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Po-i-Kalyan complex, Bukhara

Our strength lies in **our focus on delivering**

We meet our financial and business goals and priorities, even in exceptionally challenging circumstances. Our businesses exemplified their agility to adapt to changing conditions.

In this section

CFO review

New VEON may be a **business borne out of adversity**, yet is one that defines our ability to adapt, transform and channel this into future opportunity

Service revenue
USD 3,600 million
-2.4% YoY
+13.9% YoY in local currency

EBITDA
USD 1,743 million
-5.3% YoY
+12.6% YoY in local currency

Total cash and cash equivalents
USD 3.1 billion
+37.9% YoY
USD 2.5 billion at HQ

Serkan Okandan
Group Chief Financial Officer*

2022 was a busy year, where our priority has been to ensure that the Group remains in a strong financial position.

* Serkan Okandan served on the GEC as Group Chief Financial Officer for the period under review ending 31 December 2022. Effective from 1 May 2023, Joop Brakenhoff was appointed VEON's Group Chief Financial Officer.

Please Refer to page 69: Succession planning for the Group Executive Committee.

2022 brought unprecedented financial challenges as conflict engulfed two of our largest markets. Chief Financial Officer Serkan Okandan explains how the Group adapted to this profound change in our operating environment and laid the financial foundations for a New VEON.

Strength through adversity

VEON entered 2022 with high ambitions. The success of our digital operator model opened up a wealth of revenue opportunities in all markets for the Group throughout 2021 and galvanised growth in our 4G customer base.

The outbreak of hostilities between Ukraine and Russia in February 2022 brought about a wholesale change in our operating environment. Two of our largest markets, together representing around 70% of our business, were plunged into military conflict overnight. The following 12 months saw an unprecedented level of disruption to our operations in each.

This involved the physical impact of the hostilities on our customers, employees and infrastructure in Ukraine, as well as the financial impact on the Group as a result of international sanctions.

A year on from the start of the conflict, VEON is transformed. We adapted fast to new realities and repositioned our business. We embarked on the sale of Beeline Russia, bringing about a financial transformation that will see the emergence of a New VEON focused on the growth potential of six dynamic emerging markets.

The financial achievements of the Group in 2022 are no less remarkable given this backdrop. Together, these six markets delivered year-on-year (YoY) revenue growth of 14% in local currency terms – an outcome that is testament to the resilience, hard work and ingenuity of our local management teams during one of the most testing periods in our Company's history.

Immediate priorities

We had three immediate priorities following the outbreak of the hostilities in Ukraine. The first was to maximise the pool of liquidity available to the Group by drawing down the USD 1.1 billion revolving credit facility (RCF) extended to us by nine international banks. This augmented our cash holdings, which were boosted in August 2022 by the finalisation of the sale of VEON's remaining 45.6% stake in its Algeria business, netting proceeds of USD 692 million. Together, these provided the Group with a sizeable liquidity pool of USD 3.0 billion, of which USD 2.5 billion at HQ to draw on as circumstances required.

The second priority was to ensure VEON remained fully compliant with sanctions regimes at all times. The pace at which these were imposed and modified in the weeks following the onset of hostilities required careful attention and agility to adapt given the multiple jurisdictions VEON operates in, both as a business and as a capital markets participant.

The success of our digital operator model opened up a wealth of revenue opportunities in all markets for the Group throughout 2021 and galvanised growth in our 4G customer base

CFO review continued

2022 was **a difficult year for cash flow management** given the complexities of sanctions, capital controls and the disruption brought by the devastating floods in Pakistan

Immediate priorities continued

Sanctions had a considerable impact on our financing arrangements. One of our first actions was to restructure RUB 120 billion (around USD 2 billion) of debt outstanding to three Russian banks, early repaying one bank entirely and novating the remainder from other two banks to our local operation in April 2022 to ensure that VEON held no debt from Russian banks at the Group level.

Separately, we held discussions with the bondholders of two issues of our 2023 USD-denominated notes, due in February and April 2023, to extend their maturity while we concluded the sale of our Russian business. A Scheme of Agreement was approved by the UK courts in January 2023 to extend these maturities by eight months from their respective maturity dates. This amendment enables the Group to avoid payment difficulties that would otherwise have arisen given restrictions imposed by sanctions.

Our third priority was operational resilience. This meant ensuring that we maintained the highest levels of performance throughout our portfolio of businesses despite the operational challenges experienced in Ukraine and Russia. For these two markets, that also meant protecting our operations in Ukraine from physical damages and preserving the value of our Russian business while we achieved an orderly exit.

As a strategic national asset serving close to 50 million customers and employing 29,000 people, our exit from Russia inevitably took time as we navigated the needs of a complex group of stakeholders. However, I am pleased that our diligence and patience were eventually rewarded with a transaction, expected to be concluded on or before 1 June 2023.

Financial performance

The decision to exit our Russian business, which we announced to the market in November 2022, means that Beeline Russia is held as an asset for sale in the Group's consolidated financial statements at the end of financial year 2022. In order to facilitate comparisons, we have restated the presentation of our results throughout this report to exclude Beeline Russia for both financial years 2021 and 2022.

On this basis, the 14% YoY local currency revenue growth the Group delivered in 2022 demonstrates the growth potential of the six markets that now constitute the New VEON. These are characterised by young populations with a voracious appetite for the services offered by our digital operators. With the exception of Ukraine, each delivered double-digit local currency revenue growth for the year as they expanded 4G adoption, which stood at 53.9% of our total subscriber base at end-December 2022, a 19% growth YoY to 85 million 4G users.

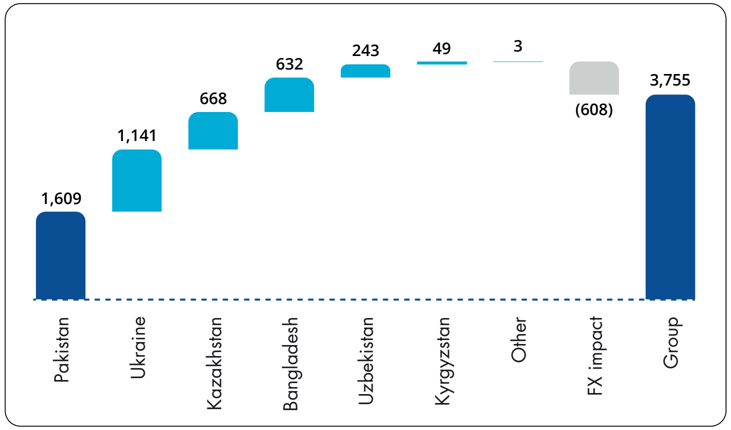
This, in turn, enabled a rise in customer uptake of our multiplay offers, which we served to 28.8 million customers by the end of 2022, versus 19.9 million at the close of 2021.

We continued to make progress in reducing our corporate overhead during 2022 while enjoying the margin benefits of a growing customer base in a number of our markets. These contributed to a 12.6% rise in Group EBITDA in local currency terms, with particularly strong performances from Uzbekistan (+25.2%), Kazakhstan (+20.8%) and Pakistan (+14.3%).

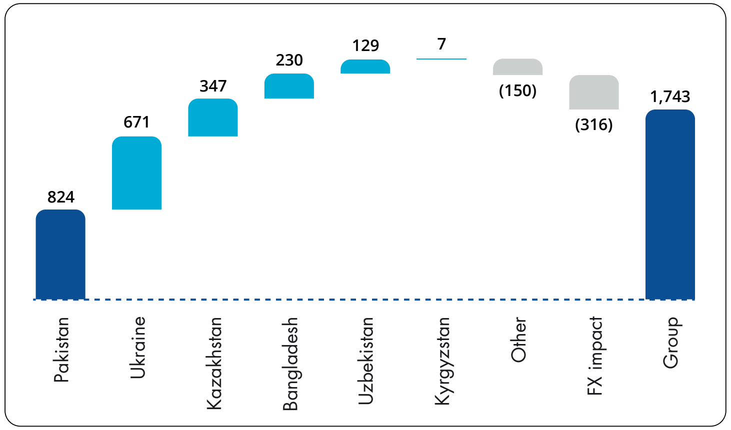
US dollar strength was a dominant feature throughout 2022 given rising US interest rates and the risk aversion brought about by conflict in Ukraine. This is reflected in the Group's reported revenue of -2.4% and EBITDA of -5.3% in US dollar terms for the financial year compared to the prior year.

2022 was a difficult year for cash flow management given the complexities of sanctions, capital controls and the disruption wrought by the devastating floods in Pakistan. In spite of these challenges, the Group still managed to deliver in 2022 an equity free cash flow level (EFCF before licences) identical to that reported in 2021.

Revenue in 2022
(USD million)



EBITDA in 2022
(USD million)



CFO review continued

Balance sheet

as at 31 December

USD million	2022	2021	YoY
Total assets	**15,096**	**15,921**	**(5.2%)**
Cash and cash equivalents	**3,106**	**2,252**	**37.9%**
Working capital	904	1,397	(35.3%)
Fixed assets	4,414	8,419	(47.6%)
Goodwill	394	1,542	(74.4%)
Assets held for sale	5,805	1,864	211.4%
Other assets	473	447	5.8%
Total liabilities	**14,320**	**14,417**	**(0.7%)**
Working capital liabilities	2,341	3,331	(29.7%)
Debt	7,571	10,360	(26.9%)
Liabilities held for sale	4,244	391	984.2%
Other liabilities	164	335	(51.1%)
Total equity	**776**	**1,505**	**(48.4%)**
Total liabilities and equity	**15,096**	**15,921**	**(5.2%)**
Gross debt, of which	**7,479**	**10,258**	**(27.1%)**
Bonds and loans	6,670	7,582	(12.0%)
Cash pooling	–	13	n.m.
Lease liabilities	809	2,662	(69.6%)
Net debt	**4,461**	**8,123**	**(45.1%)**
Net debt / LTM EBITDA	2.56x	4.41x	(1.9pp)
Net debt excluding leases	**3,657**	**5,471**	**(33.2%)**
Net debt excluding leases / LTM EBITDA	2.36x	3.24x	(0.9pp)

Total cash and cash equivalents increased YoY to approximately USD 3.1 billion, of which USD 2.5 billion is cash and cash equivalents held by VEON's headquarters (HQ) in Amsterdam denominated in US dollars and Euro, including USD 1.1 billion drawn under the RCF. The decrease was primarily impacted by classification of Russian operations as held for sale. The HQ-level cash and cash equivalents are held in bank accounts, money market funds and on-demand deposits at a diversified group of international banks.

Gross debt decreased to USD 7.5 billion as of 31 December 2022, compared with USD 10.3 billion at the end of 2021. The decrease in gross debt was largely attributed to the classification of Russian operations as 'held for sale' as well as to the YoY depreciation of the Russian ruble against the US dollar, resulting in lower reported currency levels of bank loans and lease liabilities denominated in this currency. As of 31 December 2022, our RCF was fully drawn with USD 1.1 billion outstanding.

Net debt excluding leases decreased in the year to USD 4.5 billion and to USD 3.7 billion, respectively, resulting in net debt/EBITDA ratios of 2.56x and 2.36x, respectively, as of 31 December 2022. The YoY decrease in net debt was due to the classification of Russian operations as 'held for sale', as well as to the depreciation of the Russian ruble against the US dollar as mentioned above.

Debt maturity

Debt maturity schedule 2023 – 2024 as of 31 December 2022 (pro-forma for anticipated amendment of 2023 Notes)[1]

USD 1,055 million outstanding under the RCF, can be rolled over until the final maturity of the RCF in 2024 (USD 250 million) and in 2025 (USD 805 million).

Maturity period	Mar 2023	Sep 2023	Oct[1] 2023	Dec[1] 2023	Dec 2023	2023 other	Mar 2024	Mar[2] 2024	Jun 2024	Sep 2024	2024 other
Outstanding debt, USD equivalent (million)	26	26	529	700	21	78	26	250	533	26	45
Outstanding debt, debt currency	PKR 6,027	PKR 6,027	USD 529	USD 700	UAH 760	MIX	PKR 6,027	USD 250m	USD 533	PKR 6,027	MIX
Entity	Pakistan Mobile Communications Limited	Pakistan Mobile Communications Limited	VEON Holdings B.V.	VEON Holdings B.V.	Kyivstar	Other	Pakistan Mobile Communications Limited	VEON Holdings B.V.	VEON Holdings B.V.	Pakistan Mobile Communications Limited	Other

1 As per terms of scheme of arrangement if by 2 May 2023 relevant licences are not received or if VEON indicates licences will not be received, the notes become due and payable, and if the licences are received before 2 May 2023, the notes become subject to a put at 102%, which should only be open to international investors.
2 Assuming RCF rollover until maturity in March 2024.

CFO review continued

Results

as at 31 December

USD million	2022	2021	YoY	YoY local currency
Total revenue, of which:	**3,755**	**3,850**	**(2.4%)**	**14.0%**
Total service revenue	3,600	3,690	(2.4%)	13.9%
Data and digital revenues	1,937	1,950	(0.7%)	15.7%
EBITDA	**1,743**	**1,840**	**(5.3%)**	**12.6%**
Profit / (loss) for the period	**(164)**	**801**	**n.m.**	
Profit / (loss) for the period attributable to VEON's shareholders	**(317)**	**674**	**n.m.**	
Capex	**832**	**808**	**2.9%**	
Capex intensity	22.1%	21.0%	1.1pp	
Equity-free cash flow	**142**	**141**	**0.7%**	
Licences payments	(296)	(76)	(291.8%)	
Equity-free cash flow (after licences)	**(154)**	**66**	**n.m.**	
Total customers (million)	**160.5**	**156.3**	**2.7%**	
Mobile customers (million)	156.9	152.8	2.7%	
4G users (million)	84.6	70.8	19.4%	
4G subscriber base penetration	53.9%	46.4%	7.5pp	
Fixed-line broadband customers (million)	3.6	3.5	2.1%	

VEON's total 2022 **revenues** amounted to USD 3,755 million, -2.4% YoY in reported currency (+14.0% YoY local currency), service revenues were USD 3,600 million, -2.4% YoY in reported currency (+13.9% YoY in local currency).

2022 **EBITDA** was USD 1,743 million, -5.3% YoY in reported currency (+12.6% YoY local currency).

2022 **capex** of USD 832 million for the full year was 2.9% higher than in 2021, with capex intensity up 1.1 pp as the company invested in 4G network expansion.

13.8 million **4G users** were added in 2022, with a total reaching 84.6 million at the end of the year. As of 31 December 2022, 4G subscribers accounted for 53.9% of our total subscriber base, up 7.5 pp from a year earlier supporting the execution of VEON's Digital Operator strategy.

We are encouraged by the **stabilisation** we are seeing in **operational cash flow** following the difficulties of 2022

A year of transition

Events in Ukraine set about a year of transition for VEON as we adapted quickly to new realities in our operating environment. Yet it also underscored the health of our core portfolio of digital operators and their ability to deliver impressive financial performance through market-leading connectivity and digital services.

These high-growth markets are the future of a New VEON. Collectively, they comprise a growth opportunity unique within emerging markets given strong demographics and adoption rates for 4G and digital services that remain at an early stage. Success in executing on this opportunity will define our business in the years to come and the value we are able to realise for our shareholders.

This includes our dividend, where our policy remains unchanged. We are committed to paying at least 50% of EFCF after licences as a dividend while maintaining Net Debt-to-LTM EBITDA at around 2.4x on a pre-IFRS 16 basis, subject to our assessment of medium-term investment needs and opportunities. Given the financial volatility of the past year, we announced at the time of our full year results in May 2023 the Board's decision not to pay a dividend for financial year 2022. However, we have every confidence in the long-term potential of our business model to increase returns for shareholders once this period of transition is behind us.

New VEON

As well as a clearer focus on growth markets, the events of the past year have seen VEON make considerable changes to our financing arrangements and debt structure. The Group now has a significantly reduced exposure to ruble debt but will likely maintain some exposure to it for some time, resulting from its HQ RUB bonds and remains committed to financing its operations via local credit markets where conditions allow.

Over time, we expect leverage at the Group level to fall as we move towards an asset light model through the sale of towers and other local infrastructure which we anticipate in the year ahead. From an accounting perspective, these will result in a smaller value of lease liabilities held on our balance sheet under IFRS 16.

Serkan Okandan

***Outgoing* Group Chief Financial Officer**

April 2023

New priorities

VEON moves into 2023 a leaner business with an abundance of growth opportunity. Although the ongoing conflict in Ukraine means we are unable to provide financial guidance for 2023, we remain optimistic in the long term potential of our markets to deliver double-digit growth in local currency revenue and EBITDA.

We are encouraged by the stabilisation we are seeing in operational cash flow following the difficulties of 2022. Similarly, we anticipate the declining trend in capex intensity we saw in 2022 will continue following completion of the sale of Russia, which in recent financial years had been the largest recipient of Group investment.

We view 2023 with renewed confidence from a financing perspective. Once complete, our exit from Russia should allow us to return to international capital markets with a strong growth story through which to galvanise our relationships with creditors and ratings agencies.

New VEON may be a business borne out of adversity, yet is one that defines our ability to adapt, transform and channel this into future opportunities.

Joop Brakenhoff

Group Chief Financial Officer

June 2023