



# VEON

RUSSIAN TOWERS  
FREQUENTLY ASKED QUESTIONS

# VEON announces the sale of its Russian tower assets for USD 970 million

<https://www.veon.com/media/media-releases/2021/veon-announces-the-sale-of-its-russian-tower-assets-for-usd-970-million/>  
06.09.2021



## **The contract is only for 8 years. Can you explain the basis for the renewals?**

It is important to note that we're entering into a long-term strategic relationships with Service-Telecom, who will operate and develop an essential element of our infrastructure. While the initial contract is for 8 years, we have multiple extension options for this contract, under terms that will protect the smooth operation of our network.

## **What is the basis for the renewal fee?**

The fees under our contract are based on a formula linked to CPI.

## **Can you explain the calculation of the EV/EBITDA multiple?**

The multiple is calculated based on the pro-forma expected EBITDA of tower assets in the perimeter for 2021, on the basis of the same terms as our master towers agreement with the buyer. With an EV of USD970m and an EV/EBITDA multiple of 11.7x, the EBITDA for NTC is approximately USD83m.

## **When do you expect the transaction to close and VEON to be paid?**

The key outstanding condition to closing is getting anti-monopoly regulatory approval from the Russian authorities. We anticipate that this will be concluded in November/December of this year.

## **Are any of the payments deferred?**

The largest part of the transaction consideration will be paid to us on closing (+95%). While some payments are deferred for the following 3 years, these will be relatively small in the context of the transaction.

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## **How confident are you in Service-Telecom being able to deliver the service?**

We have a long standing relationship with Service Telecom as a tenant and are satisfied with the quality of service they provide. This transaction will increase the size and scale of Service Telecom and will enable it to compete efficiently in Russia. And we're ready to support them with this transformation by providing an extensive scope of transition services for a period that will be sufficient for a smooth transition.

To ensure the smooth operation of our network, we also have a set of strong contractual protections for the quality of operations of Service Telecom, including inter-alia an opportunity to step-in.

## **Can you comment on the commitment from Service Telecom to build towers ?**

We have committed to build 5,000 new sites with Service-Telecom over the next 8 years. This is an important part of our tower rollout, but we will continue to build towers with other providers as well. We note that this BTS agreement is further reducing our capex commitments in the coming years.

## **Does this transaction include all of Beeline's towers?**

No, we continue to own the majority of our rooftop towers, and these, as well as a small number of ground-based towers have not been included in this transaction.

## **Will Beeline be transferring full time employees ("FTEs") to Service Telecom?**

Currently, National Tower Company has 40 people and further FTEs benefits will be considered during the project.

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## **What is the impact of the transaction on Russian EBITDA?**

Given the accounting rules related to IFRS16, the majority of the lease fees will be capitalized and the net impact on Russia EBITDA will be limited.

## **What is the impact of the transaction on group gearing?**

Post the transaction we will see neutral to marginally positive impact on group gearing.

## **Can you comment on the use of proceeds?**

The primary use of proceeds will be to reduce existing group debt.

## **What is the approximate expected figure on net debt reduction?**

We expect reduction in net debt of around 25bn Rubles at closing, which is calculated as the cash proceeds at closing and the deferred payments over the following 3 years, minus the effects of deconsolidation of the existing ground leases for towers (currently owned by VEON), plus 8-year lease liabilities as stipulated in the contract.

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