executive Officer of JazzCash with effect from May 18, 2020. With 7.3 million active digital wallets, JazzCash has enormous potential in Pakistan and Erwan will play a crucial part in our growth plans for JazzCash.

PARTNERSHIP WITH MASTERCARD

On May 5, 2020, VEON announced a partnership between JazzCash and payment technology leader Mastercard that strengthens the payments ecosystem for merchants and customers in Pakistan.

More than 7 million customers and merchants use JazzCash every month, making it Pakistan's leading digital wallet. The partnership with Mastercard allows merchants to accept digital payments from customers, digitize their supply chain, and move to cashless operations. In a first for Pakistan, merchants and consumers who sign up for JazzCash wallet will be able to benefit from a wide range of Mastercard's digital solutions and capabilities to pay for orders and services via all digital channels as well as make online payments in a fast, safe and convenient manner.

JazzCash customers will also have access to Mastercard's virtual and branded debit cards that can be used in 55,000 points of sale and ATMs in Pakistan, in addition to JazzCash merchants and e-commerce sites.

RECENT FINANCING TRANSACTIONS

On April 16, 2020, VEON established a Global Medium-Term Note program for the issuance of bonds (the **"MTN Program"**), with a program limit of a USD 6.5 billion, or the equivalent thereof, in other currencies. On June 11, 2020, VEON issued RUB 20 billion 6.30 % senior unsecured notes due 2025 in 144A / Reg S format (the **"Notes"**) under the MTN Program. The proceeds have been used for general corporate purposes.

On April 22, 2020, Banglalink extended the maturity of its USD 300 million syndicated loan by an additional two years to 2022. Following this extension, VEON, via a wholly-owned subsidiary, acquired the loan from the original lenders, leading to an effective extinguishment of this debt for the VEON Group.

On June 4, 2020, VEON entered into a new RUB 100 billion (approximately USD 1.5 billion) bilateral term loan agreement with Sberbank. The loan was used to refinance and extend the maturity of the existing loan between Sberbank and VEON Holdings, as well as to provide additional funds for general corporate purposes.

On July 9, 2020, VEON refinanced its existing RUB 30 billion (approximately USD 422 million) bilateral term loan agreement with VTB Bank. This refinancing extends the maturity and reduces the cost of the existing loan between VTB Bank and VEON Holdings.

RESULTS OF OPERATIONS

FINANCIAL PERFORMANCE FOR SIX MONTHS ENDED JUNE 30, 2020

	Six-month period	
(In millions of U.S. dollars)	**2020**	**2019**
Service revenues	3,773	4,085
Sale of equipment and accessories	160	201
Other revenue	55	99
Total operating revenues	**3,988**	**4,385**
Other operating income	2	350
Service costs	(746)	(758)
Cost of equipment and accessories	(163)	(206)
Selling, general and administrative expenses	(1,352)	(1,479)
Depreciation	(804)	(812)
Amortization	(178)	(205)
Impairment (loss) / reversal	(1)	(10)
Gain / (loss) on disposal of non-current assets	(12)	(14)
Gain / (loss) on disposal of subsidiaries	—	1
Operating profit	**734**	**1,252**
Finance costs	(391)	(421)
Finance income	15	28
Other non-operating gain / (loss)	101	14
Net foreign exchange gain / (loss)	(21)	(8)
Profit / (loss) before tax	**438**	**865**
Income tax expense	(144)	(260)
Profit / (loss) for the period	**294**	**605**
Attributable to:		
The owners of the parent	264	565
Non-controlling interest	30	40
	294	**605**

TOTAL OPERATING REVENUE

Our consolidated total operating revenue decreased by 9% year-on-year. Our operating companies faced significant disruption of retail operations following store closures, which resulted in lower gross connections, device sales and airtime sales and a decline in roaming revenues due to travel bans. In particular, Russia revenues were decreased due to lower subscriber numbers and continued pressure on ARPU. Pakistan revenues were also lower in U.S. dollar terms, arising from a devaluation of the Pakistani Rupee and negative impact of tax regime changes in Pakistan. These were partially offset by strong performance in Ukraine.

	Six-month period ended June 30,	
(In millions of U.S. dollars)	**2020**	**2019**
Our cornerstone		
Russia	1,927	2,172
Our growth engines		
Pakistan	604	710
Ukraine	461	400
Kazakhstan	230	253
Uzbekistan	102	131
Our frontier markets		
Algeria	345	379
Bangladesh	267	271
Other frontier markets	69	83
Other		
HQ and eliminations	(17)	(14)
Total segments	**3,988**	**4,385**

OPERATING PROFIT

Our consolidated operating profit decreased to US$734 million in the six months ended June 30, 2020 compared to US$1,252 million in the six months ended June 30, 2019, primarily due to lower revenues as discussed above, as well as the recognition of a one-off gain of US$350 million in first half of 2019, relating to a revised arrangement with Ericsson to upgrade core IT systems of VEON’s operating companies. This decrease was partially offset by lower general and administrative costs.

NON-OPERATING PROFITS AND LOSSES

Finance costs

Our finance costs decreased to USD 391 million in the six months ended June 30, 2020 compared to USD 421 million in the six months ended June 30, 2019 due to lower interest charges on loans, driven in part by a lower average cost of debt and foreign currency devaluation of RUB-denominated loans.

Finance income

Our consolidated finance income decreased to USD 15 million in the six months ended June 30, 2020 compared to USD 28 million in the six months ended June 30, 2019 primarily due to lower interest earned from comparatively lower cash and deposit balances and the impact of foreign currency devaluation on cash and deposits in local currency of our operating companies.

Other non-operating gain

Other non-operating gain in the six months ended June 30, 2020 was USD 101 million as compared to USD 14 million in the six months ended June 30, 2019. Increase was mainly associated with revaluation of Contingent consideration liability and recognition of a gain upon reaching a settlement in connection with the dispute concerning sale of Telecel Globe Limited in the second quarter of 2020. For more information over these items, please refer to, respectively, Note 7 and Note 12 of our unaudited interim condensed consolidated financial statements attached hereto.

Net foreign exchange gain

During the six months ended June 30, 2020, we recognized a net foreign exchange loss of US$21 million compared to a loss of US$8 million during the six months ended June 30, 2019. This was mainly due to the depreciation of currencies of the countries in which VEON operates, particularly the Russian ruble.

INCOME TAX EXPENSE

Our consolidated income tax expense decreased by 45% to US$144 million in the six months ended June 30, 2020 compared to US$260 million in the six months ended June 30, 2019 mainly due to lower operating profit and the impact of foreign currency devaluation of the local currencies of our operating companies.

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

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

Our profit / (loss) for the period attributable to the owners of the parent from continuing operations for the six months ended June 30, 2020 decreased to US$264 million as compared to US$565 million for the same period last year. The decrease was mainly due to decreased operating profit as discussed above.

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

Profit / (loss) for the period attributable to non-controlling interest six months ended June 30, 2020 was US$30 million as compared to US$40 million for the same period last year showing a year on year decease. The decrease was mainly driven by decreased operating profit, as well as the acquisition of non-controlling interest in August 2019 which resulted in a lower level of non controlling interest in our operations in Pakistan and Bangladesh.

ADJUSTED EBITDA

In millions of U.S. dollars	Six-month period ended June 30, 2020	2019
Our cornerstone		
Russia	784	966
Our growth engines		
Pakistan	280	369
Ukraine	313	256
Kazakhstan	124	152
Uzbekistan	45	67
Our frontier markets		
Algeria	145	172
Bangladesh	113	114
Other frontier markets	25	28
Other		
HQ and eliminations	(100)	168
Total segments	**1,729**	**2,292**

Our consolidated Adjusted EBITDA decreased by 25% year-on-year, primarily due to lower revenues as discussed above, as well as the recognition of a one-off gain of US$350 million in first half of 2019, relating to a revised arrangement with Ericsson to upgrade core IT systems of VEON's operating companies. This decrease was partially offset by lower general and administrative costs.

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

In millions of U.S. dollars	Six-month period ended June 30, 2020	2019
Profit / (loss) before tax	**438**	**865**
Adjustments to reconcile Profit / (loss) before tax to Total Adjusted EBITDA		
Depreciation	804	812
Amortization	178	205
Impairment loss / (reversal)	1	10
(Gain) / loss on disposal of non-current assets	12	14
(Gain) / loss on disposal of subsidiaries	—	(1)
Finance costs	391	421
Finance income	(15)	(28)
Other non-operating (gain) / loss	(101)	(14)
Net foreign exchange (gain) / loss	21	8
Total Adjusted EBITDA	**1,729**	**2,292**

RESULT OF REPORTABLE SEGMENTS

RUSSIA

RESULTS OF OPERATIONS IN US$

In millions of U.S. dollars (except as indicated)	Six months ended June 30, 2020	2019	2020-2019 change %
Total operating revenue	**1,927**	**2,172**	**-11%**
Mobile service revenue	1,506	1,714	-12%
- of which mobile data	471	467	1%
Fixed-line service revenue	265	260	2%
Sales of equipment, accessories and other	151	191	-21%
Operating Expenses	**1,145**	**1,205**	**-5%**
Adjusted EBITDA	**784**	**966**	**-19%**
Adjusted EBITDA margin	**40.7 %**	**44.5 %**	**-3.8pp**

RESULTS OF OPERATIONS IN RUB

In millions of RUB (except as indicated)	Six months ended June 30, 2020	2019	2020-2019 change %
Total operating revenue	**132,971**	**141,801**	**-6 %**
Mobile service revenue	103,942	111,926	-7 %
- of which mobile data	32,499	30,471	7 %
Fixed-line service revenue	18,332	16,967	8 %
Sales of equipment, accessories and other	10,697	12,908	-17 %
Operating Expenses	**79,179**	**78,695**	**1 %**
Adjusted EBITDA	**53,917**	**63,106**	**-15 %**
Adjusted EBITDA margin	**40.5 %**	**44.5 %**	**-4.0pp**

SELECTED PERFORMANCE INDICATORS

	Six months ended June 30, 2020	2019	2020-2019 change %
Mobile			
Customers in millions	49.8	54.3	-8%
Mobile data customers in millions	31.5	35.8	-12%
ARPU in US$	4.8	5.2	-7%
ARPU in RUB	331.0	339.0	-2%

TOTAL OPERATING REVENUE

Our total operating revenue in Russia decreased by 11% (USD terms) and 6% (local currency) year-on-year, primarily due to the devaluation of the Russian ruble as well as reduced activity relating to post and prepaid services revenue, impact of unlimited tariff plans and lower customer base during the six-month period ended June 30, 2020 compared to the same period in 2019. Despite the decline in total operating revenue, fixed line service revenue increase in the first half of the year, due to the shift in data traffic from mobile to fixed networks as lockdowns encouraged home working and schooling.

ADJUSTED EBITDA

Our Russia Adjusted EBITDA reduced by 19% year-on-year to US$784 million in the six-month period ended June 30, 2020 compared to US$966 million in the six-month period ended June 30, 2019, mainly due to lower revenues as stated above as well as increased structural operating expenses. This increase in operating expenses was compensated to some extent through lower general and administrative costs. In local currency terms, Adjusted EBITDA fell by 15%.

SELECTED PERFORMANCE INDICATORS

The number of mobile customers and the number of mobile data customers in Russia decreased during the six-month period ended June 30, 2020 when compared to the same period 2019, in each case driven by a reduction in sales through alternative distribution channels as well as the loss of migrant customers from our subscriber base due to travel restrictions.

Our mobile ARPU in Russia decreased by 7% in the six-month period ended June 30, 2020 to US$4.8 when compared with the same period 2019, mainly due to reduced revenue. In local currency terms, mobile ARPU in Russia also decreased by 2% in the six-month period ended June 30, 2020 to RUB 331.

PAKISTAN

RESULTS OF OPERATIONS IN US$

	Six months ended June 30,		
In millions of U.S. dollars (except as indicated)	2020	2019	2020-2019 change %
Total operating revenue	**604**	**710**	**-15%**
Mobile service revenue	559	662	-16%
- of which mobile data	200	183	9%
Sales of equipment, accessories and other	3	4	-25%
Operating expenses	**325**	**341**	**-5%**
Adjusted EBITDA	**280**	**369**	**-24%**
Adjusted EBITDA margin	**46.3 %**	**51.9 %**	**-5.7pp**

RESULTS OF OPERATIONS IN PKR

	Six months ended June 30,		
In millions of PKR (except as indicated)	2020	2019	2020-2019 change %
Total operating revenue	**96,336**	**101,707**	**-5 %**
Mobile service revenue	89,145	94,799	-6 %
- of which mobile data	31,906	26,121	22 %
Sales of equipment, accessories and other	7,191	6,907	4 %
Operating expenses	**51,778**	**48,792**	**6 %**
Adjusted EBITDA	**44,558**	**52,915**	**-16 %**
Adjusted EBITDA margin	**46.3 %**	**52.0 %**	**-5.7pp**

SELECTED PERFORMANCE INDICATORS

	Six months ended June 30,		
	2020	2019	2020-2019 change %
Mobile			
Customers in millions	62.8	59.5	6%
Mobile data customers in millions	41.0	36.9	11%
ARPU in US$	1.5	1.9	-21%
ARPU in PKR	240	271	-12%

TOTAL OPERATING REVENUE

In the six months ended June 30, 2020, our Pakistan total operating revenue decreased by 15% (USD terms) year-on-year to US$604 million, primarily as a result of the devaluation of the local currency. In local currency terms, our Pakistan total operating revenue decreased by 5% due to the impact of prior year tax regime changes and lower ARPU driven by lockdown measures which lead to the temporary closure of Jazz stores, lower business activity and an overall economic slowdown.

ADJUSTED EBITDA

Our Pakistan Adjusted EBITDA during the six months ended June 30, 2020 reduced by 24% to US$280 million when compared with same period last year largely driven by the devaluation of the local currency. In local currency terms, our Pakistan Adjusted EBITDA decreased by 16% due to lower revenues as described above, as well as the impact of tax regime changes in Pakistan.

SELECTED PERFORMANCE INDICATORS

As of June 30, 2020, we had 62.8 million customers in Pakistan, representing an increase of 6% year-on-year with growth primarily in mobile data customers, which increased by 11% year-on-year. This increase arose on the back of our continued expansion of the data network in Pakistan.

In the six months ended June 30, 2020, our mobile ARPU in Pakistan decreased by 21% year-on-year to US$1.5, driven by a devaluation of the local currency. In local currency terms, mobile ARPU in Pakistan decreased by 12% year-on-year to PKR 240, driven mainly by reduced activity.

UKRAINE

RESULTS OF OPERATIONS IN US$

In millions of U.S. dollars (except as indicated)	Six months ended June 30, 2020	2019	2020-2019 change %
Total operating revenue	**461**	**400**	**15%**
Mobile service revenue	429	372	15%
- of which mobile data	237	195	22%
Fixed-line service revenue	30	25	20%
Sales of equipment, accessories and other	—	—	0%
Operating expenses	**148**	**144**	**3%**
Adjusted EBITDA	**313**	**256**	**22%**
Adjusted EBITDA margin	**67.8 %**	**64.0 %**	**3.8pp**

RESULTS OF OPERATIONS IN UAH

In millions of UAH (except as indicated)	Six months ended June 30, 2020	2019	2020-2019 change %
Total operating revenue	**11,960**	**10,750**	**11 %**
Mobile service revenue	11,123	10,020	11 %
- of which mobile data	6,153	5,238	17 %
Fixed-line service revenue	773	662	17 %
Sales of equipment, accessories and other	63	67	-6 %
Operating expenses	**3,844**	**3,870**	**-1 %**
Adjusted EBITDA	**8,116**	**6,880**	**18 %**
Adjusted EBITDA margin	**67.9 %**	**64.0 %**	**3.9pp**

SELECTED PERFORMANCE INDICATORS

	Six months ended June 30, 2020	2019	2020-2019 change %
Mobile			
Customers in millions	25.4	26.2	-3%
Mobile data customers in millions	15.9	15.7	1%
ARPU in US$	2.8	2.3	18%
ARPU in UAH	72	63	14%

TOTAL OPERATING REVENUE

In the six months ended June 30, 2020, our Ukraine total operating revenue increased by 15% (USD terms) and 11% (local currency terms) when compared with the same period last year to US$461 million. The increase was primarily driven by mobile data, voice and fixed line revenue growth owing to continuous 4G roll out, increased traffic and pricing. This increase was partially offset by reduced activity associated with the COVID-19 outbreak and the lockdowns imposed in the country during the second quarter.

ADJUSTED EBITDA

Our Ukraine Adjusted EBITDA increased by 22% year-on-year to US$313 million in the six months ended June 30, 2020 when compared with the same period last year, primarily due to higher revenues as discussed above, partially offset by higher structural operating expenses.

SELECTED PERFORMANCE INDICATORS

As of June 30, 2020, we had 25.4 million mobile customers in Ukraine, representing a decrease of 3% year-on-year. The decrease was a result of demographic trends in Ukraine and the reduction in multi SIM users. The number of our mobile data customers in Ukraine remained at par with the same period last year.

In the six months ended June 30, 2020, our mobile ARPU in Ukraine increased by 18% year-on-year to US$2.8 due to data usage growth and appreciation of local currency against USD. In functional currency terms, mobile ARPU in Ukraine increased by 14% to UAH 72.

KAZAKHSTAN

RESULTS OF OPERATIONS IN US$

In millions of U.S. dollars (except as indicated)	Six months ended June 30,		
	2020	2019	2020-2019 change %
Total operating revenue	**229**	**253**	**-9%**
Mobile service revenue	190	180	6%
- of which mobile data	95	71	34%
Fixed-line service revenue	37	33	12%
Sales of equipment, accessories and other	2	1	100%
Operating expenses	**105**	**101**	**4%**
Adjusted EBITDA	**124**	**152**	**-18%**
Adjusted EBITDA margin	**54.1 %**	**60.2 %**	**-6.0pp**

RESULTS OF OPERATIONS IN KZT

In millions of KZT (except as indicated)	Six months ended June 30,		
	2020	2019	2020-2019 change %
Total operating revenue	**92,315**	**95,982**	**-4 %**
Mobile service revenue	76,549	68,387	12 %
- of which mobile data	38,558	27,048	43 %
Fixed-line service revenue	14,875	12,481	19 %
Sales of equipment, accessories and other	891	15,114	-94 %
Operating expenses	**42,364**	**38,239**	**11 %**
Adjusted EBITDA	**49,952**	**57,743**	**-13 %**
Adjusted EBITDA margin	**54.1 %**	**60.2 %**	**-6.1pp**

SELECTED PERFORMANCE INDICATORS

	Six months ended June 30,		
	2020	2019	2020-2019 change %
Mobile			
Customers in millions	9.4	10.0	-6%
Mobile data customers in millions	6.6	6.3	4%
ARPU in US$	3.2	3.0	8%
ARPU in KZT	1,296.0	1,133.0	14%

TOTAL OPERATING REVENUE

In the six months ended June 30, 2020, our Kazakhstan total operating revenue decreased by 9% (USD terms) and 4% (local currency terms) when compared with same period last year to US$229 million. The decrease was primarily due to devaluation of local currency against the US dollar and a lower subscriber base, as well as the one-off recognition of US$38 in the first half of 2019, being the settlement amount from Kcell Joint Stock Company ("Kcell") related to the termination of the network sharing agreement with Kcell.

ADJUSTED EBITDA

Our Kazakhstan Adjusted EBITDA decreased by 18% year-on-year to US$124 million in the six months ended June 30, 2020, primarily due to a decrease in revenue as discussed above and higher operating expenses. In local currency terms, our Kazakhstan Adjusted EBITDA decreased by 13% when compared with the same period last year.

SELECTED PERFORMANCE INDICATORS

As of June 30, 2020, we had 9.4 million mobile customers in Kazakhstan, representing a decrease of 6% compared to last year. The decrease was a mainly post IMEI registration barriers resulting in lower gross additions. The number of our mobile data customers in Kazakhstan increased by 4%, mainly due improved data bundle offers and data services.

In the six months ended June 30, 2020, our mobile ARPU in Kazakhstan increased by 8% year-on-year due to data usage growth. In local currency terms, mobile ARPU in Kazakhstan increased by 14%.

UZBEKISTAN

RESULTS OF OPERATIONS IN US$

In millions of U.S. dollars (except as indicated)	Six months ended June 30, 2020	2019	2020-2019 change %
Total operating revenue	**102**	**131**	**-22%**
Mobile service revenue	101	130	-22%
- of which mobile data	57	58	-2%
Fixed-line service revenue	1	1	0%
Sales of equipment, accessories and other	—	—	0%
Operating expenses	**57**	**64**	**-11%**
Adjusted EBITDA	**45**	**67**	**-33%**
Adjusted EBITDA margin	**44.4 %**	**51.0 %**	**-6.6pp**

RESULTS OF OPERATIONS IN UZS

In billions of UZS (except as indicated)	Six months ended June 30, 2020	2019	2020-2019 change %
Total operating revenue	**1,001**	**1,102**	**-9 %**
Mobile service revenue	991	1,094	-9 %
- of which mobile data	552	491	12 %
Fixed-line service revenue	6	7	-14 %
Sales of equipment, accessories and other	4	2	141 %
Operating expenses	**558**	**540**	**3 %**
Adjusted EBITDA	**444**	**562**	**-21 %**
Adjusted EBITDA margin	**44.3 %**	**51.0 %**	**-6.7pp**

SELECTED PERFORMANCE INDICATORS

	Six months ended June 30, 2020	2019	2020-2019 change %
Mobile			
Customers in millions	7.1	8.7	-18%
Mobile data customers in million	4.6	5.4	-15%
ARPU in US$	2.2	2.4	-8%
ARPU in UZS	21,617.0	20,262.0	7%

TOTAL OPERATING REVENUE

In the six months ended June 30, 2020, our Uzbekistan total operating revenue decreased by 22% (USD terms) and 9% (local currency terms) to US$102 million when compared with the same period last year. The decrease was primarily due to currency devaluation and lower subscriber base impacted by a new excise duty and IMEI registration implementation.

ADJUSTED EBITDA

Our Uzbekistan Adjusted EBITDA decreased by 33% (USD terms) and 21% (local currency terms) in the six months ended June 30, 2020 compared with the same period last year. This was driven by reduced revenues as described above and increased operating expenses.

SELECTED PERFORMANCE INDICATORS

As of June 30, 2020, we had 7.1 million mobile customers in our Uzbekistan segment representing a decrease of 18% when compared with the same period last year. The decrease was the result of our strategic focus on high value customers resulting in a higher churn rate. As of June 30, 2020, the number of our mobile data customers in Uzbekistan decreased by 15% to 4.6 million.

In the six months ended June 30, 2020, our mobile ARPU in Uzbekistan was US$2.2, representing a decrease of 8%, when compared with the same period last year, due to currency devaluation. In local currency terms, mobile ARPU in Uzbekistan increased by 7% year-on-year due to the strategic focus on high value customers as described above.

ALGERIA

RESULTS OF OPERATIONS IN US$

In millions of U.S. dollars (except as indicated)	Six months ended June 30,		
	2020	**2019**	**2020-2019 change %**
Total operating revenue	**345**	**379**	**-9%**
Mobile service revenue	343	378	-9%
- of which mobile data	130	106	23%
Sales of equipment, accessories and other	2	1	100%
Operating expenses	**201**	**207**	**-3%**
Adjusted EBITDA	**145**	**172**	**-16%**
Adjusted EBITDA margin	**42.0 %**	**45.5 %**	**-3.5pp**

RESULTS OF OPERATIONS IN DZD

In millions of DZD (except as indicated)	Six months ended June 30,		
	2020	**2019**	**2020-2019 change %**
Total operating revenue	**42,892**	**45,141**	**-5 %**
Mobile service revenue	42,629	45,018	-5 %
- of which mobile data	16,200	12,669	28 %
Sales of equipment, accessories and other	263	123	114 %
Operating expenses	**24,934**	**24,618**	**1 %**
Adjusted EBITDA	**17,971**	**20,524**	**-12 %**
Adjusted EBITDA margin	**41.9 %**	**45.5 %**	**-3.6pp**

SELECTED PERFORMANCE INDICATORS

	Six months ended June 30,		
	2020	**2019**	**2020-2019 change %**
Mobile			
Customers in millions	13.9	15.6	-10%
Mobile data customers in millions	9.1	9.3	-3%
ARPU in US$	4.0	4.0	0%
ARPU in DZD	497	476	4%

TOTAL OPERATING REVENUE

In the six months ended June 30, 2020, our Algeria total operating revenue decreased by 9% (USD terms) and 5% (local currency terms) when compared with the same period last year, primarily due to lower subscriber base, MTR rate change. This was partially offset by stronger ARPU in local currency terms, due to continuous pricing strategy and more high value subscribers relative to customer base. Data revenue growth remained strong due to higher usage as a result of the roll-out of the 4G/LTE network.

ADJUSTED EBITDA

In the six months ended June 30, 2020, our Algeria Adjusted EBITDA decreased by 16% when compared with the same period last year, primarily due to the decrease in total revenue, increase in MTR and higher interconnection costs. In functional currency terms, our Algeria Adjusted EBITDA decreased by 12%.

SELECTED PERFORMANCE INDICATORS

The customer base in our Algeria segment decreased by 10% year-on-year driven by a higher churn rate. Our mobile data customers in Algeria also saw a decrease of 3% due to higher churn rate and price competition.

In the six months ended June 30, 2020, our mobile ARPU in Algeria remained at par with the same period last year at US$4.0, primarily due to increased pricing and more high value customer base offset by the currency exchange impact during the period Q2-20. In functional currency terms, our mobile ARPU in Algeria increased by 4% year-on-year.

BANGLADESH

RESULTS OF OPERATIONS IN US$

	Six months ended June 30,		
In millions of U.S. dollars (except as indicated)	**2020**	**2019**	**2020-2019 change %**
Total operating revenue	**267**	**271**	**-1%**
Mobile service revenue	262	264	-1%
- of which mobile data	66	53	25%
Sales of equipment, accessories and other	—	1	-100%
Operating expenses	**154**	**156**	**-1%**
Adjusted EBITDA	**113**	**114**	**-1%**
Adjusted EBITDA margin	**42.3 %**	**42.3 %**	**0.0pp**

RESULTS OF OPERATIONS IN BDT

	Six months ended June 30,		
In millions of BDT (except as indicated)	**2020**	**2019**	**2020-2019 change %**
Total operating revenue	**22,711**	**22,750**	**-0.2%**
Mobile service revenue	22,275	22,235	0.2%
- of which mobile data	5,594	4,496	24%
Sales of equipment, accessories and other	435	515	-16%
Operating expenses	**13,113**	**13,133**	**-0.2%**
Adjusted EBITDA	**9,598**	**9,617**	**-0.2%**
Adjusted EBITDA margin	**42.3 %**	**42.3 %**	**0.0pp**

SELECTED PERFORMANCE INDICATORS

	Six months ended June 30,		
	2020	2019	2020-2019 change %
Mobile			
Customers in millions	32.1	32.9	-3%
Mobile data customers in millions	21.8	21.1	3%
ARPU in US$	1.3	1.3	-1%
ARPU in BDT	113	113	-1%

TOTAL OPERATING REVENUE

In the six months ended June 30, 2020, our Bangladesh total operating revenue largely remained at par with the same period last year in both USD and local currency terms, primarily due to consistent performance in acceleration of service revenue growth following spectrum acquisition and enhanced network availability, along with the continued expansion of Banglalink’s distribution footprint.

ADJUSTED EBITDA

In the six months ended June 30, 2020,our Bangladesh Adjusted EBITDA mainly remained at par as compared to the same period last year and showed a minor decrease of 1%, mainly due to consistent performance on revenue and operational savings partially offset by the increase in minimum tax rates adversely impacting operational costs. In local currency, Adjusted EBITDA also remained at par with the same period last year.

SELECTED PERFORMANCE INDICATORS

Customers in our Bangladesh segment decreased by 3% year-on-year to 32.1 million, mainly due to higher churn rate during the period. The number of mobile data customers increased by 3% due to continued efforts to attract new customers, successful targeting of voice-only customers and network expansion. Our mobile ARPU in Bangladesh both in USD and local currency terms remained stable and at par with same period last year.

VEON

LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL

Working capital is defined as current assets less current liabilities.

As of June 30, 2020, we had negative working capital of US$3,107 million, compared to negative working capital of US$3,269 million as of December 31, 2019. The change of net working capital compared to December 31, 2019 was due to devaluation of local currencies across the Company's operational footprint, partially offset by an increase in short-term borrowings.

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

INTERIM CONSOLIDATED CASH FLOW SUMMARY

(In millions of U.S. dollars)	Six-month period ended June 30,	
	2020	**2019**
Net cash flows from operating activities	**1,105**	**1,565**
Net cash flows from / (used in) investing activities	**(1,048)**	**(1,491)**
Net cash flows from / (used in) financing activities	**(61)**	**(583)**
Net increase / (decrease) in cash and cash equivalents	(4)	(509)
Net foreign exchange difference	(37)	(8)
Cash and cash equivalents at beginning of period	1,204	1,791
Cash and cash equivalents at end of period, net of overdraft	**1,163**	**1,274**

For more details, see Interim Condensed Consolidated Statement of Cash Flows in our Interim Condensed Audited Consolidated Financial Statements.

OPERATING ACTIVITIES

During the six months ended June 30, 2020, net cash flows from operating activities decreased to US$1,105 million from US$1,565 million during the six months ended June 30, 2019. The decrease is mainly due to lower revenues as well as a one-off cash inflow of US$350 million in the same period last year, relating to the revised arrangement with Ericsson partially offset by the changes in working capital.

INVESTING ACTIVITIES

During the six months ended June 30, 2020, net outflow for investing activities was US$1,048 million compared to net cash outflow of US$1,491 million for the same period last year. This decrease was mainly driven by a significant outflow in the first quarter of 2019 relating to amounts pledged as collateral for the Mandatory Tender Offer with respect to the acquisition of non-controlling interests in GTH, partially offset by the increased investment in purchase of property plant and equipment and intangible assets when compared with same period last year.

Acquisitions and Disposals

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

FINANCING ACTIVITIES

During the six months ended June 30, 2020, net cash outflow for financing activities was US$61 million compared to net cash outflow of US$583 million during the six months ended June 30, 2019. The change in net cash flows from financing activities was mainly driven by a net increase of debt during the six months ended June 30, 2020 compared to a net repayment of debt during the six months ended June 30, 2019.

During the six months ended June 30, 2020, we raised US$2,951 million, net of fees (2019: US$1,206), repaid US $2,733 million (2019: US$1,427) under various debt facilities and paid US$259 million (2019: US$295) of dividends to the shareholders of VEON Ltd. In the first half of 2020, a significant amount of debt raised was used to refinance existing debt, in order to achieve lower borrowing costs.

For information regarding changes to our debt portfolio during the six months ended June 30, 2020, see Note 7 to our unaudited interim condensed consolidated financial statements attached hereto.

BORROWINGS

As of June 30, 2020, the principal amounts of our external indebtedness represented by bank loans and bonds amounted to US$7,550 million, compared to US$7,519 million as of December 31, 2019. As of June 30, 2020, our debt includes overdrawn bank accounts related to a cash-pooling program of US$3 million (December 31, 2019: US $46 million).

As of June 30, 2020, VEON had the following principal amounts outstanding for interest-bearing loans and bonds as well as cash-pool overdrawn bank accounts:

Entity	Type of debt/ original lenders	Interest rate	Debt currency	Outstanding debt (mln)	Outstanding debt (USD mln)	Maturity date
VEON Holdings B.V.	Loan from Sberbank	7.3500%	RUB	30,000	429	03.06.2024
VEON Holdings B.V.	Loan from Sberbank	CBR Key Rate + 2.4%	RUB	20,000	286	03.06.2022
VEON Holdings B.V.	Loan from Sberbank	CBR Key Rate + 2.2%	RUB	37,500	536	03.06.2023
VEON Holdings B.V.	Loan from Alfa Bank	7.5000%	RUB	30,000	429	10.03.2025
VEON Holdings B.V.	Loan from VTB	8.7500%	RUB	30,000	429	30.06.2022
VEON Holdings B.V.	Notes	3.9500%	USD	600	600	16.06.2021
VEON Holdings B.V.	Notes	7.5043%	USD	417	417	01.03.2022
VEON Holdings B.V.	Notes	5.9500%	USD	529	529	13.02.2023
VEON Holdings B.V.	Notes	4.9500%	USD	533	533	17.06.2024
VEON Holdings B.V.	Notes	4.0000%	USD	1,000	1,000	09.04.2025
VEON Holdings B.V.	Notes	7.2500%	USD	700	700	26.04.2023
VEON Holdings B.V.	Notes	6.3000%	RUB	20,000	286	18.06.2025
VEON Holdings B.V.	RCF drawdown	2.1788%	USD	300	300	06.07.2020*
VEON Holdings B.V.	RCF drawdown	2.1900%	USD	200	200	22.07.2020*
TOTAL VEON Holdings B.V.					**6,674**	
PJSC VimpelCom	Loan from VIP Finance Ireland**	7.7480%	USD	262	262	02.02.2021
PJSC VimpelCom	Other PJSC VimpelCom				10	
TOTAL PJSC VimpelCom					**272**	
PMCL	Loan from Habib Bank Limited	6M KIBOR + 0.90%	PKR	667	4	15.12.2020
PMCL	Loan from ING Bank N.V.	6M LIBOR + 1.9%	USD	37	37	15.12.2020
PMCL	Loan from MCB Bank Limited	6M KIBOR + 0.8%	PKR	2,667	16	15.12.2020
PMCL	Loan from Habib Bank Limited	6M KIBOR + 0.35%	PKR	6,667	40	15.06.2022
PMCL	Syndicated Loan Facility	6M KIBOR	PKR	3,394	20	15.12.2023
PMCL	Syndicated Loan Facility	6M KIBOR	PKR	2,111	13	15.12.2023
PMCL	Syndicated Loan Facility	6M KIBOR + 0.35%	PKR	17,117	102	15.06.2022
PMCL	Syndicated Loan Facility	6M KIBOR + 0.75%	PKR	33,848	201	02.09.2026
PMCL	Islamic Financing Facility	6M KIBOR + 0.75%	PKR	10,000	60	02.09.2026
PMCL	Other PMCL				15	
TOTAL Pakistan Mobile Communications Limited					**508**	
Banglalink	Syndicated Loan Facility	Average bank deposit rate + 4.25% or 5.75%	BDT	6,939	82	24.06.2022
Banglalink	Syndicated Loan Facility	Average bank deposit rate + 3.0%	BDT	872	10	24.12.2020
TOTAL Banglalink Digital Communications Ltd.					**92**	
Other entities	Cash-pool overdrawn accounts*** and other				4	
Total VEON consolidated					**7,550**	

** 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 the RCF have been fully repaid during June and July 2020.*

*** Funded by the issuance of loan participation notes by VIP Finance Ireland.*

**** As of June 30, 2020, some bank accounts forming part of a cash pooling program and being an integral part of VEON's cash management remained overdrawn by US$3 million. Even though the total balance of the cash pool remained positive, VEON has no legally enforceable right to set-off and therefore the overdrawn accounts are presented as financial liabilities and form part of our debt.*

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

FUTURE LIQUIDITY AND CAPITAL REQUIREMENTS

During the six months ended June 30, 2020, our capital expenditures excluding licenses and right-of-use assets (**"CAPEX exc. licenses and ROU"**) were US$860 million compared to US$838 million in the six months ended June 30, 2019. The increase was primarily due to continued investments in network development in Russia.

We expect that CAPEX exc. licenses and ROU in 2020 will mainly consist of investing in high-speed data networks to capture mobile data growth, including the continued roll-out of 4G/LTE networks in Russia, Algeria, Bangladesh, Pakistan and Ukraine. We expect these expenditures to continue to be significant throughout the remainder of 2020.

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

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

As of June 30, 2020, we had an undrawn amount of US$1,357 million under existing credit facilities.

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

Below is the reconciliation of CAPEX exc. licenses and ROU (refer to Note 2 of the Audited Consolidated Financial Statements) to cash flows used in the Purchase of property, plant and equipment and intangible assets:

	Six-month period ended June 30,	
(In millions of U.S. dollars)	**2020**	**2019**
CAPEX exc. licenses and ROU	860	838
Adjusted for		
Additions of licenses	39	15
Additions of right-of-use assets	60	81
Difference in timing between accrual and payment for capital expenditures	(66)	(109)
Purchase of property, plant and equipment and intangible assets	**893**	**825**

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

As of June 30, 2020, the largest currency exposure risks for our group were in relation to the Russian ruble, the Pakistani rupee, the Algerian dinar, the Bangladeshi taka, the Ukrainian hryvnia and the Uzbek som, because the majority of our cash flows from operating activities in Russia, Pakistan, Algeria, Bangladesh, Ukraine and Uzbekistan are denominated in each of these functional currencies, respectively, while our debt, if not incurred in or hedged to the aforementioned currencies, is primarily denominated in U.S. dollars.

As of June 30, 2020, we held approximately 31% of our readily available cash and bank deposits in U.S. dollars in order to hedge against the risk of functional currency devaluation. We also hold part of our debt in Russian rubles and other currencies to manage this risk. Nonetheless, if the U.S. dollar value of the Russian ruble, Algerian dinar, Pakistani rupee, Bangladeshi taka, Ukrainian hryvnia or Uzbek som were to dramatically decline, it could negatively impact our ability to repay or refinance our U.S. dollar denominated indebtedness. Our treasury function has developed risk management policies that establish guidelines for limiting foreign currency exchange rate risk.

For more information on risks associated with currency exchange rates, see the section of our 2019 Annual Report entitled “Item 3—Key Information—D. Risk Factors— Market Risks —We are exposed to foreign currency exchange loss and currency fluctuation and translation risks.”

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

As of June 30, 2020, the interest rate risk on the financing of our group was limited as 75% of our group’s total debt was fixed rate debt.

DECLARATIONS

Introduction

This VEON's Ltd. interim report dated August 6, 2020, comprises regulated information within the meaning of sections 1:1 and 5:25c of the Dutch Act on Financial Supervision "Wet op het financieel toezicht."

Declarations

The Company's Chief Financial Officer, hereby declares that, to the best of his knowledge, the VEON half-year financial statements included in this interim report, which have been prepared in accordance with IAS 34 "Interim Financial Reporting", give a true and fair view of VEON's assets, liabilities, financial position and profit or loss and the undertakings included in VEON's consolidation taken as a whole, and the half-year management report included in this interim report gives a fair view of the information required pursuant to section 5:25d, subsections 8 and 9 of the "Wet op het financieel toezicht.".

Amsterdam, the Netherlands

August 6, 2020

Serkan Okandan, CFO

Unaudited interim condensed
consolidated financial statements

VEON Ltd.

As of and for the six and three-month periods
ended June 30, 2020

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INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

for the six and three-month periods ended June 30

		Six-month period		Three-month period	
(In millions of U.S. dollars, except per share amounts)	**Note**	**2020**	**2019**	**2020**	**2019**
Service revenues		3,773	4,085	1,795	2,080
Sale of equipment and accessories		160	201	72	112
Other revenue		55	99	25	69
Total operating revenues	2	**3,988**	**4,385**	**1,892**	**2,261**
Other operating income	4	2	350	2	—
Service costs		(746)	(758)	(365)	(390)
Cost of equipment and accessories		(163)	(206)	(74)	(116)
Selling, general and administrative expenses		(1,352)	(1,479)	(646)	(761)
Depreciation		(804)	(812)	(389)	(409)
Amortization		(178)	(205)	(86)	(111)
Impairment (loss) / reversal		(1)	(10)	(1)	(4)
Gain / (loss) on disposal of non-current assets		(12)	(14)	(6)	(7)
Gain / (loss) on disposal of subsidiaries		—	1	—	1
Operating profit		**734**	**1,252**	**327**	**464**
Finance costs		(391)	(421)	(184)	(210)
Finance income		15	28	6	14
Other non-operating gain / (loss)		101	14	86	10
Net foreign exchange gain / (loss)		(21)	(8)	8	(22)
Profit / (loss) before tax		**438**	**865**	**243**	**256**
Income tax expense	3	(144)	(260)	(68)	(181)
Profit / (loss) for the period		**294**	**605**	**175**	**75**
Attributable to:					
The owners of the parent		264	565	156	70
Non-controlling interest		30	40	19	5
		294	**605**	**175**	**75**
Basic and diluted gain / (loss) per share attributable to ordinary equity holders of the parent		**$0.15**	**$0.32**	**$0.09**	**$0.04**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six and three-month periods ended June 30

		Six-month period		Three-month period	
(In millions of U.S. dollars)	**Note**	**2020**	**2019**	**2020**	**2019**
Profit / (loss) for the period		**294**	**605**	**175**	**75**
Items that may be reclassified to profit or loss					
Foreign currency translation	1	(486)	22	94	(34)
Other		1	—	—	—
Items reclassified to profit or loss					
Other		(5)	—	—	—
Other comprehensive income / (loss) , net of tax		**(490)**	**22**	**94**	**(34)**
Total comprehensive income / (loss) , net of tax		**(196)**	**627**	**269**	**41**
Attributable to:					
The owners of the parent		(150)	640	259	76
Non-controlling interests		(46)	(13)	10	(35)
		(196)	**627**	**269**	**41**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of

(In millions of U.S. dollars)	Note	June 30, 2020	December 31, 2019
Assets			
Non-current assets			
Property and equipment	5	6,679	7,340
Intangible assets	6	5,119	5,688
Investments and derivatives	7	281	235
Deferred tax assets		117	134
Other assets		173	163
Total non-current assets		**12,369**	**13,560**
Current assets			
Inventories		102	169
Trade and other receivables *		437	512
Investments and derivatives *	7	276	198
Current income tax assets		35	16
Other assets		350	354
Cash and cash equivalents	8	1,166	1,250
Total current assets		**2,366**	**2,499**
Total assets		**14,735**	**16,059**
Equity and liabilities			
Equity			
Equity attributable to equity owners of the parent		811	1,226
Non-controlling interests		891	994
Total equity		**1,702**	**2,220**
Non-current liabilities			
Debt and derivatives	7	7,297	7,759
Provisions		121	138
Deferred tax liabilities		113	141
Other liabilities		29	33
Total non-current liabilities		**7,560**	**8,071**
Current liabilities			
Trade and other payables *		1,535	1,642
Debt and derivatives *	7	2,812	2,790
Provisions		158	222
Current income tax payables		97	102
Other liabilities		871	1,012
Total current liabilities		**5,473**	**5,768**
Total equity and liabilities		**14,735**	**16,059**

** Certain comparative amounts have been reclassified to conform to the current period presentation, refer to Note 14 for further details.*

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six-month period ended June 30, 2020

(In millions of U.S. dollars)	Note	Attributable to equity owners of the parent								
		Number of shares outstanding	Issued capital	Capital Surplus	Other capital reserves	Accumulated deficit	Foreign currency translation	Total	Non-controlling interests	Total equity
As of December 31, 2019		**1,749,127,404**	**2**	**12,753**	**(1,887)**	**(1,330)**	**(8,312)**	**1,226**	**994**	**2,220**
Profit / (loss) for the period		—	—	—	—	264	—	264	30	294
Other comprehensive income / (loss)		—	—	—	(4)	(1)	(409)	(414)	(76)	(490)
Total comprehensive income / (loss)		—	—	—	(4)	263	(409)	(150)	(46)	(196)
Dividends declared	9	—	—	—	—	(262)	—	(262)	(59)	(321)
Other		—	—	—	(3)	26	(26)	(3)	2	(1)
As of June 30, 2020		**1,749,127,404**	**2**	**12,753**	**(1,894)**	**(1,303)**	**(8,747)**	**811**	**891**	**1,702**

for the six-month period ended June 30, 2019

(In millions of U.S. dollars)	Note	Attributable to equity owners of the parent								
		Number of shares outstanding	Issued capital	Capital Surplus	Other capital reserves	Accumulated deficit	Foreign currency translation	Total	Non-controlling interests	Total equity
As of December 31, 2018		**1,749,127,404**	**2**	**12,753**	**743**	**(1,412)**	**(8,416)**	**3,670**	**(891)**	**2,779**
Adjustments arising due to IFRS 16		—	—	—	—	(3)	—	(3)	(1)	(4)
As of January 1, 2019		**1,749,127,404**	**2**	**12,753**	**743**	**(1,415)**	**(8,416)**	**3,667**	**(892)**	**2,775**
Profit / (loss) for the period		—	—	—	—	565	—	565	40	605
Other comprehensive income / (loss)		—	—	—	—	1	74	75	(53)	22
Total comprehensive income / (loss)		—	—	—	—	566	74	640	(13)	627
Dividends declared	9	—	—	—	—	(297)	—	(297)	(108)	(405)
Other		—	—	—	1	(11)	—	(10)	3	(7)
As of June 30, 2019		**1,749,127,404**	**2**	**12,753**	**744**	**(1,157)**	**(8,342)**	**4,000**	**(1,010)**	**2,990**

for the three-month period June 30, 2020

(In millions of U.S. dollars)	Note	Attributable to equity owners of the parent								
		Number of shares outstanding	Issued capital	Capital Surplus	Other capital reserves	Accumulated deficit	Foreign currency translation	Total	Non-controlling interests	Total equity
As of March 31, 2020		**1,749,127,404**	**2**	**12,753**	**(1,893)**	**(1,494)**	**(8,825)**	**543**	**949**	**1,492**
Profit / (loss) for the period		—	—	—	—	156	—	156	19	175
Other comprehensive income / (loss)		—	—	—	—	(1)	104	103	(9)	94
Total comprehensive income / (loss)		—	—	—	—	155	104	259	10	269
Dividends declared	9	—	—	—	—	—	—	—	(59)	(59)
Other		—	—	—	(1)	36	(26)	9	(9)	—
As of June 30, 2020		**1,749,127,404**	**2**	**12,753**	**(1,894)**	**(1,303)**	**(8,747)**	**811**	**891**	**1,702**

for the three-month period June 30, 2019

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six-month period ended June 30

		Six-month period	
(In millions of U.S. dollars)	**Note**	**2020**	**2019**
Operating activities			
Profit / (loss) before tax		438	865
Non-cash adjustments to reconcile profit before tax to net cash flows			
Depreciation, amortization and impairment loss / (reversal)		983	1,027
(Gain) / loss on disposal of non-current assets		12	14
(Gain) / loss on disposal of subsidiaries		—	(1)
Finance costs		391	421
Finance income		(15)	(28)
Other non-operating (gain) / loss		(101)	(14)
Net foreign exchange (gain) / loss		21	8
Changes in trade and other receivables and prepayments***		(100)	(167)
Changes in inventories		45	(27)
Changes in trade and other payables***		(58)	(12)
Changes in provisions, pensions and other		(14)	46
Interest paid		(337)	(358)
Interest received		15	32
Income tax paid		(175)	(241)
Net cash flows from operating activities		**1,105**	**1,565**
Investing activities			
Purchase of property, plant and equipment and intangible assets		(893)	(825)
Receipts from / (payment on) deposits		(98)	(662)
Receipts from / (investment in) financial assets***		(64)	(28)
Other proceeds from investing activities, net		7	24
Net cash flows from / (used in) investing activities		**(1,048)**	**(1,491)**
Financing activities			
Proceeds from borrowings, net of fees paid*	7	2,951	1,206
Repayment of debt***		(2,733)	(1,427)
Acquisition of non-controlling interest		(1)	(5)
Dividends paid to owners of the parent		(259)	(295)
Dividends paid to non-controlling interests		(19)	(62)
Net cash flows from / (used in) financing activities		**(61)**	**(583)**
Net (decrease) / increase in cash and cash equivalents		(4)	(509)
Net foreign exchange difference		(37)	(8)
Cash and cash equivalents at beginning of period		1,204	1,791
Cash and cash equivalents at end of period, net of overdrafts**	8	**1,163**	**1,274**

* *Fees paid for borrowings were US$15 (2019: US$14).*

** *Overdrawn amount was US$3 (2019: US$57)*

*** *Certain comparative amounts have been reclassified to conform to the current period presentation*

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

Notes to the interim condensed consolidated financial statements

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

GENERAL INFORMATION ABOUT THE GROUP

1 GENERAL INFORMATION

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

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

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

Major developments during the six-month period ended June 30, 2020

Financing activities

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), subsequently utilizing an amount of RUB87.5 billion (US$1,281). The proceeds were used to prepay outstanding amounts under a previous Sberbank term facilities agreement. For further details please refer to Note 7.

In April 2020, VEON Holdings B.V. 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 2020, VEON Holdings B.V. executed a drawdown of RUB20 billion (US$288) senior unsecured notes under the program. For further details please refer to Note 7.

Coronavirus outbreak

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide.

The second quarter saw the full impact on our operations of the lockdowns imposed across our markets in response to the COVID-19 pandemic. This resulted in material disruption to our retail operations following store closures, which impacted 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.

Conversely, demand for our data services remained strong during the quarter, enabling us to continue to grow our data revenues at a double-digit pace. We also experienced a continued shift in data traffic from mobile to fixed networks as lockdowns encouraged home working and schooling alongside a greater use of devices through our domestic broadband services.

Furthermore, an increase in demand for hard currencies has resulted in the devaluation of exchange rates in the countries in which VEON operates. As such, in the first half of 2020, the book value of assets and liabilities of our foreign operations, in U.S. dollar terms, has decreased significantly, with a corresponding loss of US$486 recorded against the foreign currency translation reserve in the Statement of Comprehensive Income.

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

Notes to the interim condensed consolidated financial statements

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

OPERATING ACTIVITIES OF THE GROUP

2 SEGMENT INFORMATION

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

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

As of December 31, 2019, management decided to include Kazakhstan as a separate reportable segment due to the increased impact of Kazakhstan operations on the overall business (as described in the Group's audited annual consolidated financial statements as of and for the year ended December 31, 2019). In addition, management decided to show the financial impact of HQ and eliminations separately from operating companies. Comparative figures for six and three-month periods ended June 30, 2019 have been adjusted to reflect this change.

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

For the six-month period ended June 30

	Service revenue				Sale of equipment and accessories		Other revenue		Total Revenue	
	Mobile		Fixed							
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Our cornerstone										
Russia	1,506	1,714	265	260	151	191	5	7	1,927	2,172
Our growth engines										
Pakistan	559	662	—	—	3	4	42	44	604	710
Ukraine	429	372	30	25	—	—	2	3	461	400
Kazakhstan	190	180	37	33	2	1	1	39	230	253
Uzbekistan	101	130	1	1	—	—	—	—	102	131
Our frontier markets										
Algeria	343	378	—	—	2	1	—	—	345	379
Bangladesh	262	264	—	—	—	1	5	6	267	271
Other frontier markets	55	66	12	14	2	3	—	—	69	83
Other										
HQ and eliminations	(17)	(14)	—	—	—	—	—	—	(17)	(14)
Total segments	**3,428**	**3,752**	**345**	**333**	**160**	**201**	**55**	**99**	**3,988**	**4,385**

Notes to the interim condensed consolidated financial statements

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

	Adjusted EBITDA		CAPEX exc. licenses and ROU	
	2020	2019	2020	2019
Our cornerstone				
Russia	784	966	415	462
Our growth engines				
Pakistan	280	369	153	118
Ukraine	313	256	96	67
Kazakhstan	124	152	52	53
Uzbekistan	45	67	26	39
Our frontier markets				
Algeria	145	172	38	48
Bangladesh	113	114	59	37
Other frontier markets	25	28	19	14
Other				
HQ and eliminations	(100)	168	2	—
Total segments	**1,729**	**2,292**	**860**	**838**

For the three-month period ended June 30

	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	711	883	128	131	68	106	—	4	907	1,124
Our growth engines										
Pakistan	266	324	—	—	1	2	21	22	288	348
Ukraine	208	198	14	13	—	—	1	1	223	212
Kazakhstan	92	94	19	17	1	—	—	39	112	150
Uzbekistan	47	67	—	—	—	—	—	—	47	67
Our frontier markets										
Algeria	159	187	—	—	1	—	—	—	160	187
Bangladesh	128	134	—	—	—	—	3	3	131	137
Other frontier markets	25	34	6	7	1	4	—	—	32	45
Other										
HQ and eliminations	(8)	(9)	—	—	—	—	—	—	(8)	(9)
Total segments	**1,628**	**1,912**	**167**	**168**	**72**	**112**	**25**	**69**	**1,892**	**2,261**

Notes to the interim condensed consolidated financial statements

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

	Adjusted EBITDA		CAPEX exc. licenses and ROU	
	2020	2019	2020	2019
Our cornerstone				
Russia	357	498	249	236
Our growth engines				
Pakistan	133	186	85	67
Ukraine	151	138	58	38
Kazakhstan	61	97	28	42
Uzbekistan	20	35	21	14
Our frontier markets				
Algeria	64	83	24	30
Bangladesh	54	54	15	23
Other frontier markets	11	15	12	8
Other				
HQ and eliminations	(42)	(112)	—	(9)
Total segments	**809**	**994**	**492**	**449**

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

	Six-month period		Three-month period	
	2020	2019	2020	2019
Profit / (loss) before tax	**438**	**865**	**243**	**256**
Adjustments to reconcile Profit / (loss) before tax to Total Adjusted EBITDA				
Depreciation	804	812	389	409
Amortization	178	205	86	111
Impairment loss / (reversal)	1	10	1	4
(Gain) / loss on disposal of non-current assets	12	14	6	7
(Gain) / loss on disposal of subsidiaries	—	(1)	—	(1)
Finance costs	391	421	184	210
Finance income	(15)	(28)	(6)	(14)
Other non-operating (gain) / loss	(101)	(14)	(86)	(10)
Net foreign exchange (gain) / loss	21	8	(8)	22
Total Adjusted EBITDA	**1,729**	**2,292**	**809**	**994**

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

3 INCOME TAXES

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

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

	Six-month period		Three-month period	
	2020	2019	2020	2019
Current income taxes	152	250	97	163
Deferred income taxes	(8)	10	(29)	18
Income tax expense	**144**	**260**	**68**	**181**
Effective tax rate	32.9 %	30.1 %	28.0 %	70.7 %

The difference between the statutory tax rate in the Netherlands (25.0%) and the effective corporate income tax rate for the Group in the six and three-month periods ending June 30, 2020 (32.9% and 28.0%, respectively) was primarily driven by a number of non-deductible expenses incurred by the Group in various countries, which are recorded in our consolidated income statement, as well as withholding taxes accrued for forecasted dividends from our operating companies.

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

INVESTING ACTIVITIES OF THE GROUP

4 SIGNIFICANT TRANSACTIONS

GTH restructuring

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

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. The parties signed binding terms to vary the existing agreements and as a result VEON received US$350 during the first half of 2019. The settlement amount was recorded in the income statement within 'Other operating income'.

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

5 PROPERTY AND EQUIPMENT

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

	Six-month period	
	2020	2019
Balance as of January 1	**7,340**	**4,932**
Adjustment due to new accounting standard (IFRS 16)	—	1,945
Additions	839	827
Disposals	(25)	(29)
Depreciation	(804)	(812)
Impairment	(1)	(10)
Translation adjustment	(689)	265
Other	19	76
Balance as of June 30	**6,679**	**7,194**

Notes to the interim condensed consolidated financial statements

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

6 INTANGIBLE ASSETS

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

	Six-month period	
	2020	2019
Balance as of January 1	**5,688**	**5,670**
Adjustment due to new accounting standard (IFRS 16)	—	(15)
Additions	124	101
Amortization	(178)	(204)
Translation adjustment	(519)	148
Other	4	—
Balance as of June 30	**5,119**	**5,700**

Goodwill

Included within total intangible asset movements for the six month periods ended June 30, 2020, as shown above, are the following movements in goodwill for the group, per cash generating unit **("CGU")**:

CGU *	June 30, 2020	Currency translation	December 31, 2019
Russia	2,005	(260)	2,265
Algeria	1,077	(90)	1,167
Pakistan	309	(26)	335
Kazakhstan	145	(9)	154
Uzbekistan	36	(2)	38
Total	**3,572**	**(387)**	**3,959**

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

Impairment analysis

Goodwill is tested for impairment annually (at October 1) or when circumstances indicate the carrying value may be impaired. The Company's impairment test for goodwill is primarily based on fair value less cost of disposal calculations that use a discounted cash flow model. When reviewing for indicators of impairment in interim periods, the Company considers, amongst others, the relationship between its market capitalization and its book value, as well as weighted average cost of capital and the quarterly financial performances of each cash-generating unit (**"CGU"**). In addition to the above, in the first half of 2020, the Company also considered the impact of COVID-19 when reviewing for indicators of impairment (refer Note 1 for further details).

As a result of the above, the Company performed impairment testing for Russia CGU as of June 30, 2020. Based on the recoverable amount calculated and the carrying value of the CGU, no impairment loss was recorded in the first half of 2020.

Although we believe that judgments made supporting our impairment assessment are reasonable (relying on information reasonably available to us), the COVID-19 pandemic makes it challenging for us to estimate the future performance of our CGUs. As circumstances change and/or new information becomes available, we may be required to record impairments in future periods.

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

Key assumptions

The recoverable amount of the CGU has been determined based on fair value less costs of disposal calculations, using cash flow projections from the business plan prepared by management. For further details regarding calculations and assumptions used for impairment testing, refer to the Group's audited annual consolidated financial statements as of and for the year ended December 31, 2019.

CGU	Discount rate	Average growth rate *	Terminal growth rate	Average operating margin *	Average CAPEX / revenue *,**
Russia	9.6 %	4.3 %	1.6 %	32.4 %	28.8 %

** During the explicit forecast period of five years*

*** CAPEX excludes licenses and ROU*

Sensitivity to changes in assumptions

The following table illustrates the CGU's remaining headroom if certain key parameters would adversely change by one percentage point within both the explicit forecast period and the terminal period. Any additional adverse changes in the key parameters by more than one percentage point would further proportionally decrease the headroom.

		Remaining headroom / (impairment) as a result of change in assumption				
CGU	Existing headroom	Discount rate	Average growth rate *	Terminal growth rate	Average operating margin ***	Average CAPEX / revenue **,***
		+1 pp	-1 pp	-1 pp	-1 pp	+1 pp
Russia	17	(682)	(262)	(558)	(465)	(472)

** During the explicit forecast period of five years*

*** CAPEX excludes licenses and ROU*

**** During the explicit forecast period of five years and terminal value*

Notes to the interim condensed consolidated financial statements

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

FINANCING ACTIVITIES OF THE GROUP

7 INVESTMENTS, DEBT AND DERIVATIVES

The Company holds the following investments and derivative assets:

	June 30, 2020	December 31, 2019
At fair value		
Derivatives not designated as hedges	17	11
Derivatives designated as net investment hedges	—	—
Investments in debt instruments	65	34
	82	**45**
At amortized cost		
Security deposits and cash collateral	301	256
Loans granted to customers - microfinance banking *	125	116
Bank deposits	20	—
Other investments	29	16
	475	**388**
Total investments and derivatives	**557**	**433**
Non-current	281	235
Current	276	198

The Company holds the following debt and derivative liabilities:

	June 30, 2020	December 31, 2019
At fair value		
Derivatives not designated as hedges	62	52
Derivatives designated as net investment hedges	26	161
Contingent consideration	—	41
	88	**254**
At amortized cost		
Principal amount outstanding	7,550	7,519
Interest accrued	80	79
Discounts, unamortized fees, hedge basis adjustment	(6)	(10)
Bank loans and bonds	**7,624**	**7,588**
Lease liabilities	1,815	2,083
Put-option liability over non-controlling interest	320	342
Customer deposits - microfinance banking *	192	186
Other financial liabilities *	70	96
	10,021	**10,295**
Total debt and derivatives	**10,109**	**10,549**
Non-current	7,297	7,759
Current	2,812	2,790

** Certain comparative amounts have been reclassified to conform to the current period presentation, refer to Note 14 for further details.*

Significant changes in financial assets and financial liabilities

There were no significant changes in financial assets and liabilities in the six-month period ended June 30, 2020, except for the scheduled repayments of debt or as described below. Furthermore, there were no changes in risk management policies as disclosed in the Group's annual consolidated financial statements as of and for the year ended December 31, 2019.

Net investment hedge

In the first quarter of 2020, the fair values of the Company's derivatives designated as net investment hedges increased significantly due to depreciation of the Russian ruble, resulting in a US$275 gain recorded against the foreign currency translation reserve, which partially offset the translation loss related to our foreign operations. Appreciation of RUB in the second quarter of 2020 reduced this gain by US$146, leading to a net gain of US$129 for the six-month period ended June 30, 2020.

Ex-Warid license renewal

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$39.5 per MHz for 900 MHz spectrum and US$29.5 per MHz for 1800 MHz spectrum, equating to an aggregate price of approximately US$450 (excluding advance tax of 10%). 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.

On May 18, 2020 a further US$57 was paid under protest, presented within 'Receipts from / (payment on) deposits' in the statement of cash flows. A hearing date before the Islamabad High Court was scheduled for April 9, 2020 but was adjourned in light of court closures due to COVID-19.

Refinancing of RUB debt - 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 on May 19, 2017. The fourth facility available under the agreement signed in June 2020 was fully utilized subsequent to reporting date, in July 2020.

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 2020, VEON Holdings B.V. executed a drawdown of RUB20 billion (US$288) senior unsecured notes under the MTN Program, maturing in June 2025.

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., the Company's wholly-owned subsidiary, acquired the loan from the original lenders, leading to extinguishment of this financial liability within VEON's consolidated financial statements. No material transactional costs were incurred.

Drawdowns under the Revolving Credit Facility

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

In March 2020, VEON Holdings B.V., the Company's wholly-owned subsidiary, executed two drawdowns under the 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 the RCF have been fully repaid during June 2020 (US$100) and July 2020 (US$500).

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 10, 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 26, 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.

Fair values

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

- 'Bank loans and bonds, including interest accrued', for which fair value is equal to US$7,890 at June 30, 2020 (December 31, 2019: US$7,887); and
- 'Lease liabilities', for which fair value has not been determined.

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

As of June 30, 2020 and December 31, 2019, the Group recognized financial instruments at fair value in the statement of financial position, all of which were measured based on Level 2 inputs, except for Contingent consideration, for which fair value is classified as Level 3. Observable inputs (Level 2) used in valuation techniques include inter-bank interest rates, bond yields, swap curves, basis swap spreads, foreign exchange rates and credit default spreads. During the six-month period ended June 30, 2020, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

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

	Contingent consideration
As of December 31, 2019	**41**
Fair value changes recognized in the income statement	(41)
As of June 30, 2020	**—**

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.

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

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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 the reporting date, 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 in the consolidated income statement.

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

8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following items:

	June 30, 2020	December 31, 2019
Cash at banks and on hand	658	932
Short-term deposits with original maturity of less than three months	508	318
Cash and cash equivalents	**1,166**	**1,250**
Less overdrafts	(3)	(46)
Cash and cash equivalents, net of overdrafts (as presented in the consolidated statement of cash flows)	**1,163**	**1,204**

As of June 30, 2020 and December 31, 2019, there were no restricted cash and cash equivalent balances. Cash balances as of June 30, 2020 include investments in money market funds of US$27 (December 31, 2019: US$155).

As of June 30, 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$3 (2019: US$46). Even though the total balance of the cash pool remained positive, the Company has no legally enforceable right of set-off and therefore the overdrawn accounts are presented as financial liabilities within the statement of financial position. At the same time, because the overdrawn accounts are an integral part of the Company's cash management, they were included as cash and cash equivalents within the statement of cash flows.

Notes to the interim condensed consolidated financial statements

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

9 ISSUED CAPITAL

The following table details the common shares of the Company as of June 30

	2020	2019
Authorized common shares (nominal value of US$0.001 per share)	1,849,190,670	1,849,190,670
Issued shares, including 7,603,731 shares held by a subsidiary of the Company	1,756,731,135	1,756,731,135

The holders of common shares are, subject to our by-laws and Bermuda law, generally entitled to enjoy all the rights attaching to common shares.

As of June 30, 2020, the Company's largest shareholders and remaining free float are as follows:

Shareholder	Common shares	% of common and voting shares
L1T VIP Holdings S.à r.l. ("LetterOne")	840,625,001	47.9 %
Stichting Administratiekantoor Mobile Telecommunications Investor *	145,947,562	8.3 %
Free Float, including 7,603,731 shares held by a subsidiary of the Company	770,158,572	43.8 %
Total outstanding common shares	**1,756,731,135**	**100.0 %**

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

Notes to the interim condensed consolidated financial statements

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

10 DIVIDENDS PAID AND PROPOSED

The following table provides an overview of dividends declared by VEON during the six-month period ended June 30, 2020 and 2019:

	Dividends declared	Dividends paid	Dividends, US$ cents per share	Total dividends
Final dividend for 2019	February 2020	March 2020	15	262
Final dividend for 2018	February 2019	March 2019	17	297

The Company makes appropriate tax withholdings of up to 15% when dividends are paid to the Company's share depositary, The Bank of New York Mellon.

For ordinary shareholders at Euronext Amsterdam, dividends are paid in euro.

Notes to the interim condensed consolidated financial statements

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

ADDITIONAL INFORMATION

11 RELATED PARTIES

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

COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE COMPANY

Value growth cash-based long-term incentive plans

The carrying value of obligations under the Value-growth cash based long-term incentive plan (the **"LTI Plan"**) as of June 30, 2020 and December 31, 2019, respectively, was equal to US$5 and US$9. Included within 'Selling, general and administrative expenses' for the six and three-month periods ended June 30, 2020, respectively, is an expense of US$3 (2019: expense of US$6) and US$0 (2019: gain of US$2) relating to share-based payment expense under the LTI Plan.

12 RISKS, COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

Other than disclosed below and elsewhere in these interim condensed consolidated financial statements, there were no material changes to risks, commitments, contingencies and uncertainties that occurred during the six-month period ended June 30, 2020.

Settlement of dispute concerning sale of Telecel Globe Limited

In 2013, GTH and Niel Natural Resources Investments S.A. ("**Niel**") entered into a Share Purchase Agreement (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. Pursuant to the terms of the SPA and subsequent amendments agreed, deposits of US$50 were received by GTH from Niel and recorded within other financial liabilities. Upon Niel's failure to close the intended transaction and in accordance with the terms of the SPA, the deposits paid were not refunded. 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 remains subject to Niel's satisfaction of certain conditions precedent, whereby GTH will 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)'.

13 EVENTS AFTER THE REPORTING PERIOD

Refinancing of loan agreement with VTB

In July 2020, VEON Holdings B.V. successfully refinanced its existing RUB 30 billion, approximately 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..

Notes to the interim condensed consolidated financial statements

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

14 BASIS OF PREPARATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six and three-month periods ended June 30, 2020 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements as of and for the year ended December 31, 2019.

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

Certain comparative amounts have been reclassified to conform to the current period presentation. Specifically, the following December 31, 2019 balances were reclassified in the consolidated statement of financial position:

- Loans granted to customers relating to microfinance banking operations of US$116 is now presented within current Investments and derivatives (previously within Trade and other receivables); and
- Customer deposits and other liabilities relating to microfinance banking of US$186 and US$19, respectively, are now presented within current Debt and derivatives (previously within Trade and other payables).

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as of and for the year ended December 31, 2019.

A number of new and amended standards became effective as of January 1, 2020, which are not expected to have a material impact on VEON financial statements in current or future reporting periods or on foreseeable future transactions. The Group has not early adopted any other standards, interpretations or amendments that have been issued but have not yet become effective.

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 as of June 30, 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, August 6, 2020

VEON Ltd.

Review report

To: the Board of Directors of VEON Ltd.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements for the six and three-month periods ended 30 June 2020 of VEON Ltd., Amsterdam, which comprise the interim condensed consolidated statement of financial position as at 30 June 2020, the interim condensed consolidated statement of cash flows for the six-month period then ended, the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income and the interim condensed consolidated statement of changes in equity for the six and three-month periods ended 30 June 2020, and the selected explanatory notes. Management is responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, Review of Interim Financial Information Performed by the Independent Auditor of the entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements for the six and three-month periods ended 30 June 2020 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Amsterdam, the Netherlands, 6 August 2020
PricewaterhouseCoopers Accountants N.V.

Original has been signed by W.J. van der Molen RA

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