A year of challenges, transformation and achievement

Kaan Terzioğlu, CEO of VEON Group, recounts a year that was unexpected in its challenges and yet one of considerable achievement across our connectivity and digital businesses.

> **2020 was the year connectivity and digital services became the bricks and mortar of a transformed, new economy. Having enabled our customers to remain connected to their loved ones, their working environments and their other lifestyle priorities throughout COVID-19, we will continue to empower the building of digitally-focused, resilient economies of the future.**

Kaan Terzioğlu
CEO

> Kaan Terzioğlu

2020 was a watershed year for the world and for our industry. As COVID-19 evolved our ways of living, any residual doubt about the essential need for high-quality connectivity was put to rest. At the same time, digital services stopped being perceived as the privilege of the few and became essential to the lives and livelihoods of the many.

Amidst the pandemic outbreak, the industry's connectivity and digital services – two core elements of VEON's value proposition – helped billions of people to keep in touch with their loved ones and to look after their life necessities. They helped governments limit the spread and the impact of the disease, and enabled new ways to successfully support families and businesses. In the process, our services have become the bricks and mortar of a new, transformed economy.

These dynamics helped accelerate the digitalisation of our business, and this has set the path for the further development of our Group in 2021. With our proven resilience and the strengthened operational foundations, we will continue to support the economies and people of the countries in which we operate – now in greater scale.

13

INTRODUCTION

VALUE CREATION

PERFORMANCE SUMMARY

CORPORATE GOVERNANCE

FINANCIAL INFORMATION

ADDITIONAL INFORMATION

Reacting to COVID-19 by strengthening our business

As the world was forced into the first wave of lockdowns in the spring of 2020, we moved fast with measures to maximise access to vital information, connect those isolated at home or overseas and provide a means of support for those in emotional and financial hardship. We adapted our networks to the sudden shift in load from business centres to residential areas, urban centres to rural areas and mobile to fixed data as our ways of living were deeply modified.

Across our footprint, we made our resources fully available to enable key digital services such as online education and trustworthy information sharing on health issues. We created special offers for teachers, students and healthcare professionals. In order to help our customers to e-access sales points, we introduced a larger quota of data on our offers and family sharing plans. With services such as BeeFree in Russia, we provided our corporate clients the tools to enable working from home.

These changes to the way we provide services have taught us important lessons and made us more resilient for the long term, beyond the initial stages of the pandemic.

Despite our flexibility and resilience, this difficult period delivered plenty of challenges. In addition to the shifts in network capacity usage, roaming revenues and revenues from migrant workers declined – new realities that have outlived the initial phase of the pandemic.
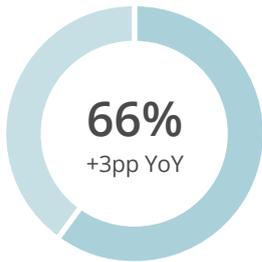
As the second quarter of 2020 progressed, our business continued to be challenged by lockdowns that forced our retail networks to close. These resulted in lower device sales and top-ups, as well as the loss of income from certain segments of our customer base as day labour was halted in many regions and remittances declined significantly.

However, as we moved through the year, most of these impacts eased. A significant part of this improvement was due to the measures we have taken. We accelerated the digitisation of our customer interactions, emphasising self-care apps and web portals as key interfaces in this transformation. By doing so, we enabled our customers to carry out a variety of activities, from accessing vital information to tariff upgrades, top-ups and device sales. As a result of these efforts, we saw the monthly active users of our self-care apps increase by 76% over the course of the year.
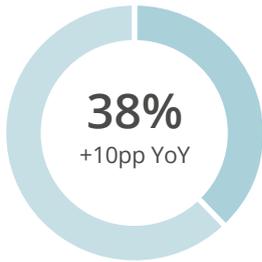
Unsurprisingly, COVID-19 impacted our financial performance in 2020. However, the actions and the reorganisation we deployed across our Group drove the steady recovery in revenues we experienced throughout the second half of the year. As a Group, we limited the year-on-year revenue decline to 1.6% in local currency terms. And once the absence of roaming revenues across our countries and a strengthening of our content policies in Russia are adjusted for, Group revenues were broadly flat versus 2019 – a worthy achievement given the unprecedented challenges we faced.

> COVID impacted our financial performance in 2020. However, the actions and the reorganisation we deployed across our Group drove the steady recovery in revenues we experienced throughout the second half of the year.

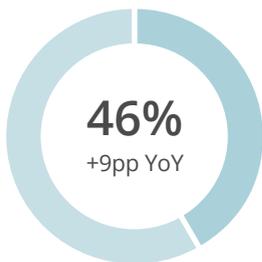**Kaan Terzioğlu**
CEO

VEON Group

Closing the 'V' of the recovery curve and returning to growth[1]

VEON Group revenue excl. roaming VEON Group revenue

1. 2020 monthly year-on-year growth rates (%) in local currency terms.

66%
+3pp YoY

Data user penetration

38%
+10pp YoY

4G user penetration

46%
+9pp YoY

4G smartphone penetration

Values as of end-December 2020.

The 4G uplift[1]

Data usage

2x to 4x higher

versus average consumption

Churn

2x lower

than total base

ARPU

1.5x to 2x higher

than total base

1. Data usage, churn and ARPU comparisons are for one month active 4G users (that use both voice and data services) against one month active total mobile customer base.

Investing in our 4G cornerstone

4G is the cornerstone of VEON's growth opportunity as we migrate our existing subscriber base to 4G and acquire new customers directly onto these networks. This shift has the potential to transform the financial characteristics of our businesses, given the higher data use, higher ARPU and lower customer churn it encourages.

As a Group, we ended the year serving 80 million customers with 4G services compared to 60 million at the close of 2019. That means about 40% of our total customer base are now 4G users, versus 28% a year ago. Over the next couple of years, we believe we can grow this percentage to 70% at the Group level and capture the revenue benefits coming from wider 4G adoption by our customer base.

To put this in context, our 4G data and voice customers currently consume between two and four-times more data than the average Group customer. They also generate up to twice the ARPU at around half the average rate of churn. And the ARPU of a customer who also uses our digital services on top of voice and 4G data is, on average, at least three times that of a voice-only customer.

This performance would not have been possible without the targeted investments we dedicated to our 4G network coverage. Over the course of 2020, our Group's collective

4G population coverage increased to 73%, 12 percentage points higher than the previous year. In all of our markets, we also invested in the quality of our 4G experience, enabling improvements in accessibility and in our range of services, most notably in Russia. This combination drove 4G penetration of our Group customer base to 38% at the end of 2020, 10 percentage-points higher than end-2019.

4G will remain both a key driver of our core business and an enabler for our digital services for many years to come. Our investments in this area are key to VEON's growth. I would like to thank our Board for remaining supportive of these investments throughout the recent challenges and to our teams for successfully turning these investments into better customer experience and service.

Our 4G investments also serve an important social purpose as we work to bridge digital divides across our emerging markets. Here, I was particularly pleased in October to announce a network sharing partnership in Kazakhstan in support of the 250+ project, which unites the nation's three mobile operators in extending high-speed internet to rural communities. The project's vision is to offer close to 1,000 rural communities with both 3G and 4G connections on competitive terms through a provider of their choice, emphasising fairness and equal access. This is an important initiative that VEON is proud to be part of (see page 43 for further details).

4G users and penetration

(million and %)

4Q19	1Q20	2Q20	3Q20	4Q20
60	65	67	75	80
28%	31%	33%	36%	38%

4G
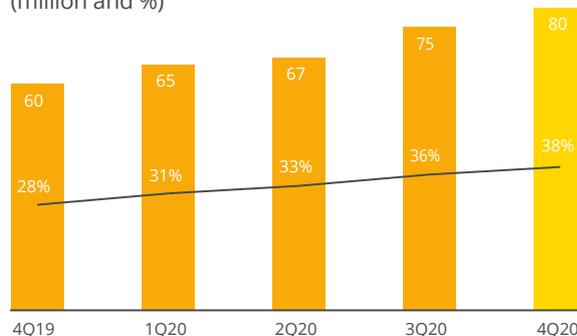
38%

4G smartphone penetration in Q4 2020

Group-wide smartphone penetration calculated as customer weighted average

15

INTRODUCTION

VALUE CREATION

PERFORMANCE SUMMARY

CORPORATE GOVERNANCE

FINANCIAL INFORMATION

ADDITIONAL INFORMATION

Executing on Russia's turnaround

Our new management team

Alexander Torbakhov
Chief Executive Officer

Svetlana Kirsanova
B2C

Maxim Zaykov
B2B

George Held[1]
Digital

Dmitry Mashin
Moscow Region

Ekaterina Kudryashova
Central Region

Dmitry Glotov
West Region

Andrey Pyatakhin
South Region

Maxim Sharkov
East Region

Lyudmila Smirnova
Finance

Valeriy Shorzhin
Technology

Maria Elaeva
Customer Experience

Igor Bardintsev
Data Intelligence

Olga Filatova
People

Viktor Biryukov
Legal

Anton Rubenchik
ICT

◯ Joined Beeline team in 2020

Hayk Karamyan
Internal Audit

Russia's turnaround

Russia is our largest market and remains top priority for our Group strategy. As we set out in detail in last year's Integrated Annual Report, Beeline Russia has in recent years seen a decline in its subscriber and revenue market share on the back of competitive pressures in the market, which impacted both revenues and profitability. Responding to these challenges, we put in place a comprehensive turnaround strategy for Beeline Russia starting in late 2019, which we followed through persistently throughout 2020.

We achieved important milestones in 2020, including the establishment of a new team that delivered consistently improving operational and financial results, building on the network investments that we accelerated from the final quarter of 2019.

Leading Russia's turnaround is Alexander Torbakhov, who we introduced as the Chief Executive Officer of Beeline Russia in April last year. Alexander has brought a wealth of leadership experience to Beeline, most recently from the X5 Retail Group and Sberbank, and returns to the fold with this appointment, having led Beeline Russia's operations a decade ago.

Under Alexander's leadership, Beeline today has a 16-member management team, 12 of whom have joined Beeline after April 2020. Over a short time span, the team has delivered on improving the customer experience of our networks across Russia, increasing coverage, reliability, quality and speed, particularly in 4G.

Among the many goals the team achieved in 2020, it is worth highlighting the full high-speed 4G coverage of Moscow's 239 metro stations and network improvements in Moscow city, which have improved network quality and enabled up to 30% higher downlink speeds on 4G.

Alongside other 2020 commercial and customer experience initiatives, Beeline achieved 11% growth in its 4G subscriber base, the expansion of which accelerated during the second half of the year. We now have more and more 4G customers in Russia, and our customers spend more time with us, with average data volumes 63% higher year-on-year. As at the end of 2020, nearly 50% of our subscribers in Russia were 4G users. Total subscriber trends also improved significantly as the year progressed, with a return to quarter-over-quarter growth in Beeline's total subscriber base in Q4 and a reduction in churn, which decreased by 3 percentage-points in the second half of the year.

1. In H2 2021, George was appointed Chief of Staff at Group HQ.

Our B2B business was an additional growth engine for Russia. Here, our subscriber numbers grew by 12% and revenues by 6.6%. We have enlarged our range of services in this area, including Beeline's storage platform BeeCloud, our big-data capabilities and a fast-growing revenue stream from geo-analytics services. We created ground-breaking partnerships with banks and retailers to leverage the power of big data to their business models. Our organic growth was complemented by the acquisition of WestCall, a Moscow-based operator of FTTB, IP and cloud solutions serving almost 10,000 corporate partners.

Our fixed-line business in Russia also delivered good results. Revenues increased 9.2% year-on-year, with fixed data traffic growing 41% and our subscriber base expanding by 8%. More than half of our fixed-line services subscribers also benefit from Beeline's mobile services, creating a multi-layered, convergent engagement with them. With 13.9m homes connected and more than 200,000 kilometres of fibre, our fixed assets and services will continue to be key to Beeline's growth in the years to come.

Taken together, these dynamics supported Beeline Russia's recovery from its low point in the middle of the year, culminating in its return to local currency growth in December, when the business posted 3.6% year-on-year growth in revenues. This gives us further confidence that Beeline Russia is well positioned for sustained growth in 2021.

Social responsibility

In all of our markets, our success will ultimately be determined by the experience we provide for our customers. This is no longer about providing minutes and gigabytes to the end-user – it is about providing the digital experiences that they require. This is the way forward for our industry, made more critical given the challenges of 2020.

We are also mindful that as operators of licenced businesses that invest heavily in their home countries, each of our operating companies is a fundamental part of the economic, social and environmental well-being of the societies we serve. This is especially important in emerging economies where the telecom industry's ability to promote digital inclusion and empowerment brings with it enormous social and economic opportunity. This was given greater definition in 2020 as we helped support the economic survival and well-being of millions of our customers, and provided additional benefits to communities that needed our services the most.

Beeline Russia: B2B revenue growth YoY

6.6%

B2B revenue growth in 2020

4Q19	1Q20	2Q20	3Q20	4Q20
3%	7%	4%	5%	11%
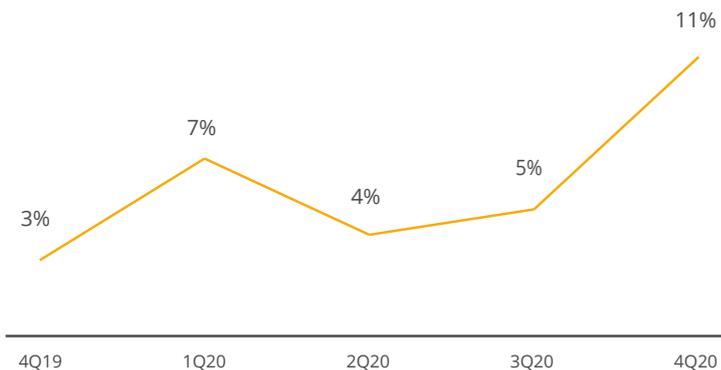
This responsibility is equally important in the largest and most advanced market for our services, Russia. Leveraging our capabilities for social good in support of important initiatives like Liza Alert (summarised opposite), which draws on our nationwide networks and advanced capabilities in data transmission and machine learning to save lives, is a reminder of our duty to share our infrastructure wherever it can help serve the needs of individuals and communities.

Going forward, digital literacy, awareness and empowerment must form a critical focus for the Group. In 2020, we witnessed how the fragmentation of media around which today's digital world is built can distort the ability of individuals to exercise critical thinking and make informed choices. All of society – and within it, digital ecosystem players including telecommunications companies – have much to gain from overcoming this distortion by equipping individuals with tools to use technology with safety, integrity and for broader social good.

ESG priorities

As detailed already by our Chairman, from these challenging times we have derived a stronger level of attention and commitment to ESG priorities, which are now being brought to the core of our business. Through engagement with the GSMA, we are now embracing the 2050 net zero CO_2 emissions goal inspired by the Paris Agreement. We will also continue to give utmost attention to supporting our communities and ensuring fair employment and working standards for all our colleagues whilst avoiding any form of discrimination. And we shall also continue to ensure the highest standards of governance, further continuing the excellent work that has been done to ensure the right tone at the top and total integrity at all levels of our organisation.

With this, let me now thank all stakeholders in all of our countries for the support they gave to VEON during the last year and they will offer going forward, making it possible for us to achieve our goals.

I look forward to continuing together in our work for the best of VEON and its companies.

Kaan Terzioğlu
CEO

Liza Alert:
Those who are lost, shall be found

Every year, more than 120,000 people find themselves lost in Russia. Over 72,000 of them are children.

Finding and rescuing them can be a herculean task in a nation spanning 11,000 kilometres and 11 time zones. Locating lost people is a race against time, as in the winter the chances of recovery are reduced by 80% if the person is not found within the first eight hours.

Beeline understood that as a telecoms company, we were perfectly positioned to help. That's why we partnered with the volunteer movement Liza Alert to lead and manage over 70,000 volunteers who conduct search and rescue operations all over Russia.

Liza Alert takes its name from the memory of four year-old Liza, who went missing whilst walking her dog in a forest outside Moscow. 500 locals came together to look for Liza, working tirelessly for days. On the ninth day, her body was discovered with her dog by her side in a futile attempt to keep her warm.

Liza had died of hypothermia. A nation was in grief, a family destroyed. Those who had searched for Liza vowed to never let such an incident happen again. In her memory, they formed Liza Alert: a movement of volunteers dedicated to helping those who go missing.

Beeline's partnership with Liza Alert started five years ago with the development of a cross-MNO SMS-based portal to manage 70,000 Liza Alert volunteers. We established a cross-MNO toll-free hotline and created a purpose-built mobile application to help with search and rescue operations. Beeline's SMS service has since sent out 9.7 million text messages and Liza Alert's hotline processed around 70,000 calls in 2020 alone.

In 2020, we deepened our partnership with Liza Alert considerably with the development of an artificial intelligence-based 4G/5G-powered image recognition platform. This processes thousands of images in real time taken by Liza Alert drones deployed during rescue operations.

During a 45 minute flight, a drone can take over 2,500 images, which are streamed via Beeline's lightning-fast 4G/5G networks to our regional data centres. Images are then processed, misplaced people are identified, and coordinates are communicated back to the search and rescue teams on the ground to enable their successful recovery.

Beeline's Artificial Intelligence platform can process each batch of 2,500 photos in less than two minutes – a task that would ordinarily take a team of 30 highly-trained volunteers six hours to complete. Our technology is now able to identify people sitting, standing or laying on the ground, even when partially obscured by trees or belongings – a critical need for the rescue process. And our RetinaNet-based deep learning architecture ensures high accuracy in recognising misplaced persons and is continually improving its capabilities through machine learning.

Together, Beeline and Liza Alert are saving people's lives. During the first nine months of 2020, 23,294 people were returned to their families alive. Every life saved is priceless and we're so very proud that our networks and technologies are able to help this fantastic service ensure that those who are lost, shall be found.

In recognition of its collaboration with Liza Alert, Beeline received the GSMA's Global Mobile Award (GLOMO) as Best Mobile Operator Service for Customers in 2020.