Country performance

Ukraine

KYIVSTAR

helsi

Revenue
UAH 31.1 billion

EBITDA
UAH 18.3 billion

EBITDA margin
58.9%

4G customers
13.1 million

4G base penetration
53.0%

Aleksandr Komarov
Chief Executive Officer

The sudden displacement of a large proportion of our customer base overseas was one of the most immediate challenges of war.

Kyivstar is an intrinsic part of Ukraine's mobile and digital infrastructure. With around 50% share of both customers and industry revenue, we play a vital role in connecting people and investing in the development of the nation's digital capabilities.

The onset of war in February 2022 brought this role into sharper focus than ever before. The devastation and displacement brought about by hostilities has placed an overwhelming emphasis on essential connectivity as people were forced from their homes and in many instances found safety overseas.

We set four fundamental priorities for Kyivstar at the outset which have guided our response throughout. The first priority is people safety, both employees and customers. The second is network resilience to ensure we extend core voice, data and digital services to customers at home and abroad. The third is business resilience in order to protect our critical infrastructure and operations. And the fourth is support for Ukraine, its people and the rebuilding of our country that is to come.

LO1 MM1

Challenges and response

The sudden displacement of a large proportion of our customer base overseas was one of the most immediate challenges of war. We collaborated quickly with international carriers to put in place 'Roam Like Home' to provide displaced customers with unlimited access to Kyivstar numbers, free incoming calls and tariff minutes to other networks across 27 European countries. In addition, we suspended charges for customers on the front line of hostilities. Both these arrangements remain in place as we move into 2023.

MM5

Our Board measures put in place to support our employees from the outset, providing extra allowances and financial assistance and ensuring their safety wherever possible through the home working arrangements we developed under Covid-19. We extended financial support to the nation, providing more than UAH 500 million of free services and around UAH 500 million in aid both directly and through

United-24, the state's fundraising programme for the restoration of Ukraine.

LO1

Protecting and adopting our network infrastructure to the physical impact of war has been a major undertaking from day one. The sudden change in customer distribution required immediate changes to our network to ensure basic voice and broadband services could be maintained. We undertook many thousands of modernisations to base stations and operated running repairs to restore network capacity. This actually accelerated our 4G rollout programme, providing us with the opportunity to upgrade base stations as we adapted our network footprint to the changing pattern of its use.

MM1

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Country performance continued

Ukraine continued
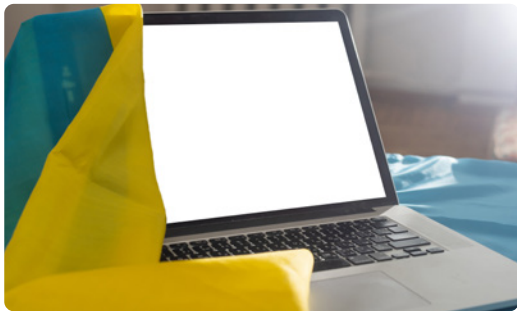
An initiative that spans both our crisis response and the **Company's broader corporate social responsibility (CSR) ambitions is our investment**, announced in August 2022, in Helsi Ukraine, the country's largest medical information system and leading digital healthcare provider

quickly and heroically to repair damaged equipment, rebuilding the first base station in Kherson just two days after it was liberated. Despite more than a year of hostilities, blackouts and occupation, 90% of Kyivstar network is fully operational.

Cyber attacks have been another threat vector of war. Throughout 2022, these have become more frequent, longer and more powerful. Denial of service (DDoS) attacks more than tripled, phishing attacks quadrupled, and malware attacks quintupled during course of the year. Throughout, Kyivstar's cybersecurity defences stood firm, successfully repelling over 13,000 instances of phishing and 450 DDoS attempts, one of which lasted for 29 hours.

`MM3`

War has had a lasting impact on our backend infrastructure. We built a new national core technology site in the west of the country in order to mitigate the risk of communication loss. For a project that would normally take a year, this was achieved in just six months. We consolidated our regional core sites in order to increase network resilience and boosted the range of suppliers we rely on in order to reinforce supply chain sustainability. This was mirrored in our energy strategy, where we have doubled the number of generators at our disposal to ensure network continuity and have begun to instal new batteries with longer cell life to improve the efficiency of our off-grid energy use.

2022 performance

Although war corner stoned 2022 for Kyivstar, it failed to break us operationally. Full-year revenues exceed our early expectations, rising by 8.2% YoY despite the concessions we extended to displaced and front line customers. Mobile service revenues grew by 8.6% reflecting a rise in our 4G customer base and increased data usage.

`LO4`

Despite a significant rise in operational costs brought about by the war, including higher energy prices, a rise in the indexation of frequency fees and financial support to those affected by hostilities, EBITDA declined by just 4.7% – a remarkable achievement in the circumstances.

Our fixed line business was understandably impacted but managed to post revenue growth of 1.1% for the year despite a decline in broadband revenues of 4.5% as customers relied instead on mobile internet. This included 4G, where our user base reached 13.1 million at the end of 2022, an 8.1% rise from end-2021, to account for 53% of our customers. This helped to drive a 18.3% YoY rise in average revenue per user (ARPU).

Kyivstar saw a 5.5% YoY decline in its overall subscriber base as some regions remain without mobile network coverage and as emigration impacted subscriber numbers. However, within this Kyivstar's digital products supported an increase in multiplay customers (+14.6% YoY) and multiplay revenues rose by 34.1% YoY.

Capex increased by 7.4% YoY as Kyivstar continued to restore essential connectivity in the country and maintain business resilience and continuity. Since 24 February 2022, Kyivstar has built over 700 new 4G base stations, upgraded and modernised to 4G more than 7,000 base stations for higher throughput.

ESG milestones and ambitions

In wartime, it is impossible to separate the humanitarian and organisational response to a crisis from normal operations. As a provider of strategic infrastructure, Kyivstar is part of the very fabric of our national efforts to protect lives and sustain livelihoods as much as possible throughout these extremely difficult days.
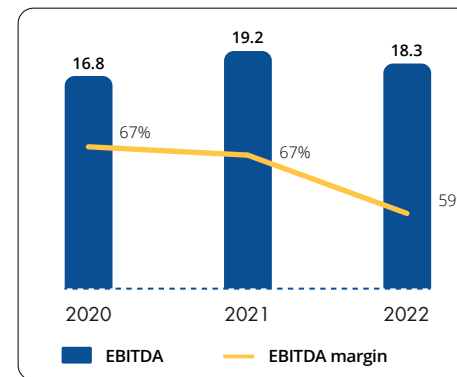
The swiftness of our response is thanks in part to the corporate governance arrangements put in place under VEON's new operating model introduced in 2020. By conferring greater operational autonomy at the digital operator level and through introducing local Boards with independent talent, these arrangements were a clear benefit to quick and informed decision-making. The Company responded quickly and efficiently to the humanitarian needs of society. Throughout 2022, Kyivstar donated UAH130 million in aid to charitable funds to address the community's humanitarian needs and provided free services and bonuses to its subscribers with a value equivalent to UAH577 million.
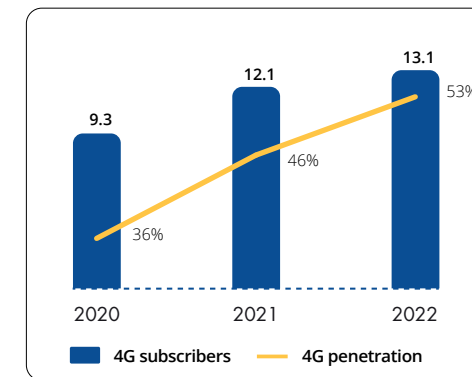
`LO3`

Revenue
(UAH billion)

Year	Revenue
2020	25.2
2021	28.7
2022	31.1
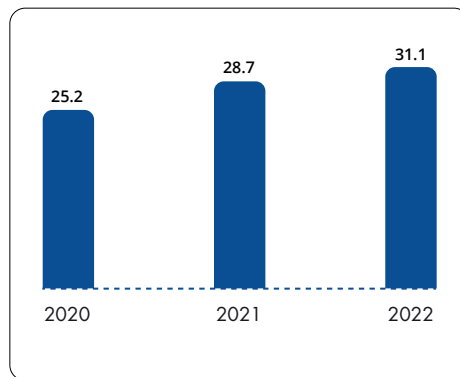
EBITDA and EBITDA margin
(UAH billion and percentage)

Year	EBITDA	EBITDA margin
2020	16.8	67%
2021	19.2	67%
2022	18.3	59%

4G base user and penetration
(Million and percentage)

Year	4G subscribers	4G penetration
2020	9.3	36%
2021	12.1	46%
2022	13.1	53%

Country performance continued

Strategic pillars

Infrastructure accelerator

 # 4G sites

↑

23% increase YoY

16k sites

(2021:13k)

Digital operator

Multiplay customers penetration

↑

3pp increase YoY

17% base penetration

(2021:14%)

Ventures

MAUs¹ of digital services

↑

59% increase YoY

1.1 million MAUs

(2021: 691 thousand)

¹ MAUs = monthly active users

Ukraine continued

An initiative that spans both our crisis response and the Company's broader CSR ambitions is our investment, announced in August 2022, in Helsi Ukraine, the country's largest medical information system and leading digital healthcare provider. Through this strategic investment, Kyivstar aims to extend telemedicine to the entire population of Ukraine, both at home and overseas, as part of our commitment to the rebuilding of the nation. By delivering this via the Kyivstar network, we hope to codify Helsi as the nation's first responder and help overcome the challenges of ruined infrastructure and community displacement for healthcare delivery.

`LO5`

Forward priorities and ambitions

The events of the past 12 months have had a profound impact on Kyivstar. Yet our response has ensured that our business fundamentally strong for when peace returns.

While responding to the crisis of war, we have never lost sight of our strategic priorities and the importance of the whole organisation moving together towards these shared goals.

We have seven priorities:
The **first** is our customer focus to ensure we maintain our market leadership earned though their trust and enthusiasm for our services. That means doubling down on the success of our digital operator model in broadening the scope of our services.

`MM5`

The **second** is our people focus, particularly how we deepen Kyivstar's culture so that our employees feel grounded and supported in the very difficult circumstances they are now encountering.

`LO1`

Third is our multiplay strategies, which are vital vehicles through which we can establish strong long-term relationships with our customers that reach beyond this current period of upheaval and uncertainty.

The **fourth** is network leadership, reinforced by our investment in technology leadership, our **fifth** priority. This includes introducing new partners and services, ensuring their fast integration and constantly improving the customer's experience.

`MM1` `MM4`

Sixth is new business opportunities as we search for organic and non-organic growth avenues in areas such as enterprise infrastructure and big data. Complementing this, our **seventh** priority is the digital transformation of our business from a services perspective to ensure we continue to evolve the customer experience. That is the essence of the digital operator strategy that we see working so effectively across VEON's markets.

`MM4`

The experience of war has sharpened our focus on the future: how we will develop as an organisation considering the huge opportunities that will come about once we rebuild Ukraine. This will no doubt involve collaboration with our industry partners and involve broad discussion of the technologies that will underpin Ukraine's networks of the future. In the meantime, we will work to keep our employees and customers connected until the day we can bring our people home and set about the rebuilding of our country.