



VEON

FY 2018 RESULTS AND BUSINESS UPDATE

London, 25 February 2019

# Disclaimer



This presentation contains “forward-looking statements”, as the phrase is defined in Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. These forward-looking statements may be identified by words such as “may,” “might,” “will,” “could,” “would,” “should,” “expect,” “plan,” “anticipate,” “intend,” “seek,” “believe,” “estimate,” “predict,” “potential,” “continue,” “contemplate,” “possible” and other similar words. Forward-looking statements include statements relating to, among other things, VEON’s plans to implement its strategic priorities, including operating model and development plans, among others; anticipated performance and guidance for 2019, including VEON’s ability to generate sufficient cash flow; future market developments and trends; operational and network development and network investment, including expectations regarding the roll-out and benefits of 3G/4G/LTE networks, as applicable; the effect of the acquisition of additional spectrum on customer experience; VEON’s ability to realize the acquisition and disposition of any of its businesses and assets; VEON’S ability to realize financial improvements, including an expected reduction of net pro-forma leverage ratio following the successful completion of certain dispositions and acquisitions; and VEON’s ability to realize its targets and strategic initiatives in its various countries of operation. The forward-looking statements included in this presentation are based on management’s best assessment of VEON’s strategic and financial position and of future market conditions, trends and other potential developments. These discussions involve risks and uncertainties. The actual outcome may differ materially from these statements as a result of demand for and market acceptance of VEON’s products and services; continued volatility in the economies in VEON’s markets; unforeseen developments from competition; governmental regulation of the telecommunications industries; general political uncertainties in VEON’s markets; government investigations or other regulatory actions; litigation or disputes with third parties or other negative developments regarding such parties; risks associated with data protection or cyber security, other risks beyond the parties’ control or a failure to meet expectations regarding various strategic priorities, the effect of foreign currency fluctuations, increased competition in the markets in which VEON operates and the effect of consumer taxes on the purchasing activities of consumers of VEON’s services. Certain other factors that could cause actual results to differ materially from those discussed in any forward-looking statements include the risk factors described in VEON’s Annual Report on Form 20-F for the year ended December 31, 2017 filed with the U.S. Securities and Exchange Commission (the “SEC”) and other public filings made by VEON with the SEC. 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 our 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 presentation 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 speak only as of the date hereof. 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. Non-IFRS measures are reconciled to comparable IFRS measures in VEON Ltd.’s earnings release published on its website on the date hereof.

All non-IFRS measures disclosed further in this presentation (including, without limitation, EBITDA, EBITDA margin, EBT, net debt, equity free cash flow, organic growth, capital expenditures excluding licenses and LTM (last twelve months) capex excluding licenses/revenue) are reconciled to comparable IFRS measures in VEON Ltd.’s earnings release published on its website on the date hereof. In addition, we present certain information on a forward-looking basis (including, without limitation, the expected impact on revenue, EBITDA and equity free cash flow from the consolidation of the Euroset stores after completing the transaction ending the Euroset joint venture ). We are not able to, without unreasonable efforts, provide a full reconciliation to IFRS due to potentially high variability, complexity and low visibility as to the items that would be excluded from the comparable IFRS measure in the relevant future period, including, but not limited to, depreciation and amortization, impairment loss, loss on disposal of non-current assets, financial income and expenses, foreign currency exchange losses and gains, income tax expense and performance transformation costs, cash and cash equivalents, long - term and short-term deposits, interest accrued related to financial liabilities, other unamortized adjustments to financial liabilities, derivatives, and other financial liabilities.

# Agenda



OPENING

Richard James - Head of IR

KEY ACHIEVEMENTS & 2019 STRATEGIC FOCUS

Ursula Burns - Executive Chairman and CEO

DIGITAL UPDATE AND COUNTRY RESULTS

Kjell Johnsen - COO

GROUP FINANCIAL RESULTS AND TARGETS

Trond Westlie - CFO

RUSSIA UPDATE

Vasyl Latsanych - CEO Beeline Russia

## Q&A AND REFRESHMENTS

# A significant year for VEON

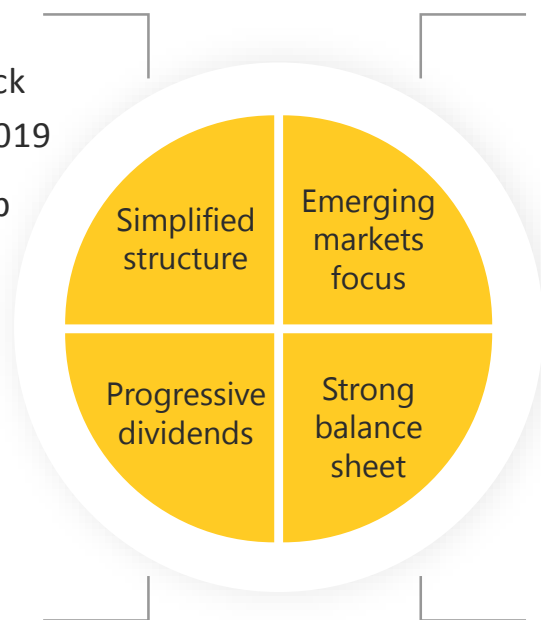


# Strategic achievements

## Execution on four strategic priorities



- Lean operating model now adopted
- FY 2018 corporate costs target achieved; on track to halve run-rate corporate costs by year-end 2019
- Continued focus on efficiencies across the group
- VEON submitted MTO in relation to GTH



- Annual progressive dividend of US 29 cents

- Sale of 50% stake in Italy joint venture increased our focus on emerging markets
- Digital journey underway with significant investment in infrastructure
- Renewed emphasis on local digital services
- Proceeds from Italy JV sale (~USD 2.8 billion) almost entirely used to repay debt, reducing future interest expense
- Net leverage ratio<sup>1</sup> stable QoQ at 1.7x, below 2x target

Committed to create greater value for our shareholders

<sup>1</sup> Net leverage ratio is defined as Net debt / LTM (last twelve months) EBITDA

# Good progress in FY 2018, targets achieved

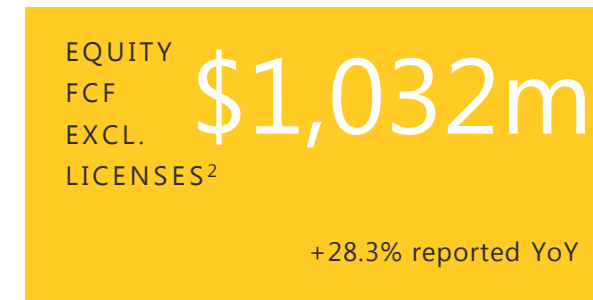
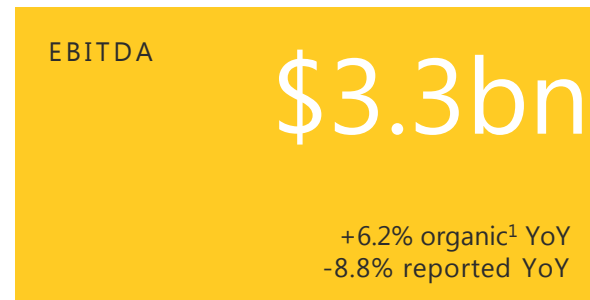
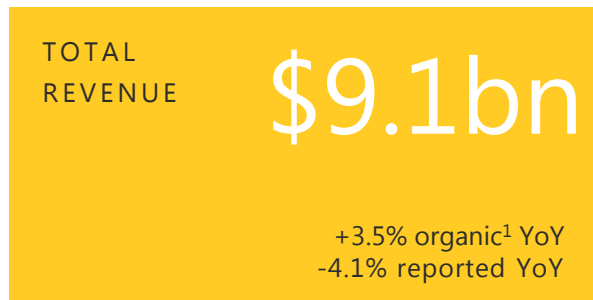


Target: low single-digit organic growth ✓

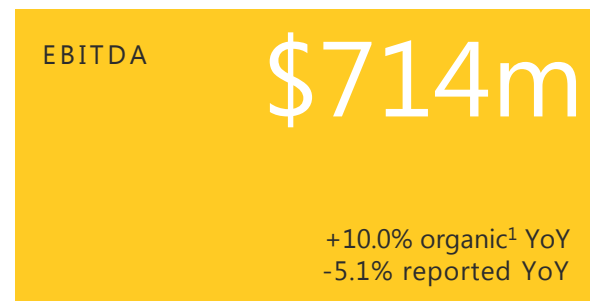
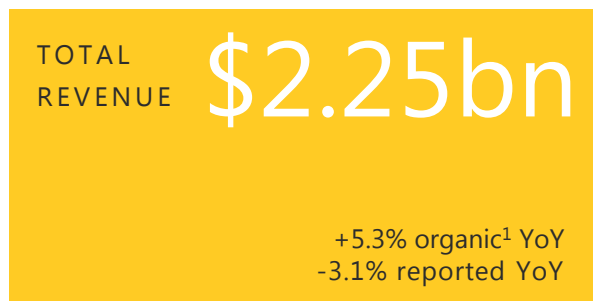
Target: mid single-digit organic growth ✓

Target: ~\$ 1 billion ✓

FY 2018



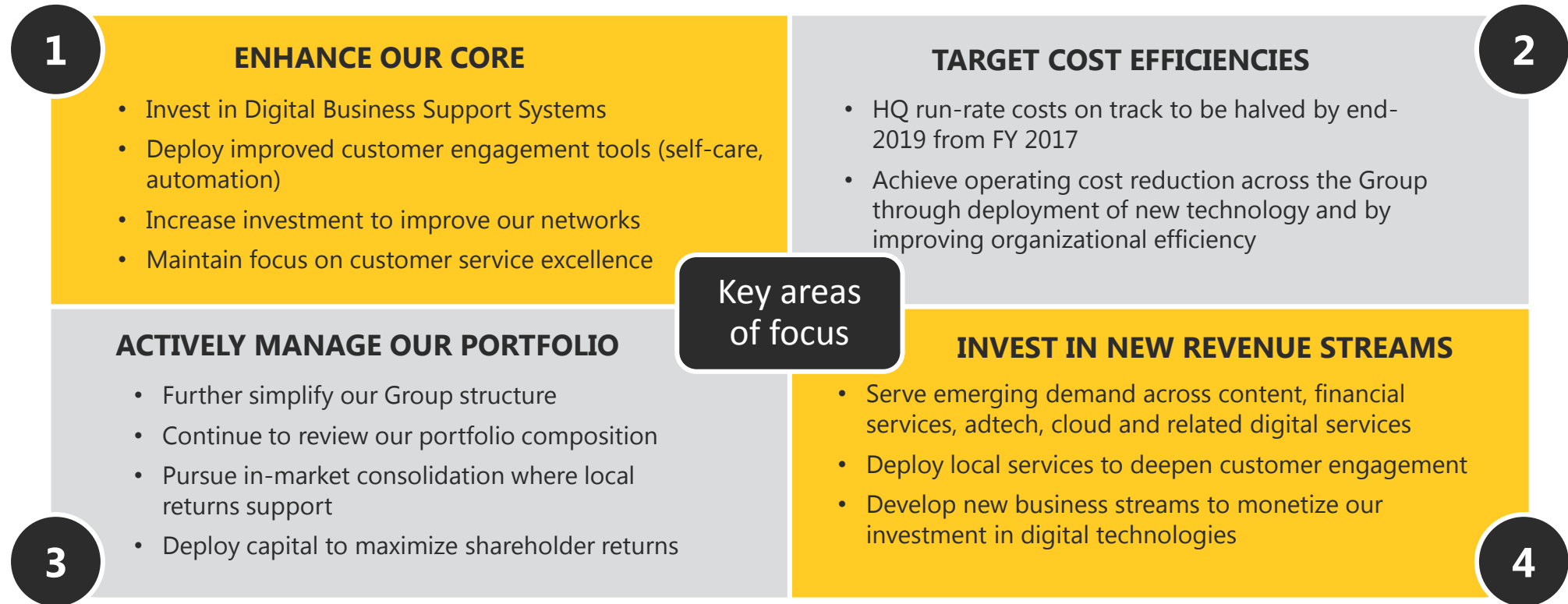
Q4 2018



<sup>1</sup> Organic change is a non-IFRS measure and reflects changes in revenue and EBITDA. Organic change excludes the effect of foreign currency movements and other factors, such as businesses under liquidation, disposals, mergers and acquisitions. In Q4 2018 and FY 2018 organic growth is calculated at constant currency and excludes the impact from Euroset integration. Organic EBITDA for FY 2018 also excludes exceptional income from an adjustment to a vendor agreement of USD 106 million in Q3 2017. See attachment in the earnings release for reconciliations

<sup>2</sup> Equity free cash flow excluding licenses is a non-IFRS measure and is defined as free cash flow from operating activities less cash flow used in investing activities, excluding M&A transactions, capex for licenses, inflow/outflow of deposits, financial assets and other one-off items

# Committed to our strategy through 2019



More detail on these initiatives will be provided at our Analyst & Investor Day in summer 2019

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## Q&A AND REFRESHMENTS



# Digital: monetizing data and reducing opex



Digitizing  
the core

Lean operations and  
sustained cost optimization

Big Data  
analytics

Machine learning and data  
science to protect core ARPU  
while driving new revenue growth  
through personalized customer  
experience and offers

Digital  
services

New revenue streams from  
digital categories and  
partnerships

# Digital services: building momentum locally



## JazzCash

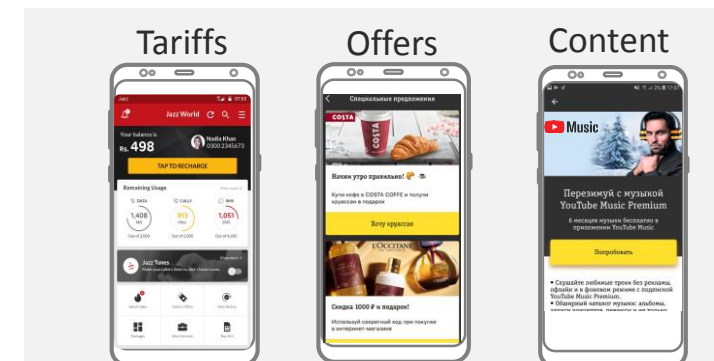
- Leader in Pakistan with 5 million active mobile accounts at year-end 2018
- President of Global Digital Financial Services appointed to drive future growth



## Beeline TV



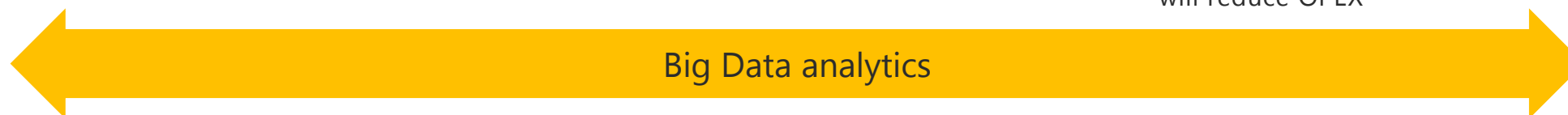
- Highly targeted TV everywhere service that combines live TV and Video on Demand
- Currently available in Russia with plans to expand



## B2C ecosystems



- 12.4 million Monthly Active Users and 200+ partners across VEON's operating companies at year-end 2018
- Consistent, omnichannel customer experience
- Increasing customer stickiness and, over time, will reduce OPEX



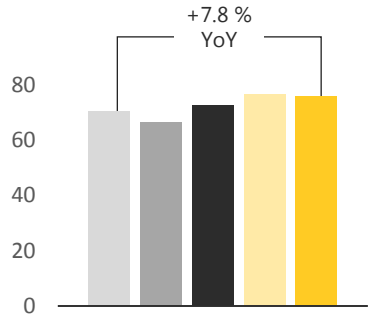
# Q4 2018 revenue and EBITDA country trends

Figures and trends in local currency

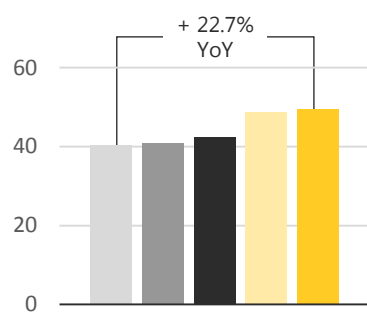


## Revenue

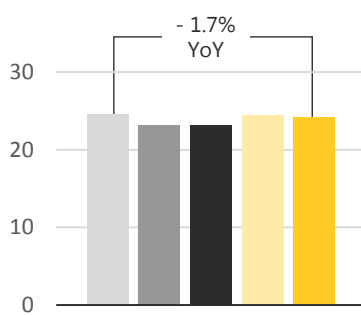
RUSSIA  
(RUB BILLION)



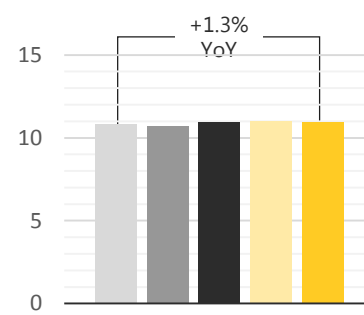
PAKISTAN  
(PKR BILLION)



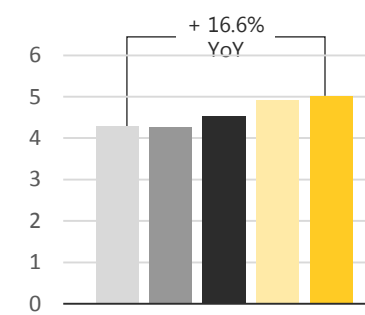
ALGERIA  
(DZD BILLION)



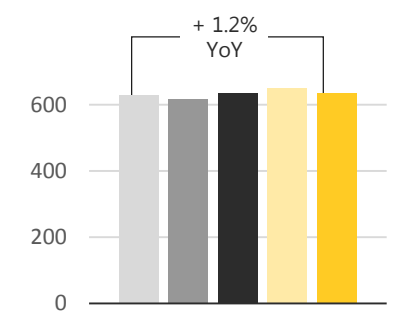
BANGLADESH  
(BDT BILLION)



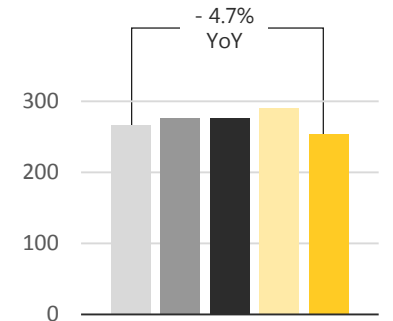
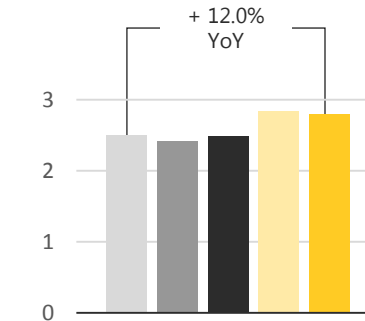
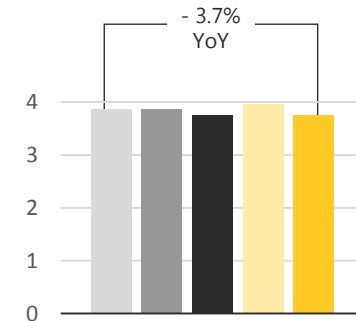
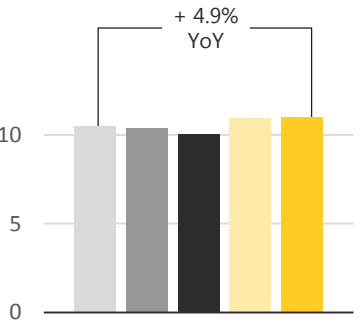
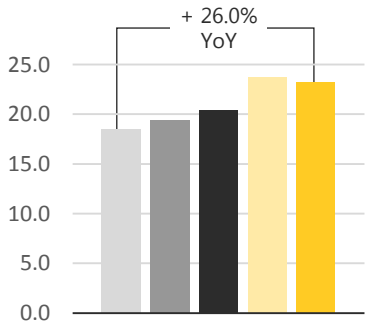
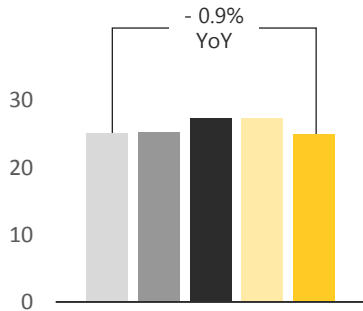
UKRAINE  
(UAH BILLION)



UZBEKISTAN  
(UZS BILLION)



## EBITDA

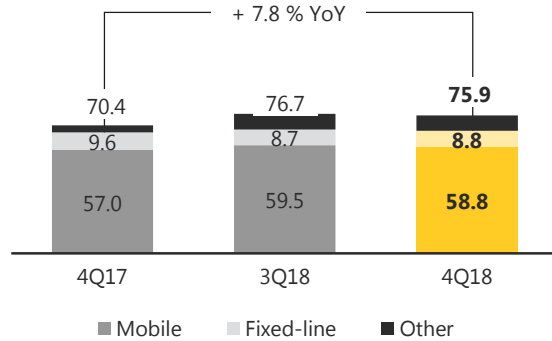


■ 4Q17 ■ 1Q18 ■ 2Q18 ■ 3Q18 ■ 4Q18

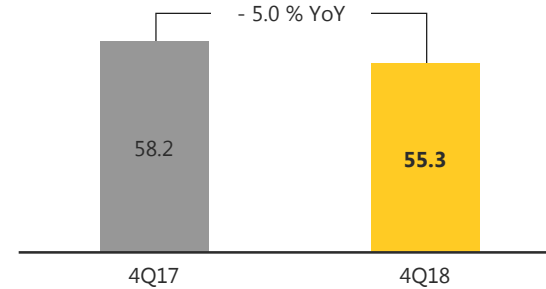
# Russia: Euroset integration successfully completed, doubling of sales of equipment and accessories



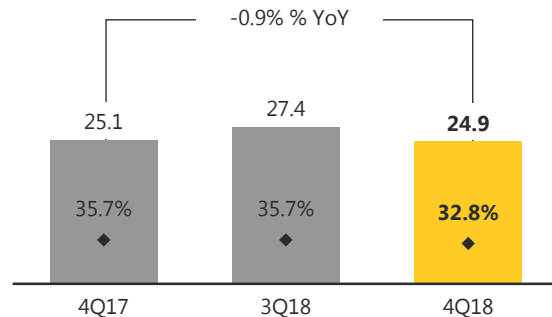
TOTAL REVENUE  
(RUB BILLION)



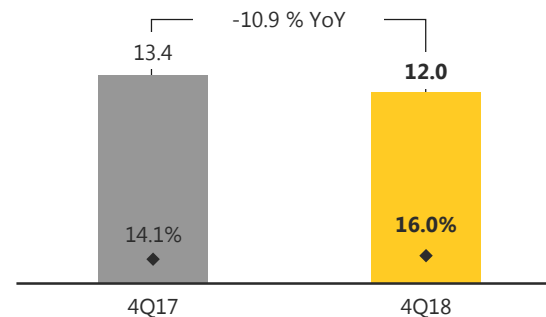
MOBILE CUSTOMERS  
(MILLION)



EBITDA AND EBITDA MARGIN  
(RUB BILLION AND %)



CAPEX EXCL. LICENSES  
AND LTM CAPEX/REVENUE  
(RUB BILLION AND %)

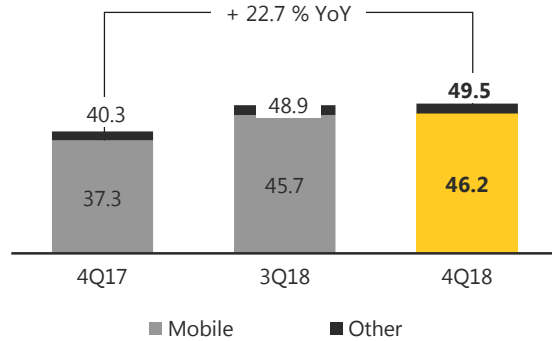


- Total revenue growth of 7.8% YoY, driven by mobile service revenue growth of 3.1% YoY and more than a doubling (+138%) of sales of equipment and accessories, mainly as a result of the integration of Euroset stores
- Mobile ARPU grew by 8.1% YoY. Mobile customers decreased 5.0%, mainly due to a reduction in gross sales through alternative channels. Churn improved by 3.8% YoY
- Fixed-line service revenue decreased 8.5% YoY, but stabilized YoY (-0.3%), adjusted for the centralization of transit services revenue in VEON Wholesale Services
- EBITDA decreased by 0.9% YoY, driven by Euroset integration impact (~RUB 0.4 billion) and non-recurring increase of annual spectrum fees (~RUB 0.9 billion). The change in revenue mix driven by increased sales of equipment and accessories negatively impacted EBITDA margin by 2.1 p.p. YoY
- Euroset integration completed and positive contribution to EBITDA expected from FY 2019 onwards. EBITDA margin expected to decrease YoY as a result of change in revenue mix driven by strong growth in sales of equipment and accessories
- Capex excluding licenses decreased during the quarter, mainly as a result of improved capex planning, more evenly spread over the quarters
- Yarovaya investment plans progressing, in alignment with legal requirements

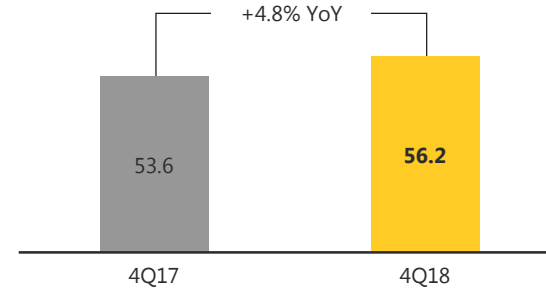
# Pakistan: revenue and EBITDA growth accelerated in Q4



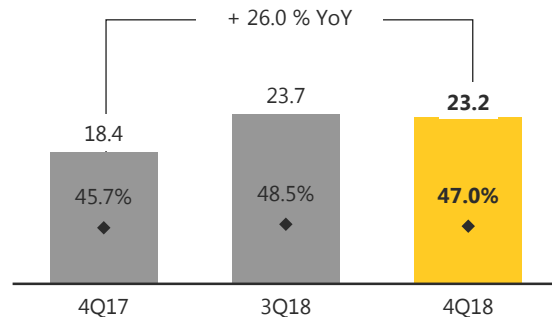
TOTAL REVENUE  
(PKR BILLION)



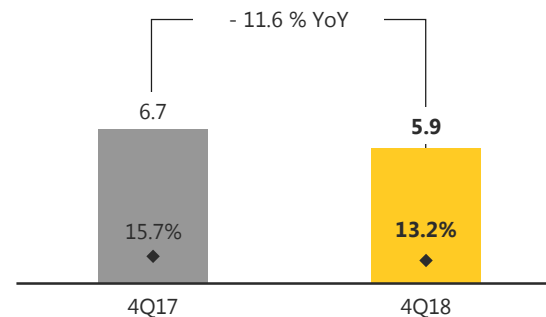
MOBILE CUSTOMERS  
(MILLION)



EBITDA AND EBITDA MARGIN  
(PKR BILLION AND %)



CAPEX EXCL. LICENSES  
AND LTM CAPEX/REVENUE  
(PKR BILLION AND %)

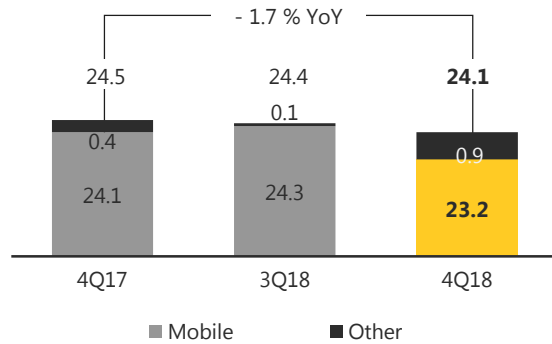


- The market remained competitive in Q4, particularly in data and social network offers, against which Jazz maintained its premium price positioning
- Revenue grew by 22.7% YoY, comprising:
  - ▶ 9.9 p.p. from business performance; an acceleration vs Q3, fueled by higher share of wallet for telecom services
  - ▶ 12.8 p.p. driven by suspension of taxes collected by MNOs in Q4 2018, which provided the market with additional revenue growth, on account of higher usage by customers
- Jazz's customer base was broadly flat sequentially (+4.8% YoY), driven by focus on high-quality activations
  - ▶ Trend supported by data network expansion and growth in data subscribers (+15.9% YoY)
- Healthy EBITDA growth (+26.0% YoY):
  - ▶ Excluding tax-related factors for both Q4 2017 and 2018, EBITDA growth would have grown by 19.8%, with YoY improvement in EBITDA margin of 3.9p.p.
- Capex excluding licenses decreased YoY due to a more balanced quarterly distribution of expenditures in 2018 and lower YoY 3G and 4G/LTE roll-out activity

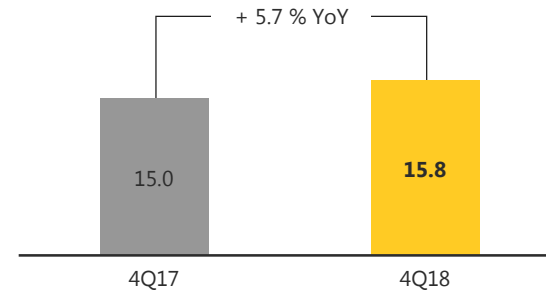
# Algeria: sequential customer growth continues



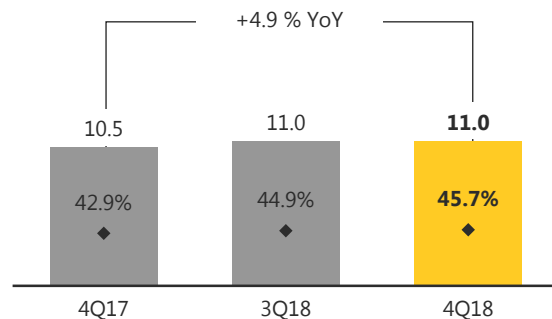
TOTAL REVENUE  
(DZD BILLION)



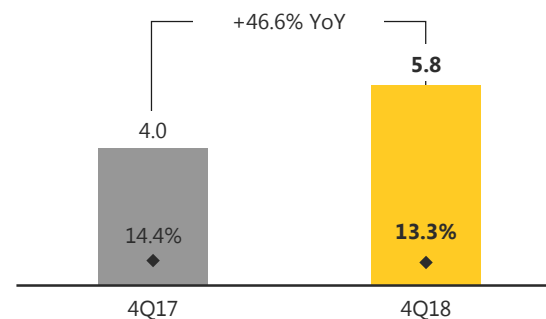
MOBILE CUSTOMERS  
(MILLION)



EBITDA AND EBITDA MARGIN  
(DZD BILLION AND %)



CAPEX EXCL. LICENSES  
AND LTM CAPEX/REVENUE  
(DZD BILLION AND %)

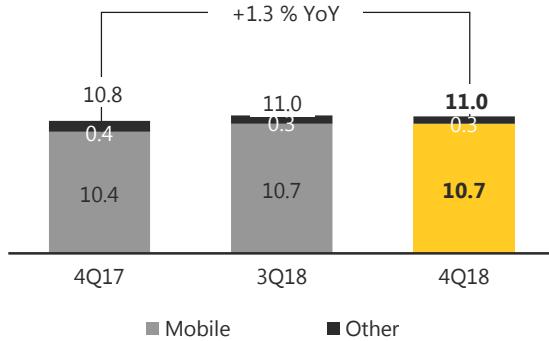


- Q4 2018 saw continued intense price competition, especially in channel-related incentives as competitors continued to respond to Djezzy's customer base expansion
- Macroeconomic and regulatory challenges persisted:
  - ▶ Economic slowdown and high inflation, along with import restrictions
  - ▶ New direct taxation since 1 January 2018 and further increases from mid-July
  - ▶ However, MTR symmetry was achieved in November 2018
- YoY rate of revenue decline slowed vs Q3 2018, also driven by favorable adjustments of DZD 0.7 bn in Q4 2018, mostly related to the reversal of a liability towards a vendor
  - ▶ Revenue trend from business performance, excluding these adjustments, would have been -4.5% YoY, driven by ARPU decline (-7.4% YoY)
  - ▶ Customer base growth accelerated both YoY (+5.7%) and QoQ (+1.3%) in response to the success of commercial offers
  - ▶ Data revenue grew strongly (+67.1% YoY), leveraging our 4G/LTE network
- EBITDA increased YoY by 4.9%, mainly driven by favorable impact of one-off revenue and release of certain provisions in Q4 2018 (DZD 1.3 billion)
  - ▶ EBITDA trend from business performance was -7.7% YoY, triggered by the full impact of new taxation in Q4, additional channel incentives and higher technology costs
- Capex excluding licenses increased YoY due to QoQ acceleration in 4G/LTE roll-out

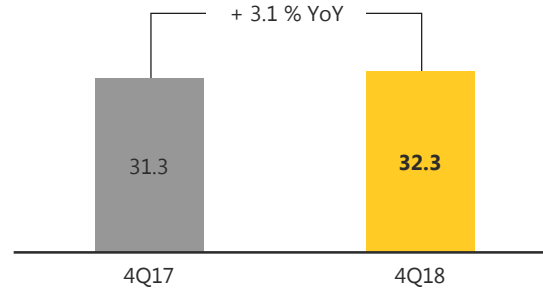
# Bangladesh: revenue trend flattened out, supported by data revenue growth acceleration



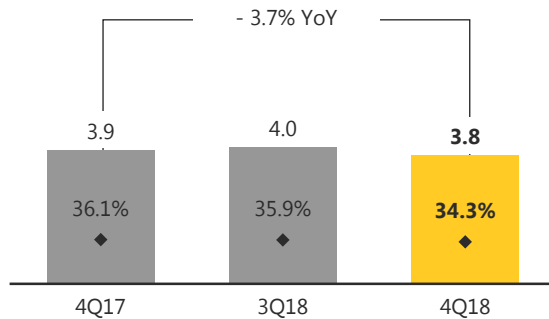
TOTAL REVENUE  
(BDT BILLION)



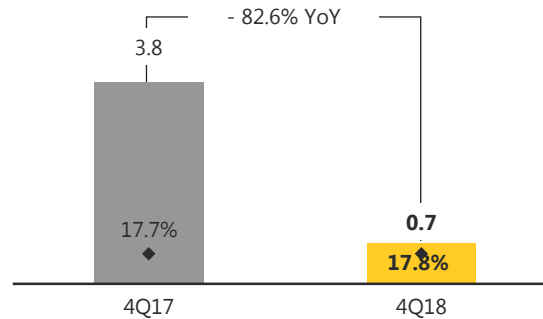
MOBILE CUSTOMERS  
(MILLION)



EBITDA AND EBITDA MARGIN  
(BDT BILLION AND %)



CAPEX EXCL. LICENSES  
AND LTM CAPEX/REVENUE  
(BDT BILLION AND %)

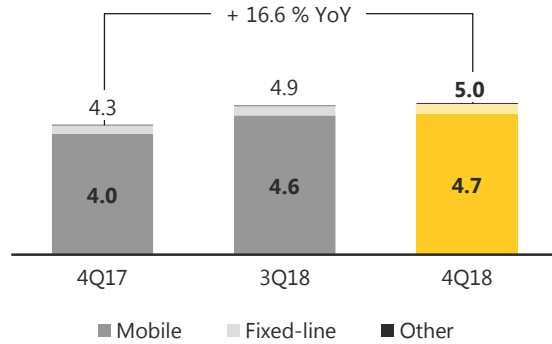


- Data revenue growth accelerated (+25.2% YoY vs 11.9% in Q3), despite continued pricing pressures in the market
  - Data customers (+15.9% YoY) and data usage (+76.6% YoY) supported Q4 growth
- Revenue flattened out (+1.3% YoY) after 2 years (last positive quarter was Q3 2016), driven by data growth
  - Customer growth (+3.1% YoY, flat QoQ) supported by improved distribution and network availability in a price-competitive market
  - ARPU erosion decelerated in Q4 (-0.2% YoY) vs Q3 (-9.0% YoY)
  - Service revenue grew by +2.6% YoY (+0.2% QoQ)
- EBITDA decreased 3.7% YoY (-5.0% QoQ) mainly due to structural opex, mostly related to 4G/LTE network expansion, more than offsetting revenue impact
- Capex excluding licenses decreased YoY as a result of a more front-loaded quarterly distribution in 2018 vs 2017
- Regulatory environment is still challenging with developments such as VAS revenue sharing rate set at 40%, effective from 1 October 2018, which will result in higher costs to Banglalink

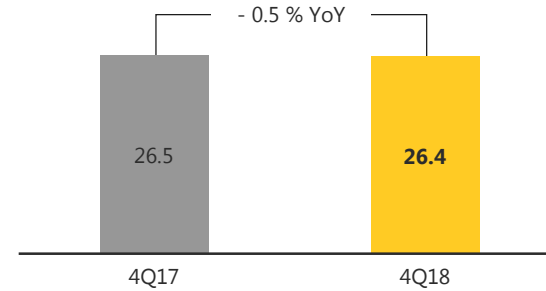
# Ukraine: strong performance during 2018



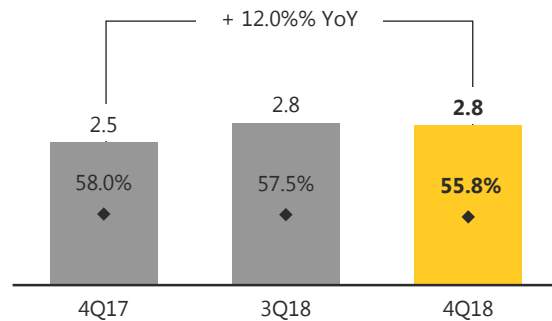
TOTAL REVENUE  
(UAH BILLION)



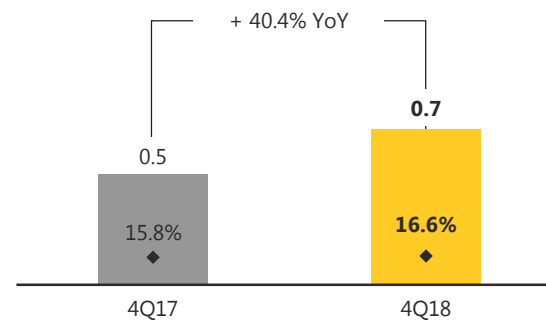
MOBILE CUSTOMERS  
(MILLION)



EBITDA AND EBITDA MARGIN  
(UAH BILLION AND %)



CAPEX EXCL. LICENSES  
AND LTM CAPEX/REVENUE  
(UAH BILLION AND %)



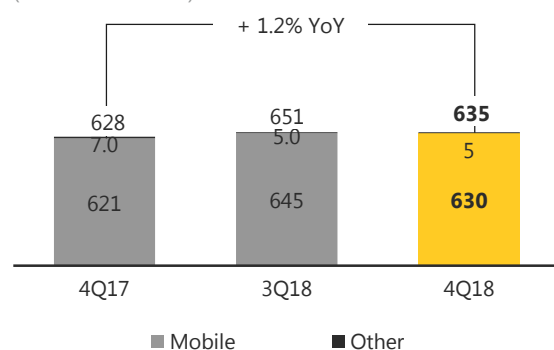
- Kyivstar continued to report strong results in a growing market, driven by successful marketing activities, strong data growth and a focus on high value customers
- Mobile service revenue grew by 17.2% YoY, mainly driven by data revenue growth of 84.5% YoY
  - ▶ ARPU increased by 18.2% YoY
  - ▶ Data usage more than doubled in 4Q18 compared to last year
  - ▶ Continued strong growth in data penetration, with data customers growing 18.2% YoY, while 4G/LTE users penetration remains low at 11%
- Strong EBITDA growth driven by revenue growth, partially offset by higher structural costs and the shift of commercial costs from Q3 2018 to Q4 2018
  - ▶ EBITDA margin decreased by 2.2 p.p. YoY as Q4 2017 EBITDA was positively impacted by a release of regulatory provision of UAH 213 million. Excluding this impact, EBITDA margin would have improved by 2.7 p.p. YoY
- CAPEX excl. licenses grew 40.4% YoY due to on going network improvements and further 4G/LTE roll-out



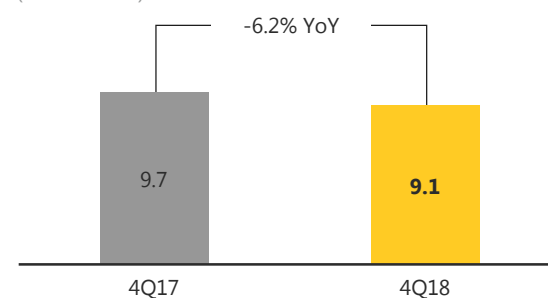
# Uzbekistan: solid revenue growth but external costs and provisions pressured EBITDA



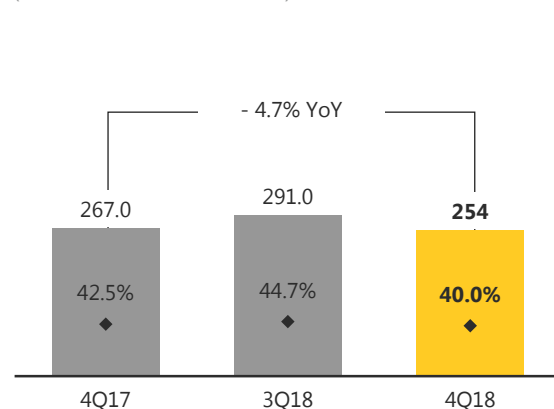
TOTAL REVENUE  
(UZS BILLION)



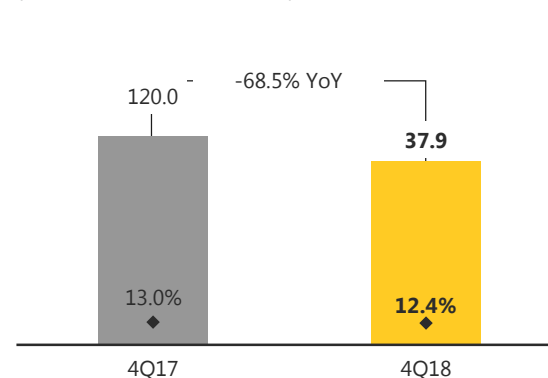
MOBILE CUSTOMERS  
(MILLION)



EBITDA AND EBITDA MARGIN  
(UZS BILLION AND %)



CAPEX EXCL. LICENSES  
AND LTM CAPEX/REVENUE  
(UZS BILLION AND %)



- Uzbekistan's market growth is driven by increased mobile data penetration. Unitel continues to focus on high value customers as the clear market leader, offering a high quality mobile network
- Revenue grew by 1.2% YoY, driven by repricing activities in March 2018 and strong mobile data growth, partially offset by the MTR reduction
- Adjusted for the negative effect of MTR, revenue growth would have been 7.4% YoY, driven by strong increase in mobile data revenue (+52.1% YoY)
- EBITDA decreased by 4.7% YoY, mainly due to external cost pressures from increased customer tax (UZS 34.2 billion), the effect of the reduction in MTR (UZS 9 billion) and non-recurring costs and certain provisions (UZS 22 billion)
- EBITDA also impacted by ~UZS 12 billion of certain costs shifted from Q3 to Q4 2018. Q4 2017 was negatively impacted by a provision of UZS 20 billion
- Tax reforms introduced from January 2019 are expected to have ~13% negative effect on revenue and ~6% on EBITDA in FY 2019, while free cash flow impact is expected to be slightly positive
  - ▶ The customer tax decreased to UZS 2,000 as per January 2019, from UZS 4,000 in FY 2018 as a result of tax reforms

# Agenda



OPENING

Richard James - Head of IR

KEY ACHIEVEMENTS & 2019 STRATEGIC FOCUS

Ursula Burns - Executive Chairman and CEO

DIGITAL UPDATE AND COUNTRY RESULTS

Kjell Johnsen - COO

GROUP FINANCIAL RESULTS AND TARGETS

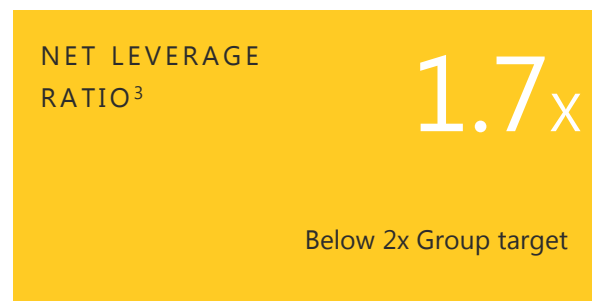
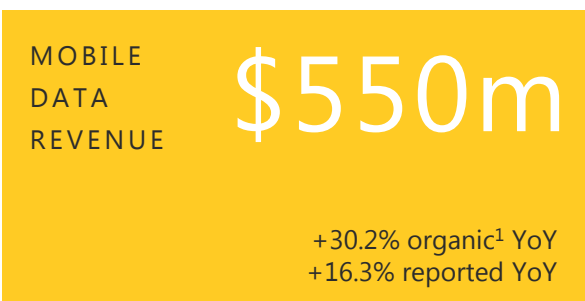
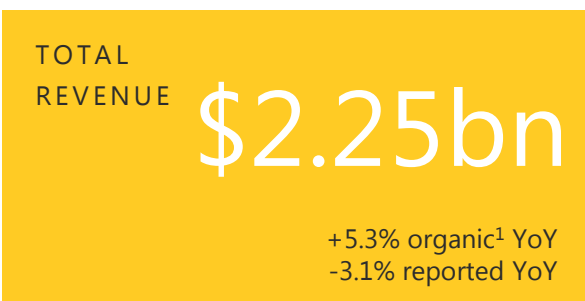
Trond Westlie - CFO

RUSSIA UPDATE

Vasyl Latsanych - CEO Beeline Russia

## Q&A AND REFRESHMENTS

# Good operational performance in Q4 2018

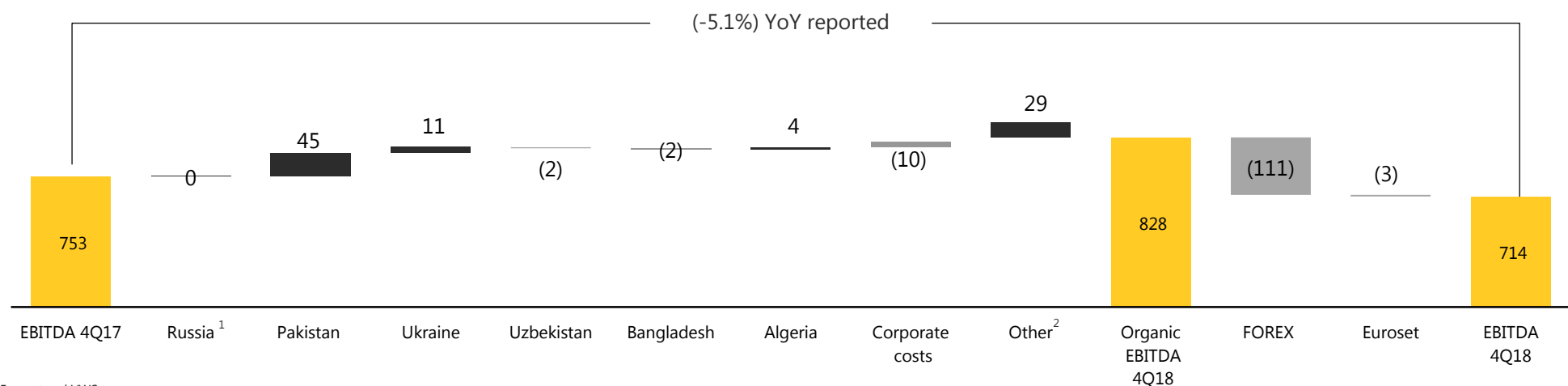
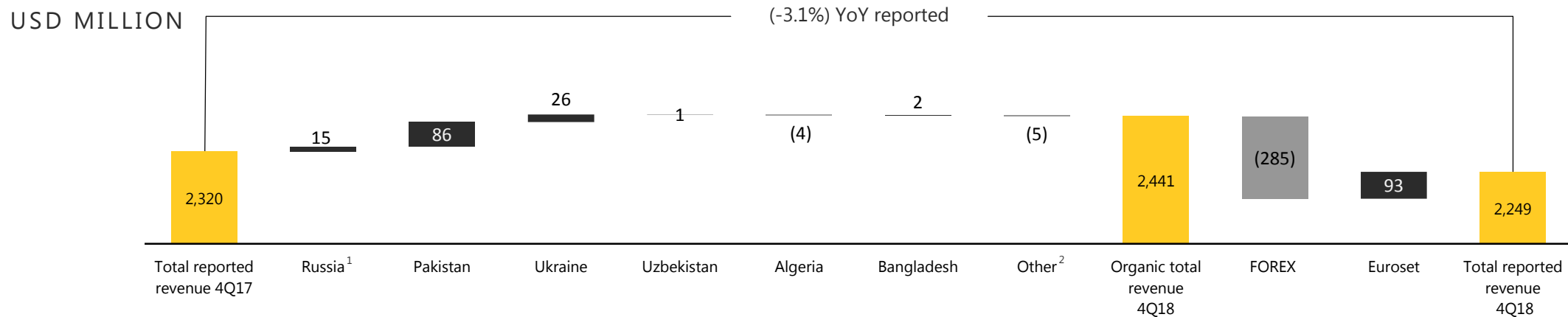


<sup>1</sup> Organic change is a non-IFRS measure and reflects changes in revenue and EBITDA. Organic change excludes the effect of foreign currency movements and other factors, such as businesses under liquidation, disposals, mergers and acquisitions. In Q4 2018 and FY 2018 organic growth is calculated at constant currency and excludes the impact from Euroset integration. Organic EBITDA for FY 2018 also excludes exceptional income from an adjustment to a vendor agreement of USD 106 million in Q3 2017. See attachment in the earnings release for reconciliations

<sup>2</sup> Equity free cash flow excluding licenses is a non-IFRS measure and is defined as free cash flow from operating activities less cash flow used in investing activities, excluding M&A transactions, capex for licenses, inflow/outflow of deposits, financial assets and other one-off items

<sup>3</sup> Net leverage ratio is defined as Net debt / LTM (last twelve months) EBITDA

# Revenue and EBITDA development

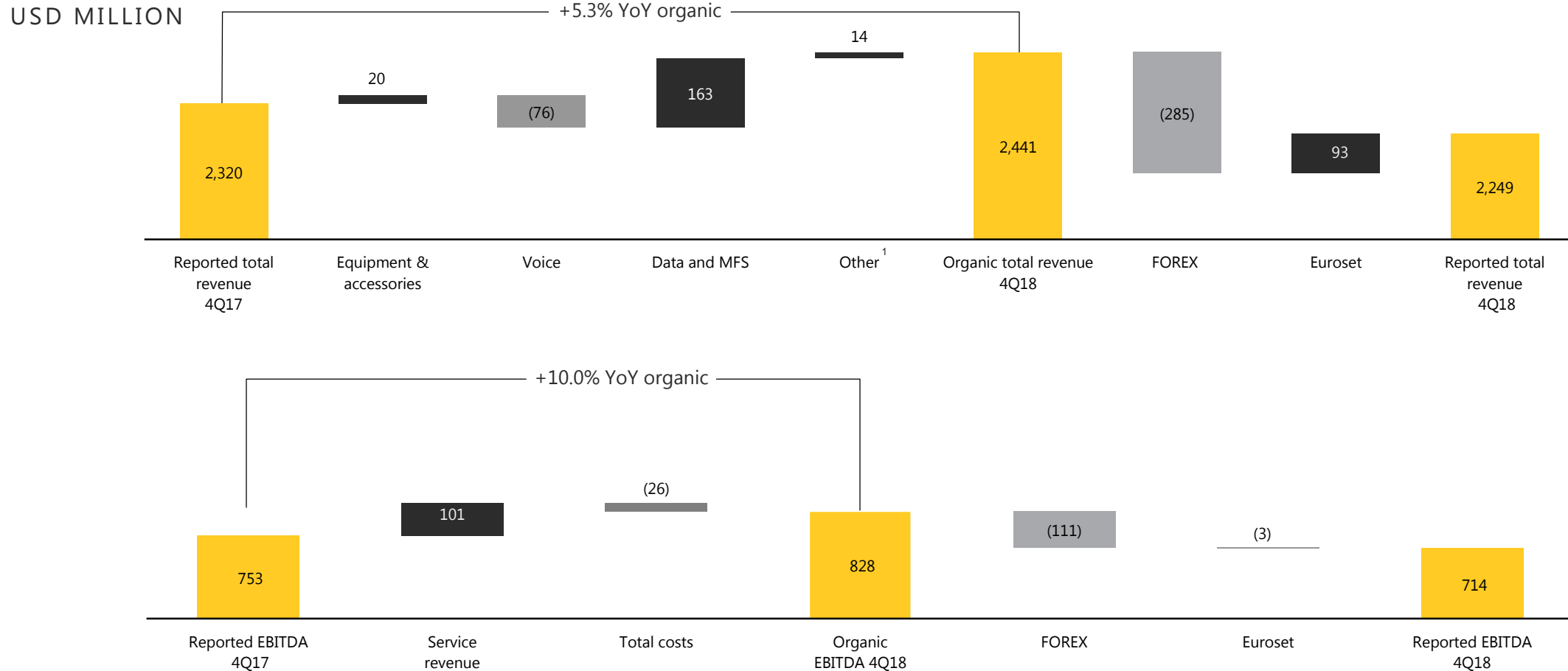


<sup>1</sup> Excludes the impact of Euroset and VWS revenues

<sup>2</sup> Other in Q4 2018 mainly includes the results of Kazakhstan, Kyrgyzstan, Armenia, Georgia, other global operations and services and intercompany eliminations

# Revenue and EBITDA development

Data revenue driving organic growth in revenue and EBITDA



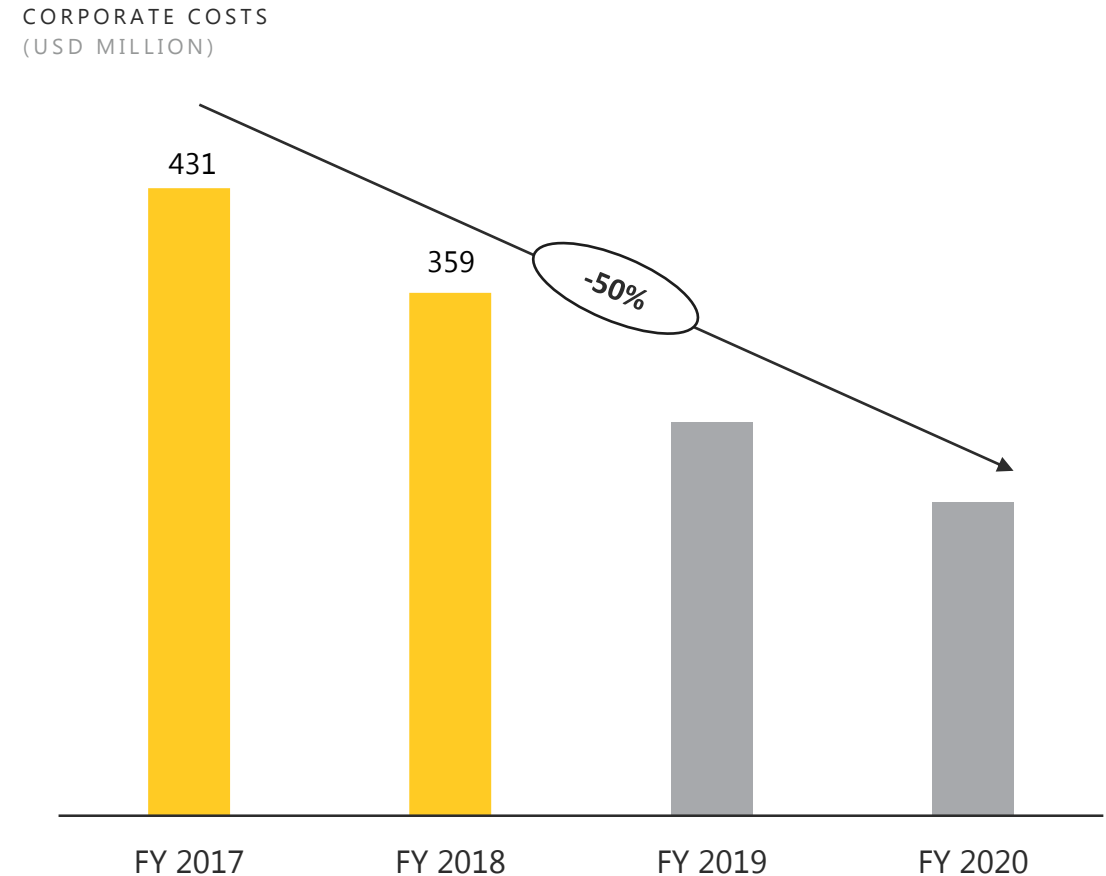
<sup>1</sup> Other includes interconnect, roaming and intercompany eliminations

# Corporate costs

FY 2018 target achieved. Mid-term target confirmed

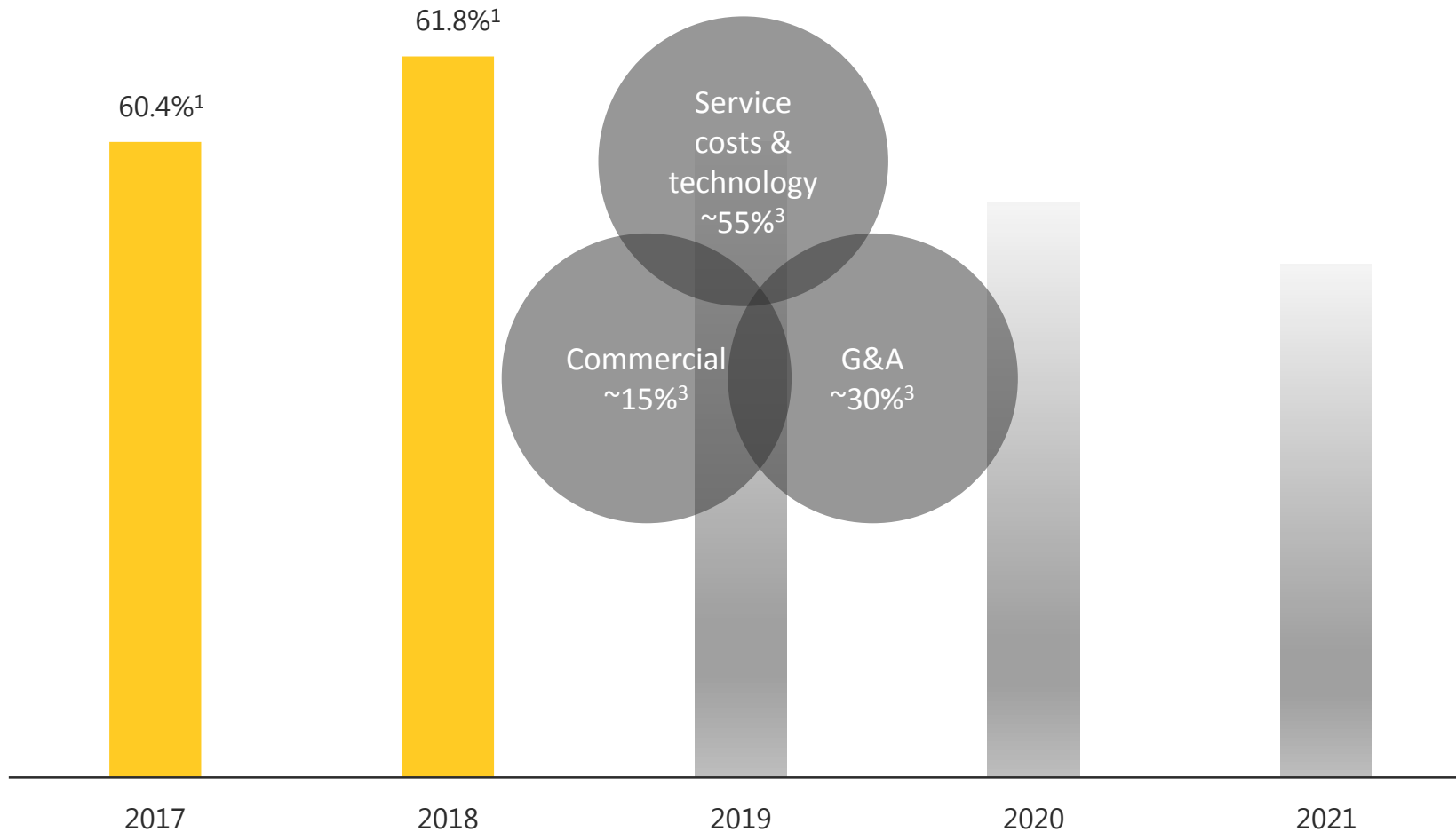


- FY 2018 corporate costs were USD 359 million, a decrease of ~20% YoY from USD 431 million<sup>1</sup> in FY 2017; target achieved
- Corporate costs were USD 135 million in Q4 2018, including USD 52 million of severance, down by ~34% YoY (excluding severance)
- FY 2019 target to further reduce corporate costs by ~25% YoY from USD 359 million in FY 2018
- Medium-term target to halve FY 2017 run-rate costs to ~USD 215 million by end-FY 2019 confirmed



<sup>1</sup> Excludes the exceptional income of USD 106 million related to the effect of a vendor agreement adjustment (USD 106 million) in Q3 2017 from reported HQ costs in FY 2017

# Reduce cost intensity ratio<sup>1</sup> by at least 1 percentage point per annum organically<sup>2</sup> over 3 years



## Contribution to cost intensity reduction in FY 2019 expected from:

- Service costs & technology (~55%)
- G&A (~30%)
- Commercial (~15%)

## FY 2019 cost intensity reduction expected to be visible from H2 2019

**Based on FY 2018, 1% reduction represents USD 85 million**

<sup>1</sup> Cost intensity is defined as service costs plus selling, general and administrative costs, less other revenue, divided by total service revenue. Based on FY 2018, in USD/million:  $[(3,697 + 1,701 - 133) / 8,526]$

<sup>2</sup> Organic change is a non-IFRS measure and reflects changes in revenue and EBITDA. Organic change excludes the effect of foreign currency movements and other factors, such as businesses under liquidation, disposals, mergers and acquisitions and the impact of the introduction of IFRS 16 in FY 2019. The annual cost intensity ratio organic reduction is expected from 2019 to 2021, from 61.8% as reported in FY 2018

<sup>3</sup> Percentages represent the contribution of various cost categories to 2019 cost intensity ratio reduction FY 2018 RESULTS

# Q4 2018 income statement



USD MILLION

	4Q18	4Q17	Reported YoY	Organic <sup>1</sup> YoY
<b>Revenue</b>	<b>2,249</b>	<b>2,320</b>	<b>(3.1%)</b>	<b>5.3%</b>
Service revenue	2,083	2,214	(5.9%)	4.6%
<b>EBITDA</b>	<b>714</b>	<b>753</b>	<b>(5.1%)</b>	<b>10.0%</b>
Depreciation, amortization and other	(506)	(564)	(10.1%)	
<b>Operating Profit</b>	<b>208</b>	<b>189</b>	<b>10.2%</b>	
Net financial income and expenses	(159)	(237)	(32.9%)	
Net FOREX and other gains/(losses)	8	(102)	(85.6%)	
<b>Profit before tax</b>	<b>57</b>	<b>(150)</b>	<b>n.m.</b>	
Tax	(24)	(93)	n.m.	
Profit/(Loss) from continued operations	33	(243)	n.m.	
Profit from discontinued operations	0	(156)	n.m.	
Profit attributable to non-controlling interest	52	(61)	n.m.	
Net profit attributable to VEON shareholders	(19)	(338)	n.m.	

- ▶ D&A and other decreased year on year mainly due to currency depreciation in Russia and Pakistan
- ▶ Net FOREX and other gains increased as Q4 2017 was negatively impacted by FOREX losses related to the depreciation of the Uzbek som whilst Q4 2018 reported a lower put option liability over the 15% non-controlling interest in Pakistan due to PKR weakening vs USD
- ▶ Income tax expenses decreased to USD 24 million in Q4 2018, driven by lower withholding tax provisions

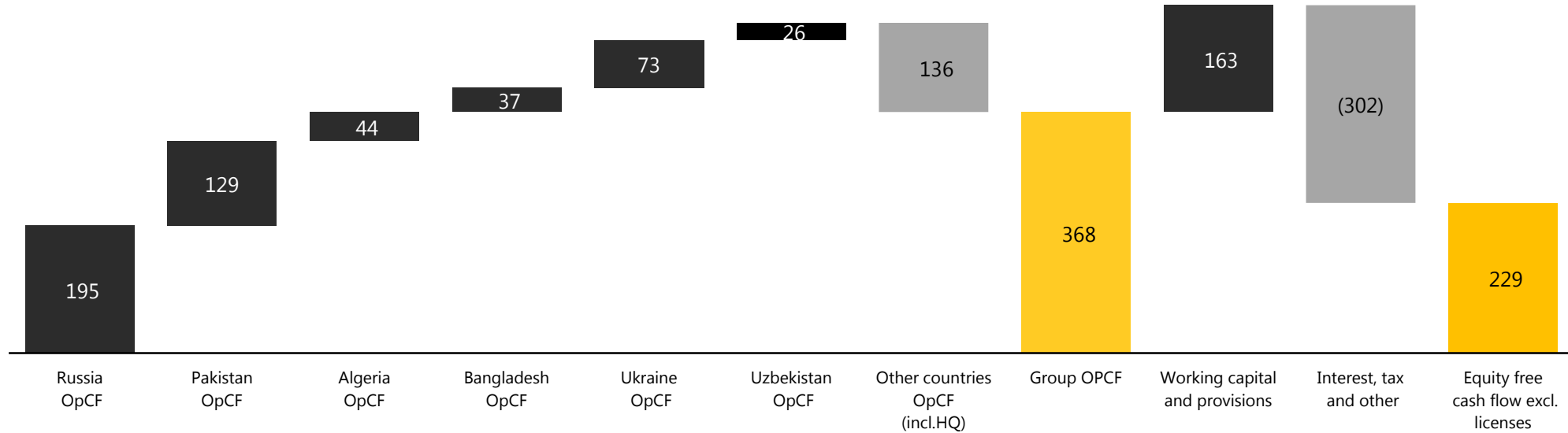
<sup>1</sup> Organic change is a non-IFRS measure and reflects changes in revenue and EBITDA. Organic change excludes the effect of foreign currency movements and other factors, such as businesses under liquidation, disposals, mergers and acquisitions. In Q4 2018 organic growth is calculated at constant currency and excludes the impact from Euroset integration. See attachment in Earnings release for reconciliations



# Continued strong cash flow generation in Q4 2018



USD MILLION



Note: OpCF refers to Operating cash flow, calculated as EBITDA minus Capex excluding licenses

# Cash flow reconciliation table



USD MILLION

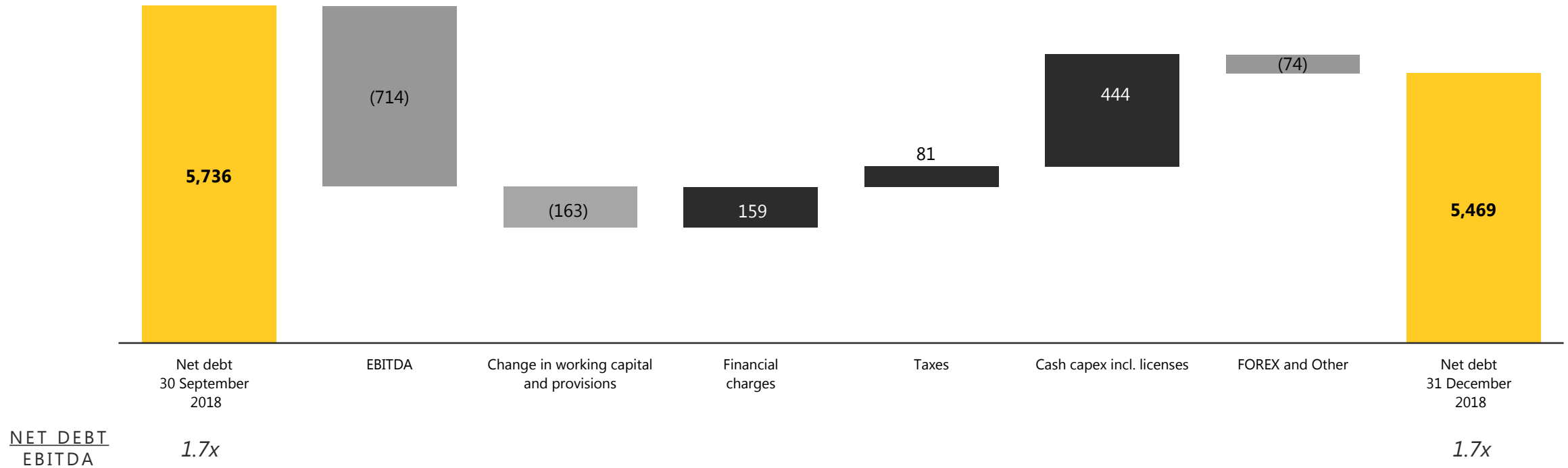
	4Q18	4Q17	YoY
<b>EBITDA</b>	<b>714</b>	<b>753</b>	<b>(5.1%)</b>
Changes in working capital	116	122	(6.3%)
Movement in provisions	45	(39)	n.m.
Net interest paid-received	(160)	(232)	(31.5%)
Income tax paid	(80)	(125)	(35.2%)
<b>Cash flow from operating activities (excl. discontinued operations)</b>	<b>635</b>	<b>479</b>	<b>32.4%</b>
Capex excl.licenses	(347)	(466)	n.m.
Working capital related to Capex excl. licenses	(63)	7	n.m.
Proceeds from sale of PPE	5	(7)	n.m.
<b>Equity Free Cash Flow excl. licenses</b>	<b>229</b>	<b>13</b>	<b>n.m.</b>

- ▶ EBITDA decreased due to currency depreciation in Russia, Pakistan and Uzbekistan (USD 111 million) and the financial impact of Euroset integration of USD 3 million in 4Q18
- ▶ Movement in provisions in 4Q18 were mostly related to HQ severance costs
- ▶ Net interest paid decreased, driven by lower debt levels during the quarter as a result of debt repayment using the proceeds of the sale of 50% of Italy JV
- ▶ Cash income tax paid decreased to USD 80 million in Q4 2018 mainly due to lower dividend payments from Pakistan

# Q4 2018 net debt development



USD MILLION



At 1.7x, Group leverage ratio is significantly below our previously announced target ratio of 2.0x

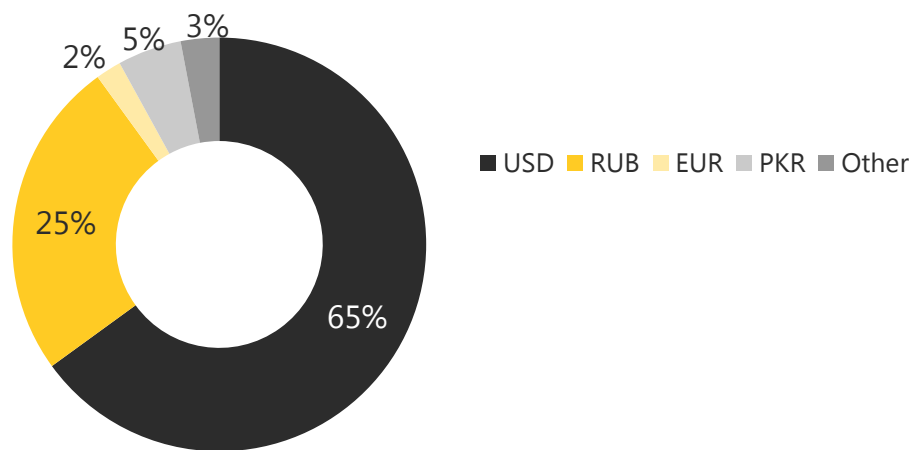
FOREX and Other mainly consist of FOREX partly offset by other investing activities and other items

# Rebalancing of debt currency mix



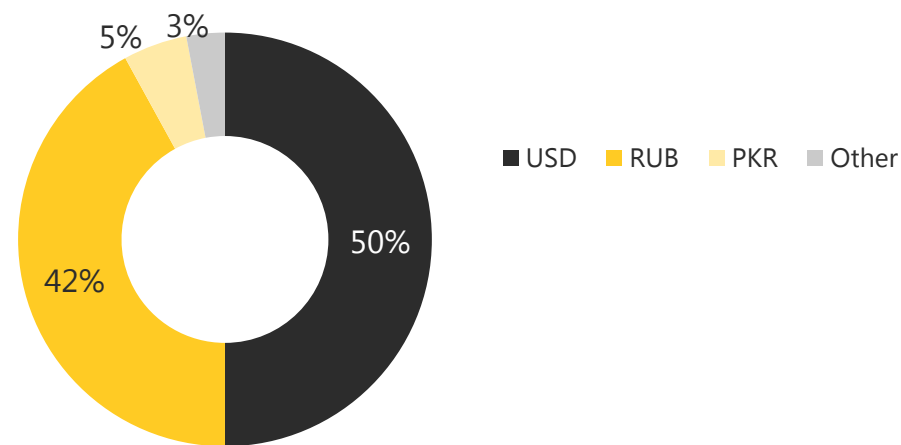
- EUR and USD debt reduction via use of Italy proceeds (~USD 2.1 billion in 2018 and ~USD 0.6 billion in 2019 year-to-date)
- USD debt swaps to RUB (~USD 950 million)
- Average cost of debt increased to 7.5%, due to elimination of euro debt and the increase of the relative share of ruble debt

## Q3 2018 Group debt currency mix



- Average maturity: 3.3 years
- Average cost of debt: 7.2%

## Q4 2018 Group debt currency mix (after considering FX derivatives)



- Average maturity: 3.0 years
- Average cost of debt: 7.5%

# IFRS 16



- IFRS 16 “Lease accounting” came into effect on **1 January 2019**, requiring all leases to be capitalized on the balance sheet
- Operating lease expenses will no longer be presented in the Income Statement. Instead, capitalized lease assets will lead to depreciation charges, and lease liability (representing future lease payments) will lead to interest expenses
- Expected impact from IFRS 16:

## Balance Sheet

LEASE ASSETS  
**~\$2bn**

GROSS DEBT  
**~\$2bn**

## Income Statement<sup>1</sup>

EBITDA  
**~\$450m**

PROFIT BEFORE TAX  
**~\$(100)m**

Depreciation and interest expected to increase

## Cash Flow Statement<sup>1</sup>

OPERATING CASH FLOW  
**~\$300m**

FINANCING CASH FLOW  
**~\$(300)m**

Reclassification of lease cash flow

<sup>1</sup> The projected impact of IFRS 16 for the income statement and the statement of cash flows in 2019 is dependent on possible changes in the size of lease portfolio throughout 2019, FOREX and discount rates

# Delivered on full year 2018 guidance



	FY 2018 targets <sup>3</sup>	FY 2018 actual
Total revenue	Low single-digit organic <sup>1</sup> growth	3.5% ✓
EBITDA	Low to mid single-digit organic <sup>1</sup> growth	6.2% ✓
Equity free cash flow <sup>2</sup>	USD ~1 billion	USD 1,032 million ✓

<sup>1</sup> Organic change is a non-IFRS measure and reflects changes in revenue and EBITDA. Organic change excludes the effect of foreign currency movements and other factors, such as businesses under liquidation, disposals, mergers and acquisitions. In 9M 2018 organic growth is calculated at constant currency and excludes the impact from Euroset integration. Organic EBITDA also excludes an exceptional income from an adjustment to a vendor agreement of USD 106 million in Q3 2017. See attachment Earnings release for reconciliations

<sup>2</sup> Equity free cash flow excluding licenses is a non-IFRS measure and is defined as free cash flow from operating activities less cash flow used in investing activities, excluding M&A transactions, capex for licenses, inflow/outflow of deposits, financial assets and other one-off items

<sup>3</sup> FY 2018 revenue and EBITDA targets calculated on organic basis. Organic growth reflects changes in revenue and EBITDA. Organic change excludes the effect of foreign currency movements and other factors, such as businesses under liquidation, disposals, mergers and acquisitions. Major exceptional items currently known are the impact from the Uzbekistan currency liberalization, the Euroset integration and the one-off adjustment to a vendor agreement. FY 2018 equity free cash flow target is calculated at 2018 target currency rates. For FY 2018 target currency rates, see appendix

# Final dividend and dividend policy



For the financial year ended 31 December 2018, the Company intends to pay a dividend in the aggregate amount of US 29 cents per share comprised of USD 12 cents per share paid as an interim dividend in August 2018 and US 17 cents per share as a final dividend to be paid in March 2019<sup>1</sup>



VEON is committed to paying a sustainable and progressive dividend. A continuation of this progressive dividend policy is dependent on the evolution of the Group's equity free cash flow, including development of the US dollar exchange rate against VEON's functional currencies.

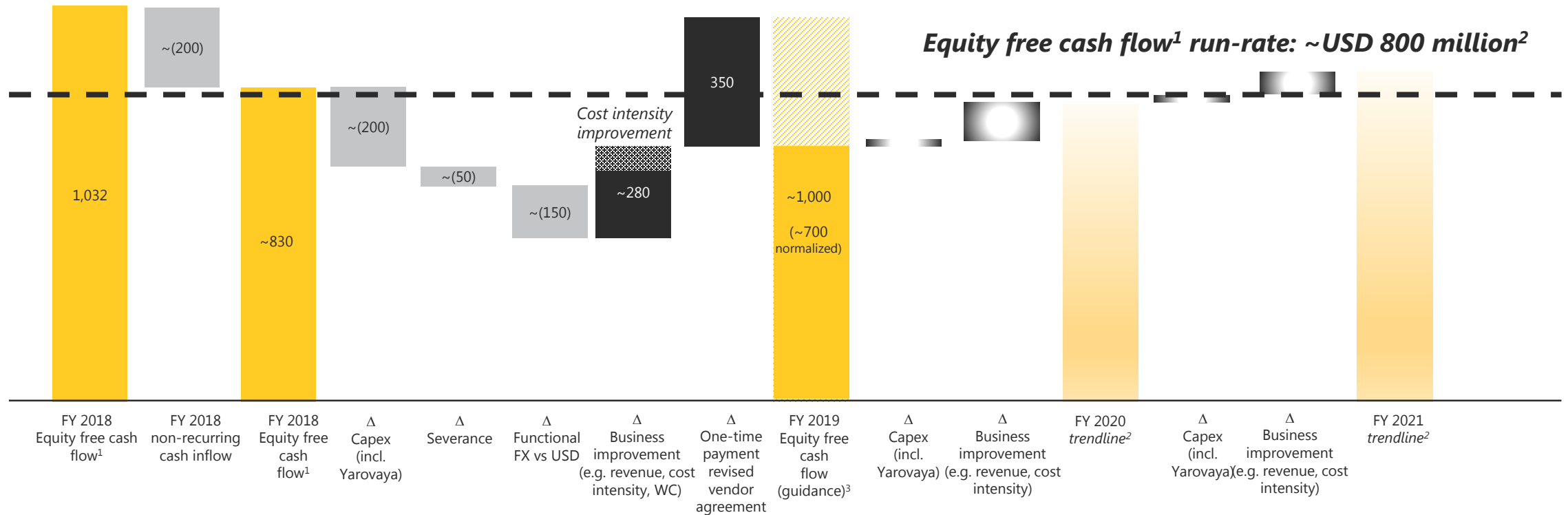
<sup>1</sup> The record date for the Company's shareholders entitled to receive the final dividend payment has been set as 8 March 2019, payment date 20 March 2019

# Group equity free cash flow<sup>1</sup> evolution

Equity free cash flow<sup>1</sup> run-rate broadly stable at ~USD 800 million<sup>2</sup>



USD MILLION



Note: 2020 and 2021 figures and deltas are illustrative only

<sup>1</sup> Equity free cash flow excluding licenses is a non-IFRS measure and is defined as free cash flow from operating activities less cash flow used in investing activities, excluding M&A transactions, capex for licenses, inflow/outflow of deposits, financial assets and other one-off items

<sup>2</sup> The run-rate of approximately USD 800 million assumes, among others, broadly stable functional currencies versus US Dollar and business improvement

<sup>3</sup> Based on guidance currency rates (see appendix) and excluding IFRS 16 impact



# Full Year 2019 guidance



	FY 2018 actual	FY 2019 targets <sup>3</sup>
Total revenue	9,086	Low single-digit organic <sup>1</sup> growth
EBITDA	3,273	Low to mid single-digit organic <sup>1</sup> growth
Equity free cash flow <sup>2</sup>	USD 1,032 million	~USD 1 billion

- ▶ Supported by expected cost efficiencies resulting in an organic reduction of at least 1% of the cost intensity ratio<sup>4</sup> per annum between 2019-2021
- ▶ Target is based on currency rates of 20 February 2019 and assumes additional Yarovaya expenses and increased capex, severance payments, partially offset by business improvements in 2019, while 2018 benefitted from specific non-recurring working capital effects. The target includes the one-time payment in connection with a revised vendor agreement.

<sup>1</sup> Organic change is a non-IFRS measure and reflects changes in revenue and EBITDA. Organic change excludes the effect of foreign currency movements and other factors, such as businesses under liquidation, disposals, mergers and acquisitions, and the impact of the introduction of IFRS 16 in FY 2019.

<sup>2</sup> Equity free cash flow excluding licenses is a non-IFRS measure and is defined as free cash flow from operating activities less cash flow used in investing activities, excluding M&A transactions, capex for licenses, inflow/outflow of deposits, financial assets, other one-off items and the impact of the introduction of IFRS 16 in FY 2019

<sup>3</sup> FY 2019 revenue and EBITDA targets calculated on organic basis. Organic growth reflects changes in revenue and EBITDA. Organic change excludes the effect of foreign currency movements and other factors, such as businesses under liquidation, disposals, mergers and acquisitions. FY 2019 equity free cash flow target is calculated at 2019 guidance currency rates. For FY 2019 guidance currency rates, see appendix

<sup>4</sup> Cost intensity is defined as service costs plus selling, general and administrative costs, less other revenue, divided by total service revenue

# Summary



2018 targets and guidance achieved

Dividend growth of ~4% year on year delivered

Good organic growth in revenue and EBITDA expected in 2019

Run-rate equity free cash flow expected at ~USD 800 million over the next three years, underpinning our commitment to dividend distributions

# Agenda



OPENING

Richard James - Head of IR

KEY ACHIEVEMENTS & 2019 STRATEGIC FOCUS

Ursula Burns - Executive Chairman and CEO

DIGITAL UPDATE AND COUNTRY RESULTS

Kjell Johnsen - COO

GROUP FINANCIAL RESULTS AND TARGETS

Trond Westlie - CFO

RUSSIA UPDATE

Vasyl Latsanych - CEO Beeline Russia

## Q&A AND REFRESHMENTS

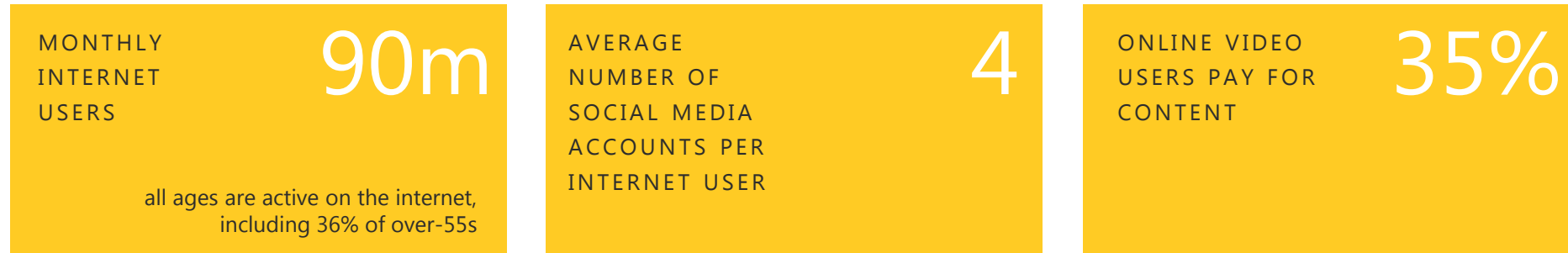


VEON

BEELINE RUSSIA: SOLID FOUNDATION FOR GROWTH

London, 25 February 2019

# Russia is building a digital economy on a high-speed mobile and fixed network



High speeds and quality network needed by the market



New digital / media business opportunity

Source: GFK, PayPal & Data Insight, Beeline internal analysis

# Smartphones are driving customer acquisition



New digital income streams opportunity



Retail development and ARPU growth opportunity

# 2018: regulatory landscape



## **INTRANET ROAMING CANCELLATION IN RUSSIA**

NO MATERIAL IMPACT AND EMERGING  
GROWTH IN REVENUE AND  
CONSUMPTION

## **WATCHDOG'S CRACKDOWN ON GRAY SIM CARDS**

ROOM TO GROW FOR OPERATORS'  
RETAIL

## **YAROVAYA LAW**

BEELINE SPENT LESS THAN PLANNED  
FOR IN 2018

## **5G FREQUENCIES ARE LIMITED AND NOT YET AVAILABLE**

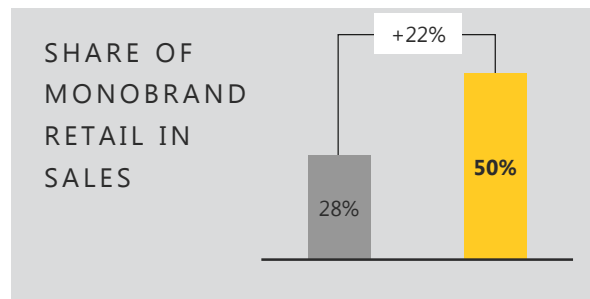
# 2018: retail

Footprint almost doubled to 3100 shops



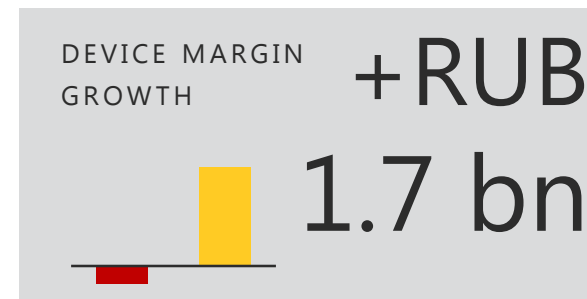
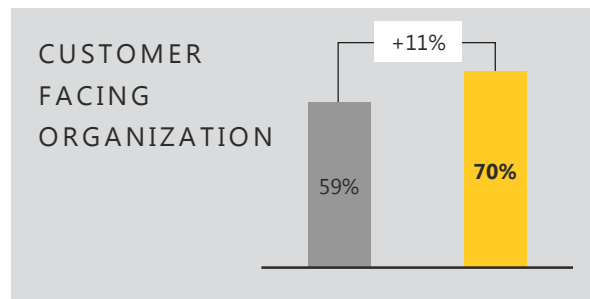
EUROSET SHOPS  
REBRANDED AND  
INTEGRATED INTO  
BEELINE  
MONOBRAND  
RETAIL

1,602



NEW CITIES WITH  
BEELINE RETAIL  
OPERATIONS

360



Significantly reduced alternative channels and improved quality of sales

Source: GfK, PayPal & Data Insight, Beeline internal analysis



# 2018: mobile network

Accelerated deployment



LEADER IN NETWORK DEPLOYMENT IN 9M 2018 BY ROSCOMNADZOR



CAPEX GROWTH (EXCL. LICENSES AND YAROVAYA) **+16%**

SHARE OF LTE USERS, WHO ARE ABLE TO WATCH HD VIDEO **+82%**

NEW BASE STATIONS **16K+**  
NEW LTE BASE STATIONS **11K+**

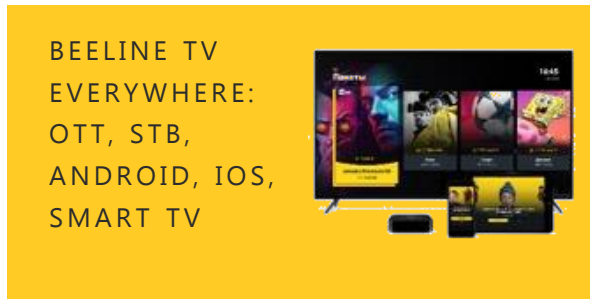
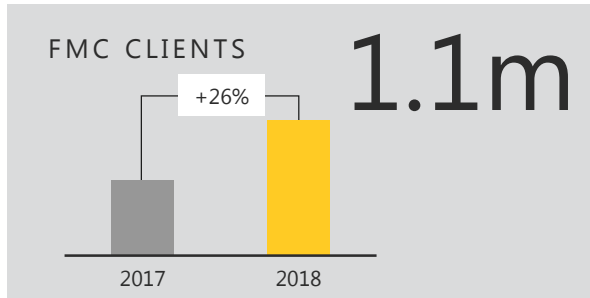
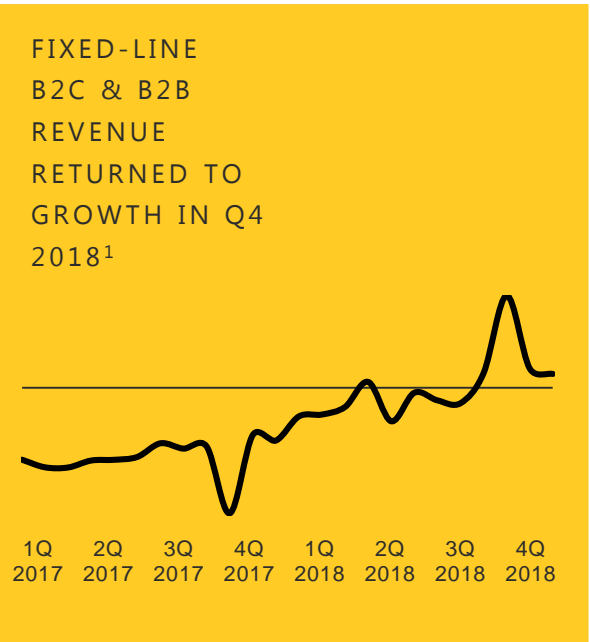
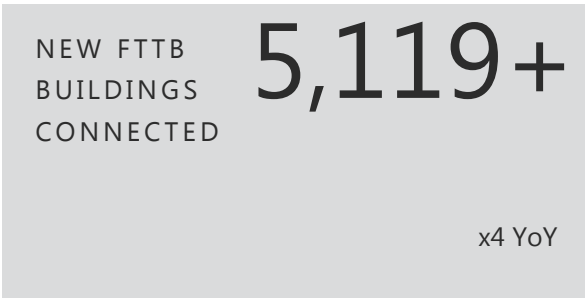
RUSSIA'S FIRST LIVE HOLOGRAPHIC CALL USING 5G – FIRST TRUE USE CASE



TERRITORIES WITH 4G/LTE SPEED PARITY **75%**

# 2018: fixed-line

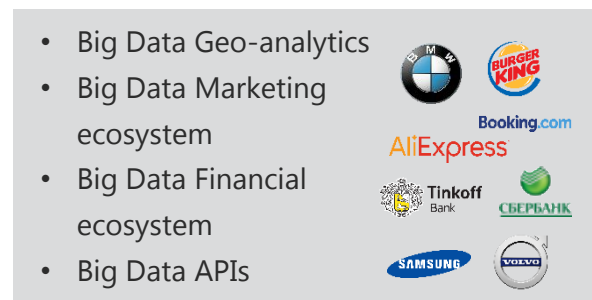
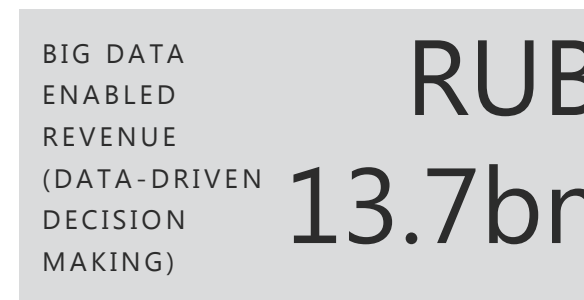
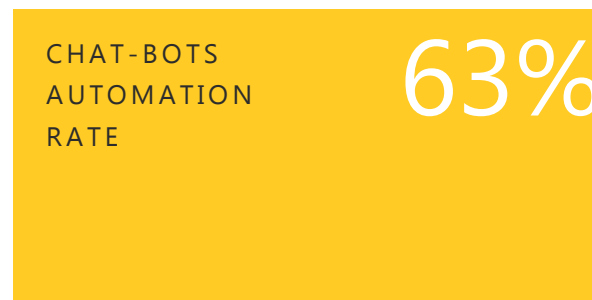
## Business turnaround



<sup>1</sup> Excluding VWS revenue

# 2018: digital

Strengthen core, reduce costs and create new revenue streams

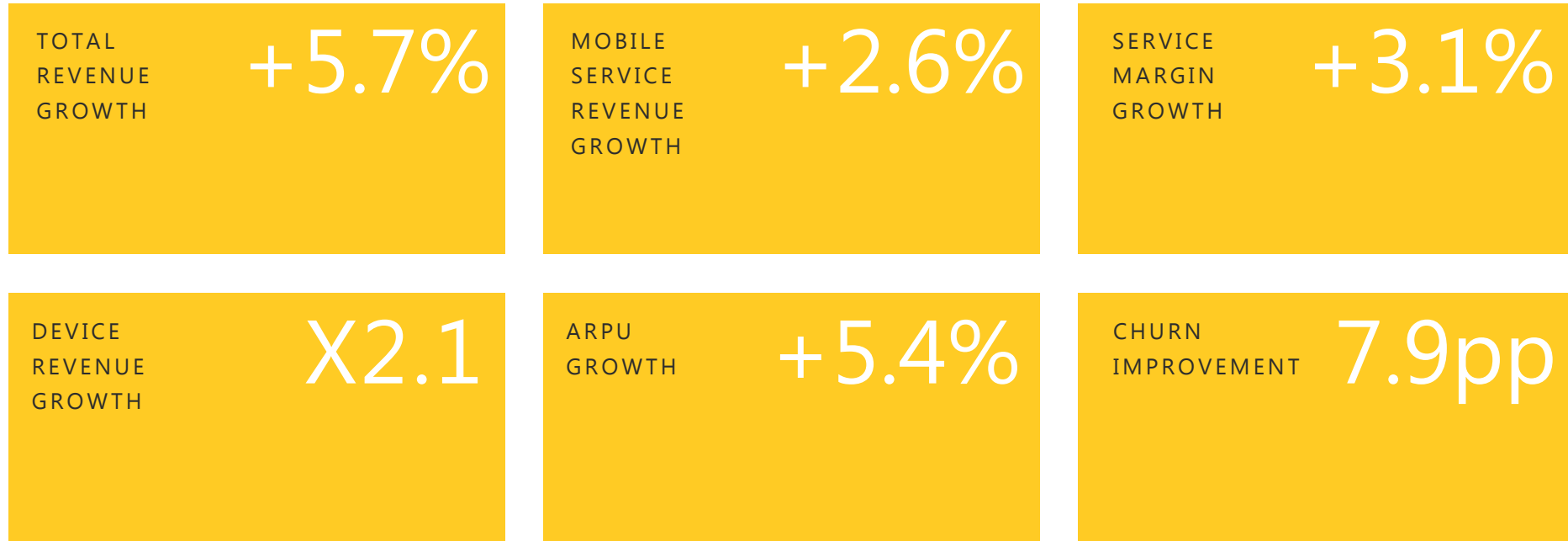


Source: GFK, PayPal & Data Insight, Beeline internal analysis

# 2018: strong financial results



YEAR ON YEAR

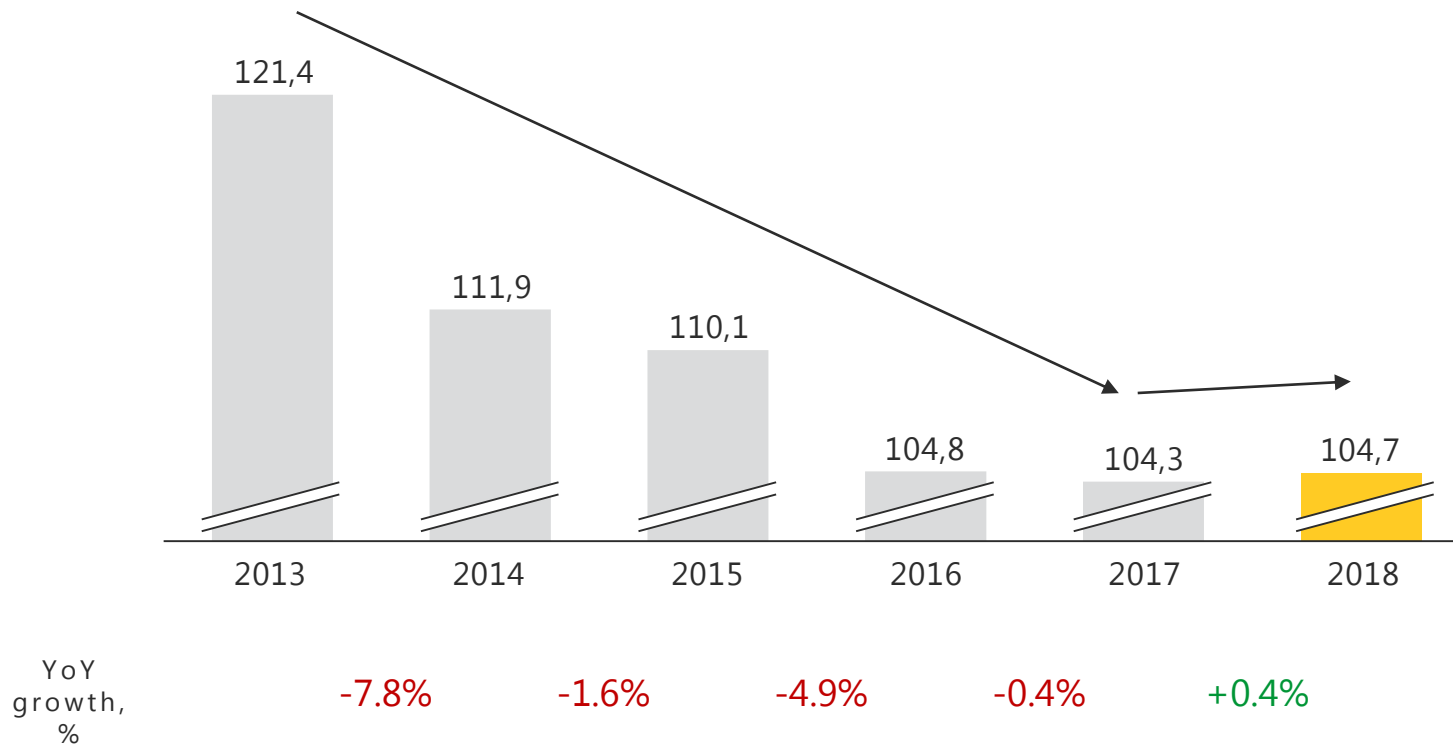


Source: GFK, Beeline internal analysis

# 2018: back to EBITDA growth and a healthier business



EBITDA - RUB billion



## Fixes:

- Retail
- Network rollout
- Digital
- Value creation

## 2018 Headwinds:

- Euroset integration costs
- Spectrum fees increase
- Intranet roaming cancellation
- VWS business transfer



**Beeline<sup>®</sup>**

Beeline strategy update for 2019-2021

# Growth is our strategic focus in core and new business



## BUSINESS AGENDA

Grow faster than the market by being telecom and beyond

## KEY STRATEGIC PILLARS



Growth

### Customer & revenue growth

- Grow the networks
- Grow the customer base
- New digital revenue streams



Efficiency

### Costs transparency & intensity

- More for more investment
- Capex for growth
- Everyday costs efficiency



Partnership

### External & internal

- Partnership ideology
- Value for partners
- B2B and B2C ecosystem

# Revenue growth becoming strategic focus



## BUILDING A SOLID FOUNDATION FOR GROWTH



- Competitive mobile speeds anytime and anywhere, supported by network investments
- Core business driven by FMC
- Media, fintech, big data to support growth ambition



# Building new revenue streams with digital opportunities



Beeline TV

- Major streaming services and Live TV
- Available on any platform



Financial services

- Beeline-branded financial products
- Financial services inside Beeline's app ecosystem



AdTech

- Marketing digital agency for brands
- Digital advertising platform
- Big data and AI

Opened beyond Beeline customer base for the whole market

And continuously scouting for new revenue streams

# Building an efficient and investment-savvy organization



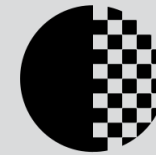
More for more

- Business streams' costs are allowed to increase if streams' returns per ruble of costs are growing



Capex for growth

- Strategic sensitivity and strategic agility of capital:
- Single framework for CAPEX projects ranking across all business streams
  - Adjusted corporate governance to increase flexibility of resources



Costs transparency

- Efficiency enabled by transparency:
- Activity-based cost allocation for all streams and products
  - 360 monobrand retail P&L overall plus deeper allocations to a single store

# Building partnership ecosystems that reinforce growth



**BEELINE'S AMBITION IS TO BECOME THE BEST PARTNERSHIP PLATFORM, FACILITATING NEW REVENUE STREAMS AND SAVINGS**

B2C partners' offers for customers



B2B partners' offers for customers




Retail partners for own stores




A family of ecosystems

Vendors  
Managed services  
Network sharing



Outsourced development  
Platforms' vendors



Beeline will review strategic partnerships aiming for long-term value accretion from mutually beneficial collaboration

Network sharing is another example of Beeline partnership strategy, improving competitiveness of the entire industry



Grow faster than the market by being telecom and beyond



Growth



Efficiency



Partnership



VEON

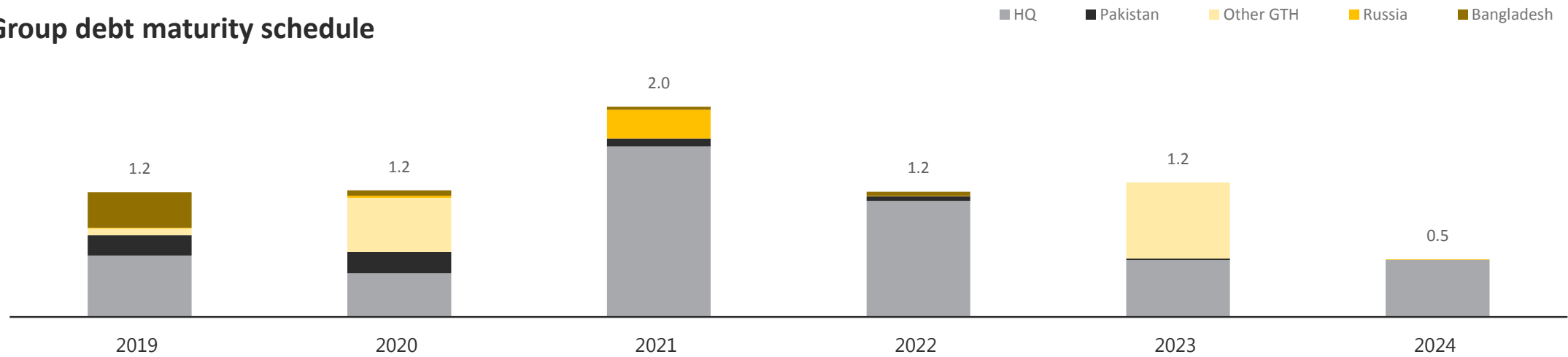
APPENDIX

# Group debt maturity schedule<sup>1</sup>



31 DECEMBER 2018  
USD BILLION

## Group debt maturity schedule



## Group debt maturity schedule by currency

	2019	2020	2021	2022	2023	2024	
USD	0.9	0.6	0.9	0.5	1.2	0.5	63%
RUB	0.0	0.4	1.0	0.7	0.0	0.0	29%
PKR	0.2	0.1	0.1	0.0	0.0	0.0	5%
OTHER	0.1	0.1	0.0	0.0	0.0	0.0	3%

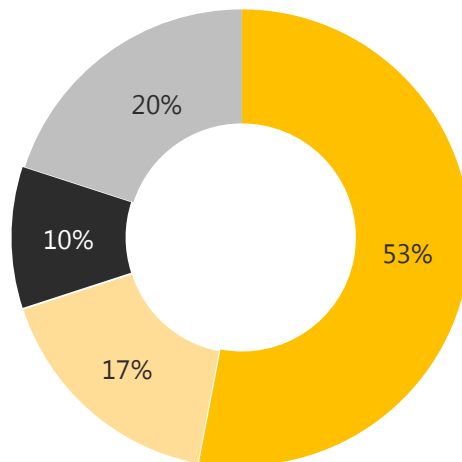
<sup>1</sup> Effect of USD/RUB FX forwards is not included.

# Liquidity overview



## GROUP CASH BREAKDOWN BY CURRENCY

31 DECEMBER 2018



■ USD ■ PKR ■ RUB ■ Other

Group cash (incl. deposits): USD 1.8 billion

## UNUSED RCF HEADROOM

31 DECEMBER 2018



## UNUSED CF HEADROOM

31 DECEMBER 2018



Total cash and unused committed credit lines: USD 3.6 billion

# Debt by entity



31 DECEMBER 2018  
USD MILLION

Outstanding debt	Type of debt				
	Entity	Bonds	Loans	Cash-pool overdrafts <sup>1</sup>	Other
VEON Holdings B.V.	2,650	2,051	-	-	4,701
GTH Finance B.V.	1,200	-	-	-	1,200
PJSC VimpelCom	278	-	-	48	326
Pakistan Mobile Communications Limited	16	497	-	28	541
Banglalink Digital Communications Ltd.	300	146	-	-	446
Optimum Telecom Algérie S.p.A.	-	64	-	-	64
Others	-	-	17	3	20
<b>Total</b>	<b>4,444</b>	<b>2,758</b>	<b>17</b>	<b>79</b>	<b>7,298</b>

*Total excl. cash-pool overdrafts*

7,281

<sup>1</sup> As of December 31, 2018, some bank accounts forming part of a cash pooling program and being an integral part of VEON's cash management remained overdrawn by US\$ 17 million. Even though the total balance of the cash pool remained positive, VEON has no legally enforceable right to set-off and therefore the overdrawn accounts are presented as financial liabilities and form part of our debt in our financial statements.



# Cash flow reconciliation table



USD MILLION

	FY18	FY17	YoY
<b>EBITDA</b>	<b>3,273</b>	<b>3,587</b>	<b>(8.8%)</b>
Changes in working capital	282	197	51.2%
Movement in provisions	40	(119)	n.m.
Net interest paid-received	(676)	(745)	(9.3%)
Income tax paid	(404)	(445)	(9.1%)
<b>Cash flow from operating activities (excl. discontinued operations)</b>	<b>2,515</b>	<b>2,475</b>	<b>1.6%</b>
Capex excl.licenses	(1,415)	(1,460)	n.m.
Working capital related to Capex excl. licenses	(84)	(219)	n.m.
Proceeds from sale of PPE	17	8	n.m.
<b>Equity Free Cash Flow excl. licenses</b>	<b>1,032</b>	<b>804</b>	<b>n.m.</b>

# Forex



	Guidance rates	Average rates			Closing rates		
	FY 2019	4Q18	4Q17	YoY	4Q18	4Q17	YoY
<b>Russian ruble</b>	66.00	66.48	58.41	13.8%	69.47	57.60	20.6%
<b>Algerian dinar</b>	119.00	118.63	114.77	3.4%	118.21	114.76	3.0%
<b>Pakistan rupee</b>	139.00	134.20	106.42	26.1%	139.80	110.70	26.3%
<b>Bangladeshi taka</b>	84.00	84.06	83.22	2.1%	83.60	82.69	1.1%
<b>Ukrainian hryvnia</b>	27.00	27.95	26.96	3.7%	27.69	28.07	(1.4%)
<b>Kazakh tenge</b>	377.00	370.13	334.40	10.7%	384.20	332.33	15.6%
<b>Uzbekistan som</b>	8,522	8,260.17	8,079.91	2.2%	8,339.55	8,120.07	2.7%
<b>Armenian dram</b>	488	485.30	483.10	0.5%	483.75	484.10	(0.1%)
<b>Kyrgyz som</b>	70.00	69.65	69.22	0.6%	69.85	68.84	1.5%
<b>Georgian lari</b>	2.70	2.68	2.59	3.2%	2.68	2.59	3.3%

# Forex YoY impact on Revenue and EBITDA



	Revenue	EBITDA
	Q4 2018	Q4 2018
<b>Russia</b>	(158)	(52)
<b>Algeria</b>	(7)	(3)
<b>Pakistan</b>	(97)	(46)
<b>Bangladesh</b>	(3)	(1)
<b>Ukraine</b>	(7)	(4)
<b>Uzbekistan</b>	(2)	(1)
<b>Other</b>	(11)	(4)
<b>Total</b>	<b>(285)</b>	<b>(111)</b>