VEON

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 at and for the six months ended June 30, 2017 and 2016, and the related notes, attached hereto.

References to "VEON" and the "VEON Group," as well as references to "our company," "the company," "our group," "the group," "we," "us," "our" and similar pronouns, are references to VEON Ltd. as at March 30, 2017 and to VimpelCom Ltd. prior to March 30, 2017, an exempted company limited by shares registered in Bermuda, and its consolidated subsidiaries. References to VEON Ltd. are to VEON Ltd. alone as at March 30, 2017 and to VimpelCom Ltd. alone prior to March 30, 2017. The unaudited interim condensed consolidated financial statements as at June 30, 2017 and for the six months ended June 30, 2017 and 2016 attached hereto have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and presented in U.S. dollars. VEON Ltd. adopted IFRS as at January 1, 2009.

The discussion of our business and the telecommunications industry included herein contains references to certain terms specific to our business, including numerous technical and industry terms. Such terms are defined in Exhibit 99.1 to our Annual Report on Form 20-F for the year ended December 31, 2016 (our "2016 Annual Report"). For a comprehensive discussion of our critical accounting estimates and assumptions, please refer to Note 4 to our audited consolidated financial statements included in our 2016 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. 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.

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.

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

- our plans to implement our strategic priorities, including with respect to our performance transformation program; targets and strategic initiatives in the various countries in which we operate; business to business growth and other new revenue streams; digitalizing our business model; portfolio and asset optimization; improving customer experience and optimizing our capital structure;
- our anticipated performance and guidance for 2017 and 2018;
- our ability to generate sufficient cash flow to meet our debt service obligations and our expectations regarding working capital and the repayment of our debt;
- our expectations regarding our capital expenditures and operational expenditures in and after 2017 and our ability to meet our projected capital requirements;
- our plans to upgrade and build out our networks and to optimize our network operations;
- 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 and network investment, such as expectations regarding the roll-out and benefits of 3G/4G/LTE networks or other networks; broadband services and integrated products and services, such as fixed-mobile convergence;

- our ability to execute our business strategy successfully and to complete, and achieve the expected synergies from, our existing and future transactions, such as the joint venture with Hutchison, through which we jointly own and operate our telecommunications businesses comprised of the historical Hutchison business, 3 Italia S.p.A. ("3 Italia") and the historical VEON business, Wind Telecomunicazioni S.p.A. ("WIND"), in Italy (a transaction and resulting business that we refer to as the "Italy Joint Venture" in this document) and our merger with Warid Telecom Pakistan LLC ("WTPL") and Bank Alfalah Limited ("Bank Alfalah"), which resulted in the merger of our telecommunications businesses in Pakistan (a transaction we refer to as the "Pakistan Merger" in this document);
- our ability to integrate acquired companies, joint ventures or other forms of strategic partnerships into our existing businesses in a timely and cost-effective manner and to realize anticipated synergies therefrom;
- our expectations as to pricing for our products and services in the future, improving our monthly average revenue per customer and our future costs and operating results;
- 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 ability to meet license requirements and to obtain, maintain, renew or extend licenses, frequency allocations and frequency channels and obtain related regulatory approvals;
- our plans regarding the marketing and distribution of our products and services, as well as our 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;
- possible adverse consequences resulting from our agreements announced on February 18, 2016 with the U.S. Securities and Exchange Commission ("SEC"), the U.S. Department of Justice ("DOJ"), and the Dutch Public Prosecution Service (Openbaar Ministerie) ("OM"), including the Deferred Prosecution Agreement (the "DPA") with the DOJ filed with the United States District Court for the Southern District of New York, the judgment entered by the United States District Court for the Southern District of New York related to the agreement with the SEC, including the consent incorporated therein (the "SEC Judgment") and the settlement agreement with the OM (the "Dutch Settlement Agreement"), as well as any litigation or additional investigations related to or resulting from the agreements, including the DPA and the SEC Judgment, the retention of an independent compliance monitor as required by the DPA and the SEC Judgment, any changes in company policy or procedure resulting from the review by the independent compliance monitor or otherwise undertaken by VEON Ltd., the duration of the independent compliance monitor's review, and VEON Ltd.'s compliance with the terms of the resolutions with the DOJ, SEC, and OM; and
- other statements regarding matters that are not historical facts.

These statements are management's best assessment of the company's 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 the management's current knowledge and best belief, they are merely estimates or predictions and cannot be relied upon. We cannot assure you that future results will be achieved. The risks and uncertainties that may cause our actual results to differ materially from the results indicated, expressed or implied in the forward-looking statements used in this document include:

- risks relating to changes in political, economic and social conditions in each of the countries in which we operate (including as a result of armed conflict) such as any harm, reputational or otherwise, that may arise due to changing social norms, our business involvement in a particular jurisdiction or an otherwise unforeseen development in science or technology;
- in each of the countries in which we operate, risks relating to legislation, regulation, taxation and currency, including laws, regulations, decrees and decisions governing the telecommunications industry, costs of compliance, currency and exchange controls, currency fluctuations, taxation legislation, abrupt changes in the regulatory environment, 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 relating to a failure to meet expectations regarding various strategic initiatives, including, but not limited to, the performance transformation program;
- 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 various courts or regulatory agencies with whom we are involved in legal challenges, tax disputes or appeals may not find in our favor;
- risks relating to our company and its operations in each of the countries in which we operate, 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 including our ability to keep pace with technological change and evolving industry standards;
- risks associated with developments in the investigations by, and the agreements with, the DOJ, SEC and OM and any additional investigations or litigation that may be initiated relating to or arising out of any of the foregoing, and the costs associated therewith, including relating to remediation efforts and enhancements to our compliance programs, and the review by the independent compliance monitor;
- risks related to the activities of our strategic shareholders, lenders, employees, joint venture partners, representatives, agents, suppliers, customers and other third parties;
- risks associated with our existing and future transactions, including with respect to realizing the expected synergies of closed transactions, such as the Italy Joint Venture and/or the Pakistan Merger, 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 that would be associated with such events and the reputation harm that could arise therefrom;
- risks related to the ownership of our American Depositary Receipts or common shares, including those associated with VEON Ltd.'s status as a Bermuda company and a foreign private issuer; and
- other risks and uncertainties.

These factors and the other risk factors described in "Item 3—Key Information—D. Risk Factors" in our 2016 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 the 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 at 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 an international communications and technology company, headquartered in Amsterdam. As a global provider of connectivity, our ambition is to lead the personal internet revolution for our customers now, and in the future. Present in some of the world's most dynamic markets, VEON provides more than 200 million customers with voice, fixed broadband, data and digital services. VEON offers services to customers in 12 countries including Russia, Pakistan, Algeria, Bangladesh, Ukraine, Uzbekistan, Kazakhstan, Kyrgyzstan, Tajikistan, Armenia, Georgia and Laos. We provide services under the "Beeline," "Kyivstar," "banglalink," "Jazz" and "Djezzy" brands.

The Italy Joint Venture offers services to customers in Italy. It provides services to more than 30 million customers under the "WIND" and "3" brands.

BASIS OF PRESENTATION OF FINANCIAL RESULTS

Our unaudited interim condensed consolidated financial statements attached hereto include the financial positions of VEON Ltd. and its consolidated subsidiaries. All intercompany positions and results from transactions have been eliminated upon consolidation. We have used the equity method of accounting for companies in which we have significant influence and joint control, such as the Italy Joint Venture. Generally, this represents voting rights of at least 20.0% and not more than 50.0%.

We and our subsidiaries paid taxes computed on income reported for local statutory tax purposes. We based this computation on local statutory tax rules, which differ substantially from IFRS. Certain items that are capitalized under IFRS are recognized under local statutory accounting principles as an expense in the year paid. In contrast, numerous expenses reported in the financial statements prepared under IFRS are not tax deductible under local legislation. As a consequence, as a general matter, our effective tax rate is different under IFRS from the statutory rate.

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REPORTABLE SEGMENTS

We currently operate and manage VEON Ltd. on a geographical basis. In accordance with IFRS rules, this results in seven reportable segments. These segments are based on the different economic environments and varied stages of development across the geographical markets we serve, each of which requires different investment and marketing strategies.

Our reportable segments currently consist of the seven following segments:

- Russia;
- Pakistan;
- Algeria;
- Bangladesh;
- Ukraine;
- Uzbekistan; and
- HQ (transactions related to management activities within the group).

In the six months ended June 30, 2016, we reported an "HQ and Others" segment. As of December 31, 2016, "Others" is no longer a reportable segment but only a reconciling column in our financial statements and therefore for the six months ended June 30, 2017, we reported revenue and Adjusted EBITDA for "Others" only as a reconciling line item between our seven reportable segments and our total revenue and Adjusted EBITDA. For comparability purposes, the financial data for the six months ended June 30, 2016 has been presented to show our revenue and Adjusted EBITDA in each of HQ and Others on a stand-alone basis, with Others including Kazakhstan.

Since January 1, 2017, management has included the Italy Joint Venture as a separate reportable segment, see Note 6 to our unaudited interim condensed consolidated financial statements for more information.

FACTORS AFFECTING COMPARABILITY OF PRIOR PERIODS

Our results were affected by the differing classification of the business in Italy between periods. The WIND Italy business was classified as an asset held for sale and a discontinued operation during the first and second quarters of 2016. The Italy Joint Venture transaction was completed in November 2016 and therefore, in the first and second quarters of 2017, the Italy Joint Venture was classified as a joint venture and its results were classified as a share of loss of joint ventures and associates. For more information, please see Note 6 to our audited consolidated financial statements included in our 2016 Annual Report and "—Key Developments and Trends—Italy Joint Venture" and "Explanatory Note—Accounting Treatment of our Historical WIND Business and the new Italy Joint Venture" in our 2016 Annual Report.

In general, our unaudited interim condensed consolidated financial statements and related notes incorporated hereto and the following discussion and analysis reflect the contribution of the operators we acquired from their respective dates of acquisition or consolidation. Therefore, such acquisitions affect the comparability of data between periods.

The comparability between the periods presented below was also affected by the addition of one day in the six months ended June 30, 2016, due to 2016 being a leap year.

In addition, the resolutions with the SEC, the DOJ and the OM announced in February 2016 relating to previously disclosed investigations under the FCPA and relevant Dutch laws and paid fines and disgorgements to the SEC, the DOJ and the OM will affect comparability. All fines were paid in 2016, though we anticipate some ongoing compliance costs going forward. For further details related to these agreements, please see the following sections of our 2016 Annual Report: "Item 8—Financial Information—A. Consolidated Statements and Other Financial Information—A.7. Legal Proceedings," Notes 25 and 27 to our audited consolidated financial statements, "Item 3—Key Information—D. Risk Factors—Risks Related to Our Business—We have incurred and are continuing to incur costs and related management oversight obligations in connection with our obligations under the DPA, the SEC Judgment and the Dutch Settlement Agreement, which may be significant" and "Item 3—Key Information—D. Risk Factors—Risks Related to Our Business—We could be subject to criminal prosecution or civil sanction if we breach the DPA with the DOJ, the SEC Judgment or the Dutch Settlement Agreement, and we may face other potentially negative consequences relating to the investigations by, and agreements with, the DOJ, SEC and OM, including additional investigations and litigation."

KEY DEVELOPMENTS DURING THE SECOND QUARTER OF 2017

AGM Elected Two New Independent Directors, with Ursula Burns Appointed Chairman of VEON

Following the election of the directors of the Supervisory Board at the AGM of July 24, 2017, the Supervisory Board appointed Ursula Burns, the former Chairman and CEO of Xerox, to become its Chairman effective immediately. With the election of Ursula Burns and Guy Laurence, the former CEO of Rogers, the Supervisory Board will increase from nine to eleven members.

CK Hutchison and VEON announced new Wind Tre CEO

On June 23, 2017, CK Hutchison Holdings Ltd. and VEON Ltd., joint owners of Wind Tre, announced the appointment of Jeffrey Hedberg as Chief Executive Officer of Wind Tre.

Mr. Hedberg is a highly experienced telecom executive having held senior management roles at leading global telecom companies for over 25 years. Most recently, Jeffrey has been Group Chief People Officer at VEON and President & CEO of Mobilink in Pakistan (2014-2016) where he was responsible for transforming the business, leading the acquisition of and planning the integration with Warid.

VEON, the personal internet platform launched in 5 countries

In July, VEON launched its new global personal internet platform in Russia, Ukraine, Georgia, Pakistan and, with updated functionality, in Italy, covering 134 million potential customers. The VEON platform provides personalized internet services, with a range of messaging and communication capabilities (including chat, calls and sharing) which users can use for free, without worrying about running out of data. The platform gives access to some of the most popular consumer brands, thanks to more than 100 partnerships with both global and local players. The Company intends to roll out the VEON platform in all its markets by the end of 2017.

Jazz Acquired Additional 4G/LTE Spectrum in Pakistan

VEON and its subsidiary Global Telecom Holding announced the acquisition of additional 4G/LTE spectrum in Pakistan, through their local 85% owned subsidiary, Jazz. VEON believes that this acquisition of spectrum is expected to improve the customer experience in terms of voice quality, data speeds and connectivity. Jazz won the auction, being awarded 10 MHz of paired spectrum in the 1800 MHz band for a total consideration of US$ 295 million and withholding tax of 10%.

Substantive Refinancing Activities Completed, Simplifying the Capital Structure

VEON intends to continuously improve its capital structure and rebalance the debt currency mix, with the aim to lower its net cost of debt. VEON's subsidiary VimpelCom Holdings B.V. entered into a new RUB 110 billion, five-year term loan agreement with Sberbank. The term loan has been utilized to refinance the existing loans between Sberbank and PJSC VimpelCom, as well as provide additional funds for general corporate purposes.

VimpelCom Holdings B.V. also completed a cash tender offer for the total outstanding principal of the following notes: (i) US$ 1 billion 9.125% Loan Participation Notes due 2018, (ii) US$ 1 billion 7.748% Loan Participation Notes due 2021 and (iii) US$ 1.5 billion 7.5043% Guaranteed Notes due 2022. The aggregate principal amount accepted for purchase pursuant to the offer was equal to approximately US$ 1.3 billion, leaving the aggregate principal amount outstanding, following settlement of the offer, at around US$ 1.2 billion.

In connection with the cash tender offer, VimpelCom Holdings B.V. also issued new senior unsecured notes; on June 16, 2017, VimpelCom Holdings B.V. issued US$ 600 million 3.95% Senior Notes due 2021 and US$ 900 million 4.95% Senior Notes due 2024. The net proceeds of the issue were utilized to finance the cash tender offer and for general corporate purposes.

VEON and Megafon Agreed to End their Euroset Joint Venture in Russia

On July 7, 2017, PJSC Vimpel-Communications ("PJSC VimpelCom"), a subsidiary of the Company, entered into a Framework Agreement with PJSC Megafon ("Megafon") to unwind their retail joint venture, Euroset Holding B.V. ("Euroset"). Under the agreement, Megafon will acquire PJSC VimpelCom's 50% interest in Euroset and PJSC VimpelCom will pay RUB 1.25 billion (approximately US$20 and subject to possible completion adjustments) and will acquire rights to 50% of Euroset's approximately 4,000 retail stores in Russia. The transaction is subject to relevant regulatory approvals and other conditions precedent, and is expected to be completed in Q4 2017.

As a result of this anticipated transaction, the investment in the Euroset joint venture was classified as an asset held-for-sale at June 30, 2017. However, as a result of the impairment described in Note 6 of our unaudited interim condensed consolidated financial statements incorporated hereto, the investment in Euroset had a carrying value of nil prior to reclassification as an asset held-for-sale.

Towers in Pakistan Classified as Held-For-Sale

The Company is in advanced discussions for the sale of its indirect subsidiary, Deodar Limited ("Deodar"). Deodar holds a portfolio of approximately 13,000 towers and provides network tower services in Pakistan. As a result, on June 30, 2017, the Company classified Deodar as a disposal group held-for-sale. There can be no assurance that definitive agreement for the sale of Deodar will be reached.

Following the classification as a disposal group held-for sale, the Company will no longer account for depreciation and amortization expenses of Deodar assets.

Supervisory Board of VEON proposes an Interim Dividend 2017 of US$ 11 cents per share

Consistent with VEON's recently communicated commitment to pay a sustainable and progressive dividend based on the company's evolution of equity free cash flow, the Supervisory Board approved the distribution of an interim gross dividend of US$11 cents per share for 2017. This payment is planned to take place on September 6, 2017, with a record date of August 14, 2017. For ordinary shareholders at Euronext Amsterdam, the interim dividend of US$11 cents will be paid in euro.

Termination of Guarantees

On June 30, 2017, the guarantees under the RUB 12 billion 9.00% notes due 2018 (the "RUB Notes"), the US$600 million 5.20% notes due 2019 (the "2019 Notes") and the US$1 billion 5.95% notes due 2023 (the "2023 Notes", and together with the RUB Notes and the 2019 Notes, the "Notes"), in each case issued by VIP Holdings, were automatically terminated in accordance with the trust deeds entered into in respect of the Notes between VIP Holdings, PJSC VimpelCom (formerly Open Joint Stock Company "Vimpel Communications") and BNY Mellon Corporate Trustee Services Limited, each dated February 13 2013 (together the "Trust Deeds" and each a "Trust Deed"), except that the guarantees in respect of each of the Notes will continue to apply to VIP Holdings' obligation to redeem the Notes on exercise of the put option under each of the Trust Deeds until that put option has expired or been satisfied. VIP Holdings exercised its option to terminate the guarantees in respect of each of the Notes pursuant to clause 6(N) and clause 6(P) of each of the relevant Trust Deeds.

Pakistan Mobile Communications Ltd. ("PMCL") financing

On June 29, 2017, PMCL drew down PKR 11,000 million (approximately US$105 million) under the syndicated facility with several banks, which was entered into on December 3, 2015 for an amount of PKR 16,000 million (approximately US$152 million as at December 3, 2015). The facility bears interest at six-month KIBOR plus 0.35% per annum. Repayment will take place through periodic instalments between June 23, 2018 and December 23, 2020. The total principal amount outstanding as at June 30, 2017 is PKR 16,000 million (approximately US$153 million).

On June 29, 2017, PMCL drew down PKR 9,000 million (approximately US$86 million) under the syndicated facility with several banks, which was entered into on June 12, 2017 for an amount of PKR 26,750 million (approximately US$255 million as at June 12, 2017). This facility bears interest at six-month KIBOR plus 0.35% per annum. Repayment will take place through periodic instalments between December 29, 2019 and June 29, 2022. The total principal amount outstanding as at June 30, 2017 is PKR 9,000 million (approximately US$86 million).

On June 29, 2017, PMCL drew down PKR 5,000 million (approximately US$48 million) under the Term Loan facility with Habib Bank Ltd, which was entered into on June 12, 2017 for an amount of PKR 10,000 million (approximately US$95 million as at June 12, 2017). This facility bears interest at six-month KIBOR plus 0.35% per annum. Repayment will take place through periodic instalments between December 27, 2019 and June 29, 2022. The total principal amount outstanding as at June 30, 2017 is PKR 5,000 million (approximately US$48 million).

On June 29, 2017, PMCL drew down PKR 1,000 million (approximately US$10 million) under the Term Loan facility with National Bank of Pakistan, which was entered into on June 12, 2017 for an amount of PKR 2,000 million (approximately US$19 million as at June 12, 2017). This facility bears interest at six-month KIBOR plus 0.35% per annum. Repayment will take place through periodic instalments between December 27, 2019 and June 29, 2022. The total principal amount outstanding as at June 30, 2017 is PKR 1,000 million (approximately US$10 million).

Cross currency swaps

During the month of June 2017, the Group entered into several cross currency swaps with several different banks, by exchanging a notional amount of US$600 million for EUR 537 million for 4 years. The swaps mature June 16, 2021.

Amended Agreement with Ericsson

In June 2016, VEON Ltd. ("VEON") and Ericsson AB ("Ericsson") entered into a $1 billion long-term global software agreement to develop, implement and service over a seven year period new software and cloud technologies across our customer-facing IT infrastructure. On July 26, 2017, the parties executed an amended agreement providing for, among other things, a reduction in the scope of services, certain payments to VEON and an extension of the term of performance to June 2026.

LITIGATION DEVELOPMENTS

Spectrum Reallocation in Uzbekistan

On March 31, 2017, the Republican Radiofrequencies Council in Uzbekistan (the "Council") published a decision (the "Decision") ordering the redistribution of radio frequencies in Uzbekistan which, if it comes into force as planned in September 2017, could result in a reallocation of our subsidiary Unitel LLC's ("Unitel") radio frequencies to other cellular communications providers in the market. On April 21, 2017, Unitel filed a claim with the Commercial Court of Tashkent City disputing the Decision. A preliminary hearing on Unitel's claim was held on May 10, 2017. Unitel's claim was subsequently transferred to the Administrative Court of the Uchtepa District, which dismissed the claim on June 22, 2017. A cassation appeal of the dismissal, if any, must be commenced on or before January 12, 2018.

GTH – Iraqna Litigation

On November 19, 2012, Atheer Telecom Iraq Limited ("Atheer", an affiliate of the Zain Group) initiated English High Court (the "Court") proceedings in London against Orascom Telecom Iraq Ltd. ("OTIL") (a Maltese subsidiary of GTH) and GTH in relation to a dispute arising out of the sale by OTIL of its Iraqi mobile subsidiary, Iraqna, in 2007 to Atheer. Atheer's claim is founded on the tax covenants in the underlying share purchase agreement between the parties.

On February 17, 2017, the Court found GTH liable. Following a hearing on March 1, 2017, GTH and OTIL were ordered to pay Atheer the amounts of US$60 million, plus approximately US$8 million in accrued interest, and an interim payment of GBP 1.25 million (US$2) for legal costs pending submission of a detailed schedule of costs by Atheer.

On June 6, 2017, the English Court of Appeal denied GTH's application for leave to appeal. With no further venue for appeal, the matter is now concluded.

Canadian Action Brought by the Catalyst Capital Group

VEON is a defendant in an action brought in 2016 by The Catalyst Capital Group Inc. ("Catalyst") for CAD750 million (US$579 million as at June 30, 2017) alleging breach of contract in the Superior Court of Justice in Ontario, Canada (the "Court"). In 2014, Catalyst and the company entered into an exclusivity agreement in connection with negotiations for the sale of the company's WIND Mobile business. Catalyst alleges that the company and its financial advisor, UBS Securities Canada Inc., breached their exclusivity agreement obligations, which in turn enabled the sale of WIND Mobile to a consortium of other investors, who are also named co-defendants. The company and all co-defendants have filed motions to dismiss the claim, and those motions are scheduled to be heard in August 2017 and therefore remain pending with the Court. In addition, the company has filed a Statement of Defence denying all allegations and intends to vigorously contest the matter.

On March 29, 2017, the claim against VEON Ltd. and its co-defendants was amended to CAD 1.3 billion (US$1,003 million as at June 30, 2017).

VAT on Replacement Sims

On April 1, 2012, the National Board of Revenue ("NBR") issued a demand to Banglalink Digital Communications Ltd. ("Banglalink") for BDT 7.74 billion (US$98 million as at December 31, 2016) for unpaid SIM tax (VAT and supplementary duty).

On May 18, 2015, Banglalink received an updated demand from the Commissioner of Taxes ("LTU") requiring Banglalink to pay BDT 5.32 billion (US$67 million as at December 31, 2016) in SIM tax. The demand also stated that interest may be payable. Similar demands were sent to the other operators.

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

The Bangladesh Appellate Tribunal rejected the appeal of Banglalink and all other operators on June 22, 2017. On July 13, 2017, Banglalink filed an appeal of the Appellate Tribunal's judgment with the High Court Division of the Supreme Court of Bangladesh.

RESULTS OF OPERATIONS

REPORTING AND FUNCTIONAL CURRENCIES

We use the U.S. dollar as our reporting currency. The functional currencies of our group are the Russian ruble in Russia, the Pakistani rupee in Pakistan, the Algerian dinar in Algeria, the Bangladeshi taka in Bangladesh, the Ukrainian hryvnia in Ukraine and the Uzbek som in Uzbekistan. The functional currency of the Italy Joint Venture is the euro.

Due to the significant fluctuation of the non-U.S. dollar functional currencies against the U.S. dollar in the periods covered by this discussion and analysis, changes in our consolidated operating results in functional currencies differ from changes in our operating results in reporting currencies during some of these periods. In the following discussion and analysis, we have indicated our operating results in both reporting and functional currencies and the devaluation or appreciation of functional currencies where it is material to explaining our operating results. For more information about exchange rates relating to our functional currencies, see "—Certain Ongoing Factors Affecting Our Financial Position and Results of Operations—Foreign Currency Translation" below.

SIX MONTHS ENDED JUNE 30, 2017 COMPARED TO SIX MONTHS ENDED JUNE 30, 2016

	Six months ended June 30,	
In millions of U.S. dollars	**2017**	**2016**
Consolidated income statements data:		
Service revenue	4,533	4,033
Sale of equipment and accessories	108	79
Other revenue	57	58
Total operating revenue	**4,698**	**4,170**
Service costs	(920)	(819)
Cost of equipment and accessories	(114)	(91)
Selling, general and administrative expenses	(1,872)	(1,707)
Depreciation	(776)	(723)
Amortization	(268)	(225)
Impairment loss	(5)	(12)
Loss on disposals of non-current assets	(9)	(6)
Total operating expenses	**(3,964)**	**(3,583)**
Operating profit	**734**	**587**
Finance costs	(447)	(385)
Finance income	46	31
Other non-operating losses	(152)	(62)
Shares of loss of joint ventures and associates	(196)	(16)
Impairment of joint ventures and associates	(110)	-
Net foreign exchange gain	62	95
(Loss) / profit before tax	**(63)**	**250**
Income tax expense	(206)	(252)
Loss for the period from continuing operations	**(269)**	**(2)**
Profit after tax for the period from discontinued operations	-	383
(Loss) / profit for the period	**(269)**	**381**
Attributable to:		
The owners of the parent (continuing operations)	(283)	(57)

The owners of the parent (discontinued operations)	-	383
Non-controlling interest	14	55
	(269)	**381**

The tables below show for the periods indicated selected information about the results of operations in each of our reportable segments. For more information regarding our segments, see Note 4 to our unaudited interim condensed consolidated financial statements attached hereto.

SEGMENTATION OF TOTAL OPERATING REVENUE

	Six months ended June 30,	
In millions of U.S. dollars	**2017**	**2016**
Russia[(1)]	2,294	1,894
Pakistan	755	558
Algeria	463	529
Bangladesh	299	312
Ukraine	297	281
Uzbekistan	306	329
HQ[(2)]	-	-
Others[(3)]	284	267
Total	**4,698**	**4,170**

(1) Certain comparative amounts in the Russia segment have been reclassified to conform to the current period's presentation. For more information, please refer to Note 8 to our audited consolidated financial statements included in our 2016 Annual Report.

(2) HQ includes transactions related to management activities within the group, reported as a stand-alone segment for the six months ended June 30, 2017 and presented as a separate segment for the six months ended June 30, 2016. For a discussion of the treatment of our "HQ" segment for each of the periods discussed in this document, please see "—Reportable Segments."

(3) Beginning with the year ended December 31, 2016, "Others" is no longer a reportable segment and therefore is included herein for the six months ended June 30, 2017 and June 30, 2016 only as a reconciling category between our total revenue and the revenue of our seven reportable segments. For a discussion of the treatment of our "Others" segment and our operations in Kazakhstan for each of the periods discussed in this document, please see "—Reportable Segments."

SEGMENTATION OF ADJUSTED EBITDA[(1)]

In millions of U.S. dollars	Six months ended June 30, 2017	2016
Russia	880	742
Pakistan	321	231
Algeria	219	286
Bangladesh	130	139
Ukraine	164	151
Uzbekistan	162	194
HQ[(2)]	(170)	(234)
Others[(3)]	86	44
Total	**1,792**	**1,553**

(1) Adjusted EBITDA is a non-IFRS financial measure. Please see "Explanatory Note—Non-IFRS Financial Measures" in our 2016 Annual Report for more information on how we calculate Adjusted EBITDA. For the reconciliation of Adjusted EBITDA to profit for the year, the most directly comparable IFRS financial measure, see Note 4 to our unaudited interim condensed consolidated financial statements attached hereto.

(2) HQ includes transactions related to management activities within the group reported as a stand-alone segment for the six months ended June 30, 2017 and presented as a separate segment for the six months ended June 30, 2016. For a discussion of the treatment of our "HQ" segment for each of the periods discussed in this document, please see "—Reportable Segments."

(3) Beginning with the year ended December 31, 2016, "Others" is no longer a reportable segment and therefore is included herein for the six months ended June 30, 2017 and June 30, 2016 only as a reconciling category between our total revenue and the revenue of our seven reportable segments. For a discussion of the treatment of our "Others" segment and our operations in Kazakhstan for each of the periods discussed in this document, please see "—Reportable Segments."

TOTAL OPERATING REVENUE

During the six month periods ended June 30, 2017 and 2016, we generated revenue from providing voice, data and other telecommunication services through a range of traditional and broadband mobile and fixed technologies, as well as selling equipment and accessories.

Our consolidated total operating revenue increased by 13% to US$ 4,698 million during the six months ended June 30, 2017 compared to US$4,170 million during the six months ended June 30, 2016, primarily due to an increase of total operating revenue of 21% in Russia due to the strengthening ruble, 35% in Pakistan as a result of the Pakistan Merger, increased mobile financial services and data revenues, supported by customer growth, and 5% in Ukraine driven by successful commercial activities, and continued strong growth of mobile data customers. The increase was partially offset by a decrease of total revenue of 12% in Algeria due to difficult macroeconomic environment, new finance law and customer churn, caused by competitive pressure in the market , 7% in Uzbekistan partially impacted by the appreciation of the U.S. dollar against the Uzbek som , and 4% in Bangladesh, mainly due to a slowdown of acquisition activity across the market.

The discussion of revenue by reportable segments includes intersegment revenue. The management assesses the performance of each reportable segment on this basis because it believes the inclusion of intersegment revenue better reflects the true performance of each segment on a standalone basis.

TOTAL OPERATING EXPENSES

Our consolidated total operating expenses increased by 11% to US$3,964 million during the six months ended June 30, 2017 compared to US$3,583 million during the six months ended June 30, 2016. The increase was primarily due to a 10% increase in selling, general and administrative expenses, a 12% increase in service costs and a 10% increase in depreciation and amortization expenses, mainly as a result of the appreciation of the ruble and consolidation of Warid from July 1, 2016.

ADJUSTED EBITDA

Our consolidated Adjusted EBITDA increased by 15% to US$1,792 million during the six months ended June 30, 2017 compared to US$ 1,553 million during the six months ended June 30, 2016, mainly due to the appreciation of the ruble and the consolidation of Warid from July 1, 2016.

Adjusted EBITDA is a non-IFRS financial measure. Please see "Explanatory Note—Non-IFRS Financial Measures" for more information on how we calculate Adjusted EBITDA. For the reconciliation of Adjusted EBITDA to profit for the year, the most directly comparable IFRS financial measure, please refer to Note 4 to our unaudited interim condensed consolidated financial statements attached hereto.

Depreciation and amortization expenses

Our consolidated depreciation and amortization expenses increased by 10% to US$1,044 million in the six months ended June 30, 2017 compared to US$948 million in the six months ended June 30, 2016. The increase was primarily the result of accelerated depreciation expenses as a result of the Warid integration.

Impairment loss

Our consolidated impairment loss was US$5 million in the six months ended June 30, 2017 compared to an impairment loss of US$12 million in the six months ended June 30, 2016. The decrease in impairment loss was primarily due to the re-evaluation of impairment losses related to equipment impaired in 2016.

Loss on disposals of non-current assets

Our consolidated loss on disposals of non-current assets increased to US$9 million during the six months ended June 30, 2017 compared to US$6 million during the six months ended June 30, 2016, mainly due to increased equipment disposals as a result of ongoing network modernization projects.

OPERATING PROFIT

Our consolidated operating profit increased to US$734 million in the six months ended June 30, 2017 compared to US$587 million in the six months ended June 30, 2016 due to increased total operating revenues, which were partially offset by overall increased service costs, selling, general and administrative expenses, depreciation and amortization expenses.

NON-OPERATING PROFITS AND LOSSES

Finance costs

Our consolidated finance costs increased by 16% to US$447 million in the six months ended June 30, 2017 compared to US$385 million in the six months ended June 30, 2016, primarily due to the bonds issued by GTH in April 2016.

Finance income

Our consolidated finance income increased to US$46 million in the six months ended June 30, 2017 compared to US$31 million in the six months ended June 30, 2016, primarily due to increased interest from bank deposits.

Other non-operating losses

We recorded US$152 million in other non-operating losses during the six months ended June 30, 2017 compared to US$62 million in other non-operating losses during the six months ended June 30, 2016, an increase of 145%. The increase in non-operating losses in the six months period ended June 30, 2017 was primarily due to a loss of US$124 million resulting from premiums paid on the early redemption of bonds.

Shares of loss of joint ventures and associates

We recorded a loss of US$196 million from our investments in joint ventures and associates in the six months ended June 30, 2017 compared to a loss of US$16 million in the six months ended June 30, 2016. This was mainly driven by a loss from the Italy Joint Venture in an amount of US$174 million and a loss of US$22 million from the Euroset operation. The Italy Joint Venture loss was mainly driven by integration costs, as well as accelerated depreciation and amortization recorded in during the six months ended June 30, 2017, primarily as a result of the reduction in the useful life of network assets due to the network modernization program.

Impairment of joint ventures and associates

During the six months ended June 30, 2017 we recorded a further impairment of US$110 million against the carrying value of the investment in Euroset, resulting in a post-impairment carrying value of zero.

For more information, please refer to Note 6 of our unaudited interim condensed consolidated financial statements attached hereto.

Net foreign exchange gain

We recorded a gain of US$62 million from foreign currency exchange in the six months ended June 30, 2017 compared to a gain of US$95 million from foreign currency exchange in the six months ended June 30, 2016. The decrease in net foreign exchange gain was primarily the result of appreciation of the ruble against the U.S. dollar in the first six months of 2017.

INCOME TAX EXPENSE

The statutory income tax rates during the six months ended June 30, 2017 and 2016 for each reportable segment were as follows:

	Six months ended June 30,	
In millions of U.S. dollars	**2017**	**2016**
Russia	20.0%	20.0%
Pakistan	30.0%	31.0%
Algeria	26.0%	26.0%
Bangladesh	45.0%	45.0%
Ukraine	18.0%	18.0%
Uzbekistan	50.0%	50.0%
Uzbekistan subnational tax	3.3%	3.3%

Our consolidated income tax expense decreased by 18% to US$206 million in the six months ended June 30, 2017 compared to US$252 million in the six months ended June 30, 2016.

The decrease in income taxes was primarily due to lower profitability and functional currency losses in countries with a higher nominal rate. Our effective tax rate in absolute terms was 327.0% for the six months ended June 30, 2017, as compared to 100.8% for the six months ended June 30, 2016. The difference was primarily driven by non-deductible expenses in respect of share of loss of joint ventures and associates and impairment of joint ventures and associates, reducing profit before tax by US$196 million and US$110 million, respectively, as well as the income tax loss arising from early debt redemption for which no deferred tax asset has been recognized, reducing profit before tax by US$124 million.

For more information regarding income tax expenses, please refer to Note 5 of our unaudited interim condensed consolidated financial statements attached hereto.

Loss for the period from continuing operations

In the six months ended June 30, 2017, our consolidated loss for the period from continuing operations was US$269 million, compared to a consolidated loss of US$2 million for the six months ended June 30, 2016. The increase in consolidated loss from continuing operations is primarily a result of the reasons described above in "—Non Operating Profits and Losses."

Profit for the period from discontinued operations

In the six months ended June 30, 2016, our consolidated profit after tax for the period from discontinued operations, which was comprised primarily of our historical WIND operations in Italy, was US$383 million. As of November 5, 2016, our WIND operations in Italy were contributed into the Italy Joint Venture, which is accounted for as a joint venture and the results of which are classified as a share of loss of joint ventures and associates.

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

In the six months ended June 30, 2017, the consolidated loss for the period attributable to the owners of the parent was US$283 million compared to a profit of US$326 million in the six months ended June 30, 2016. The change was mainly due to the profit for the period from discontinued operations recorded in the first half of 2016 and the reasons described above in "—Non Operating Profits and Losses".

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

Our profit for the period attributable to non-controlling interest was US$14 million in the six months ended June 30, 2017 compared to a profit of US$55 million in the six months ended June 30, 2016. The decrease was mainly due to the profit for the period from discontinued operations recorded in the six months ended June 30, 2016.

RUSSIA

RESULTS OF OPERATIONS IN US$

In millions of U.S. dollars (except as indicated)	Six months ended June 30, 2017	2016	'16-17 % change
Total operating revenue	**2,294**	**1,894**	**21%**
Mobile service revenue	1,864	1,512	23%
- of which FMC[1]	38	4	962%
- of which mobile data	490	347	41%
Fixed-line service revenue	337	316	7%
Sales of equipment, accessories and other	93	66	41%
Operating expenses	**1,414**	**1,152**	**23%**
Adjusted EBITDA	**880**	**742**	**19%**
Adjusted EBITDA margin	**38.4%**	**39.2%**	**-0.8(p.p.)**

(1) Fixed-mobile convergence services ("FMC")

RESULTS OF OPERATIONS IN RUB

In millions of RUB (except as indicated)	Six months ended June 30, 2017	2016	'16-17 % change
Total operating revenue	**132,913**	**132,344**	**0%**
Mobile service revenue	108,022	105,564	2%
- of which FMC	2,203	237	830%
- of which mobile data	28,413	24,259	17%
Fixed-line service revenue	19,549	22,119	-12%
Sales of equipment, accessories and other	5,342	4,661	15%
Operating expenses	**81,918**	**80,665**	**2%**
Adjusted EBITDA	**50,995**	**51,679**	**-1%**
Adjusted EBITDA margin	**38.4%**	**39.0%**	**-0.6(p.p.)**

SELECTED PERFORMANCE INDICATORS

	Six months ended June 30, 2017	2016	'16-17 % change
Mobile			
Customers in millions	58.3	57.5	1%
ARPU in US$	5.3	4.3	24%
ARPU in RUB	307	298	3%
Mobile data customers in millions	38.1	33.7	13%
Fixed line			
Broadband customers in millions	2.2	2.2	2%

SIX MONTHS ENDED JUNE 30, 2017 COMPARED TO SIX MONTHS ENDED JUNE 30, 2016

Our total operating revenue in Russia increased by 21% to US$ 2,294 million in the six months ended June 30, 2017 compared to US$ 1,894 million in the six months ended June 30, 2016 due to the strengthening ruble.

In functional currency terms, total operating revenue increased to RUB 132,913 million in the six months ended June 30, 2017 compared to RUB 132,344 million in the six months ended June 30, 2016. The 17% increase in mobile data revenue was offset mainly by a decrease in fixed-line revenue. The fixed-line revenue decrease was driven by the effect of the strengthening ruble on foreign currency contracts and growing penetration of FMC in the customer base.

ADJUSTED EBITDA

Our Russia Adjusted EBITDA increased by 19% to US$880 million in the six months ended June 30, 2017 compared to US$742 million in the six months ended June 30, 2016 due to the strengthening ruble.

In functional currency terms, our Russia Adjusted EBITDA decreased by 1% in the six months ended June 30, 2017 compared to the same period in the previous year, primarily as a result of increased customer acquisition costs.

SELECTED PERFORMANCE INDICATORS

As at June 30, 2017, we had approximately 58.3 million mobile customers in Russia, including 0.7 million FMC customers, representing an increase of 1% from approximately 57.5 million mobile customers as at June 30, 2016, due to increased sales and improved churn and the Net Promoter Score position remains in par with Beeline's main competitors.

In the six months ended June 30, 2017, our mobile ARPU in Russia increased by 24% to US$5.3 compared to US$4.3 in the six months ended June 30, 2016, primarily as a result of foreign exchange effects. In functional currency terms, mobile ARPU in Russia increased by 3%, due to continued efforts to simplify tariff plans, success in upselling customers, and the increase in penetration of bundled offerings in the customer base.

As at June 30, 2017, we had approximately 38.1 million mobile data customers, representing an increase of 13% from approximately 33.7 million mobile data customers as at June 30, 2016. The increase was mainly due to the increased smartphone penetration.

The fixed line broadband customers are mainly represented by FTTB customers. As at June 30, 2017, we had approximately 2.2 million fixed line customers in Russia, including 0.7 million FMC customers, representing an increase of 2% from approximately 2.2 million fixed-line customers as at June 30, 2016. The increase was mainly due to increased sales and improved churn.

PAKISTAN

RESULTS OF OPERATIONS IN US$

	Six months ended June 30,		
In millions of U.S. dollars (except as indicated)	**2017**	**2016**	'16-17 % change
Total operating revenue	**755**	**558**	**35%**
Mobile service revenue	705	526	34%
- of which mobile data	105	64	65%
Sales of equipment, accessories and other	50	32	61%
Operating expenses	**434**	**327**	**33%**
Adjusted EBITDA	**321**	**231**	**39%**
Adjusted EBITDA margin	**42.5%**	**41.4%**	**1.1 (p.p.)**

RESULTS OF OPERATIONS IN PKR

In millions of PKR (except as indicated)	Six months ended June 30, 2017	2016	'16-17 % change
Total operating revenue	**79,163**	**58,389**	**36%**
Mobile service revenue	73,859	55,089	34%
- of which mobile data	10,988	6,668	65%
Sales of equipment, accessories and other	5,304	3,300	61%
Operating expenses	**45,480**	**34,222**	**33%**
Adjusted EBITDA	**33,683**	**24,167**	**39%**
Adjusted EBITDA margin	**42.5%**	**41.4%**	**1.1 (p.p.).**

SELECTED PERFORMANCE INDICATORS

	Six months ended June 30, 2017	2016	'16-17 % change
Mobile			
Customers in millions	52.5	39.1	34%
ARPU in US$	2.3	2.0	12%
ARPU in PKR	236	235	0%
Mobile data customers in millions	26.7	19.4	38%

SIX MONTHS ENDED JUNE 30, 2017 COMPARED TO SIX MONTHS ENDED JUNE 30, 2016

On July 1, 2016, VEON Ltd., together with its subsidiary GTH, acquired 100% of the voting shares in Warid, a mobile telecommunications provider. VEON Ltd. consolidated Warid financials in the Pakistan segment starting from July 1, 2016, which affects comparability with previous periods. For more information regarding our acquisitions and dispositions, see "—Key Developments and Trends" in our 2016 Annual Report and Note 6 to our audited consolidated financial statements incorporated therein.

MOBILE REVENUE

In the six months ended June 30, 2017, our Pakistan total operating revenue increased by 35% to US$755 million in the six months ended June 30, 2017 compared to US$558 million in the six months ended June 30, 2016, as a result of the Pakistan Merger and increased data revenues, supported by customer growth.

In functional currency terms, our Pakistan total operating revenue increased by 36%.

ADJUSTED EBITDA

Our Pakistan Adjusted EBITDA increased by 39% to US$321 million in the six months ended June 30, 2017 compared to US$231 million in the six months ended June 30, 2016 primarily due to the Pakistan Merger, higher revenue, lower SIM tax subsidies and lower HR costs.

In functional currency terms, our Pakistan Adjusted EBITDA increased by 39%.

SELECTED PERFORMANCE INDICATORS

As at June 30, 2017, we had 52.5 million customers in Pakistan, representing an increase of 34% from 39.1 million customers as at June 30, 2016, primarily driven by the Pakistan Merger, continued customer satisfaction through focus on price simplicity and efficient distribution channel management.

In the six months ended June 30, 2017, our mobile ARPU in Pakistan increased by 12% to US$2.3 compared to US$2.0 in the six months ended June 30, 2016. In functional currency terms, mobile ARPU in Pakistan increased in the six months ended June 30, 2017 to PKR 236 compared to PKR 235 in the six months ended June 30, 2016 mainly driven by an increase in data usage, partially offset by lower voice consumption.

As at June 30, 2017, we had 26.7 million mobile data customers in Pakistan, representing an increase of approximately 38% from 19.4 million mobile data customers as at June 30, 2016. The increase was mainly due to the Pakistan Merger on July 1, 2016 and the 3G expansion and increased smartphone penetration in the customer base.

ALGERIA

RESULTS OF OPERATIONS IN US$

	Six months ended June 30,		
In millions of U.S. dollars (except as indicated)	**2017**	**2016**	'16-17 % change
Total operating revenue	**463**	**529**	**-12%**
Mobile service revenue	456	524	-13%
- of which mobile data	55	32	72%
Sales of equipment, accessories and other	7	5	39%
Operating expenses	**244**	**243**	**1%**
Adjusted EBITDA	**219**	**286**	**-24%**
Adjusted EBITDA margin	**47.2%**	**54.1%**	**-6.9(p.p.)**

RESULTS OF OPERATIONS IN DZD

	Six months ended June 30,		
In millions of DZD (except as indicated)	**2017**	**2016**	'16-17 % change
Total operating revenue	**50,744**	**57,484**	**-12%**
Mobile service revenue	49,941	56,912	-12%
- of which mobile data	6,005	3,465	73%
Sales of equipment, accessories and other	803	572	40%
Operating expenses	**26,799**	**26,405**	**1%**
Adjusted EBITDA	**23,945**	**31,079**	**-23%**
Adjusted EBITDA margin	**47.2%**	**54.1%**	**-6.9(p.p.)**

SELECTED PERFORMANCE INDICATORS

	Six months ended June 30,		
	2017	2016	'16-17 % change
Mobile			
Customers in millions	15.5	16.3	-5%
ARPU in US$	4.8	5.2	-9%
ARPU in DZD	520	567	-8%
Mobile data customers in millions	7.0	5.4	30%

SIX MONTHS ENDED JUNE 30, 2017 COMPARED TO SIX MONTHS ENDED JUNE 30, 2016

Our Algeria total operating revenue decreased by 12% to US$463 million in the six months ended June 30, 2017 compared to US$529 million in the six months ended June 30, 2016 partially due to a difficult macroeconomic environment characterized by an accelerating inflation rate and strong competitive environment. Total operating revenue for the six months ended June 30, 2017 was also affected by a new finance law, effective as at January 2017, which increased VAT from 7% to 19% on data services and from 17% to 19% on voice services, and increased taxes on recharges from 5% to 7%. These taxes and recharges could not be passed on to customers. In addition, revenue was negatively affected by customer churn, caused by competitive pressure in the market. As a result, service revenue decreased year-on-year. Data revenue growth, however, remained strong due to higher usage and an increase in data customers as a result of the rollout of 3G and 4G/LTE networks.

In functional currency terms, total operating revenue in Algeria decreased by 12%.

For a description of the risks associated with the current operating conditions in Algeria, see "Item 3—Key Information—D. Risk Factors—Legal and Regulatory Risks—We operate in a highly regulated industry and are subject to a large variety of laws and extensive regulatory requirements" and "Item 3—Key Information—D. Risk Factors—Legal and Regulatory Risks—Unpredictable tax systems give rise to significant uncertainties and risks that could complicate our tax planning and business decisions" in our 2016 Annual Report.

ADJUSTED EBITDA

Our Algeria Adjusted EBITDA decreased by 24% to US$219 million in the six months ended June 30, 2017 compared to US$286 million in the six months ended June 30, 2016 primarily due to a decrease in total revenues, as discussed above, particularly with respect to the new VAT and taxes on recharges.

In functional currency terms, our Algeria Adjusted EBITDA decreased by 23%.

SELECTED PERFORMANCE INDICATORS

Customers in our Algeria segment decreased to approximately 15.5 million as at June 30, 2017 compared to 16.3 million customers as at June 30, 2016. The 5% decrease was mainly due to competitive pressure in the market.

In the six months ended June 30, 2017, our mobile ARPU in Algeria decreased by 9% to US$4.8 compared to US$5.2 in the six months ended June 30, 2016. In functional currency terms, our mobile ARPU in Algeria decreased by 8%, mainly due to aggressive price competition and high-value customer churn.

As at June 30, 2017, we had approximately 7.0 million mobile data customers in Algeria, representing an increase of 30% from the 5.4 million mobile data customers as at June 30, 2016. The increase was mainly due to the rapid expansion of data networks and increased smartphone penetration.

BANGLADESH

RESULTS OF OPERATIONS IN US$

In millions of U.S. dollars (except as indicated)	Six months ended June 30, 2017	2016	'16-17 % change
Total operating revenue	**299**	**312**	**-4%**
Mobile service revenue	291	305	-5%
- of which mobile data	38	28	34%
Sales of equipment, accessories and other	8	7	15%
Operating expenses	**169**	**173**	**-3%**
Adjusted EBITDA	**130**	**139**	**-6%**
Adjusted EBITDA margin	**43.5%**	**44.5%**	**-1.0(p.p.)**

RESULTS OF OPERATIONS IN BDT

In millions of BDT (except as indicated)	Six months ended June 30, 2017	2016	'16-17 % change
Total operating revenue	**23,958**	**24,470**	**-2%**
Mobile service revenue	23,328	23,934	-3%
- of which mobile data	3,066	2,232	37%
Sales of equipment, accessories and other	630	536	17%
Operating expenses	**13,533**	**13,585**	**0%**
Adjusted EBITDA	**10,425**	**10,885**	**-4%**
Adjusted EBITDA margin	**43.5%**	**44.5%**	**-1.0(p.p.)**

SELECTED PERFORMANCE INDICATORS

	Six months ended June 30, 2017	2016	'16-17 % change
Mobile			
Customers in millions	30.7	31.1	-1%
ARPU in US$	1.6	1.6	-1%
ARPU in BDT	127	125	1%
Mobile data customers in millions	15.9	14.5	9%

SIX MONTHS ENDED JUNE 30, 2017 COMPARED TO SIX MONTHS ENDED JUNE 30, 2016

Our Bangladesh total operating revenue decreased by 4% to US$299 million in the six months ended June 30, 2017 compared to US$312 million in the six months ended June 30, 2016. The main operational focus during the six months ended June 30, 2017 was on network coverage, in order to address the 3G gap vis-à-vis the competition, and on customer acquisition following the completion of the government-mandated SIM re-verification program, which had contributed to a slowdown of acquisition activity across the market since the earlier part of 2016.

In functional currency terms, total operating revenue in Bangladesh decreased by 2%, due to a decrease of service revenue. Service revenue decreased as a result of the imposition of an incremental 2% supplementary duty on recharges, effective from June 2016, in addition to the 1% surcharge introduced in March 2016 and the gap in 3G network coverage of Banglalink as compared to the market leader, resulting in loss of high value customers.

ADJUSTED EBITDA

Our Bangladesh Adjusted EBITDA decreased by 6% to US$130 million in the six months ended June 30, 2017 compared to US$139 million in the six months ended June 30, 2016 due to lower revenue, as discussed above, higher customer acquisition activity and the increase of technology-related costs as a result of network expansion, partially offset by lower HR costs.

In functional currency terms, our Bangladesh Adjusted EBITDA decreased by 4%.

SELECTED PERFORMANCE INDICATORS

Customers in our Bangladesh segment decreased to approximately 30.7 million as at June 30, 2017 compared to 31.1 million customers as at June 30, 2016. The 1% decrease was mainly due to the government mandated identity verification procedures, resulting in blocking of unverified SIMs in 2016.

For further information on the risks associated with SIM re-verification, see “Item 3—Key Information—D. Risk Factors—Legal and Regulatory Risks—New or proposed changes to laws or new interpretations of existing laws in the markets in which we operate may harm our business” in our 2016 Annual Report.

In the six months ended June 30, 2017 and June 30, 2016, our mobile ARPU in Bangladesh decreased by 1% to US$1.6. In functional currency terms, mobile ARPU in Bangladesh increased in the six months ended June 30, 2017 by 1% to BDT127 compared to BDT125 in the six months ended June 30, 2016 mainly due to increased data usage.

As at June 30, 2017, we had approximately 15.9 million mobile data customers in Bangladesh, representing an increase of approximately 9% from the approximately 14.5 million mobile data customers as at June 30, 2016, mainly due to continued investments in efficient data networks.

UKRAINE

RESULTS OF OPERATIONS IN US$

	Six months ended June 30,		
In millions of U.S. dollars (except as indicated)	2017	2016	‘16-17 % change
Total operating revenue	**297**	**281**	**5%**
Mobile service revenue	275	259	6%
- of which mobile data	66	41	63%
Fixed-line service revenue	21	20	5%
Sales of equipment, accessories and other	1	2	-29%
Operating expenses	**133**	**130**	**3%**
Adjusted EBITDA	**164**	**151**	**8%**
Adjusted EBITDA margin	**55.1%**	**53.8%**	**1.3(p.p.)**

RESULTS OF OPERATIONS IN UAH

Six months ended June 30,

In millions of UAH (except as indicated)	2017	2016	'16-17 % change
Total operating revenue	**7,929**	**7,157**	**11%**
Mobile service revenue	7,328	6,598	11%
- of which mobile data	1,778	1,040	71%
Fixed-line service revenue	572	520	10%
Sales of equipment, accessories and other	29	39	-25%
Operating expenses	**3,551**	**3,309**	**7%**
Adjusted EBITDA	**4,378**	**3,848**	**14%**
Adjusted EBITDA margin	**55.2%**	**53.8%**	**1.4(p.p.)**

SELECTED PERFORMANCE INDICATORS

	Six months ended June 30,		
	2017	2016	'16-17 % change
Mobile			
Customers in millions	26.1	25.4	3%
ARPU in US$	1.7	1.7	3%
ARPU in UAH	46	43	8%
Mobile data customers in millions	11.2	10.3	9%
Fixed line			
Broadband customers in millions	0.8	0.8	2%

SIX MONTHS ENDED JUNE 30, 2017 COMPARED TO SIX MONTHS ENDED JUNE 30, 2016

Our Ukraine total operating revenue increased by 5% to US$297 million in the six months ended June 30, 2017 compared to US$281 million in the six months ended June 30, 2016.The increase was primarily due to strong growth in mobile service revenue, driven by successful commercial activities stimulated by the continued 3G roll-out and increased penetration of data-centric tariffs, continued strong growth of mobile data customers and data consumption.

In functional currency terms, our Ukraine total operating revenue in the six months ended June 30, 2017 increased by 11%.

ADJUSTED EBITDA

Our Ukraine Adjusted EBITDA increased by 8% to US$164 million in the six months ended June 30, 2017 compared to US$151 million in the six months ended June 30, 2016.

In functional currency terms, our Ukraine Adjusted EBITDA increased by 14% in the six months ended June 30, 2017 compared to the same period in the previous year, primarily due to higher revenues, as discussed above, and lower interconnection costs partially offset by the increase in roaming costs, commercial costs driven by higher subscribers acquisition and structural opex, such as license and frequency fees.

SELECTED PERFORMANCE INDICATORS

As at June 30, 2017, we had approximately 26.1 million mobile customers in Ukraine compared to 25.4 million mobile customers as at June 30, 2016, representing an increase of 3%, as a result of increased gross additions and improved churn.

In the six months ended June 30, 2017, our mobile ARPU in Ukraine increased by 3% to US$1.7 compared to the six months ended June 30, 2016. In functional currency terms, mobile ARPU in Ukraine increased in the six months ended June 30, 2017 by 8% to UAH 46 compared to the six months ended June 30, 2016 of UAH 43. These increases were mainly due to the revenue increase described above.

As at June 30, 2017, we had approximately 0.8 million fixed line broadband customers in Ukraine, which was broadly stable compared to June 30, 2016.

UZBEKISTAN

RESULTS OF OPERATIONS IN US$

	Six months ended June 30,		
In millions of U.S. dollars (except as indicated)	2017	2016	'16-17 % change
Total operating revenue	**306**	**329**	**-7%**
Mobile service revenue	303	327	-7%
- of which mobile data	77	74	4%
Fixed-line service revenue	2	2	-15%
Sales of equipment, accessories and other	1	-	20%
Operating expenses	**144**	**135**	**7%**
Adjusted EBITDA	**162**	**194**	**-17%**
Adjusted EBITDA margin	**52.9%**	**58.9%**	**-6.0(p.p.)**

RESULTS OF OPERATIONS IN UZS

	Six months ended June 30,		
In billions of UZS (except as indicated)	2017	2016	'16-17 % change
Total operating revenue	**1,089**	**947**	**15%**
Mobile service revenue	1,082	940	15%
- of which mobile data	274	212	29%
Fixed-line service revenue	7	7	5%
Sales of equipment, accessories and other	1	-	54%
Operating expenses	**512**	**389**	**32%**
Adjusted EBITDA	**577**	**558**	**3%**
Adjusted EBITDA margin	**53.0%**	**58.9%**	**-5.9(p.p.)**

SELECTED PERFORMANCE INDICATORS

	Six months ended June 30,		
	2017	2016	'16-17 % change
Mobile			
Customers in millions	9.6	9.3	3%
ARPU in US$	5.3	5.6	-6%
ARPU in UZS	18,813	16,193	16%
Mobile data customers in millions	4.5	4.3	5%

SIX MONTHS ENDED JUNE 30, 2017 COMPARED TO SIX MONTHS ENDED JUNE 30, 2016

In the six months ended June 30, 2017, our Uzbekistan total operating revenue decreased by 7% to US$306 million compared to US$329 million in the six months ended June 30, 2016. In Uzbekistan, all of our tariff plans are pegged to the U.S. dollar.

In functional currency terms, our Uzbekistan total operating revenue increased by 15%, mainly as a result of the increased tariffs in Uzbek som resulting from the appreciation of U.S. dollar against the local currency and successful marketing activities, together with increased mobile data revenue, interconnect services and value added services. Mobile data revenue increased by 29% during the period under review, driven by the rollout of additional mobile data networks, increased smartphone penetration, promotions and increased penetration of bundled offerings.

ADJUSTED EBITDA

In the six months ended June 30, 2017, our Uzbekistan Adjusted EBITDA decreased by 17% to US$162 million compared to US$194 million in the six months ended June 30, 2016, primarily due to decreased revenue and higher customer-related costs.

In functional currency terms, in the six months ended June 30, 2017, our Uzbekistan Adjusted EBITDA increased by 3% compared to the six months ended June 30, 2016, primarily due to the revenue increase discussed above, partially offset by higher interconnect costs as a result of both higher off-net usage and a negative currency effect together with increases in content costs, customer costs and structural opex.

SELECTED PERFORMANCE INDICATORS

As at June 30, 2017, we had approximately 9.6 million mobile customers in our Uzbekistan segment, which on an unrounded basis, represented an increase of 3% to 9.3 million, driven by strong gross additions and improved churn.

In the six months ended June 30, 2017 and in the six months ended June 30, 2016, our mobile ARPU in Uzbekistan was US$5.3 compared to US$5.6 in the six months ended June 30, 2016, a decrease of 6%. In functional currency terms, mobile ARPU in Uzbekistan increased by 16% to UZS18,813 in the six months ended June 30, 2017 compared to UZS 16,193 in the six months ended June 30, 2016 mainly due to the reasons described above with respect to total operating revenue.

As at June 30, 2017, we had approximately 4.5 million mobile data customers in Uzbekistan compared to approximately 4.3 million mobile data customers as at June 30, 2016, representing an increase of 5% primarily due to the commercial launch of 4G/LTE network, promotions and increased penetration of bundled offerings .

HQ

For historical periods prior to the year ended December 31, 2016, we reported an “HQ and Others” segment, comprised of our current “HQ” segment and the results of our current “Others” category. As of December 31, 2016, “Others” is no longer a reportable segment in our financial statements. Therefore, we have presented our results and analysis for the six months ended June 30, 2016 to reflect our new HQ segment.

Our HQ Adjusted EBITDA increased by 27% to negative US$170 million for the six months ended June 30, 2017, compared to negative US$234 million for the six months ended June 30, 2016, primarily due to lower performance transformation costs.

ITALY JOINT VENTURE

For the six months ended June 30, 2016, we classified our Italian business unit as an asset held for sale and discontinued operation in our consolidated financial statements. In connection with this classification, VEON Ltd. no longer accounted for depreciation and amortization expenses of the Italian operation. The intercompany positions were disclosed as related party transactions and balances. On November 5, 2016, the balance sheet of the Italian business was deconsolidated and an investment in a joint venture, in which VEON Ltd. has joint control, was recorded. Our financial data for the six months ended June 30, 2017 accounts for the Italy Joint Venture in shares of loss of joint ventures and associates. Please refer to Note 6 to our unaudited interim condensed consolidated financial statements attached hereto.

Under the joint venture transaction, VEON Ltd. contributed its entire shareholding in its historical operations in Italy, in exchange for a 50% interest in the newly formed Italy Joint Venture. As a result, the company does not control the Italy Joint Venture’s operations in Italy. The Italy Joint Venture publishes an independent set of financials results, which describe the performance of that entity.

LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL

As at June 30, 2017, we had negative working capital of US$1,288 million, compared to negative working capital of US$2,007 million as at December 31, 2016. Working capital is defined as current assets less current liabilities. The change in our working capital as at June 30, 2017 compared to December 31, 2016 was primarily due to decreased current financial liabilities by US$ 470 million mainly due to redemption of Russian ruble denominated bonds and decreased other payables by US$ 205 million mainly due to payment for the acquired long-term assets.

Our working capital is monitored on a regular basis by the management. The 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, the management believes that our cash balances and available credit facilities are sufficient to meet our short term and foreseeable long term cash requirements.

CONSOLIDATED CASH FLOW SUMMARY

The following table shows our consolidated cash flows for the six month periods ended June 30, 2017 and 2016:

	Six months ended June 30,	
In millions of U.S. dollars	**2017**	**2016**
Net cash flows from operating activities	**1,162**	**442**
- from continuing operations	1,162	67
- from discontinued operations	-	375
Net cash used in investing activities	**(1,314)**	**(1,177)**
- from continuing operations	(1,314)	(765)
- from discontinued operations	-	(412)
Net cash from financing activities	**163**	**719**
- from continuing operations	163	729
- from discontinued operations	-	(10)

OPERATING ACTIVITIES

During the six months ended June 30, 2017, net cash flows from operating activities increased to US$1,162 million from US$442 million during the six months ended June 30, 2016. The increase of cash flows from operating activities was mainly due to payment of US$795 million of fines and disgorgements in relation to agreements with the SEC, DOJ and OM during the six months ended June 30, 2016. The increase was partially offset by cash flows from discontinued operations during the six months ended June 30, 2016, which was not recorded during the six months period ended June 30, 2017 due to the deconsolidation of the Italian operation.

INVESTING ACTIVITIES

Our investing activities included payments related to the purchase of equipment, frequency permissions and licenses, capitalized customer acquisition costs, software and other assets as a part of the ongoing development of our mobile networks and fixed line business.

During the six months ended June 30, 2017, our total payments for purchases of property, equipment and intangible assets were US$1,196 million compared to US$714 million during the six months ended June 30, 2016. The increase was primarily due to increased investments in property and equipment in Russia, investments in property and equipment and license acquisition in Pakistan during the six months ended June 30, 2017, increased investments in financial assets during the period, and the lack of an outflow by discontinued operations after deconsolidation of the Italian operation.

Acquisitions and Dispositions

For information regarding our acquisitions and dispositions, see Notes 8 and 9 to our unaudited interim condensed consolidated financial statements attached hereto.

FINANCING ACTIVITIES

The Company assesses its capital raising and refinancing needs on an ongoing basis and may consider from time to time a number of options, including additional credit facilities, the issuance of debt securities in local and international capital markets, as well as repurchases of its securities in the open market.

During the six months ended June 30, 2017, we repaid US$3,606 million of indebtedness and raised US$4,442 million net of fees paid for borrowings. As at June 30, 2017, the principal amounts of our external indebtedness for bank loans, bonds, equipment financing and loans from others amounted to US$11.62 billion, compared to US$10.56 billion as at June 30, 2016.

For additional information on our financial activities, please refer to our unaudited interim condensed consolidated financial statements attached hereto and "—Key Developments during the Second Quarter of 2017".

INDEBTEDNESS

Many of the agreements relating to indebtedness contain various covenants, including financial covenants relating to our financial performance or financial condition, as well as negative pledges, compliance with laws requirements, and restrictions on mergers, acquisitions and certain asset disposals, subject to agreed exceptions. In addition, certain of these agreements subject certain of our subsidiaries to restrictions on their ability to pay dividends, make loans or repay debts to us. Our financing agreements have various customary events of default which can be triggered by events including non-payment, breach of applicable covenants, loss of certain mobile licenses, non-payment cross- default, cross-acceleration, certain judgment defaults, certain material adverse events and certain insolvency events. Some of our financing agreements also contain "change of control" provisions that may allow the lenders to cancel the facility and/or to require us to make a prepayment if a person or group of persons (with limited exclusions) acquire beneficial or legal ownership of, or control over more than 50.0% of, the voting share capital, or in certain cases of VEON Ltd., ceases to control more than 50.0% of the borrower's voting share capital.

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

For a description of some of the risks associated with certain of our indebtedness, please refer to the sections of our 2016 Annual Report entitled "Item 3—Key Information—D. Risk Factors—Risks Related to Our Business—Substantial amounts of indebtedness and debt service obligations could materially decrease our cash flow, adversely affect our business and financial condition and prevent us from raising additional capital," "Item 3—Key Information—D. Risk Factors—Risks Related to Our Business—We may not be able to raise additional capital" and "Item 3—Key Information—D. Risk Factors—Risks Related to Our Business—A disposition by one or both of our largest shareholders of their respective stakes in VEON Ltd. or a change in control of VEON Ltd. could harm our business."'

For a discussion of the recent financing developments, see "—Key Developments during the Second Quarter of 2017"

The following table provides a summary of our outstanding indebtedness with an outstanding principal balance exceeding US$30 million as at June 30, 2017, excluding indebtedness of the Italy Joint Venture.

	Type of debt/original lender	Interest rate	Outstanding debt (in millions)	Maturity date	Guarantor	Security
VimpelCom Amsterdam B.V.	Loan from ING Bank N.V.	6 month LIBOR plus 1.08%	US$73	October 16, 2023	EKN, VimpelCom Holdings	None
VimpelCom Amsterdam B.V.	Loan from China Development Bank Corp.	6 month LIBOR plus 3.30%	US$291	December 21, 2020	PJSC VimpelCom	None
VimpelCom Amsterdam B.V.	Loan from HSBC Bank plc	1.72%	US$175	July 31, 2022	EKN, PJSC VimpelCom	None
VimpelCom Holdings B.V.	Loan from China Development Bank Facility	5.71%	US$63 (RMB 424)	September 13, 2021	None	None
VimpelCom Holdings B.V	Loan from Alfa-Bank	1 month Libor plus 3.25%	US$500	October 17, 2017	None	None
VimpelCom Holdings B.V	Loan from Alfa-Bank	1 month Libor plus 3.25%	US$500	October 17, 2017	None	None
VimpelCom Holdings B.V.	Notes from Citibank	3.95%	US$600	June 16, 2021	None	None
VimpelCom Holdings B.V.	Notes from Citibank	4.95%	US$900	June 16, 2024	None	None

	Type of debt/original lender	Interest rate	Outstanding debt (in millions)	Maturity date	Guarantor	Security
VimpelCom Holdings B.V	Loan from SberBank	10.00%	US$1,608 (RUB 95,000)	May 19, 2022	None	None
VimpelCom Holdings B.V	Syndicated Loan Facility (1)	3 month Libor plus 2.75%	US$602 (EUR 527)	Feb 16, 2022	None	None
VimpelCom Holdings B.V.	Notes	9.00%	US$203 (RUB 12,000)	February 13, 2018	None	None
VimpelCom Holdings B.V.	Notes	5.20%	US$571	February 13, 2019	None	None
VimpelCom Holdings B.V.	Notes	5.95%	US$983	February 13, 2023	None	None
VimpelCom Holdings B.V.	Notes	7.5043%	US$628	March 1, 2022	PJSC VimpelCom	None
PJSC VimpelCom	Loan from VIP Finance Ireland Limited (funded by the issuance of loan participation notes by VIP Finance Ireland)	9.125%	US$166	April 30, 2018	None	None
PJSC VimpelCom	Loan from VIP Finance Ireland (funded by the issuance of loan participation notes by VIP Finance Ireland)	7.748%	US$377	February 2, 2021	None	None
PJSC VimpelCom	RUB denominated notes	11.90%	US$423 (RUB 25,000)	October 3, 2025(2)	None	None
GTH Finance B.V.	Notes	6.25%	US$500	April 26, 2020	VimpelCom Holdings	None
GTH Finance B.V.	Notes	7.25%	US$700	April 26, 2023	VimpelCom Holdings	None
GTH SAE	Term Loan	1 month US$ LIBOR plus 4.00%	US$200	August 3, 2017(3)	International Wireless Communications Pakistan Ltd, Telecom Ventures Ltd	None
PMCL	Loan from Habib Bank Limited	6 month KIBOR plus 1.15%	US$29 (PKR3,000)	May 16, 2019	None	Certain assets of PMCL(4)
PMCL	Loan from MCB Bank Limited	6 month KIBOR plus 0.80%	US$153 (PKR16,000)	December 23, 2020	None	Certain assets of PMCL(4)
PMCL	Syndicated loan via MCB Bank Limited	6 month KIBOR plus 1.25%	US$38 (PKR4,000)	May 16, 2019	None	Certain assets of PMCL(4)
PMCL	Sukuk Certificates	3 month KIBOR plus 0.88%	US$55 (PKR5,750)	December 22, 2019	None	Certain assets of PMCL(4)
PMCL	Loan from ING Bank N.V.	6 month LIBOR plus 1.90%	US$212	December 1, 2020	None	Certain assets of PMCL(4)
PMCL	Syndicated mark-up agreement via Habib Bank Limited	6.00%	US$58 (PKR6,043)	December 31, 2023	None	Certain assets of PMCL(4)
PMCL	Syndicated mark-up agreement via Habib Bank Limited	6.00%	US$38 (PKR4,005)	December 31, 2023	None	Certain assets of PMCL(4)
PMCL	Loan from United Bank Limited	6 month KIBOR plus 1.10%	US$31 (PKR3,200)	May 16, 2021	None	Certain assets of PMCL(4)

	Type of debt/original lender	Interest rate	Outstanding debt (in millions)	Maturity date	Guarantor	Security
BDCL	Senior Notes	8.625%	US$300	May 6, 2019	None	None
OTA	Syndicated Loan Facility	Bank of Algeria Re-Discount Rate plus 2.00%	US$348 (DZD37,500)	September 30, 2019	none	Dividend assignment
Other loans, equipment financing and capital lease obligations	—	—	US$301	—	—	—

(1) This is part of the combined Revolving Credit Facility and Term Loan signed with multiple banks with Citibank as the agent. The Outstanding amount reflects the Term Loan portion fully drawn out in EUR. The RCF remains undrawn.
(2) These bonds are subject to an investor put option at October 13, 2017.
(3) This facility was extended to December 15, 2017 on July 21, 2017.
(4) Charges over moveable fixed assets, receivables, cash balances, investments, cash collections and book debts.

FUTURE LIQUIDITY AND CAPITAL REQUIREMENTS

During the six months ended June 30, 2017, our capital expenditures were US$912 million compared to US$545 million in the six months ended June 30, 2016, in each case, excluding capital expenditures in Italy. The increase in capital expenditures was primarily due to higher capital expenditures in Russia in the six months ended June 30, 2017, as a result of procurement-related delays in the prior year, and increased capital expenditure in Pakistan in the six months ended June 30, 2017 due to integration capital expenditures and the expansion of 3G and 4G/LTE networks.

We expect that our capital expenditures in 2017 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 and Algeria and 3G networks in Algeria, Bangladesh, Pakistan and Ukraine. We expect that these expenditures will continue to be significant through the second half of 2017, including in relation to potential spectrum auctions in both Bangladesh and Ukraine.

For a discussion of our spending on research and development and our development of new technologies including our VEON personal internet platform, see “Item 4—Information on the Company—Research and Development” and “Item 4—Information on the Company—Overview” of our 2016 Annual Report.

The management anticipates that the funds necessary to meet our current capital requirements and those to be incurred in the foreseeable future (including with respect to any possible acquisitions) will come from:

- cash we currently hold;
- operating cash flows;
- export credit agency guaranteed financing;
- borrowings under bank financings, including credit lines currently available to us;
- syndicated loan facilities; and
- debt financings from international and local capital markets.

As at June 30, 2017, we had an undrawn amount of US$2,501 million under existing credit facilities (excluding the Italy Joint Venture's credit facilities).

The management expects positive cash flows from 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. The actual amount of debt financing that we will need to raise will be influenced by our financing needs, the actual pace of traffic growth over the period, network construction, our acquisition plans and our ability to continue revenue growth and stabilize ARPU.

For related risks, see "Item 3—Key Information—D. Risk Factors—Risks Related to Our Business— Substantial amounts of indebtedness and debt service obligations could materially decrease our cash flow, adversely affect our business and financial condition and prevent us from raising additional capital," and "Item 3—Key Information—D. Risk Factors—Risks Related to Our Business—We may not be able to raise additional capital" of our 2016 Annual Report.

Our future cash needs are subject to significant uncertainties. For instance, we are exposed to the impact of future exchange rates on our U.S. dollar denominated debt obligations and future requirements for U.S. dollar denominated capital expenditures, which are generally funded by functional currency cash flows of our subsidiaries. Remittances from our subsidiaries may also be restricted by local regulations or subject to material taxes when remitted. In addition, we have had material cash outflows with respect to the agreements with the SEC, DOJ and OM, and we expect to have material cash outflows in the short-term for our performance transformation program. Despite these uncertainties, we believe that our cash flows from operations and other sources of funds described above will be sufficient to meet our short-term and foreseeable long-term cash requirements.

RELATED PARTY TRANSACTIONS

We have entered into transactions with related parties and affiliates. Please see Note 13 to our unaudited interim condensed consolidated financial statements attached hereto.

For the explanation of the nature of significant related party transactions please refer to our 2016 Annual Report.

CERTAIN FACTORS AFFECTING OUR FINANCIAL POSITION AND RESULTS OF OPERATIONS

Our financial position and results of operations as at and for the six months ended June 30, 2017 and 2016 as reflected in our unaudited interim condensed consolidated financial statements attached hereto have been influenced by the following additional factors.

For a discussion of the key developments trends, commitments or events that are likely to have a material effect on our results of operation for the current financial year, see "—Key Developments during the Second Quarter of 2017."

ECONOMIC TRENDS AND INFLATION

Our financial position and results of operations are affected by the economic conditions in the countries in which we operate. In particular, in Algeria, there continued to be a challenging economic environment in the six months ended June 30, 2017 and an accelerating inflation rate. In addition, the depreciation of the Uzbek som negatively affected our results of operations in Uzbekistan during the six months ended June 30, 2017.

FOREIGN CURRENCY TRANSLATION

Our unaudited interim condensed consolidated financial statements are presented in U.S. dollars. Amounts included in these financial statements were presented in accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, using the current rate method of currency translation with the U.S. dollar as the reporting currency. The current rate method assumes that assets and liabilities measured in the functional currency are translated into U.S. dollars at exchange rates prevailing on the balance sheet date; whereas revenue, expenses, gains and losses are translated into U.S. dollars at historical exchange rates prevailing on the transaction dates. We translate income statement amounts using the average exchange rates for the period. Translation adjustments resulting from the process of translating financial statements into U.S. dollars are reported in accumulated other comprehensive income, a separate component of equity.

Our results of operations are affected by increases or decreases in the value of the U.S. dollar or our functional currencies. A higher average exchange rate correlates to a weaker functional currency. We have listed below the relevant exchange rates for each of our countries of operation for the six months ended June 30, 2017. These should not be construed as a representation that such currency will in the future be convertible into U.S. dollars or other foreign currency at the exchange rate shown, or at any other exchange rates.

	Average rates		
	1H17	**1H16**	YoY % change
Russian Ruble (RUB)	57.99	70.26	-17.5%
Pakistan Rupee (PRK)	104.81	104.71	0.1%
Algerian Dinar (DZD)	109.48	108.68	0.7%
Bangladeshi Taka (BDT)	80.22	78.41	2.3%
Ukrainian Hryvnia (UAH)	26.76	25.46	5.1%
Uzbekistan Som (UZS)	3,566.66	2,877.26	24.0%

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 at June 30, 2017 and December 31, 2016, the largest currency exposure risks for the group were in relation to the Russian ruble, the euro, 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 and the Italy Joint Venture's cash flows from operating activities are denominated in these functional currencies, respectively, while our debt, if not incurred in or hedged to the aforementioned currencies, is primarily denominated in U.S. dollars.

We hold approximately 30% of our readily available cash (in U.S. dollars) at the group level 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 part of this risk. Nonetheless, if the U.S. dollar value of the Russian ruble, euro, Algerian dinar, Pakistani rupee, Bangladeshi taka, Ukrainian hryvnia, Kazakh tenge or Uzbek som were to dramatically decline, it could negatively impact our ability to repay or refinance our U.S. dollar denominated indebtedness. Fluctuations in the value of the Russian ruble, euro, Algerian dinar, Pakistani rupee, Bangladeshi taka, Ukrainian hryvnia or Uzbek som against the U.S. dollar could adversely affect VEON Ltd.'s financial condition and results of operations due to potential revaluation of U.S. dollar denominated indebtedness affecting net income through foreign exchange gain/loss. 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 2016 Annual Report entitled "Item 3—Key Information—D. Risk Factors—Risks Related to Our Business—We are exposed to foreign currency exchange loss and currency fluctuation and convertibility risks."

The following table summarizes information, as at June 30, 2017, about the maturity of our financial instruments that are sensitive to foreign currency exchange rates, primarily represented by foreign currency denominated debt obligations:

	Aggregate nominal amount of total foreign currency denominated debt outstanding as at June 30,						Fair Value [(1)] of foreign currency denominated debt as at June 30,
	2018	2019	2020	2021	2022	After June 30, 2022	2017
Total debt:							
Fixed Rate (US$)	679	378	377	0	0	—	929
Average interest rate	8.2%	7.8%	7.7%	0	0	—	
Fixed Rate (RUB)	1,608	1,608	1,608	853	—	—	1,788
Average interest rate	10.0%	10.0%	10.0%	10.0%	0%	—	
Fixed Rate (other currencies)	63	54	36	18	0	—	60
Average interest rate	5.7%	5.7%	5.7%	5.7%	0%	—	
Variable Rate (US$)	162	106	37	—	—	—	210
Average interest rate	3.3%	3.3%	3.3%	0%	0%	—	
Variable Rate (EUR)	602	602	516	172	—	—	599
Average interest rate	2.8%	2.8%	2.8%	2.8%	0%	—	
Variable Rate (other currencies)	—	—	—	—	—	—	—
Average interest rate	0%	0%	0%	0%	0%	—	

(1) The fair values were estimated based on quoted market prices for our bonds, derived from market prices or by using discounted cash flows under the agreement at the rate applicable for the instruments with similar maturity and risk profile.

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

As at June 30, 2017, the variable interest rate risk on the financing of our group was limited as 73% of the group's total debt was fixed rate debt.

DECLARATIONS

Section 5:25d of the Dutch Financial Markets Supervision Act ("Wet op het financieel toezicht" or "Wtf") requires that the persons designated as responsible by the issuer make certain statements as to the adequacy of the issuer's half-year report. Accordingly, Jean-Yves Charlier and Andrew Davies hereby declare that, to the best of their 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 Wtf.

Amsterdam, the Netherlands

August 3, 2017

Jean-Yves Charlier (CEO)

Andrew Davies (CFO)

Unaudited interim condensed
consolidated financial statements

VEON Ltd.

As at and for the six and three month periods
ended June 30, 2017

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INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

for the six and three month periods ended June 30

	Note	Six month period 2017	Six month period 2016	Three month period 2017	Three month period 2016
(In millions of U.S. dollars, except per share amounts)					
Service revenues *		4,533	4,033	2,331	2,086
Sale of equipment and accessories		108	79	57	35
Other revenues / other income		57	58	29	32
Total operating revenues	4	**4,698**	**4,170**	**2,417**	**2,153**
Service costs *		(920)	(819)	(477)	(432)
Cost of equipment and accessories		(114)	(91)	(58)	(39)
Selling, general and administrative expenses		(1,872)	(1,707)	(951)	(887)
Depreciation		(776)	(723)	(386)	(391)
Amortization		(268)	(225)	(146)	(113)
Impairment loss		(5)	(12)	(8)	(4)
Loss on disposals of non-current assets		(9)	(6)	(2)	(4)
Total operating expenses		**(3,964)**	**(3,583)**	**(2,028)**	**(1,870)**
Operating profit		**734**	**587**	**389**	**283**
Finance costs		(447)	(385)	(232)	(205)
Finance income		46	31	24	19
Other non-operating losses	7	(152)	(62)	(116)	(24)
Share of loss of joint ventures and associates	6	(196)	(16)	(95)	(11)
Impairment of joint ventures and associates	6	(110)	-	(110)	-
Net foreign exchange gain / (loss)		62	95	(53)	33
(Loss) / profit before tax		**(63)**	**250**	**(193)**	**95**
Income tax expense	5	(206)	(252)	(65)	(135)
Loss for the period from continuing operations		**(269)**	**(2)**	**(258)**	**(40)**
Profit after tax for the period from discontinued operations		-	383	-	186
(Loss) / profit for the period		**(269)**	**381**	**(258)**	**146**
Attributable to:					
The owners of the parent (continuing operations)		(283)	(57)	(278)	(49)
The owners of the parent (discontinued operations)		-	383	-	186
Non-controlling interest		14	55	20	9
		(269)	**381**	**(258)**	**146**
Earnings / (loss) per share					
Basic and diluted from continuing operations		($0.16)	($0.03)	($0.16)	($0.03)
Basic and diluted from discontinued operations		-	$0.22	-	$0.11
Basic and diluted for profit attributable to ordinary equity holders of the parent		($0.16)	$0.19	($0.16)	$0.08

* In 2016, the Group has aligned its practices for content revenue across the Group. The impact of this refinement in policy was not material and reduced the revenue and the operating costs by US$9 and US$3, respectively, for the six and three month periods ended June 30, 2016. The net results, financial position and operating cash flows for these periods remained unaffected. The Company concluded that net presentation of the content revenue better reflected the actual nature and substance of the arrangements with content providers.

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)	**2017**	**2016**	**2017**	**2016**
(Loss) / profit for the period	**(269)**	**381**	**(258)**	**146**
Items that may be reclassified to profit or loss				
Net movement on cash flow hedges (net of tax of nil and nil, respectively, for the six and three month periods (2016: US$7 and US$7))	2	20	4	24
Foreign currency translation	62	216	(68)	143
Other comprehensive income / (loss) for the period, net of tax	**64**	**236**	**(64)**	**167**
Total comprehensive (loss) / income for the period, net of tax	**(205)**	**617**	**(322)**	**313**
Attributable to:				
The owners of the parent	(250)	582	(365)	319
Non-controlling interests	45	35	43	(6)
	(205)	**617**	**(322)**	**313**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at

(In millions of U.S. dollars)	Note	June 30, 2017	December 31, 2016
Assets			
Non-current assets			
Property and equipment	8	6,315	6,719
Intangible assets	9	2,410	2,257
Goodwill	9	4,538	4,696
Investments in joint ventures and associates	6	2,049	2,179
Deferred tax assets		266	343
Non-current income tax advance		28	25
Other financial assets	10	281	306
Other assets		126	118
Total non-current assets		**16,013**	**16,643**
Current assets			
Inventories		116	125
Trade and other receivables		689	685
Other assets		389	439
Current income tax assets		204	169
Other financial assets	10	241	190
Cash and cash equivalents	11	2,873	2,942
Total current assets		**4,512**	**4,550**
Assets classified as held for sale	3	509	-
Total assets		**21,034**	**21,193**
Equity and liabilities			
Equity			
Equity attributable to equity owners of the parent		5,355	5,960
Non-controlling interests		(277)	83
Total equity		**5,078**	**6,043**
Non-current liabilities			
Financial liabilities	10	9,577	8,070
Provisions		139	148
Other liabilities		44	44
Deferred tax liabilities		329	331
Total non-current liabilities		**10,089**	**8,593**
Current liabilities			
Trade and other payables		1,539	1,744
Other liabilities		1,270	1,236
Other financial liabilities	10	2,576	3,046
Current income tax payables		13	57
Provisions		402	474
Total current liabilities		**5,800**	**6,557**
Liabilities associated with assets held for sale	3	67	-
Total equity and liabilities		**21,034**	**21,193**

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, 2017

(In millions of U.S. dollars)	Attributable to equity owners of the parent								
	Number of shares outstanding	Issued capital	Capital Surplus	Other capital reserves	Retained earnings	Foreign currency translation	Total	Non-controlling interests	Total equity
As at January 1, 2017	1,749,004,648	2	12,753	753	(439)	(7,109)	5,960	83	6,043
(Loss) / profit for the period		-	-	-	(283)	-	(283)	14	(269)
Other comprehensive income		-	-	2	-	31	33	31	64
Total comprehensive (loss) / income		-	-	2	(283)	31	(250)	45	(205)
Dividends declared (Note 12)		-	-	-	(343)	-	(343)	(158)	(501)
Share-based payment transactions	122,756	-	-	-	-	-	-	-	-
Changes in ownership interest in a subsidiary that do not result in a loss of control (Note 3)		-	-	(12)	-	-	(12)	(247)	(259)
Reallocation to legal reserve in Algeria		-	-	4	(4)	-	-	-	-
As at June 30, 2017	**1,749,127,404**	**2**	**12,753**	**747**	**(1,069)**	**(7,078)**	**5,355**	**(277)**	**5,078**

for the six month period ended June 30, 2016

(In millions of U.S. dollars)	Attributable to equity owners of the parent								
	Number of shares outstanding	Issued capital	Capital Surplus	Other capital reserves	Retained earnings	Foreign currency translation	Total	Non-controlling interests	Total equity
As at January 1, 2016	1,749,004,648	2	12,753	667	(2,706)	(6,951)	3,765	129	3,894
Profit for the period		-	-	-	326	-	326	55	381
Other comprehensive income / (loss)		-	-	21	-	235	256	(20)	236
Total comprehensive income		-	-	21	326	235	582	35	617
Dividends declared to non-controlling interests		-	-	-	-	-	-	(69)	(69)
Changes in ownership interest in a subsidiary that do not result in a loss of control		-	-	18	-	-	18	(18)	-
As at June 30, 2016	**1,749,004,648**	**2**	**12,753**	**706**	**(2,380)**	**(6,716)**	**4,365**	**77**	**4,442**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six month period ended June 30

(In millions of U.S. dollars)	Note	2017	2016
Operating activities			
(Loss) / profit before tax		(63)	250
Non-cash adjustments to reconcile profit before tax to net cash flows:			
Depreciation, amortization and impairment losses		1,049	960
Loss on disposals of non-current assets		9	6
Finance costs		447	385
Finance income		(46)	(31)
Other non-operating losses		152	62
Share of loss of joint ventures and associates		196	16
Impairment of joint ventures and associates		110	-
Net foreign exchange gain		(62)	(95)
Changes in trade and other receivables and prepayments		(66)	(162)
Changes in inventories		11	25
Changes in trade and other payables		119	-
Changes in provisions and pensions		(69)	(798)
Interest paid		(418)	(359)
Interest received		36	31
Income tax paid		(243)	(223)
Net cash flow from operating activities of discontinued operations		-	375
Net cash flow from operating activities		**1,162**	**442**
Investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		15	8
Purchase of property, plant and equipment and intangible assets		(1,196)	(714)
Loans granted		(2)	(82)
(Payment on) / receipts from deposits		(24)	70
Investment in financial assets		(107)	(47)
Net cash flow used in investing activities of discontinued operations		-	(412)
Net cash flow used in investing activities		**(1,314)**	**(1,177)**
Financing activities			
Acquisition of non-controlling interest	3	(259)	-
Proceeds from borrowings, net of fees paid*	10	4,442	1,848
Repayment of borrowings		(3,606)	(1,120)
Dividends paid to the owners of the parent	12	(332)	-
Dividends paid to non-controlling interests	12	(82)	-
Proceeds from sale of non-controlling interests, net of fees paid		-	1
Net cash flow used in financing activities of discontinued operations		-	(10)
Net cash flow from financing activities		**163**	**719**
Net change in cash and cash equivalents		11	(16)
Net foreign exchange difference related to continued operations		(74)	(10)
Net foreign exchange difference related to discontinued operations		-	5
Cash and cash equivalents classified as held for sale at the beginning of period		-	314
Cash and cash equivalents classified as held for sale at the end of the period		(6)	(272)
Cash and cash equivalents at beginning of period		2,942	3,614
Cash and cash equivalents at end of period	11	**2,873**	**3,635**

** Fees paid for borrowings were US$49 (2016: US$26).*

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

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 are located at Claude Debussylaan 88, 1082 MD Amsterdam, the Netherlands.

The Company changed its name from VimpelCom Ltd. to VEON Ltd., effective as of March 30, 2017.

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"**). From April 4, 2017, VEON's common shares are listed on Euronext Amsterdam, the regulated market of Euronext Amsterdam B.V. ("**Euronext Amsterdam**").

Share information

As at June 30, 2017, the Company's largest shareholders and remaining free float are as follows:

Shareholder	Common shares	% of common and voting shares
L1T VIP Holdings S.à r.l. ("**LetterOne**")	840,625,001	47.9%
Telenor East Holding II AS ("**Telenor**")	346,703,840	19.7%
Stichting Administratiekantoor Mobile Telecommunications Investor[(i)]	145,947,562	8.3%
Free Float	423,454,732	24.1%
Total outstanding common shares	**1,756,731,135**	**100%**
Shares held by the Company or its subsidiaries (**"Treasury shares"**)	7,603,731	0.4%

(i) LetterOne is entitled to the economic benefits (dividend payments, other distributions and sale proceeds) of such common shares.

In April 2017, Telenor sold 70,000,000 common shares of VEON Ltd. in the form of ADSs listed on NASDAQ and common shares listed on Euronext Amsterdam pursuant to an underwritten offering. The Company did not receive any proceeds from the offering, and Telenor's sale of the ADSs and common shares did not result in dilution of the Company's issued and outstanding shares. The offering was made pursuant to the Company's shelf registration statement on Form F-3 initially filed with the U.S. Securities and Exchange Commission (the **"SEC"**) on May 23, 2014, as amended and most recently declared effective on April 20, 2016 (the **"Registration Statement"**). The ADSs and common shares were offered by means of a prospectus and accompanying prospectus supplement forming a part of the effective Registration Statement.

Nature of operations and principal activities

VEON earns revenues by providing voice and data telecommunication services through a range of traditional and broadband mobile and fixed-line technologies. As at June 30, 2017, the Company operated telecommunications services in Russia, Pakistan, Algeria, Bangladesh, Ukraine, Uzbekistan, Kazakhstan, Armenia, Tajikistan, Georgia, Kyrgyzstan and Laos, and in Italy via a 50/50 joint venture.

During the six month period ended June 30, 2017, several local currencies demonstrated significant volatility against the U.S. dollar, which impacted the Company's financial position and results of operations following the translation of non-U.S. currency amounts into U.S. dollars for consolidation purposes. In particular, in U.S. dollar terms, the fluctuations of local currencies caused a 7% increase in total revenue for the Group for the six month period ended June 30, 2017 as compared with the same period of 2016.

In addition, the foreign exchange rate in Uzbekistan applied for consolidation purposes is the official rate published by the Central Bank of the Republic of Uzbekistan. However, this exchange rate is not achievable in expatriating funds out of the country due to long-term restrictions imposed by the local government. The total net assets of the Uzbekistan operations contributing to the consolidated financial position of the Group as at June 30, 2017 amounted to US$778. However, if the Company applied the exchange rate implied by market transactions, the net assets would decrease significantly in U.S. dollar terms.

2 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, 2017 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's audited annual consolidated financial statements as at and for the year ended December 31, 2016.

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 judgements, estimates and assumptions affects the amounts reported in the statement of financial position, income statement, statement of cash flows, statement of changes in equity, as well as the notes. The final amounts for items for which estimates and assumptions were made in the consolidated financial statements may differ from those reported in these statements due to the uncertainties that characterize the assumptions and conditions on which the estimates are based.

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements as at and for the year ended December 31, 2016.

A number of new or amended standards became effective as at January 1, 2017. However, the Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

The following are significant and relevant new standards that are issued, but not yet effective, up to the date of the issuance of the Group's financial statements, and which have not been early adopted by the Company:

- IFRS 15 *'Revenue from contracts with customers'* — The Group is continuing to assess the impact of IFRS 15, however, based on the analysis performed so far, the Company does not expect any material impact on revenue recognition due to currently existing product offering (i.e. prevailing pre-paid service offering). However, the Company does expect a potential impact stemming from capitalization of costs incurred in acquiring contracts with customers upon adoption in 2018.
- IFRS 9 *'Financial instruments'* — The Group is in the process of assessing the impact of IFRS 9, which may be material to the consolidated income statement and consolidated financial position, of the Company, upon adoption in 2018.
- IFRS 16, *'Leases'* — The Group has yet to assess the impact of IFRS 16, which may be material to the consolidated income statement and consolidated financial position upon adoption in 2019.
- IFRIC 23 *'Uncertainty over income tax treatments'* — The Interpretation, clarifies application of recognition and measurement requirements in IAS 12 *'Income Taxes'* when there is uncertainty over income tax treatments. The Group has yet to assess the impact of IFRIC 23, which may be material to the consolidated income statement and consolidated financial position upon adoption in 2019.

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

3 SIGNIFICANT TRANSACTIONS

GLOBAL TELECOM HOLDING S.A.E SHARE BUYBACK

Global Telecom Holdings S.A.E (**"GTH"**), a subsidiary of the Company, bought back 524,569,062 ordinary shares from its shareholders for EGP 4.1 billion (US$259), which transaction settled on February 21, 2017. The Company did not take part in the share buyback. As a result of the share buyback, the Company's interest in GTH increased by 5.77% from 51.92% to 57.69%, resulting in a US$12 loss recognized directly in equity. The cancellation of the 524,569,062 ordinary shares was approved at an extraordinary general meeting of GTH's shareholders on March 19, 2017 and took effect on April 16, 2017 after ratification by the Egyptian Financial Supervisory Authority of the minutes of the March 19, 2017 extraordinary general meeting.

EXIT FROM EUROSET HOLDING B.V. JOINT VENTURE

On July 7, 2017, PJSC Vimpel-Communications (**"PJSC VimpelCom"**), a subsidiary of the Company, entered into a Framework Agreement with PJSC Megafon (**"Megafon"**) to unwind their retail joint venture, Euroset Holding B.V. (**"Euroset"**). Under the agreement, Megafon will acquire PJSC VimpelCom's 50% interest in Euroset and PJSC VimpelCom will pay RUB 1.25 billion (approximately US$20 and subject to possible completion adjustments) and will acquire rights to 50% of Euroset's approximately 4,000 retail stores in Russia. The transaction is subject to relevant regulatory approvals and other conditions precedent, and is expected to be completed in Q4 2017.

As a result of this anticipated transaction, the investment in the Euroset joint venture was classified as an asset held-for-sale at June 30, 2017. However, as a result of the impairment described in Note 6, the investment in Euroset had a carrying value of nil prior to reclassification as an asset held-for-sale.

TOWERS IN PAKISTAN CLASSIFIED AS HELD-FOR-SALE

The Company is in advanced discussions for the sale of its indirect subsidiary, Deodar Limited (**"Deodar"**). Deodar holds a portfolio of approximately 13,000 towers and provides network tower services in Pakistan. As a result, on June 30, 2017, the Company classified Deodar as a disposal group held-for-sale. There can be no assurance that definitive agreement will be reached.

Following the classification as a disposal group held-for sale, the Company will no longer account for depreciation and amortization expenses of Deodar assets.

The assets and liabilities of Deodar classified as held for sale are presented below:

	June 30, 2017
Property and equipment	141
Goodwill	237
Deferred tax assets	62
Other non-current assets	2
Cash and cash equivalents	4
Other current assets	39
Total assets held for sale	**485**
Non-current liabilities	(13)
Current liabilities	(39)
Total liabilities held for sale	**(52)**

Included in the equity of the Group is cumulative other comprehensive income of US$(7) related to Deodar, which is classified as held for sale.

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

LAOS OPERATIONS CLASSIFIED AS HELD FOR SALE

During Q2 2017, the Company has committed to a plan to sell its 78% interest in VimpelCom Lao Co. Limited (**"VIP Lao"**). As a result, we classified our Laos business as a disposal group held for sale in these interim condensed consolidated financial statements.

Following the classification as a disposal group held-for sale, the Company will no longer account for depreciation and amortization expenses of VIP Lao assets.

The assets and liabilities of VIP Lao classified as held for sale are presented below:

	June 30, 2017
Property and equipment	15
Intangible assets	2
Current assets	7
Total assets held for sale	**24**
Non-current liabilities	(4)
Current liabilities	(11)
Total liabilities held for sale	**(15)**

Included in the equity of the Group is cumulative other comprehensive income of US$1 and non-controlling interests of US$(5) related to Laos, which is classified as held for sale.

4 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. Management does not analyze assets or liabilities by reportable segments.

Management evaluates the performance of the Company's segments on a regular basis, primarily based on earnings before interest, tax, depreciation, amortization, impairment loss, loss on disposals of non-current assets, other non-operating losses and shares of profit / (loss) of associates and joint ventures (**"Adjusted EBITDA"**).

From the first quarter of 2017, management has included the Italy Joint Venture (see Note 6) as a separate reportable segment, due to its increasing contribution to the Company's overall financial result and position.

Financial information by reportable segment for the six and three month periods ended June 30, 2017 and 2016, is presented in the following tables, with the exception of the Italy Joint Venture, for which financial information is presented in Note 6. Inter-segment revenues between operating segments are on an arm's length basis in a manner similar to transactions with third parties. The segment data for acquired operations are reflected herein from the date of their respective acquisition.

Six month period ended June 30, 2017

	Russia	**Algeria**	**Pakistan**	**Bangladesh**	**Ukraine**	**Uzbekistan**	**HQ**	**Other**	**Total Segments**
Revenue									
External customers	2,278	463	755	299	286	305	-	312	**4,698**
Inter-segment	16	-	-	-	11	1	-	(28)	**-**
Total revenue	**2,294**	**463**	**755**	**299**	**297**	**306**	**-**	**284**	**4,698**
Adjusted EBITDA	**880**	**219**	**321**	**130**	**164**	**162**	**(170)**	**86**	**1,792**
Other disclosures									
Capital expenditure	259	55	395	27	67	38	15	56	**912**

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

Six month period ended June 30, 2016

	Russia	Algeria	Pakistan	Bangladesh	Ukraine	Uzbekistan	HQ	Other	Total Segments
Revenue									
External customers	1,875	529	557	312	271	328	-	298	**4,170**
Inter-segment	19	-	1	-	10	1	-	(31)	**-**
Total revenue	**1,894**	**529**	**558**	**312**	**281**	**329**	**-**	**267**	**4,170**
Adjusted EBITDA	**742**	**286**	**231**	**139**	**151**	**194**	**(234)**	**44**	**1,553**
Other disclosures									
Capital expenditure	163	70	46	50	40	46	15	115	**545**

Three month period ended June 30, 2017

	Russia	Algeria	Pakistan	Bangladesh	Ukraine	Uzbekistan	HQ	Other	Total Segments
Revenue									
External customers	1,188	231	385	148	148	152	-	165	**2,417**
Inter-segment	9	-	-	-	6	1	-	(16)	**-**
Total revenue	**1,197**	**231**	**385**	**148**	**154**	**153**	**-**	**149**	**2,417**
Adjusted EBITDA	**471**	**105**	**167**	**61**	**87**	**83**	**(94)**	**51**	**931**
Other disclosures									
Capital expenditure	142	29	361	17	38	16	8	33	**644**

Three month period ended June 30, 2016

	Russia	Algeria	Pakistan	Bangladesh	Ukraine	Uzbekistan	HQ	Other	Total Segments
Revenue									
External customers	999	250	284	157	141	163	-	159	**2,153**
Inter-segment	11	-	1	-	4	1	-	(17)	**-**
Total revenue	**1,010**	**250**	**285**	**157**	**145**	**164**	**-**	**142**	**2,153**
Adjusted EBITDA	**414**	**128**	**115**	**69**	**80**	**94**	**(113)**	**8**	**795**
Other disclosures									
Capital expenditure	115	43	34	33	30	17	15	63	**350**

The following table provides the reconciliation of consolidated Adjusted EBITDA to consolidated (loss) / profit before tax, as presented in the consolidated income statement, for the six and three month periods ended June 30:

	Six month period		**Three month period**	
	2017	**2016**	**2017**	**2016**
Total Segments Adjusted EBITDA	**1,792**	**1,553**	**931**	**795**
Depreciation	(776)	(723)	(386)	(391)
Amortization	(268)	(225)	(146)	(113)
Impairment loss	(5)	(12)	(8)	(4)
Loss on disposals of non-current assets	(9)	(6)	(2)	(4)
Finance costs	(447)	(385)	(232)	(205)
Finance income	46	31	24	19
Other non-operating losses	(152)	(62)	(116)	(24)
Share of loss of joint ventures and associates	(196)	(16)	(95)	(11)
Impairment of joint ventures and associates	(110)	-	(110)	-
Net foreign exchange gain / (loss)	62	95	(53)	33
(Loss) / profit before tax	**(63)**	**250**	**(193)**	**95**

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

5 INCOME TAXES

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

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

	Six month period		Three month period	
	2017	**2016**	**2017**	**2016**
Current income taxes	196	297	89	158
Deferred income taxes	10	(45)	(24)	(23)
Income tax expense	**206**	**252**	**65**	**135**

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

	Six month period		Three month period	
	2017	**2016**	**2017**	**2016**
(Loss) / profit before tax from continued operations	(63)	250	(193)	95
Income tax benefit / (expense) at statutory tax rate (25.0%)	**16**	**(63)**	**49**	**(24)**
Difference due to the effects of:				
Different tax rates in different jurisdictions	(25)	(51)	(24)	(22)
Non-deductible expenses	(103)	(30)	(62)	(19)
Non-taxable income	17	10	7	8
Prior year adjustments	(35)	7	(10)	5
Change in recognition of deferred tax assets	(68)	(69)	(26)	(33)
Withholding taxes	8	2	2	3
Minimum taxes and change in income tax rate	(15)	(15)	(8)	(12)
Other	(1)	(43)	7	(41)
Income tax expense	**(206)**	**(252)**	**(65)**	**(135)**

In the first half of 2017, the difference between the statutory tax rate in the Netherlands (25.0%) and the effective corporate income tax rate for the Group (-327.0%) was primarily driven by non-deductible expenses in respect of share of loss of joint ventures and associates and impairment of joint ventures and associates, reducing profit before tax by US$196 and US$110, respectively, as well as the income tax losses arising from early debt redemption for which no deferred tax asset has been recognized, reducing profit before tax by US$124. But for these expenses, the effective tax rate for the six month period would have been 56.1%, which was impacted by profitability in countries with a higher nominal tax rate (Uzbekistan, Bangladesh and Pakistan), other non-deductible expenses and other income tax losses for which no deferred tax asset has been recognized.

During the first half of 2016, the difference between the statutory tax rate in the Netherlands (25%) and the effective corporate income tax rate for the Group (100.8%) was mainly driven by non-deductible expenses, income tax losses for which no deferred tax asset has been recognized, increase in uncertain income tax positions and higher statutory tax rates in Uzbekistan, where the statutory tax rate increased from 15% to 53.3%.

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

In the second quarter of 2017, the difference between the statutory tax rate in the Netherlands (25%) and the effective corporate income tax rate for the Group (-33.7%) was primarily driven by non-deductible expenses in respect of share of loss of joint ventures and associates and impairment of joint ventures and associates, reducing profit before tax by US$95 and US$110, respectively, as well as the income tax loss arising from early debt redemption for which no deferred tax asset has been recognized, reducing profit before tax by US$124. But for these expenses, the effective tax rate for the three month period would have been 47.8%, which was impacted by profitability in countries with a higher nominal tax rate (Uzbekistan, Bangladesh and Pakistan), other non-deductible expenses and other income tax losses for which no deferred tax asset has been recognized.

In the second quarter of 2016, the difference between the statutory tax rate in the Netherlands (25%) and the effective corporate income tax rate for the Group (142.1%) was mainly driven by non-deductible expenses, income tax losses for which no deferred tax asset has been recognized, increase in uncertain income tax positions and higher statutory tax rates in Uzbekistan, where the statutory tax rate increased from 15% to 53.3%.

6 SHARE OF LOSS OF JOINT VENTURES AND ASSOCIATES

Share of loss of joint ventures and associates was contributed by the following investments for the six and three month periods ended June 30:

	Six month period		Three month period	
	2017	**2016**	**2017**	**2016**
Italy Joint Venture	(174)	-	(85)	-
Other joint ventures and associates	(22)	(16)	(10)	(11)
Share of loss of joint ventures and associates	**(196)**	**(16)**	**(95)**	**(11)**

ITALY JOINT VENTURE

On November 5, 2016, the Company completed the transaction with CK Hutchison Holdings Ltd to form a joint venture in Italy, combining their respective businesses. Refer to Note 6 in the annual consolidated financial statements for further details.

The information of the Italy Joint Venture disclosed below reflects the amounts presented in the financial statements of the relevant joint venture and not the Group's share of those amounts. The information presented below has been amended to reflect adjustments made by the Company when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

The loss for the Italy Joint Venture for the six and three month periods ended June 30, 2017 is disclosed below.

	Six month period	**Three month period**
Revenue	3,308	1,671
Operating expenses	(3,308)	(1,702)
Other expenses	(301)	(114)
Income tax expenses	(47)	(25)
Loss for the period	**(348)**	**(170)**
Other comprehensive income	-	-
Total comprehensive loss	**(348)**	**(170)**

Included within Operating expenses for the six and three month periods are, respectively, US$941 and US$496 of depreciation and amortization expense. Included within Other (expenses) / income for the six and three month periods are, respectively, US$206 and US$102 of interest expense.

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

As disclosed in Note 4, the Italy Joint Venture is a separate reportable segment. Financial information for the six and three month periods ended June 30, 2017 is presented below.

	Six month period	Three month period
Revenue		
External customers	3,307	1,670
Inter-segment	1	1
Total revenue	**3,308**	1,671
Adjusted EBITDA	**947**	**471**
Other disclosures		
Capital expenditure	549	293

The following table provides a reconciliation of Adjusted EBITDA to Loss for the period for the Italy Joint Venture, for the six and three month periods ended June 30, 2017.

	Six month period	Three month period
Adjusted EBITDA	**947**	**471**
Depreciation and amortization	(941)	(496)
Loss on disposals of non-current assets	(6)	(6)
Finance costs	(201)	(102)
Other non-operating losses	(100)	(12)
Income tax expenses	(47)	(25)
Loss for the period	**(348)**	**(170)**

IMPAIRMENT OF EUROSET

During Q2 2017, due to the continued operational underperformance of Euroset, the Company has revised its previous estimates and assumptions regarding Euroset's future cash flows. As a result, the Company has recorded an impairment of US$110 against the carrying value of the investment in Euroset, resulting in a post-impairment carrying value of nil.

The recoverable amount of Euroset has been determined using fair value less costs of disposal, based on a Level 3 fair value derived from a discounted cash flow model.

Key assumptions	**June 30, 2017**
Discount rate (functional currency)	13.4%
Average annual revenue growth rate during forecast period (functional currency)	1.7%
Terminal growth rate	0.0%
Average operating (EBITDA) margin during forecast period	0.0%
Average capital expenditure as a percentage of revenue	0.9%

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

7 Other non-operating losses

Other non-operating losses consisted of the following for the six and three month periods ended June 30:

	Six month period		Three month period	
	2017	**2016**	**2017**	**2016**
Loss from early debt redemption	(124)	-	(124)	-
Change of fair value of embedded derivative	(1)	5	2	5
Change of fair value of other derivatives	(22)	(76)	12	(32)
Other (losses) / gains	(5)	9	(6)	3
Other non-operating losses	**(152)**	**(62)**	**(116)**	**(24)**

Loss from early debt redemption relates to the settlement of the cash tender offer for certain outstanding debt securities, see Note 10 for further details.

8 Property and equipment

Acquisitions and disposals

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

	Six month period		Three month period	
	2017	**2016**	**2017**	**2016**
Cost of acquired assets	514	386	296	253
Net book value of assets disposed	23	12	12	11
Net loss on disposal of assets	(9)	(6)	(2)	(4)

During the six and three month periods ended June 30, 2017, assets with net book value of US$156 were reclassified as assets held for sale (**"AHFS"**) (refer to Note 3).

There were no other material changes to property and equipment, other than foreign currency translation differences and depreciation charges. Included in depreciation for the six and three month periods is, respectively, US$64 and US$35 of accelerated depreciation, pertaining to network modernization activities in Bangladesh and Ukraine and network integration in Pakistan.

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

9 INTANGIBLE ASSETS

ACQUISITIONS AND DISPOSALS

The intangible assets acquired in the six and three month periods ended June 30 included the following:

	Six month period		Three month period	
	2017	**2016**	**2017**	**2016**
Telecommunications licenses, frequencies and permissions	317	108	312	66
Software	80	48	37	31
Other intangible assets	2	3	-	-
Total intangible assets acquired	**399**	**159**	**349**	**97**

On May 16, 2017, Pakistan Mobile Communications Ltd. (**"PMCL"**), a subsidiary of the Company, participated in an auction for the acquisition of additional 4G/LTE spectrum in Pakistan. PMCL was awarded 10 MHz paired spectrum in the 1800 MHz band for a total consideration of US$295 million, plus withholding tax of 10% representing payment of income tax in advance.

During the six and three month periods ended June 30, 2017, there were no impairment losses recognized in respect of intangible assets, and there were no other material changes to intangible assets, other than foreign currency translation differences and amortization charges. Included in amortization for both the six and three month periods is US$23 of accelerated amortization pertaining to brands and trademarks in Pakistan.

GOODWILL

The movement in goodwill for the Group, per cash generating unit (**"CGU"**), consisted of the following for the six months ended June 30, 2017:

CGU	**June 30, 2017**	**Reclassification to AHFS (Note 3)**	**Currency translation**	**December 31, 2016**
Russia	2,374	-	62	2,312
Algeria	1,426	-	33	1,393
Pakistan	258	(237)	(2)	497
Kazakhstan	183	-	7	176
Kyrgyzstan	145	-	-	145
Uzbekistan	93	-	(21)	114
Armenia	59	-	-	59
Total	**4,538**	**(237)**	**79**	**4,696**

Goodwill is tested for impairment annually (at October 1), or when circumstances indicate the carrying value may be impaired. The Company's impairment test for goodwill is primarily based on fair value less cost of disposal calculations that use a discounted cash flow model. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual consolidated financial statements as at and for the year ended December 31, 2016.

The Company considers the relationship between its market capitalization and its book value, as well as weighted average cost of capital and the quarterly financial performances of each CGU when reviewing for indicators of impairment in interim periods.

There was no goodwill impairment recorded in the first half of 2017. There was also no goodwill impairment recorded in the first half of 2016.

10 FINANCIAL ASSETS AND LIABILITIES

There were no significant changes in financial assets and liabilities in the six month period ended June 30, 2017, except for the scheduled repayments of debt or as described below. Furthermore, there were no changes in risks and risk management policies as disclosed in the Group's annual consolidated financial statements as at and for the year ended December 31, 2016.

SIGNIFICANT CHANGES IN FINANCIAL ASSETS AND LIABILITIES

PMCL financing

On June 29, 2017, PMCL drew down PKR 11,000 million (approximately US$105) under a syndicated facility with several banks, which was entered into on December 3, 2015 for an amount of PKR 16,000 million (approximately US$152 as of December 3, 2015). The facility bears interest at six-month KIBOR plus 0.35% per annum. Repayment will take place through periodic instalments between June 23, 2018 and December 23, 2020. The total principal amount outstanding as of June 30, 2017 is PKR 16,000 million (approximately US$153).

On June 29, 2017, PMCL drew down PKR 9,000 million (approximately US$86) under a syndicated facility with several banks, which was entered into on June 12, 2017 for an amount of PKR 26,750 million (approximately US$255 as of June 12, 2017). The facility bears interest at six-month KIBOR plus 0.35% per annum. Repayment will take place through periodic instalments between December 29, 2019 and June 29, 2022. The total principal amount outstanding as of June 30, 2017 is PKR 9,000 million (approximately US$86).

On June 29, 2017, PMCL drew down PKR 5,000 million (approximately US$48) under a Term Loan facility with Habib Bank Ltd, which was entered into on June 12, 2017 for an amount of PKR 10,000 million (approximately US$95 as of June 12, 2017). The facility bears interest at six-month KIBOR plus 0.35% per annum. Repayment will take place through periodic instalments between December 27, 2019 and June 29, 2022. The total principal amount outstanding as of June 30, 2017 is PKR 5,000 million (approximately US$48).

On June 29, 2017, PMCL drew down PKR 1,000 million (approximately US$10) under a Term Loan facility with National Bank of Pakistan, which was entered into on June 12, 2017 for an amount of PKR 2,000 million (approximately US$19 as of June 12, 2017). The facility bears interest at six-month KIBOR plus 0.35% per annum. Repayment will take place through periodic instalments between December 27, 2019 and June 29, 2022. The total principal amount outstanding as of June 30, 2017 is PKR 1,000 million (approximately US$10).

GTH Loan facility

GTH entered into an unsecured short-term loan agreement with Citi and ING Bank for a principal amount of US$200, on February 3, 2017. The loan agreement has an initial term of six months (the **"Initial Term"**), which is capable of being extended until December 15, 2017, and carries interest at a rate of LIBOR plus 4.00% per annum during the Initial Term (rising to LIBOR plus 5.00% per annum for the period from the expiry of the Initial Term to December 15, 2017 in the event the term of the loan agreement is extended), with two of the GTH's fully owned subsidiaries (International Wireless Communications Pakistan Limited and Telecom Ventures Limited) acting as guarantors. Subject to the terms of the loan agreement, the loan amount was fully utilized on February 14, 2017 and was used for funding the share buyback of GTH (refer to Note 3). On July 21, 2017, the Company issued an extension request, so that the loan agreement now expires on December 15, 2017.

Multi-currency term and revolving facilities up to US$2,250

VimpelCom Holdings B.V. (**"VIP Holdings"**) entered into a new multi-currency term and revolving facilities agreement (the **"TL/RCF"**) of up to US$2,250 on February 16, 2017. The TL/RCF replaced the US$1,800 revolving credit facility signed in 2014. The term facility has a five-year tenor and the revolving credit facility has an initial tenor of three years, with VIP Holdings having the right to request two one-year extensions to the tenor of the revolving credit facility, subject to lender consent. Several international banks have committed to the TL/RCF in an aggregate amount of US$2,108. The TL/RCF includes an option to increase the amount of the facility up to the full amount of US$2,250, which would consist of a term facility of US$562.5 and a revolving credit facility of US$1,687.5. VIP Holdings will have the option to make each drawdown under the facilities in either U.S. dollars or euro. Under the TL/RCF, the Net Debt to Adjusted EBITDA covenant ratio will be calculated on the basis of the consolidated financial statements of VEON Ltd. and "pro-forma" adjusted for acquisitions and divestments of any business bought or sold during the relevant period.

During Q2 2017, VIP Holdings drew down EUR 530 million (approximately US$565) under the Term loan. On April 21, 2017 and May 31, 2017, VIP Holdings exercised its option to increase the amount of the facility, so that the total amount committed under the TL/RCF is now US$2,250.

Redemption of Ruble bonds

On March 2, 2017, PJSC VimpelCom announced the reset of the coupon rate on its 10% Ruble bonds with a principal amount of RUB 15,052 million (US$258) maturing on March 8, 2022. The new coupon rate of 7% per annum will be applicable for the next six coupon periods (i.e. next three years) and will reset on March 3, 2020. Following the reset of the coupon rate, a number of bondholders exercised their put options with respect to the Ruble bonds in aggregate principal amounts of RUB 14,459 million (US$248) which was repaid on March 17, 2017.

Subsequent to the settlement, the total outstanding amount of 7% Ruble bonds was RUB 597 million (US$10).

Sberbank revolving credit facility drawdown

On March 16, 2017 and on April 10, 2017 PJSC VimpelCom drew down RUB 4,000 million and RUB 11,000 million (US$68 and US$193), respectively, under its revolving credit facility with Sberbank of Russia (**"Sberbank"**). The facility matured on May 29, 2017 and was fully repaid.

Alfa-Bank credit facility amendment and extension

On March 29, 2017, VimpelCom Amsterdam B.V. (**"VIP Amsterdam"**), as original borrower, and VIP Holdings, as the new borrower, entered into an amendment agreement with respect to a US$500 facility agreement with AO "Alfa-Bank," as the original lender and agent, dated April 2, 2014. Pursuant to the amendment agreement, the maturity date of the facility has been extended to October 17, 2017. Further, VIP Holdings has replaced VIP Amsterdam as the borrower, and the guarantee from VIP Holdings has been terminated. In addition, VIP Holdings has agreed that AO "Alfa-Bank" may assign certain of the principal amount of the facility (or transfer its obligations) to other specified lenders. On March 29, 2017, VIP Holdings received confirmation that US$350 of the extended facility had been assigned by AO "Alfa-Bank" to Sberbank.

In addition to the above, on April 5, 2017, VIP Amsterdam, as the original borrower, and VIP Holdings, as the new borrower, entered into a subsequent amendment agreement in respect of a second US$500 facility agreement, with AO "Alfa-Bank," as the original lender and agent, dated April 18, 2014. Pursuant to the amendment agreement, the maturity date of the facility has been extended to October 17, 2017. Further, VIP Holdings has replaced VIP Amsterdam as the borrower, and the guarantee from VIP Holdings has been terminated. In addition, VIP Holdings has agreed that AO "Alfa-Bank" may assign certain of the principal amount of the facility (or transfer its obligations) to other specified lenders. On April 5, 2017, VIP Holdings received confirmation that US$300 of the extended facility had been assigned by AO "Alfa-Bank" to Sberbank (following an earlier assignment of US$47 million), resulting in a total of US$347 million assigned to Sberbank of Russia as of that date.

RUB 110,000 million Sberbank term facilities agreement

VIP Holdings has entered into a new Russian Ruble-denominated term facility agreement with Sberbank for an amount up to RUB 110,000 million (US$1,914) on May 19, 2017 (the **"Facility Agreement"**). Amounts borrowed under the Facility Agreement will be used for general corporate purposes and to refinance existing borrowings of PJSC VimpelCom, including borrowings with Sberbank. The loan has a five-year tenor with an interest rate of 10% per annum. The Facility Agreement provides for financial covenants measured against (i) net debt to EBITDA of VEON Ltd. and, for a designated period, PJSC VimpelCom (each on a consolidated basis) and (ii) EBITDA to finance costs of VEON Ltd. (on a consolidated basis). EBITDA will be “pro-forma” adjusted for acquisitions and disposals of any business bought or sold during the relevant period.

On May 23, 2017, and June 14, 2017, VIP Holdings drew down RUB 79,000 million (US$1,375) and RUB 16,000 million (US$281), respectively, under the Facility Agreement.

Cross currency swaps
During the month of June 2017, the Group entered into several cross currency swaps with several different banks, by exchanging a notional amount of US$600 for EUR 537 million for 4 years. The swaps mature June 16, 2021.

Issuance of New Notes and Cash Tender Offer for Certain Outstanding Debt Securities
On May 30, 2017, VIP Holdings announced a cash tender offer (the **“Offer”**) in respect of the outstanding (i) U.S.$1,000 9.125% Loan Participation Notes due 2018 issued by, but with limited recourse to, VIP Finance Ireland Limited (the **“2018 Notes”**), (ii) U.S.$1,000 7.748% Loan Participation Notes due 2021 issued by, but with limited recourse to, VIP Finance Ireland Limited (the **“2021 Notes”**) and (iii) U.S.$1,500 7.5043% Guaranteed Notes due 2022 issued by VIP Holdings (the **“2022 Notes”** and together with the 2018 Notes and the 2021 Notes, the **“Existing Notes”**).

The aggregate principal amount accepted for repurchase was US$1,259, which was settled on or before June 29, 2017. The unamortized debt issuance costs and unamortized fair value hedge basis adjustment were released to the income statement at the date of the closing resulting in a loss from early debt redemption of US$124, recorded within “Other non-operating gains/losses” (refer to Note 7).

On June 16, 2017, VIP Holdings issued US$600 3.95% Senior Notes due 2021 and US$900 4.95% Senior Notes due 2024 (together, the **“New Notes”**). The net proceeds of the New Notes were used to finance the purchase of the Existing Notes and for general corporate purposes.

Termination of Guarantees
On June 30, 2017, the guarantees issued by VIP Holdings under each of the RUB 12,000 million 9.00% notes due 2018 (the **“RUB Notes”**), the US$600 5.20% notes due 2019 (the **“2019 Notes”**) and the US$1,000 5.95% notes due 2023 (the **“2023 Notes”**, and together with the RUB Notes and the 2019 Notes, the **“Notes”**), issued by PJSC VimpelCom, were terminated. VIP Holdings exercised its option to terminate the guarantees pursuant to the terms of the trust deeds entered into in respect of the Notes, between VIP Holdings, PJSC VimpelCom and BNY Mellon Corporate Trustee Services Limited, each dated February 13, 2013 (together the **“Trust Deeds”**). The guarantees in respect of each of the Notes will continue to apply to VIP Holdings’ obligation to redeem the Notes on exercise of the put option under each of the Trust Deeds until that put option has expired or been satisfied.

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

FAIR VALUES

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the interim condensed consolidated financial statements as at June 30, 2017, other than those with carrying amounts that are reasonable approximations of fair values:

Financial assets	Carrying value June 30, 2017	Carrying value December 31, 2016	Fair value June 30, 2017	Fair value December 31, 2016
Financial assets at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	10	2	10	2
Embedded derivatives in notes	10	12	10	12
Financial assets at fair value				
Available for sale financial assets	127	71	127	71
Total financial assets at fair value	**147**	**85**	**147**	**85**
Loans granted, deposits and other financial assets				
Bank deposits and interest accrued	347	385	347	385
Other investments	24	24	24	24
Other loans granted	4	2	4	2
Total loans granted, deposits and other financial assets	**375**	**411**	**375**	**411**
Total financial assets	**522**	**496**	**522**	**496**
Non-current	281	306		
Current	241	190		

Financial Liabilities	Carrying value June 30, 2017	Carrying value December 31, 2016	Fair value June 30, 2017	Fair value December 31, 2016
Financial liabilities at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	10	29	10	29
Financial liabilities at fair value				
Derivatives designated as net investment hedges				
Cross currency interest rate exchange contracts	18	-	18	-
Derivatives designated as cash flow hedges				
Foreign exchange contracts	2	4	2	4
Interest rate exchange contracts	2	3	2	3
Contingent consideration	48	47	48	47
Total financial liabilities at fair value	**80**	**83**	**80**	**83**
Total financial liabilities at amortized cost	**12,073**	**11,033**	**12,464**	**11,487**
Total financial liabilities	**12,153**	**11,116**	**12,544**	**11,570**
Non-current	9,577	8,070		
Current	2,576	3,046		

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair values were estimated based on quoted market prices for our bonds, derived from market prices or by using discounted cash flows under the agreement at the rate applicable for the instruments with similar maturity and risk profile.

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

The carrying amount of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their respective fair value.
The fair value of derivative financial instruments is determined using present value techniques such as discounted cash flow techniques, Monte Carlo simulation and/or the Black-Scholes model. These valuation techniques are commonly used for valuations of derivatives. Observable inputs (Level 2) used in the valuation techniques include LIBOR, EURIBOR, swap curves, basis swap spreads, foreign exchange rates and credit default spreads of both counterparties and our own entities.

The fair value of Available for sale financial assets are determined through comparison of various multiples and reference to market valuation of similar entities quoted in an active market. If information is not available, a discounted cash flow method is used.

Fair value measurements for financial liabilities at amortized cost are based on quoted market prices, where available. If the quoted market price is not available, the fair value measurement is based on discounted expected future cash flows using a market interest rate curve, credit spreads and maturities.

FAIR VALUE HIERARCHY

As at June 30, 2017 and December 31, 2016, the Group recognized financial instruments at fair value in the statement of financial position.

The fair value hierarchy ranks fair value measurements based on the type of inputs used in the valuation; it does not depend on the type of valuation techniques used:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: inputs are unobservable inputs for the asset or liability

The following table provides the disclosure of fair value measurements separately for each major class of assets and liabilities.

As at June 30, 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Derivatives not designated as hedges				
Embedded derivatives in notes	-	10	-	10
Foreign exchange contracts	-	10	-	10
Financial assets at fair value				
Available for sale financial assets	-	98	29	127
Total financial assets at fair value	**-**	**118**	**29**	**147**
Financial liabilities at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	-	10	-	10
Financial liabilities at fair value				
Derivatives designated as net investment hedges				
Cross currency interest rate exchange contracts	-	18	-	18
Derivatives designated as cash flow hedges				
Foreign exchange contracts	-	2	-	2
Interest rate exchange contracts	-	2	-	2
Contingent consideration	-	-	48	48
Total financial liabilities at fair value	**-**	**32**	**48**	**80**

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

As at December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	-	2	-	2
Embedded derivatives in notes	-	12	-	12
Financial assets at fair value				
Derivatives designated as cash flow hedges				
Foreign exchange contracts	-	-	-	-
Available for sale financial assets	-	42	29	71
Total financial assets at fair value	**-**	**56**	**29**	**85**
Financial liabilities at fair value through profit or loss				
Derivatives not designated as hedges				
Foreign exchange contracts	-	29	-	29
Financial liabilities at fair value				
Derivatives designated as cash flow hedges				
Foreign exchange contracts	-	4	-	4
Interest rate exchange contracts	-	3	-	3
Contingent consideration	-	-	47	47
Total financial liabilities at fair value	**-**	**36**	**47**	**83**

The reconciliation of movements relating to financial instruments classified in Level 3 of the fair value hierarchy:

	Financial assets at fair value		**Financial liabilities at fair value**	
	Available for sale	**Total**	**Contingent consideratio n**	**Total**
As at December 31, 2016	**29**	**29**	**47**	**47**
Change in fair value recognized in the income statement	-	-	1	1
As at June 30, 2017	**29**	**29**	**48**	**48**

Transfers into and out of fair value hierarchy levels are recognized at the end of the reporting period (or the date of the event or change in circumstances that caused the transfer). On a quarterly basis, the Company reviews if there are any indicators for a possible transfer between Level 2 and Level 3. This depends on how the Company is able to obtain the underlying input parameters when assessing the fair valuations.

During the six month period ended June 30, 2017, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

All changes in fair values of financial instruments are unrealized, and are recorded in “Other non-operating losses” in the Interim condensed consolidated income statement.

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

11 Cash and cash equivalents

Cash and cash equivalents consisted of the following items:

	June 30, 2017	December 31, 2016
Cash at banks and on hand	1,704	1,707
Short-term deposits with original maturity of less than three months	1,169	1,235
Total cash and cash equivalents	**2,873**	**2,942**

As at June 30, 2017, cash balances in Uzbekistan and Ukraine of US$408 and US$3, respectively (December 31, 2016: US$347 and US$3, respectively), are restricted due to local government or central bank regulations and therefore cannot currently be repatriated.

In addition, short and long term deposits at financial institutions in Uzbekistan of US$285 as at June 30, 2017 (December 31, 2016: US$372) are also subject to the same restrictions.

Cash balances as at June 30, 2017 include investments in money market funds of US$312 (December 31, 2016: US$578).

12 Dividends declared

On February 27, 2017, VEON declared a cash dividend relating to its 2016 results from its freely distributable reserves in the amount of US 19.5 cents per common share. The dividend was paid on April 12, 2017.

Dividends declared to non-controlling interests

On January 24, 2017, TNS Plus LLP, a subsidiary of the Company, declared dividends to its shareholders, which were paid on January 25, 2017. The portion of dividends paid to the minority shareholder amounted to US$7.

On February 13, 2017, VimpelCom Kyrgyzstan Holding AG, a subsidiary of the Company, declared dividends to its shareholders, which were paid on February 16, 2017. The portion of dividends paid to the minority shareholder amounted to US$55.

On May 12, 2017, TNS Plus LLP declared dividends to its shareholders, which were paid on May 15, 2017. The portion of dividends paid to the minority shareholder amounted to US$12.

On June 21, 2017, Omnium Telecom Algeria S.p.A, a subsidiary of the Company, declared dividends to its shareholders, which will be paid in September 2017. The portion of dividends to be paid to minority shareholders will amount to US$82.

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

13 Related parties

As at June 30, 2017, the Company is primarily owned by two major shareholders, being LetterOne and Telenor. The Company has no ultimate controlling shareholder.

The following table provides the total amount of transactions that have been entered into with related parties for the six months ended June 30:

	Six month period		Three month period	
	2017	**2016**	**2017**	**2016**
Revenue from Telenor and affiliates	39	28	28	15
Revenue from joint ventures and associates	16	2	7	1
Revenue from discontinued operations	-	34	-	19
	55	**64**	**35**	**35**
Services from LetterOne and affiliates	-	2	-	-
Services from Telenor and affiliates	36	21	26	9
Services from joint ventures and associates	17	7	11	4
Services from discontinued operations	-	3	-	2
	53	**33**	**37**	**15**

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

	June 30, 2017	**December 31, 2016**
Accounts receivable from Telenor	9	13
Accounts receivable from joint ventures and associates	25	24
Accounts receivable from other related parties	2	3
	36	**40**
Accounts payable to LetterOne	-	1
Accounts payable to Telenor	12	9
Accounts payable to joint ventures and associates	6	5
	18	**15**

Service Agreements

All service agreements with related parties are disclosed in Note 25 in the Company's annual consolidated financial statements as at and for the year ended December 31, 2016. There were no new agreements entered into between the Company and related parties during the six month period ended June 30, 2017.

14 Commitments, contingencies and uncertainties

There were no material commitments, contingencies and uncertainties that occurred during the six month period ended June 30, 2017, and there were no material changes during the same period to the commitments, contingencies and uncertainties as disclosed in the Group's annual consolidated financial statements as at and for the year ended December 31, 2016, other than those described below.

Spectrum Reallocation in Uzbekistan

On March 31, 2017, the Republican Radiofrequencies Council in Uzbekistan (the **"Council"**) published a decision (the **"Decision"**) ordering the redistribution of radio frequencies in Uzbekistan which, if it comes into force as planned in September 2017, could result in a reallocation of our subsidiary Unitel LLC's (**"Unitel"**) radio frequencies to other cellular communications providers in the market. On April 21, 2017, Unitel filed a claim with the Commercial Court of Tashkent City disputing the Decision. A preliminary hearing on Unitel's claim was held on May 10, 2017. Unitel's claim was subsequently transferred to the Administrative Court of the Uchtepa District, which dismissed the claim on June 22, 2017. A cassation appeal of the dismissal, if any, must be commenced on or before January 12, 2018.

GTH – IRAQNA Litigation

On June 6, 2017, the English Court of Appeal denied GTH's application for leave to appeal. With no further venue for appeal, the matter is now concluded and final.

VAT on Replacement SIMs

The Bangladesh Appellate Tribunal rejected the appeal of Banglalink Digital Communications Ltd. (**"Banglalink"**) and all other operators on June 22, 2017. On July 13, 2017, Banglalink filed an appeal of the Appellate Tribunal's judgment with the High Court Division of the Supreme Court of Bangladesh.

Canadian action brought by the Catalyst Capital group Inc.

VEON is a defendant in an action brought in 2016 by The Catalyst Capital Group Inc. for CAD 750 million (US$579 as at June 30, 2017), alleging breach of contract in the Superior Court of Justice in Ontario, Canada.

On March 29, 2017, the claim against VEON and its co-defendants was amended to CAD 1.3 billion (US$1,003 as at June 30, 2017).

15 Events after the reporting period

Interim Dividend 2017 of US$11 cents per share

The Supervisory Board approved the distribution of an interim gross dividend of US$11 cents per share for 2017. This payment is planned to take place on September 6, 2017, with a record date of August 14, 2017. For ordinary shareholders at Euronext Amsterdam, the interim dividend of US$11 cents will be paid in EUR.

Amsterdam, August 3, 2017

VEON Ltd.

REVIEW REPORT

To: the Group Executive Board and the Supervisory Board of VEON Ltd. (“the Company”)

Introduction

We have reviewed the accompanying interim condensed consolidated financial information for the three-month and six-month period ended 30 June 2017 of VEON Ltd, Amsterdam, which comprises the condensed consolidated statement of financial position as at 30 June 2017, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows for the periods then ended and the notes to the interim condensed consolidated financial statements. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with IAS 34, ‘Interim Financial Reporting’ as issued by the International Accounting Standards Board. Our responsibility is to express a conclusion on this interim financial information 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 company. 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 interim condensed consolidated financial information for the six-month period ended 30 June 2017 is not prepared, in all material respects, in accordance with IAS 34, *‘Interim Financial Reporting’* as issued by the International Accounting Standards Board.

Amsterdam, 3 August 2017
PricewaterhouseCoopers Accountants N.V.

F.P Izeboud RA