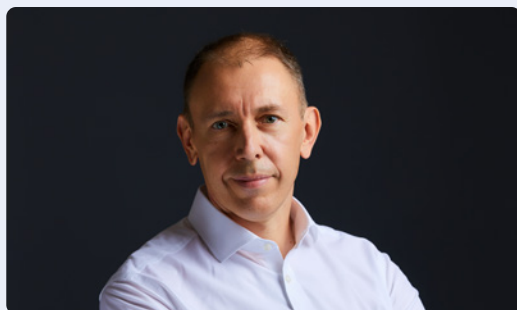


## Divested markets

# Algeria Georgia



**Dmitry Shvets**  
Group Head of Portfolio Management

Our portfolio of markets is subject to ongoing review by VEON's Board to ensure they provide the most attractive opportunities for our operating model.

## 2022 saw three changes as we completed an exit from Algeria and Georgia and embarked on the sale of our Russian operations.

These transactions result in certain accounting considerations, each of which is outlined below alongside an overview of the sale process in each market.

### Algeria

Algeria is a challenging market in which our operating company, Djazzy, outperformed its competitors with a substantial advantage in profitability. In a market that has experienced a significant overall contraction in total mobile revenue over the past several years, Djazzy managed to maintain healthy EBITDA margins with percentages in the mid-40s range, a 10pp lead on its nearest competitor. Unlike VEON's other markets however, Algeria is yet to create the regulatory frameworks we enjoy elsewhere for the successful development of our digital operator model. It was within this context that VEON embarked on a process to sell its Algerian operations in July 2021.

Prior to the sale, VEON owned a 45.6% shareholding in Djazzy, held indirectly through its subsidiary Global Telecom Holding, with the Algerian Government (via the National Investment Fund) owning most of the remaining shares.

Under this arrangement, VEON possessed a put option to sell its stake in Djazzy to the government. VEON exercised this right in July 2021 and was paid a transaction value of USD 682 million in August 2022 following a third-party evaluation process that established the fair value of the shares. The cash proceeds from the transaction strengthened the liquidity

position of the Group, which on receipt in August 2022 increased to USD 3.1 billion.

Today, Djazzy remains Algeria's most advanced mobile operator. Its leadership team substantially comprises today of the same Algerian nationals that contributed to the operational turnaround for the business in the years leading to 2021, which is when the Company returned to growth, before accelerating its revenue momentum that saw a doubling of its rate of growth in 2022. We are confident Djazzy has a bright future and will continue to serve the needs of its customers under its new ownership.

In line with the requirements of IFRS 5, VEON's Algeria subsidiary became a discontinued operation following the exercise of the put option in July 2021 and has been accounted for as "held for sale" since. As a consequence, Djazzy does not contribute to the base performance of VEON for both the current and prior year in this report.

In terms of balance sheet accounting, Algeria has been valued at the lower of (i) the carrying amount of the discontinued business and (ii) its fair market value, less costs pertaining to the sale. Any deviation from this value in respect of the final valuation resulted in a gain/loss, which was accounted for as a profit/loss from discontinued operations.

### Georgia

In June 2022, VEON completed the sale of its operating subsidiary in Georgia to the Group's former local partner within the country.

Under VEON's ownership, Beeline Georgia had established itself as a leading digital operator in 4G services. As such, the decision to exit Georgia reflected its comparatively small financial contribution to our Group. The decision was taken considering VEON's strategy of a strong focus on the Group's portfolio of high-growth markets with a critical mass of users that is essential for scaling our operating model.

The transaction value of the sale was USD 45 million, equating to a 2021 EBITDA multiple of 3.5x on a pre-IFRS 16 basis. We leave the business in very capable hands and have no doubt Beeline Georgia will continue to play a leadership role in the digital transformation of the nation.

Financial and operating results for Georgia were deconsolidated from VEON Group numbers following the completion of the sale in June 2022. Georgia also does not contribute to reported numbers of customer base, 4G users and 4G penetration for both the current and prior year in this report.

### Key financial and operational indicators

	2020	2021	2022	YoY (2022 vs. 2021)
<b>Algeria (Djazzy)</b>				
Service Revenue (DZD million)	86,661	88,525	<b>93,226</b>	5.3%
EBITDA (DZD million)	38,282	39,124	<b>42,037</b>	7.4%
EBITDA Margin (percent)	44.0%	44.0%	<b>45.0%</b>	1.0pp
Customer base (million)	14.1	14.3	<b>14.9</b>	4.1%
Data users (million)	9.2	10.2	<b>11.3</b>	10.7%
<b>Georgia (Beeline)</b>				
Service Revenue (GEL million)	105.3	121.6	<b>139.4</b>	14.7%
EBITDA (GEL million)	33.0	41.4	<b>46.4</b>	12.1%
EBITDA Margin (percent)	31.3%	34.0%	<b>33.3%</b>	(0.7pp)
Customer base (million)	1.3	1.4	<b>1.4</b>	3.8%
Data users (million)	0.8	1.0	<b>1.0</b>	8.5%

## Divested markets continued

# Russia



The sale of our Russian operations is subject to **certain closing conditions**, including the receipt of **necessary regulatory approvals and licences** before the transaction can be finalised

### Russia

In November 2022, VEON announced that following a competitive process, it had entered into an agreement to sell its Russian operations to senior members of the current management team of PJSC VimpelCom, which operates mobile and digital services in Russia under the Beeline brand.

Russia has been a highly competitive market in recent years, requiring significant levels of management focus and investment by VEON in order to bring about an operational turnaround for PJSC VimpelCom following a period of underperformance prior to 2020. Under the leadership of CEO Alexander Torbakhov, a new leadership team successfully achieved this through expanding the quality and reach of Beeline's 4G networks and improving the experience of its customers through a host of new digital services.

As set out in our Chairman's statement (refer to page 3), the onset of war in Ukraine in February 2022 presented VEON with no viable alternative than to sell its Russian operations given the material risks to the Group that continued ownership would present. Concluding an agreement that unlocks positive shareholder value while ensuring continuity for Beeline's more than 50 million customers and 29,000 employees is, we believe, an outcome that achieves the best possible balance between the complex needs of all stakeholders involved.

The sale of our Russian operations is subject to certain closing conditions, including the receipt of necessary regulatory approvals and licences before the transaction can be finalised. The target completion date for the transaction is on or before 1 June 2023, with options on

both sides for extensions in case any required pre-closing conditions have not been met.

Following the execution of the agreement, the Russian business has, in line with the requirements of IFRS 5, become a discontinued operation and is accounted for as "held for sale" in the Group's consolidated financial statements. As such, our Russian operations do not contribute to the base performance of VEON for both the current and prior year in this report.

As part of the transaction, ownership of VEON's Kazakhstan operations was transferred to VEON in December 2022. This ensures that VEON will continue to consolidate its Kazakhstan operations, with VEON Holdings B.V. taking direct ownership of the Group's 75% stake in Kar-Tel, which operates under the Beeline brand in the country.

The table below represents revenue and EBITDA excluding intercompany amounts, that would be included into VEON Group results had Russian operations not been classified as 'held for sale' and 'discontinued operations'.

### Key financial and operational indicators

RUB million	2020	2021	2022	YoY ('22 vs. '21)
<b>Total revenue</b>	273,674	289,955	<b>286,196</b>	(1.3%)
Service revenue	246,423	254,501	<b>262,389</b>	3.1%
<b>EBITDA</b>	108,220	108,983	<b>118,466</b>	8.7%
EBITDA margin	39.5%	37.6%	<b>41.4%</b>	3.8pp
Capex	74,061	74,983	<b>59,303</b>	(20.9%)
Capex intensity	27.0%	25.9%	<b>20.7%</b>	(5.1pp)
<b>Mobile</b>				
4G users (million)	22.6	25.5	<b>25.3</b>	(0.7%)
4G coverage	88%	89%	<b>90.0%</b>	1.0pp
<b>Fixed line</b>				
Service revenue	37,657	40,648	<b>42,159</b>	5.8%
Broadband revenue	11,307	12,112	<b>12,779</b>	5.5%
Broadband customers (million)	2.8	2.9	<b>2.9</b>	0.7%

For the 12 months ended 31 December 2022, based on estimated managerial reporting, if the Russian operations were not classified as 'held for sale' and 'discontinued operations', Group total revenue growth would be 3.3% YoY in reported currency (+6.4% YoY in local currency) and Group EBITDA growth would be 6.3% in reported currency (+11.0% YoY in local currency).