



Russia analyst & investor site visit

Gerbrand Nijman

Head of Investor Relations

July 9, 2015

Disclaimer

This presentation contains “forward-looking statements”, as the phrase is defined in Section 27A of the US Securities Act of 1933, as amended and Section 21E of the US Securities Exchange Act of 1934, as amended. These statements relate to, among other things, VimpelCom Ltd.’s (“VimpelCom”) and PJSC Vimpel-Communications’ (“VimpelCom Russia”) anticipated performance, strategic initiatives and operational, network and market developments. The forward-looking statements included in this presentation are based on management’s best assessment of VimpelCom’s and VimpelCom Russia’s strategic and financial position and of future market conditions and trends. These discussions involve risks and uncertainties. The actual outcome may differ materially from these statements as a result of continued volatility in the economies in our markets, unforeseen developments from competition, governmental regulation of the telecommunications industries, general political uncertainties in our markets and/or litigation with third parties. Certain factors that could cause actual results to differ materially from those discussed in any forward-looking statements include the risk factors described in the VimpelCom’s Annual Report on Form 20-F for the year ended December 31, 2014 filed with the US Securities and Exchange Commission (the “SEC”) and other public filings made by VimpelCom with the SEC, which risk factors are incorporated herein by reference. VimpelCom and VimpelCom Russia disclaim any obligation to update developments of these risk factors or to announce publicly any revision to any of the forward-looking statements contained in this release, or to make corrections to reflect future events or developments. This presentation is neither an offer to sell, purchase or subscribe for any investment nor a solicitation of such an offer.

Program

Time	Russia analyst & investor site visit, July 9, Moscow	
08:30-09:00	Registration of participants	
09:00-09:45	Gerbrand Nijman – opening and VimpelCom Group	Head of IR VimpelCom Group
09:45-10:15	Mikhail Slobodin	CEO Russia
10:15-10:45	Anastasiya Orkina	CMO Russia
10:45-11:00	Sergey Rumyantsev	CSO Russia
11:00-11:10	Alexander Pyatigorsky	CDO Russia
11:10-11:25	Break	
11:25-11:55	Martin Skop	CTO Russia
11:55-12:25	Nikolai Ivanov	CFO Russia
12:25-13:25	Q&A	All presenters
13:25-14:25	Lunch	All participants
14:25-14:55	Visit MobioLab at HQ + movie Yaroslavl data center	All participants
14:55-15:10	Break	
15:10-17:30	Visit Know How store + street visit	Sergey Rumyantsev
17:30-20:00	“Turandot” Drinks and dinner	All participants

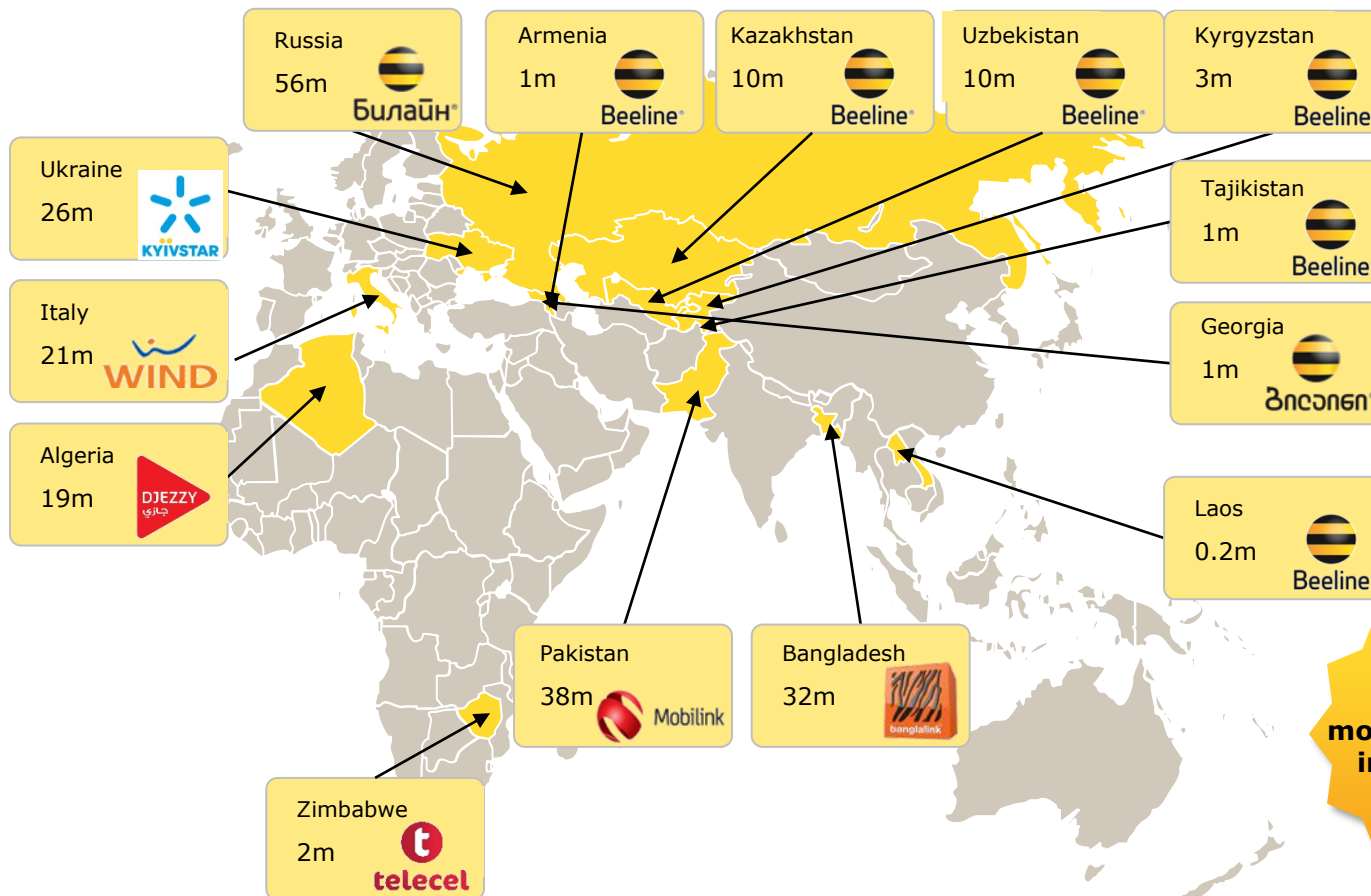
VimpelCom - an international telecoms operator

218m
mobile customers

740m
population coverage

\$18b
Revenue
LTM1Q15

40.3%
EBITDA Margin
Industry Leading

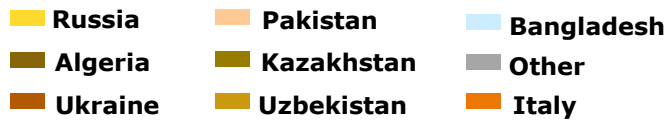
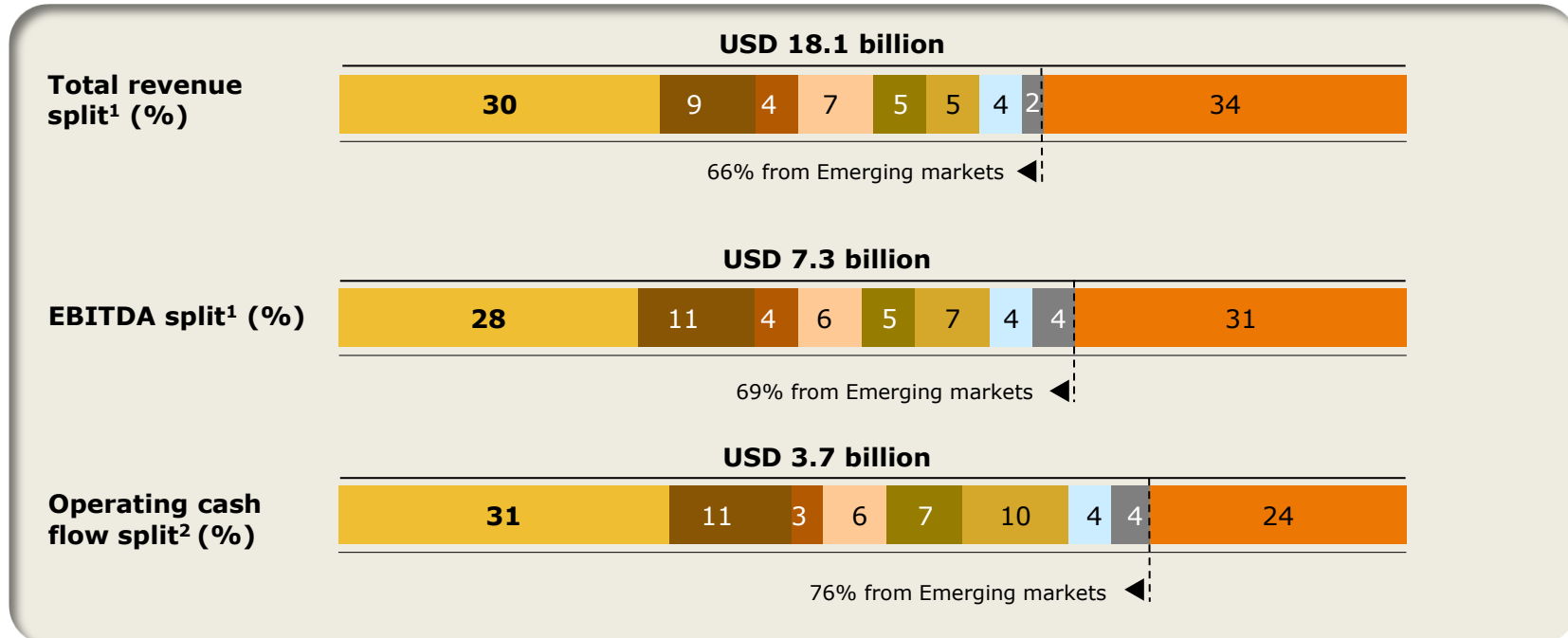


No 7
mobile operator
in the world

Notes:
Total consolidated mobile customers is for 1Q15 exclude Zimbabwe customers
Population figures are provided by CIA - The World Factbook
No 7 largest mobile operator in the world by consolidated customers

Geographically diversified leading mobile operator

Headquartered in Amsterdam



¹ Total revenue and EBITDA for the LTM1Q15

² EBITDA less CAPEX excluding licenses for the LTM 1Q15

Attractive emerging markets portfolio

66% of revenue in emerging markets

Emerging market portfolio

	LTM 1Q15
Revenues	USD 12.3 bn
EBITDA ¹	USD 5.0 bn
CAPEX excl. licenses	USD 2.5 bn
Operating Cash Flow ¹	USD 2.5 bn
Leverage ²	1.2

- ▶ #1 or #2 market position in six out of seven of our major emerging markets:
 - #1 in 4 (UKR, ALG, PAK, UZB)
 - #2 in 2 (BAN, KAZ)
 - #3 in 1 (RUS)
- ▶ Strong cash flow generation
- ▶ Low leverage

¹ Excluding one-off charges related to the Algeria resolution; Operating cash flow = EBITDA - CAPEX

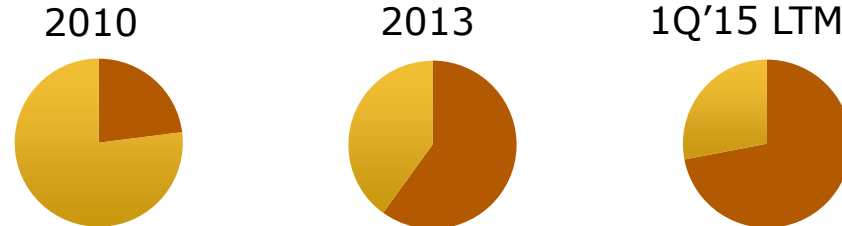
² Net Debt / LTM 1Q15 EBITDA

Note: Our Emerging Markets portfolio = BU's Russia, Algeria, Pakistan, Bangladesh, Ukraine, Kazakhstan and Eurasia

Russia in the VimpelCom Group

EBITDA Breakdown (%)

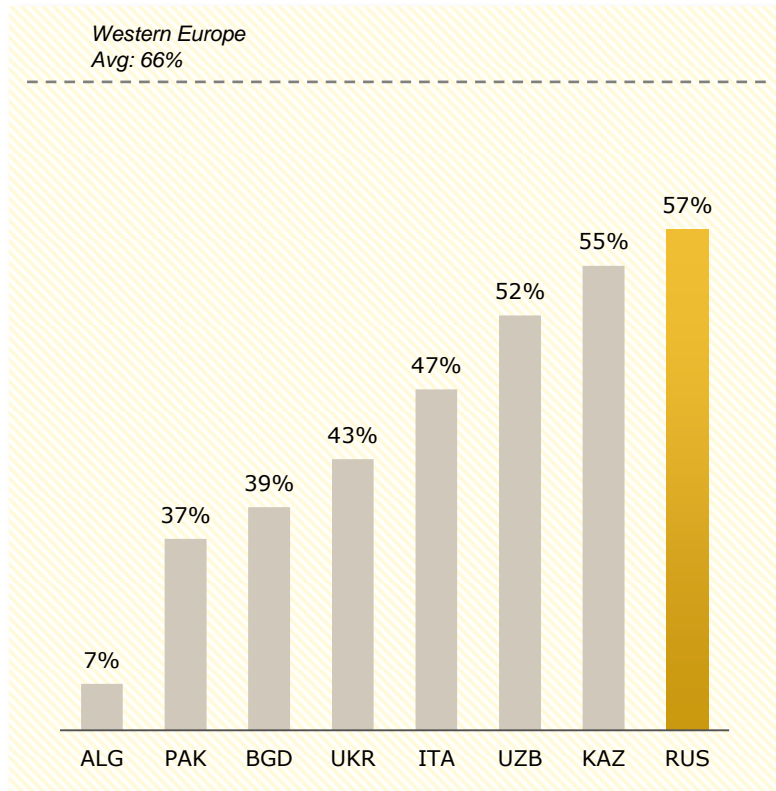
■ Russia
■ Rest of the Group



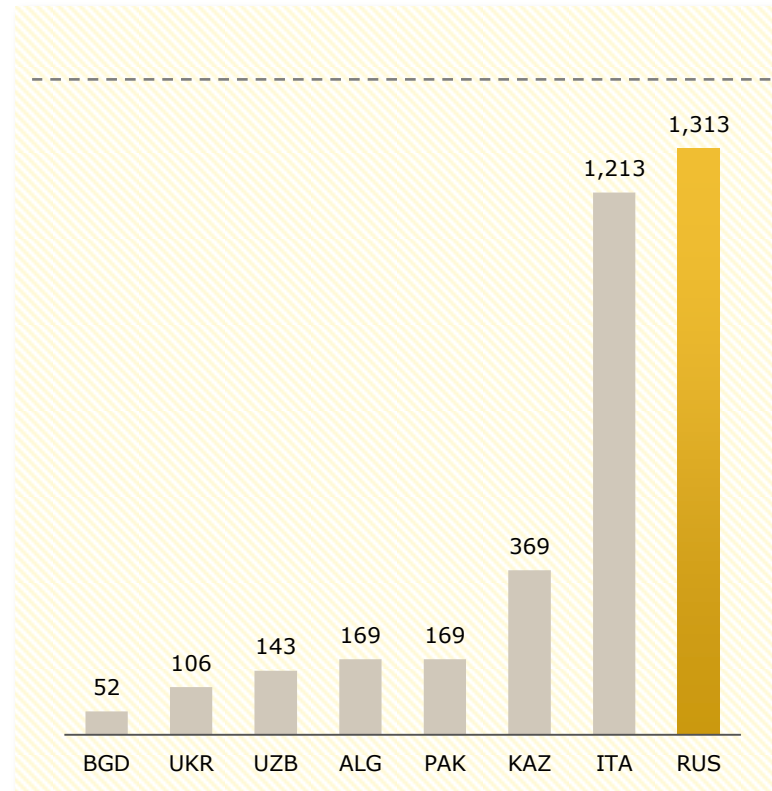
- Solid margins
- Robust cash flows
- Double digit data revenue growth
- Rational regulation
- Valuable links with other OpCos (e.g. Ukraine, Eurasia)

Significant mobile data upside across portfolio

Mobile Data Penetration (%)



Data Usage (MB / User)



Notes

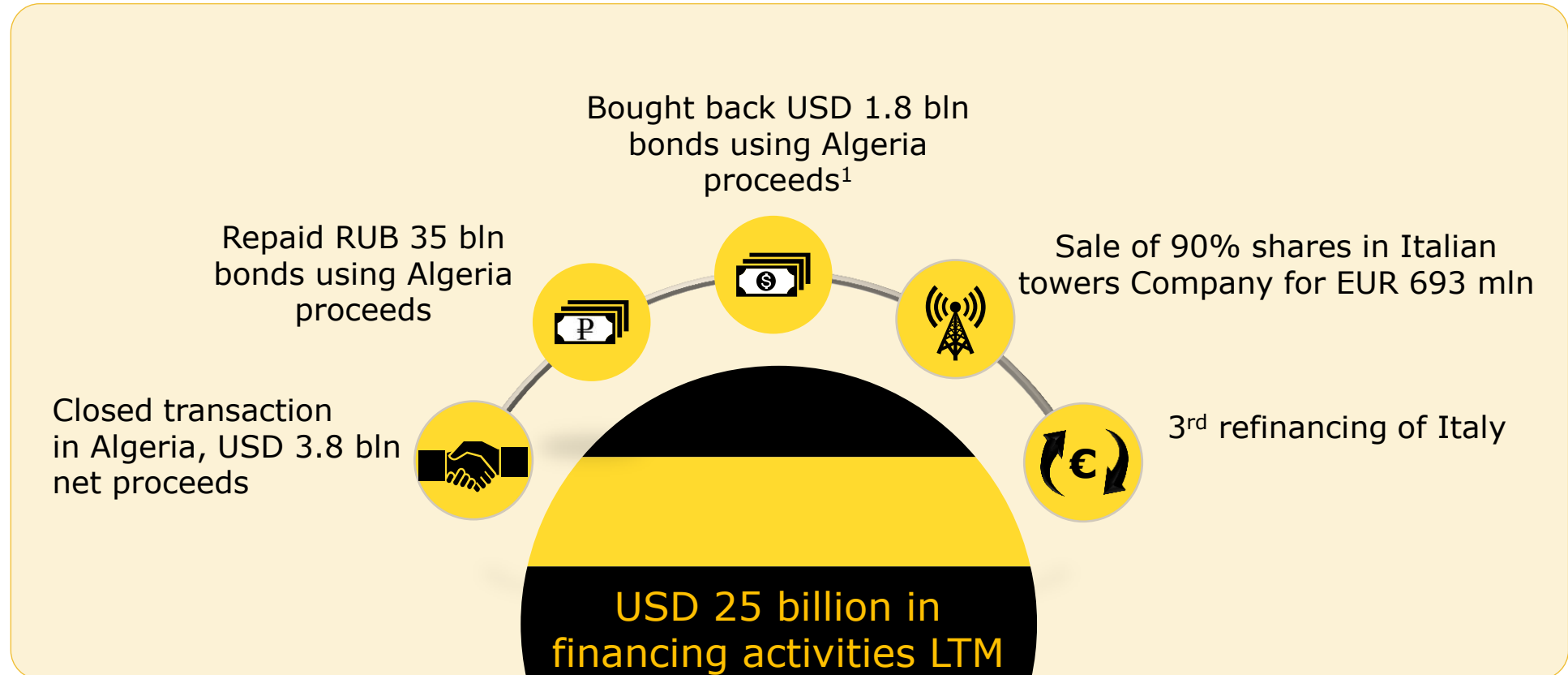
Based on Company estimates 4Q'14, where mobile data penetration = data users (number of sims with data subscribed tariff plans) / mobile customers

Leading customer experience in 2014



NOTE: Independent agency research

Capital structure optimization continues



¹ On April 2, the tender offer was settled and the bonds bought back were cancelled

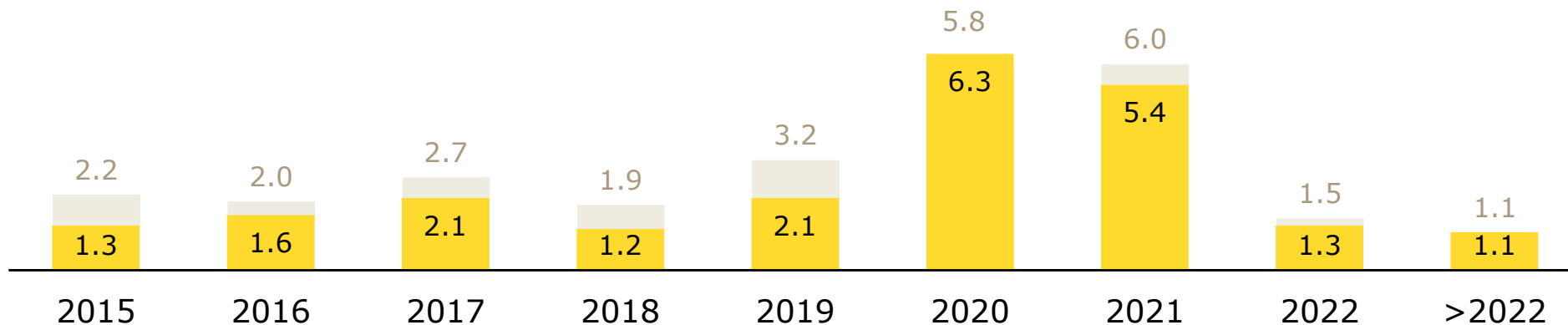
Significantly improved debt maturity schedule

Group debt maturity schedule

(in USD billion)

■ As at December 31, 2014

■ As at March 31, 2015 Pro Forma¹

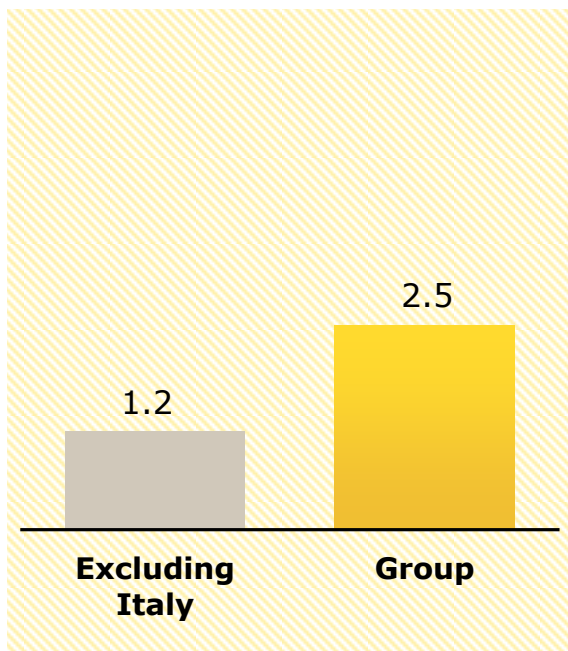


¹ Maturity schedule at March 31, 2015 is pro forma for the outcome of the tender. Settlement of the tender and cancellation of the bonds was at April 2, 2015

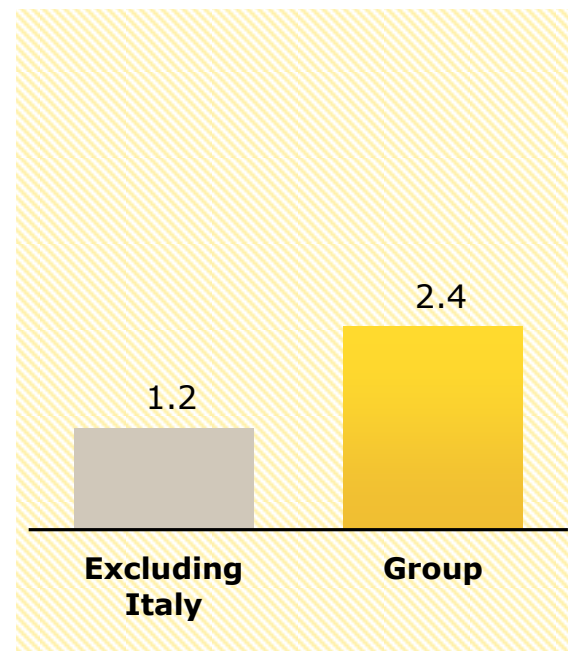
FOREX impact on EBITDA offset by net debt reduction

Net debt / EBITDA

December 31, 2014

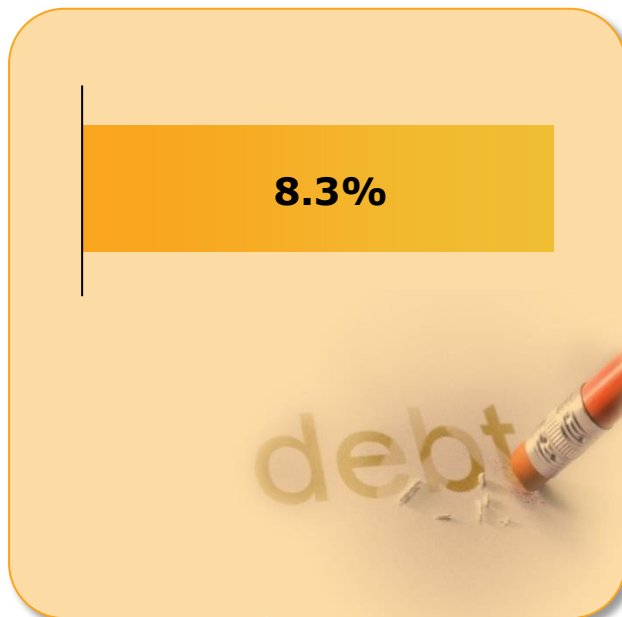


March 31, 2015

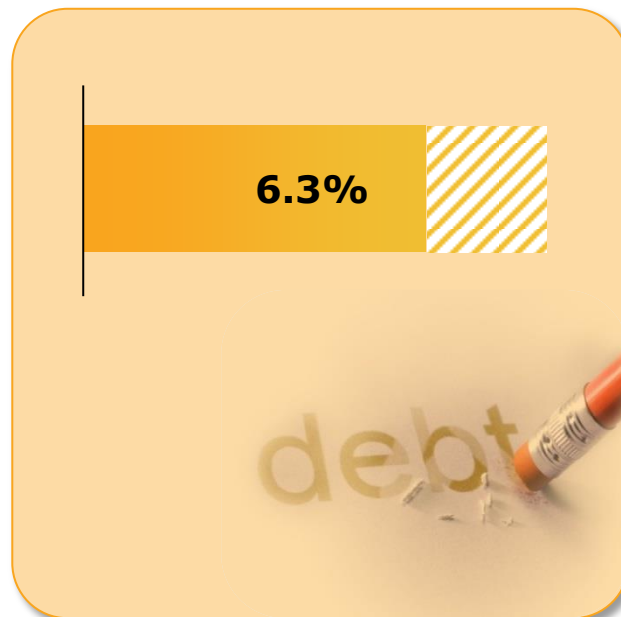


Substantial reduction in cost of debt

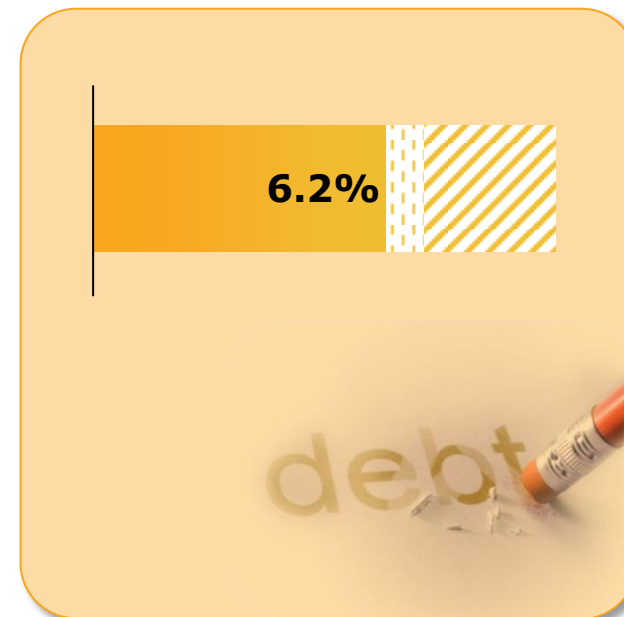
Average cost of debt 1Q14



Average cost of debt 4Q14



Pro forma average cost of debt 1Q15¹



¹ Average cost of debt at 1Q15 is pro-forma for the outcome of the tender. Settlement of the tender and cancellation of the bonds was at April 2

Cash flow enhancing from financing improvements during 2014 - 1Q 2015

		Targeted potential A&I day Jan 2014	Expected savings
In-house finance company		USD 50 million	USD 20 million
Debt optimization		USD 150 million	USD 400 million ✓
Gross debt reduction		USD 150 million	USD 280 million ✓
Withholding tax saving		USD 50 million	
Total		USD 400 million per year	USD 700 million per year ✓

Recent strategic highlights

- Closed Algeria transaction
- Repaid USD 3.4 billion of debt
- Completed Italian tower sale
- Concluded 3rd and final stage of refinancing in Italy
- Launched 3G in Ukraine
- Launched 4G/LTE services in Georgia



Creating sustainable differentiation in Russia

Mikhail Slobodin

Chief Executive Officer



VimpelCom

A&I Site Visit

Moscow

Agenda

- 1. Telecom environment in Russia**
- 2. Beeline historical performance**
- 3. Recent performance objectives**
- 4. Objectives and key initiatives**



Russia is not a single market, but 83 different local markets

Russia facts



- ▶ 83 regions
- ▶ 17 mln km²
- ▶ 146 mln pops
- ▶ 8 pops/ km²

Compared vs.



Germany

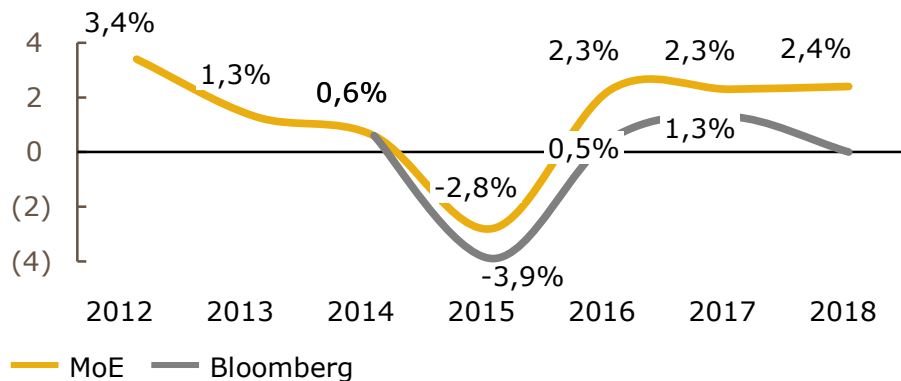
France

Telecom market facts

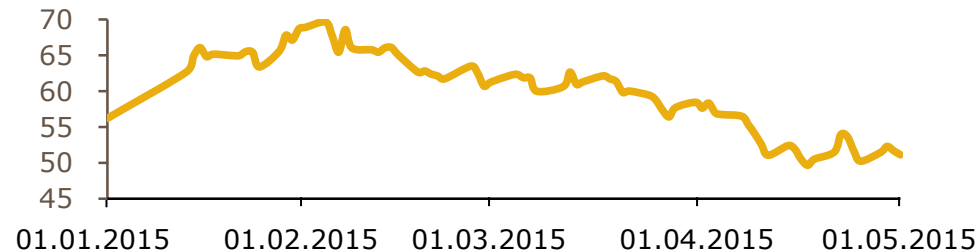
- SIM penetration >160%
- Average ARPU is USD 5.5
- 97% B2C is prepaid. No legal way to lock a customer into a long-term contract
- B2B is 100% postpaid
- National roaming
- Annual churn is 50%, only 2% of churn via MNP

From macroeconomic decline to stabilization

GDP Growth



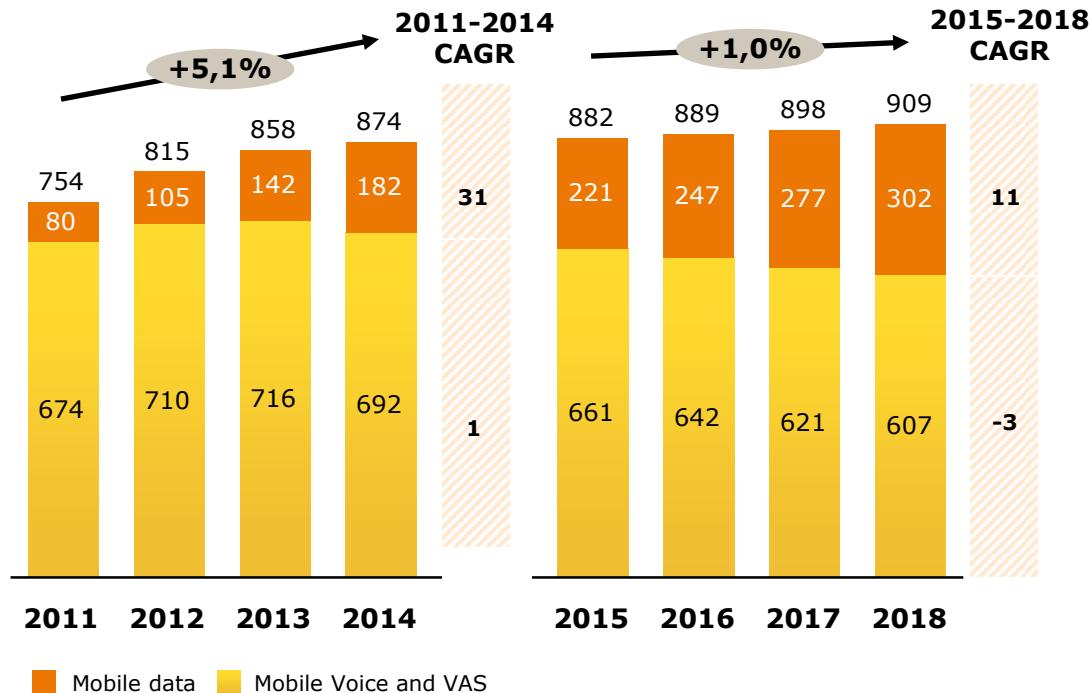
USD/RUB exchange rate



- Economic decline to bottom out in 2015
- Situation to gradually normalize from 2016 onwards with **GDP growth around zero**
- USD/RUB exchange rate stabilized around **50-55 level**

Telco market growth dependent on mobile data

Russian mobile telecom market (RUB billion; Latest estimates)



Market/ Competitors

- The traditional Russian telecom market has reached saturation, mobile data is the main growth driver
- Competition focused on short term campaigns around size and price of data bundles



Customers

- Seeing increasing customer internet and OTT services adoption
- Growth in internet usage through mobile devices



Technology

- Technology focusing on 4G rollout
- Tele2 actively upgrading existing 2G networks to 3G/4G



Regulatory

- The regulator legalized network sharing in 2014, spectrum pooling expected to be allowed by end of 2015
- New LTE spectrum in 1.8 GHz and 2.6GHz bands will be auctioned in 2015

What was the state of the company

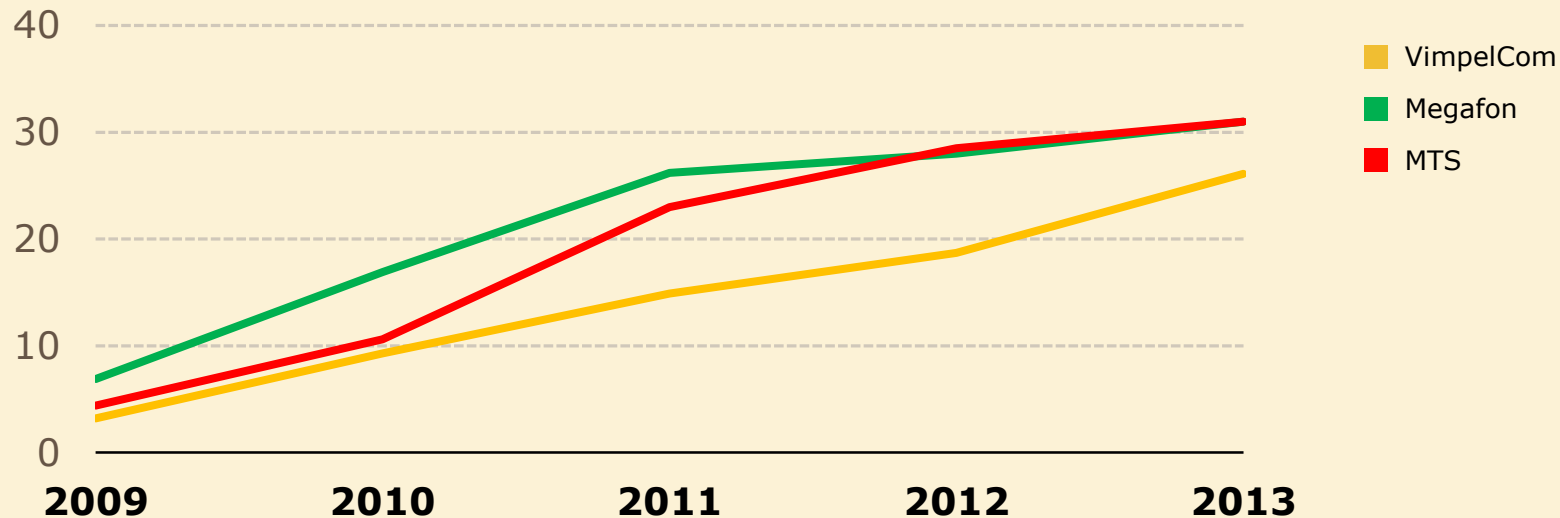


VimpelCom
A&I Site Visit
Moscow

Underinvestment and lack of customer focus cost market share

Gap with the competitors

(in number of 3G NodeB)



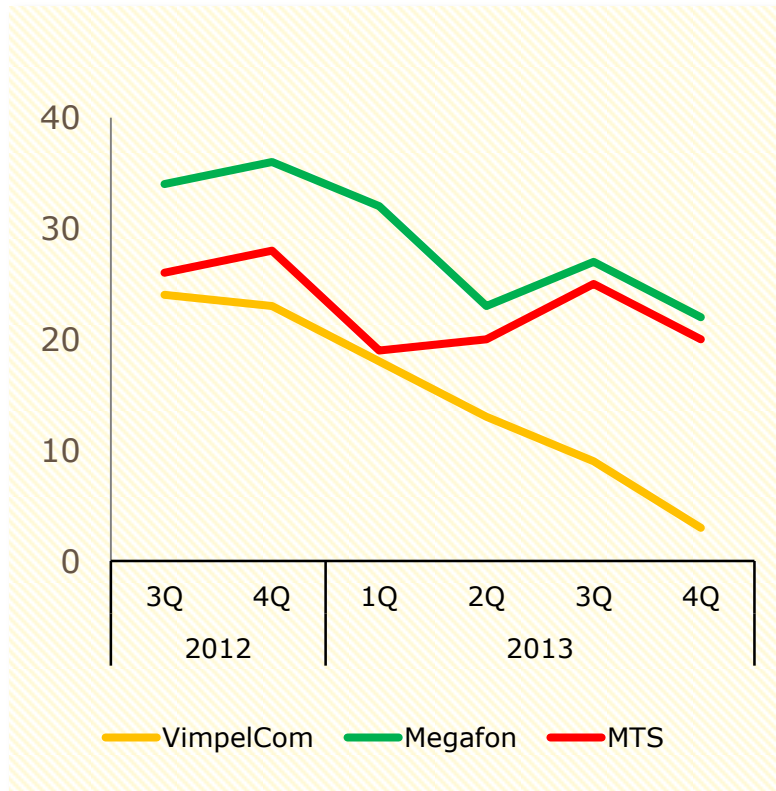
Customer service was not at the heart of the Company

- Opaque and confusing pricing
- Terms of service frequently changed
- Share of unrequested services in company revenue reached 3.3%

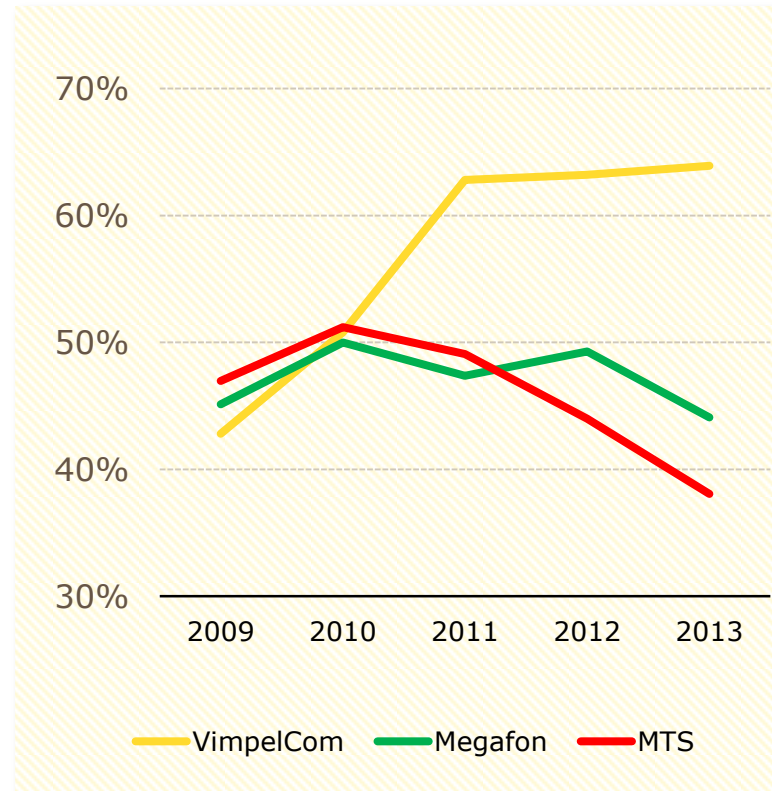


Underinvestment impacted customer satisfaction and churn

Net Promoter Score

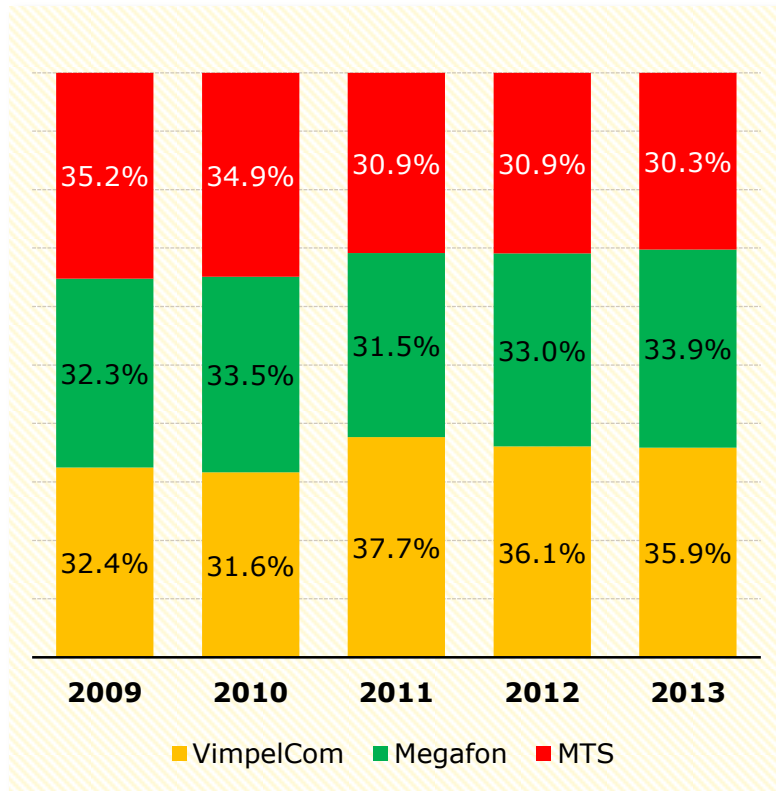


Annual churn (% of customer base)



Beeline built the most sales-dependent business model

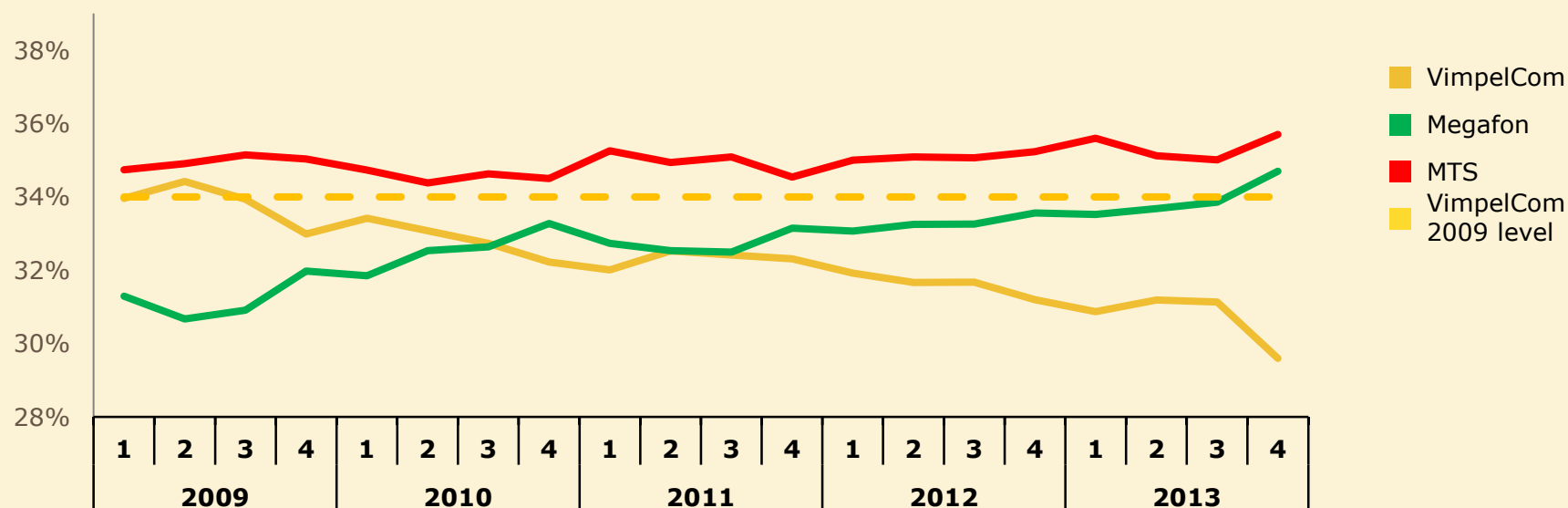
VimpelCom share in sales

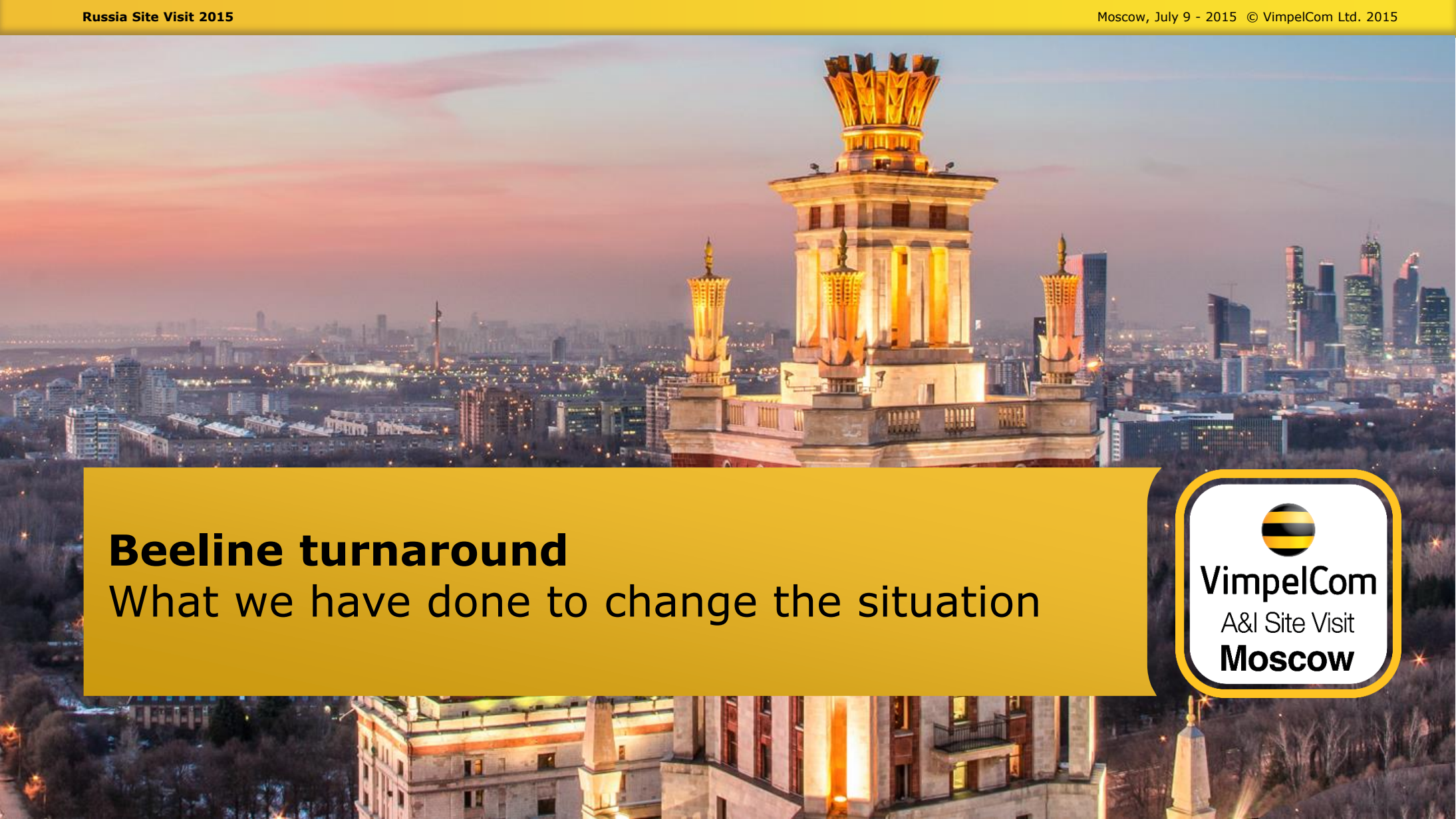


- Combination of high churn and underdeveloped distribution channel

As a result Beeline lost market share

Revenue market share
(in %)





Beeline turnaround

What we have done to change the situation



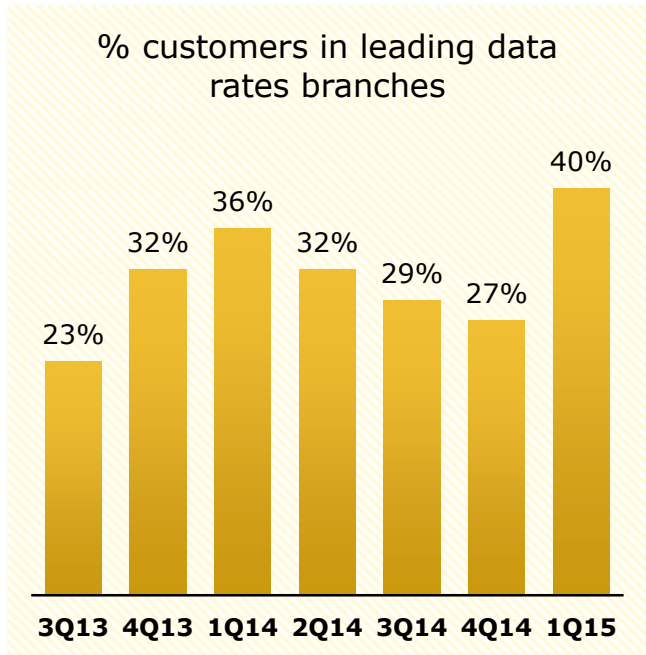
VimpelCom

A&I Site Visit

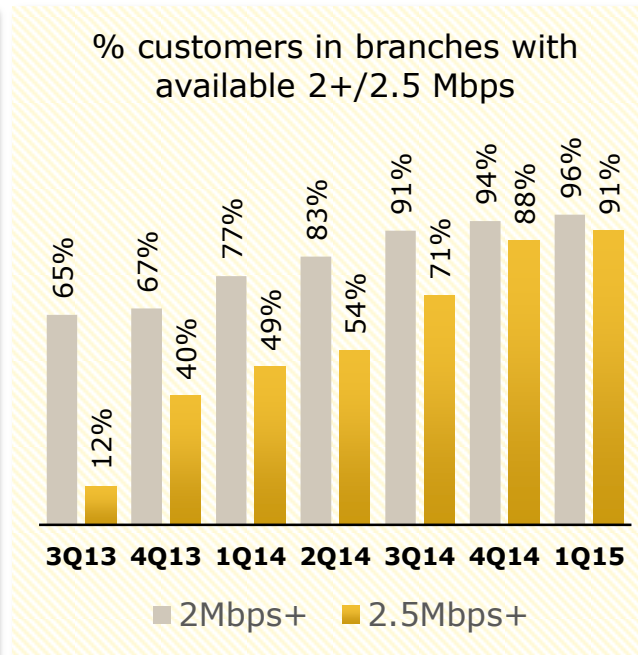
Moscow

Focused on network quality

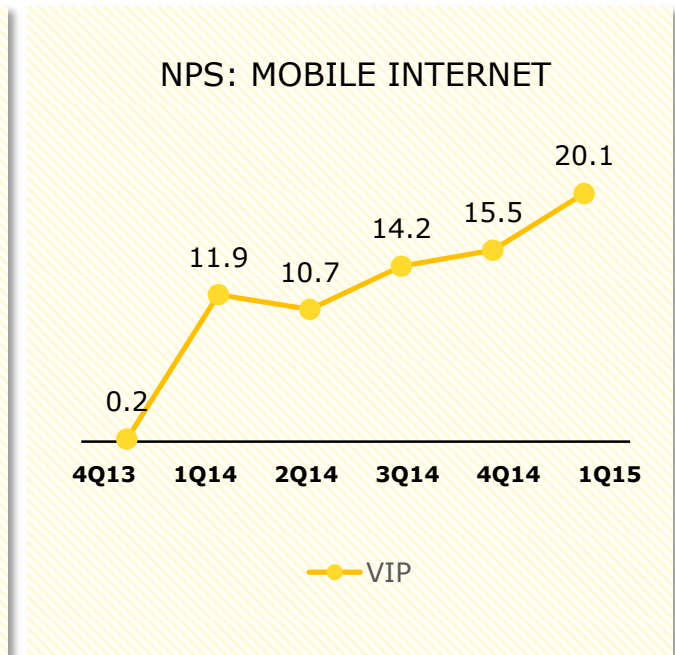
We are speed leaders in 40% of branches



More than 90% of customers have more than enough mobile data speed for online video streaming

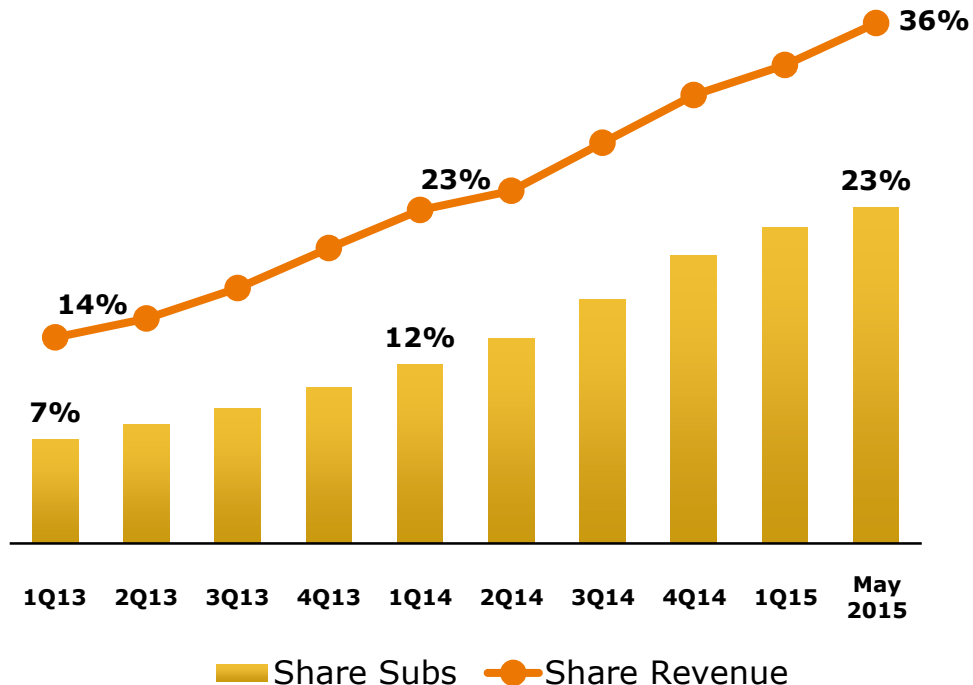


Good growth NPS in mobile internet

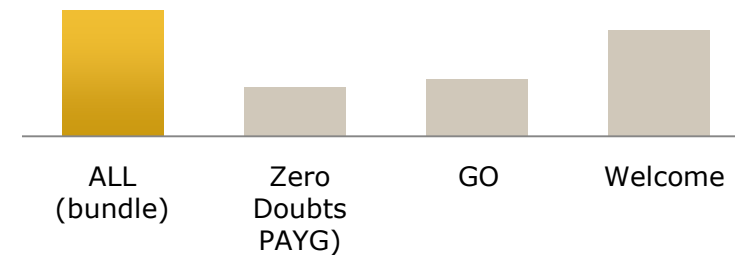


We have shifted our focus from Pay-As-You-Go voice plans to data oriented bundles

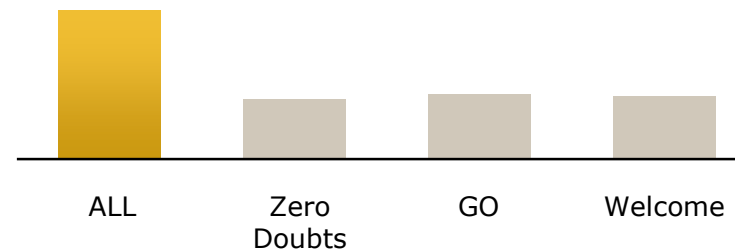
Share of bundles (in %)



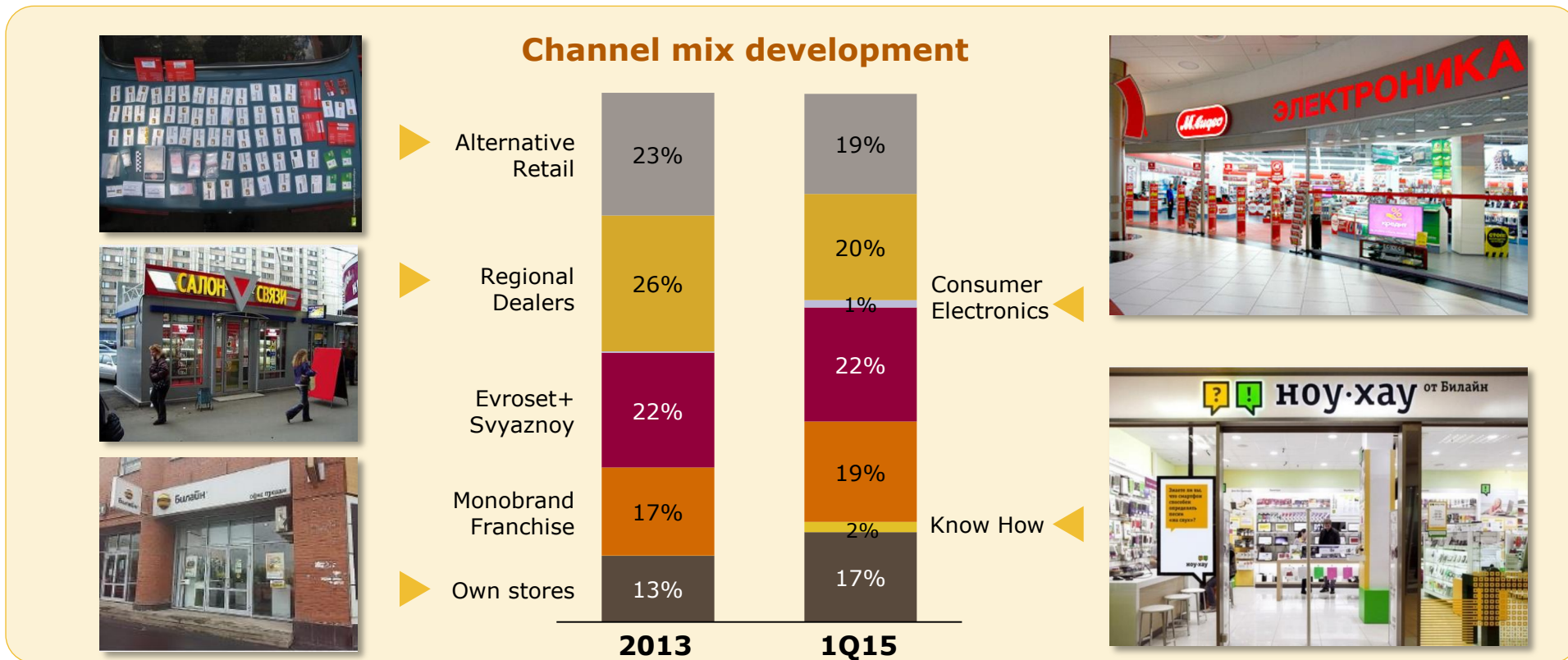
Bundles have highest ARPU (ARPU, RUB)



And highest lifetime revenue (LT Revenue, RUB)



Sales channel shifted from uncontrolled to controlled



Customer-centric transformation



Customer-centric transformation

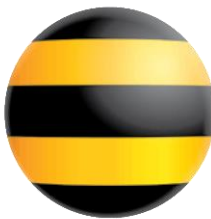
Transparency of content
subscription costs and no
unwanted contracts



Affordable smartphones



Most affordable data-roaming



Anti virus



Personalized offerings

Beeline®

SMS spam filter



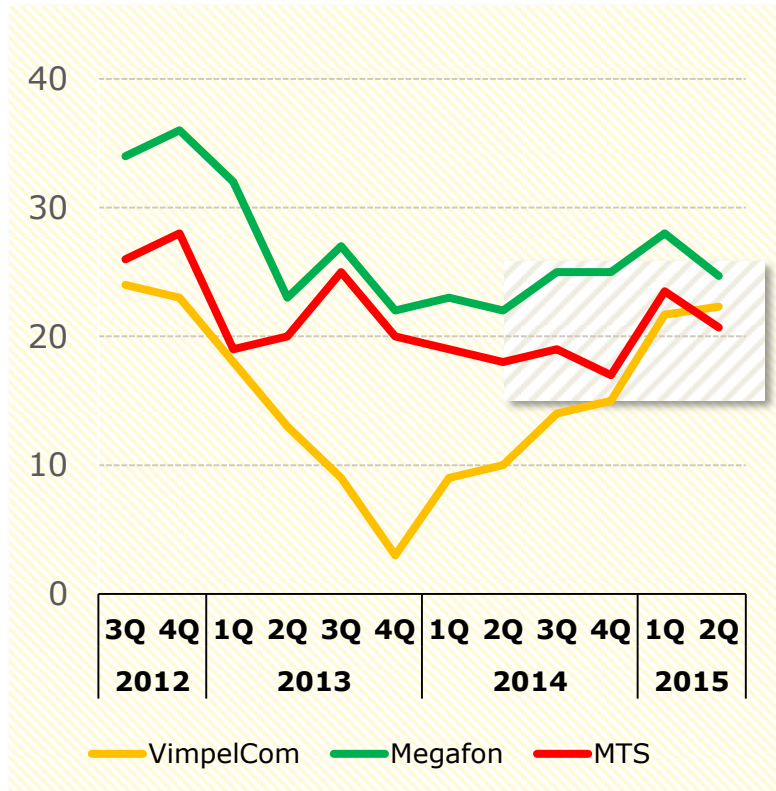
Attractive bundles



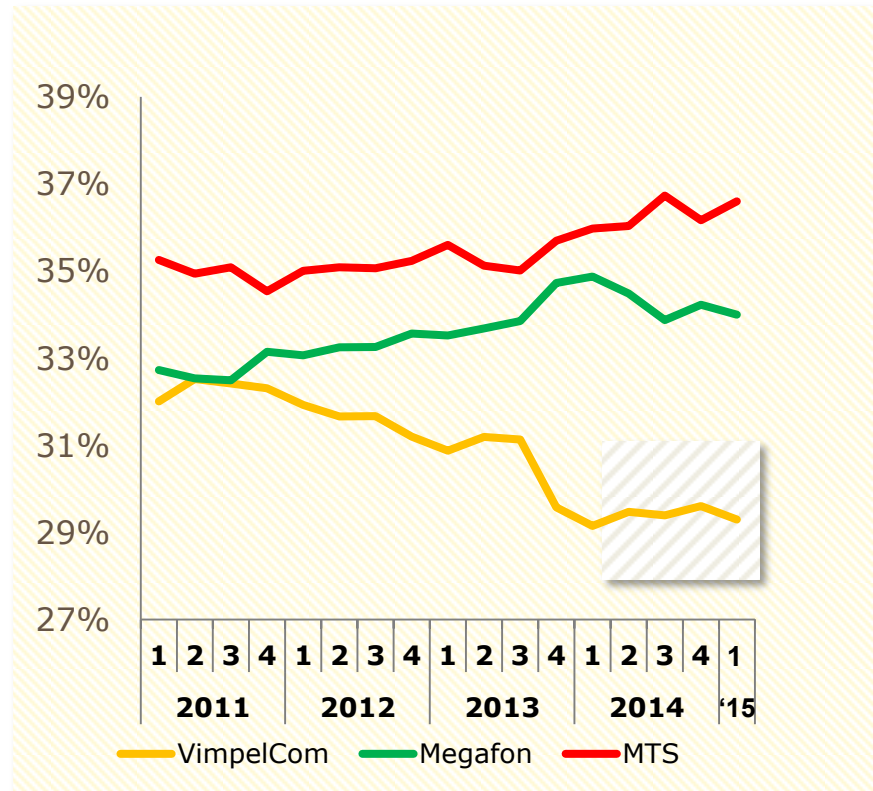
New products: shared data service

Improved performance

NPS improving 6 consecutive quarters



Revenue Market Share stabilized (%)



We will deliver “Easy. Convenient. For you!”

Easy. Convenient.

For You!

Price

- **Fair price** / perceived **parity in level of price** in mobile
- **Transparent** charging, **easy balance control**

Product

- **Simple** and **concise** product offering
- CBM-powered **Segment of One** marketing
- Ubiquitous **bundling**

Connectivity

- Perceived **parity in quality**
- Decent and **reliable network**
- **Fastest time to market**

Service

- **Fast, friendly, personalized** and **seamless** service
- Best **digital channels** on the market

Parity play

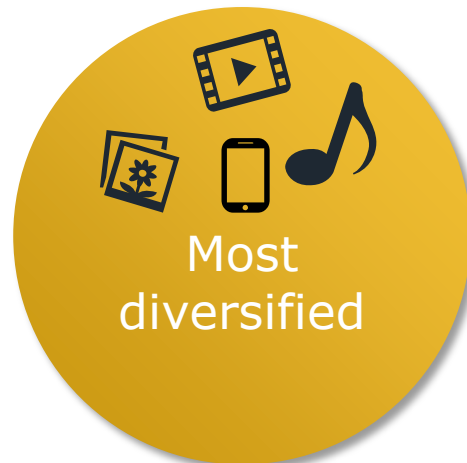
Superiority best

Key initiatives

- Total bundlezation
- Best distribution
- Digital customer experience
- Quad Play
- Operational Excellence
- Mobile Financial Services
- Network sharing
- CIS evolution
- Media
- B2B: SME+ICT



Our aspirations



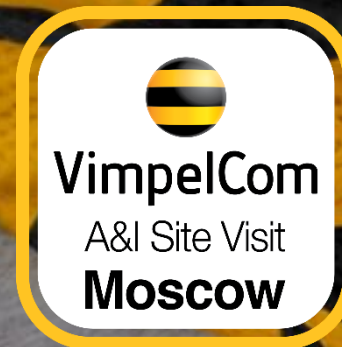
Best team and culture



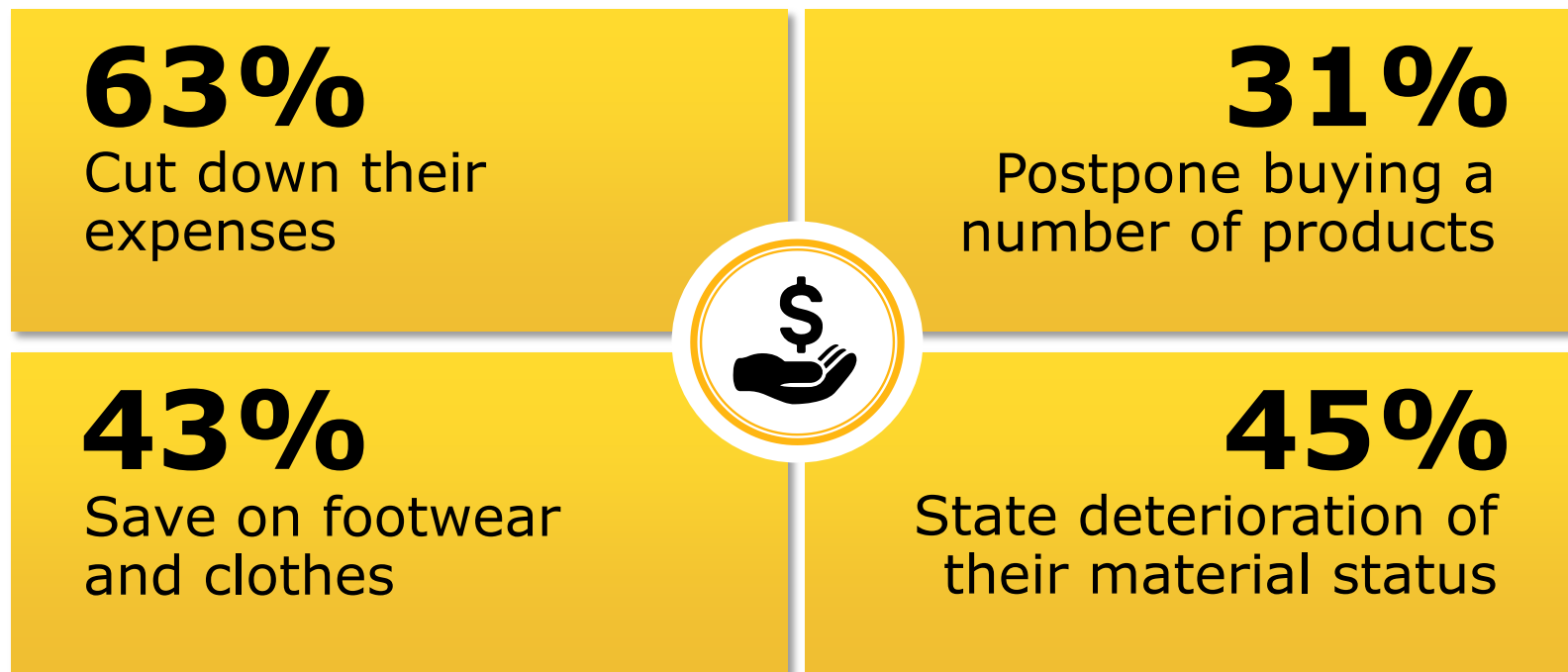
B2C-Connecting with heart, mind and pockets of our customers

Anastasia Orkina

Chief Marketing Officer



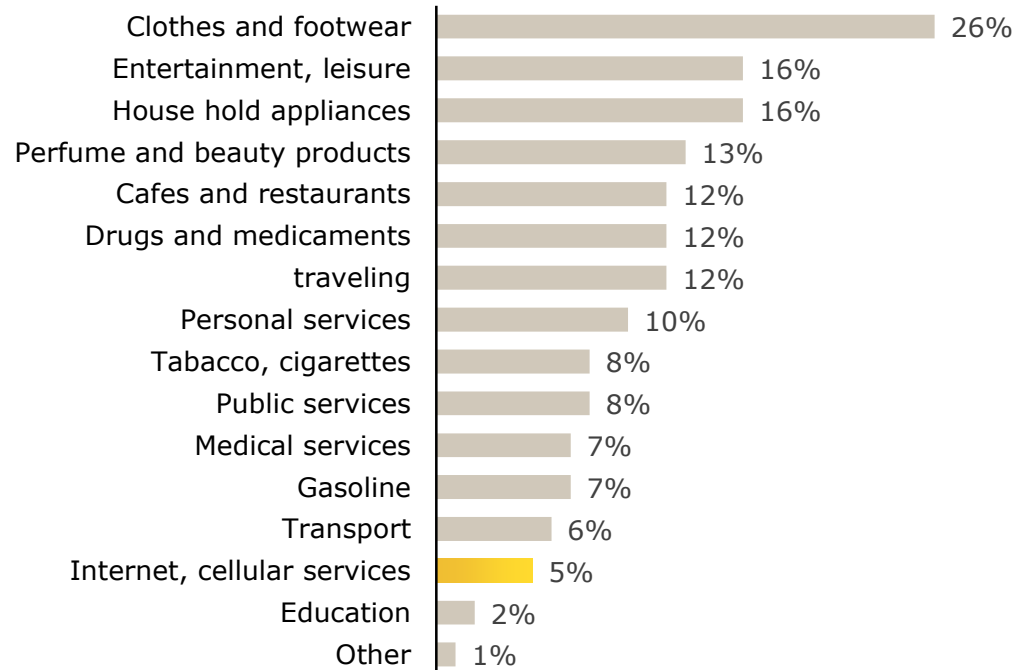
Crisis: people limit their spending



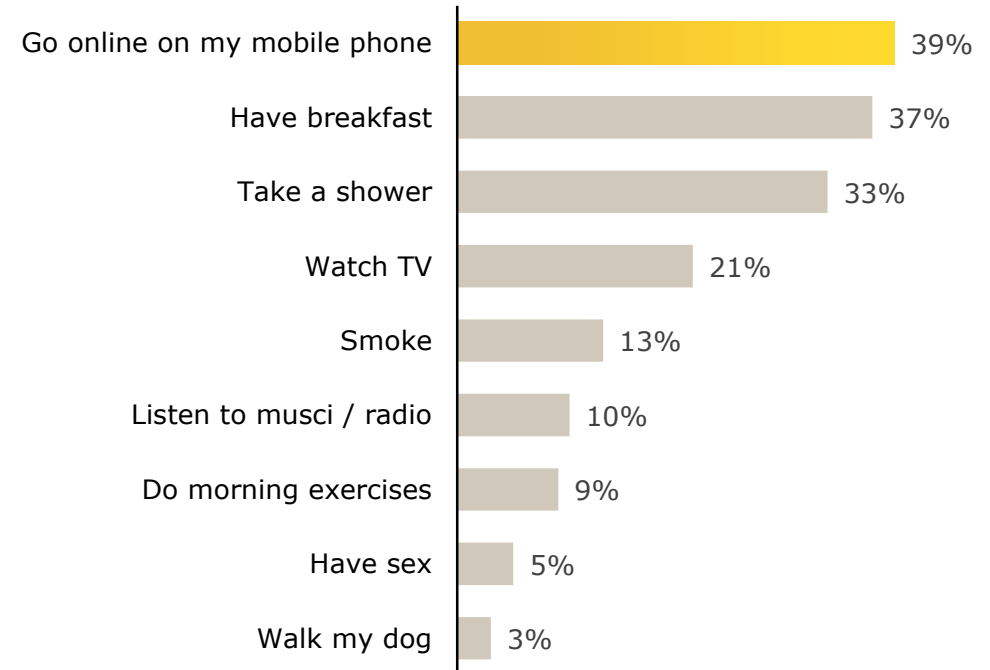
Sources: FOM, VCIOM. January– April 2015

Crisis takes toll on spending yet telecom services last to go

Which non-food products and services you began to save more on?



First thing in the morning I* ...



Source: FOM, 2015

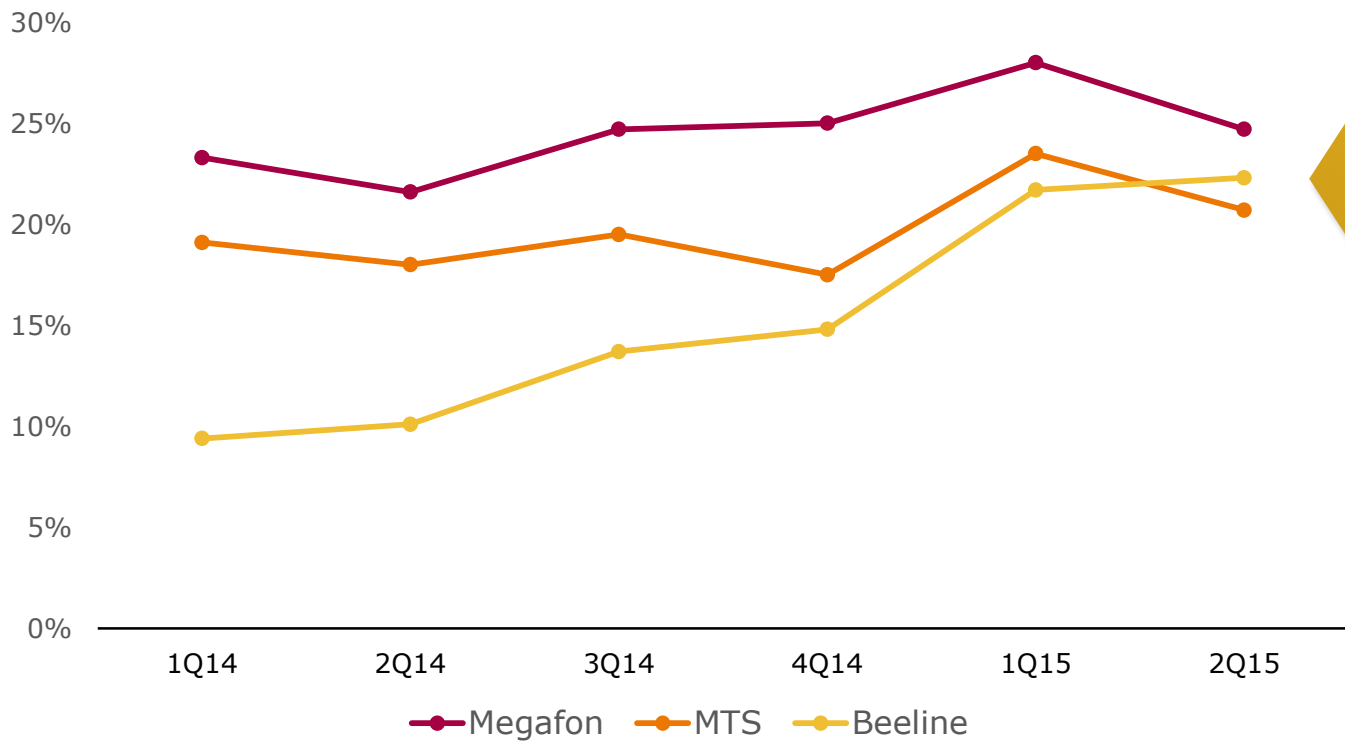
* Source: TNS, 2015

Beeline continues with its client-centric strategy



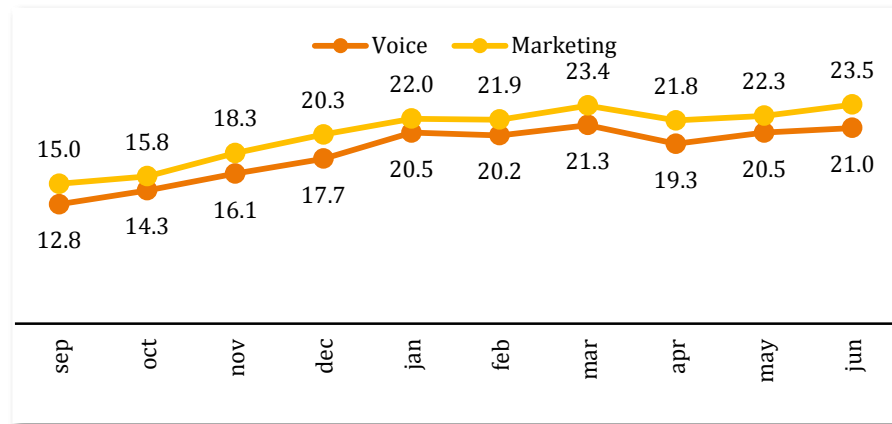
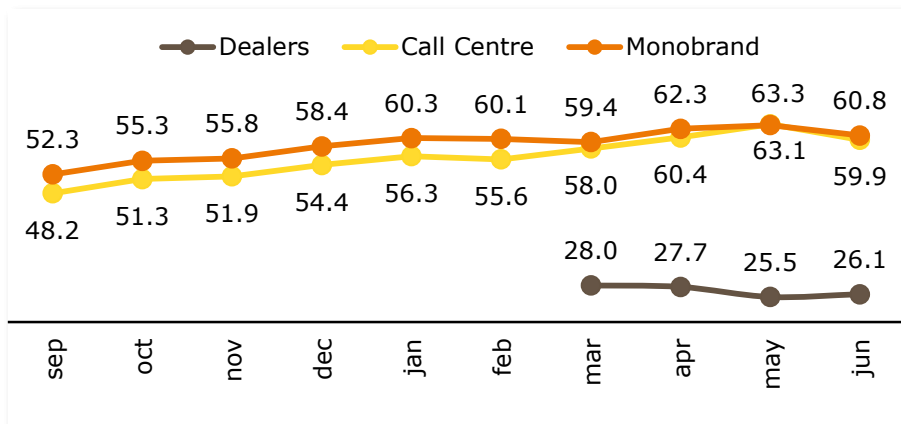
Catching up in NPS

Market NPS, Russia



Source: NPS tracking, 2Q2015

Bottom up NPS measured and set as KPIs for all key touchpoints...

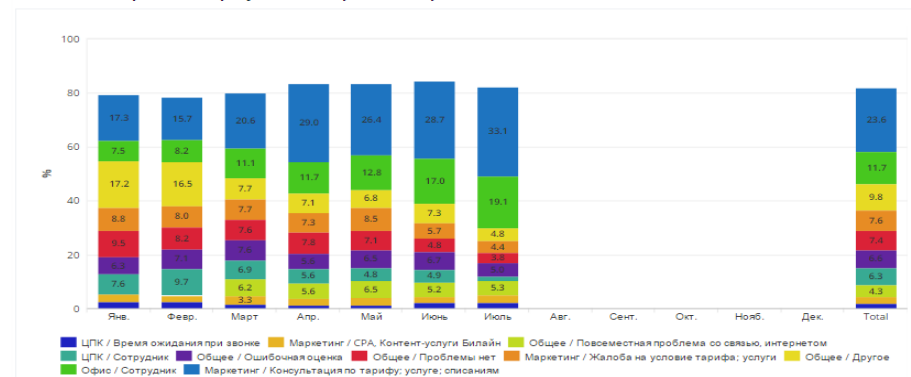


..monitoring in real time

CTN	Дата транзакции	Дата создания опроса	Дата ответа на Ваш вопрос	Фидбек клиента	Готовность рекомендовать	Вид опроса	Комментарий Клиента	Алерт	Число действий по работе с алертом
		19:44	14:18			Голос			
Комментарий клиента									
Спасибо!									
+79624058785	03.07.15 11:13	03.07.15 11:32	03.07.15 14:18		10	Обслуживание - Монобренд			
Комментарий клиента									
все хорошо спасибо									
+79684249486		03.07.15 9:00	03.07.15 14:18	VIP	10	Подключение - Дилеры			
Комментарий клиента									
Какая сумма снимается за 1мин,звоню на Украину									
+79649488667		02.07.15 19:44	03.07.15 14:18	SCN	10	Цены и прозрачность списаний		Име Проблема с оплатой/ Новые	2
Комментарий клиента									
Могу ли я отключать интернет когда я им не пользуюсь ?чтобы не списывали за нее деньги									

...and Kaizen-map creating

10 основных проблем по результатам отработки обратной связи





B2C products and services



VimpelCom

A&I Site Visit

Moscow

Leading in bundles in Russia: value for money

«ВСЁ!»
Заморозили!

300 руб/мес,
как в 2014 году

Тариф «Всё за XXX»
☎ 0850 | www.beeline.ru

Тарифный план «Всё за XX» с предоплатной системой расчетов для физических лиц включает пакет минут, SMS и интернет-трафика. Для абонентов, подключившихся до 1 мая 2015 года, условия тарифа будут действовать весь 2015 год. Абонентская плата списывается в размере X руб. в сутки с НДС. Подробнее о составе и объеме услуг, входящих в пакет, — на beeline.ru.

Билайн®

Bundle tariffs
= **23%** customer
base

Translation: We froze «VSE»! Prices on the 2014 level

Leading in bundles: Driving on-net traffic



Во всех тарифах «**ВСЁ!**»

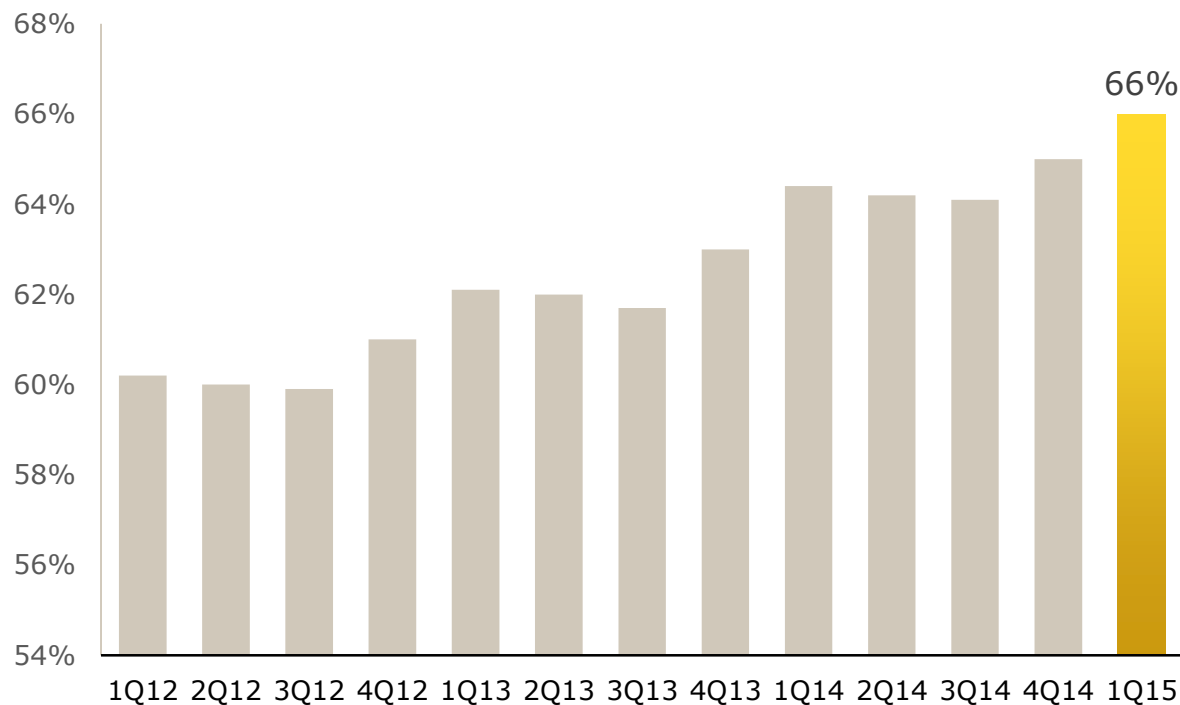
0 коп.
безлимит в сети «Билайн»

☎ 0850 | beeline.ru

Тарифы «ВСЁ!» для физических лиц включают пакеты минут, SMS и интернет. 0 коп. на безлимит в сети «Билайн» действует по исчерпанию пакета минут, включенных в абонентскую плату. Размер и порядок списания абонентской платы, состав и объем услуг, входящих в тариф. — на www.beeline.ru



Share of on-net, B2C



Leading in bundles: Beeline's unique post-paid offer

- Postpaid price plans users change operator **4 times less** often
- ARPU +4% comparing to same prepaid bundle



* "VSE" vice versa, first everything, then payment

< 46 >

Entry level smartphones create new data usage



Смартфон за **990 руб.**
с тарифами «ВСЁ!»

beeline.ru



RUB 990
Smartphone

Full price with prepaid bundle
RUB 3,390

Beeline leads product innovation in Russia

Freemium model: content offering



New episodes of "The Game of Thrones» first and free with "VSE!"
RUB 600 + price plans

Partnership with Amediateka
(Local equivalent of HBO GO)

Free subscription: **RUB 1,000**
but for our clients – **free for 2 months**

* Game of Thrones 5th season

Freemium model: data for tablets

Internet - forever!



Every 3rd
switches to
additional
bundles

43%
choose heavy
volume data
bundle

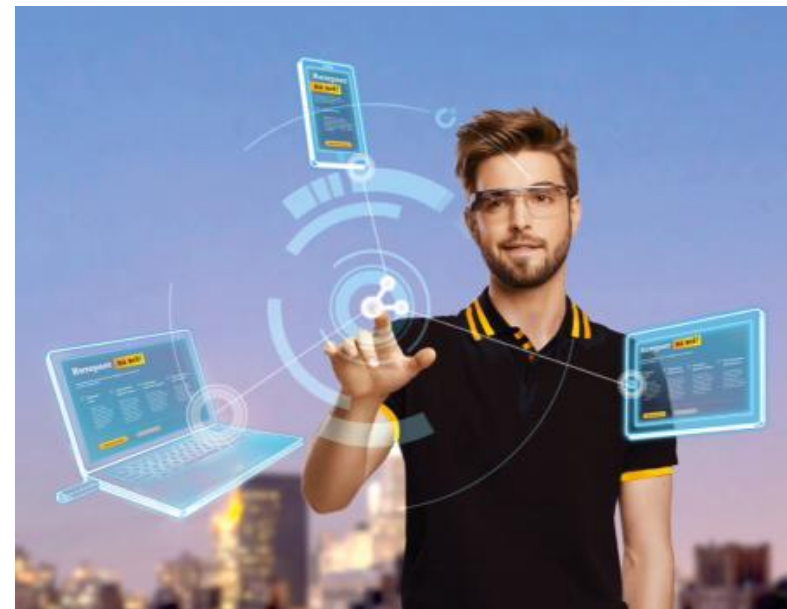
new go-to-market channels

Translation: Free Internet forever 200 Mb every month
Price plan for tablets «Internet forever»

< 50 >

Shared data bundle

- 72% clients connect tablets
- 11% clients connect 2 additional devices
- 60% new devices in Beeline base
- 60% users are ready to recommend SDB to their friends



Personal Beeline

Не жди!

Набери **444** 
и получи персональное
предложение для тебя

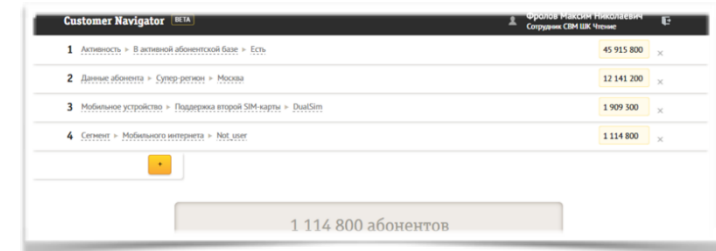
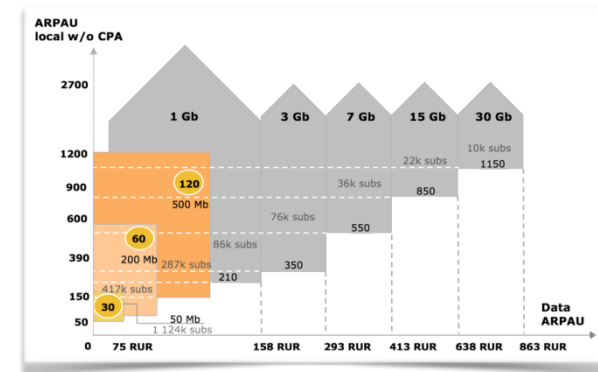
Персональные предложения по акции доступны с 8 апреля по 7 сентября 2015 года абонентам «Билайн», пользующимся услугами связи более 3 дней, — физ. лицам любой системы расчетов и юр. лицам предоплатной системы расчетов. Звонок на номер 444 или 8-800-700-5-444 бесплатный при нахождении на территории РФ, кроме Республики Крым и г. Севастополя. Подробности — на сайте www.beeline.ru (18+)



More than
1,100,000
personalized
offers

Capable CBM as a foundation for our marketing

1. Integrated customer lifecycle offers (incl. active archive tariffs migration)
2. Advanced up-sell strategy
3. Local offers for regional markets
4. Self-service CBM capability development



Saved
customers
483k

Data and bundle sales:
730K

Active base
Covered with offers:
70%

Superb Data quality: try for yourself - 1 week free

2.1 mln of new data users

To be continued



За нами не зависнет!

Супербыстрый 4G
мобильный интернет
бесплатно

777

Beeline data roaming brings best value in market

+263%

**Data traffic
increase
year to year**

+12%

**Income
increase
year to year**

Мобильный
интернет в роуминге
выгоднее в 150 раз!



РБК ▲ Нал. USD 18:08 57,10 / 57,95 ▲ Н 62, +

Эксперты назвали мобильного оператора с самыми низкими ценами на роуминг

[f](#)
[t](#) 43
 [B](#) 71
 [g+](#)

Полина Русяева, Виталий Акимов

Самые низкие цены на роуминг, включая голосовую связь и мобильный интернет, предлагает оператор «ВымпелКом», самые высокие — МТС. К такому выводу пришли аналитики Content Review



4G/LTE-roaming now in 48 countries!



Push into Mobile Financial Services



Деньги
Билайн

* Money Beeline



+25%
Revenue

4 million
Customers
in 2015

310,000
Beeline cards

1Q14–1Q15

<57>



Key activities

M-commerce	ATM cash withdrawal
«Beeline» card	Paypass
Insurance	Launched in monobrand
Micro loan payment (for mobile services)	Pilot for migrants

Loyalty program: pay by card – talk free!



1
Pay by Card
Beeline

2
Get loyalty
bonuses

3
Use bonus to
pay the phone

- ✓ Accrual 1.5% bonuses on each transaction
- ✓ Use bonus to pay for mobile equipment
- ✓ Free of charge and free SMS service

✓ 500K customer

4G/LTE customer experience on 3G devices

4G-Routers
RUB 799
 (promo)

Лови 4G торнадо
 на любом устройстве!



4G Wi-Fi роутер

799 руб.

При подключении
 услуг связи

shop.beeline.ru

Мобильный 4G Wi-Fi роутер «Билайн» позволяет одновременно подключить к 4G до 10 Wi-Fi устройств, он предназначен для работы в сети «Билайн» и доступен абонентам Московского региона. 799 руб. — стоимость роутера при покупке в комплекте с тарифом «Простой интернет» и подключенной опцией «Займай 3G» с абонентской платой 1150 руб. в месяц, 1 руб. расходуется и счет оплаты базовых услуг связи. Полная стоимость комплекта — 1950 руб. Стоимость роутера не в составе комплекта — 1950 руб. Цены с НДС. Подробнее: ● 071790, www.beeline.ru (18+). ОАО «ВымпелКом», ОГРН 1027700166636. Адрес: 127083, Москва, ул. Восьмого Марта, д. 10, стр. 14.



Билайн®

We capped unlimited data bundles and competitors followed

**From
unlimited
to 30Gb**



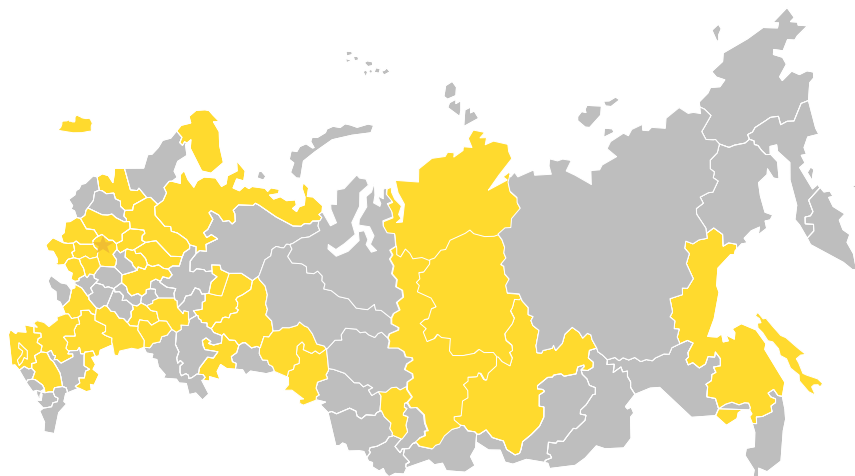
Beeline leads in migrant services, leveraging best CIS footprint

3.9 mln Customers

25% Smartphone users



FTTB & IPTV coverage – we are the quad-play player



2.3 mln



FTTB subs

1.05 mln



IPTV subs

RUB 491



ARPU

39



Regions
of Russia

Local initiatives in regions – increasing competitive advantage

* Tablets from 3990 rub.
Only in Beeline offices
+200 mb forever

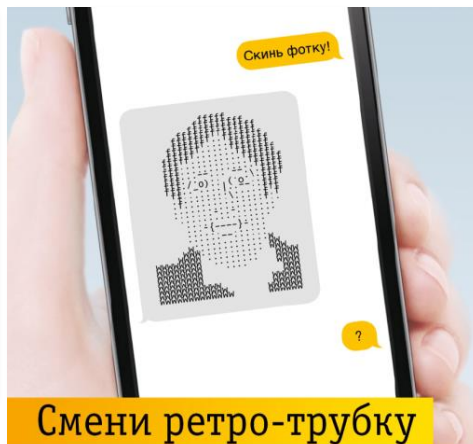
Планшеты

от 3990 руб.

Только в офисах
«Билайн»



Время действия: 01.10.2014 по 31.08.2015 в офисах продаж и обслуживания абонентов на всей территории РФ кроме Республики Крым и Севастополя. Акция доступна для абонентов в соответствии со статусом «Молодой и доблестный» абонента «Билайн» и «Супермобильный». Для участия необходимо оформить заявку на сайте www.beeline.ru или в офисе продаж и обслуживания абонентов «Билайн» до 31.08.2015. Условия акции: абонент должен быть активным абонентом «Билайн» с тарифом «Молодой и доблестный» или «Супермобильный» на дату проведения акции. Для участия необходимо оформить заявку на сайте www.beeline.ru или в офисе продаж и обслуживания абонентов «Билайн» до 31.08.2015. Условия акции: абонент должен быть активным абонентом «Билайн» с тарифом «Молодой и доблестный» или «Супермобильный» на дату проведения акции. Для участия необходимо оформить заявку на сайте www.beeline.ru или в офисе продаж и обслуживания абонентов «Билайн» до 31.08.2015.



Смени ретро-трубку на смартфон

Обменяй старый мобильный на скидку в 2500 рублей на новый смартфон

Акция действует в собственных офисах «Билайн» Киевского и Северо-Кавказского регионов с 10 декабря 2014 по 31 января 2015 года. Максимальная скидка 2500 руб. предоставляется в виде скидки при покупке нового смартфона в офисе «Билайн» в размере от 7500 до 10 000 руб. при покупке средне-бюджетного и средневысокого тарифного плана «Вол» на срок от 6 до 24 месяцев. Цены указаны с НДС. Услуга лицензирована.



* Met familiar lions, loaded 500 mb"
Beeline – data speed leader in St.Petersburg

Повстречал знакомых львов, загрузил пятьсот мегов

«Билайн» — лидер по скорости интернета в Санкт-Петербурге

beeline.ru

По результатам независимого исследования инфокоммуникационно-аналитического агентства Telecom-Daily, средняя скорость в сети LTE «Билайн» является самой высокой в Санкт-Петербурге (по данным на 9 декабря 2014 года). Подробности на сайте www.beeline.ru (раздел «Происшествия»).

* Closer to loved ones
Phone calls without intercity-roaming within South and the North Caucasuses

Ближе к близким

Звонки без межгорода по всему Югу и Северному Кавказу

Тарифы «Билайн» | 0606

Предложение доступно в рамках тарифа «Билайн» для абонентов — физических лиц предоплаченной системы расчетов и распространяется при путешествиях по Волгоградской, Астраханской и Ростовской областям, Краснодарскому и Ставропольскому краям, республикам Адыгея, Дагестан, Кабардино-Балкария, Карачаево-Черкесская, Северная Осетия-Алания и по Чеченской республике. Подробности — на www.beeline.ru. Услуга лицензирована.



Лови 4G торнадо на любом устройстве!



4G Wi-Fi роутер

799 руб.

При подключении услуг связи



Для абонентов Московского региона. 799 руб. — розничная и цена оптового закупки услуг связи. Максимальная скидка 1000 руб. Подробности на сайте www.beeline.ru. Агрегат: 121088.



* Change your retro handset to smartphone
Exchange your old phone for discount for a new smartphone



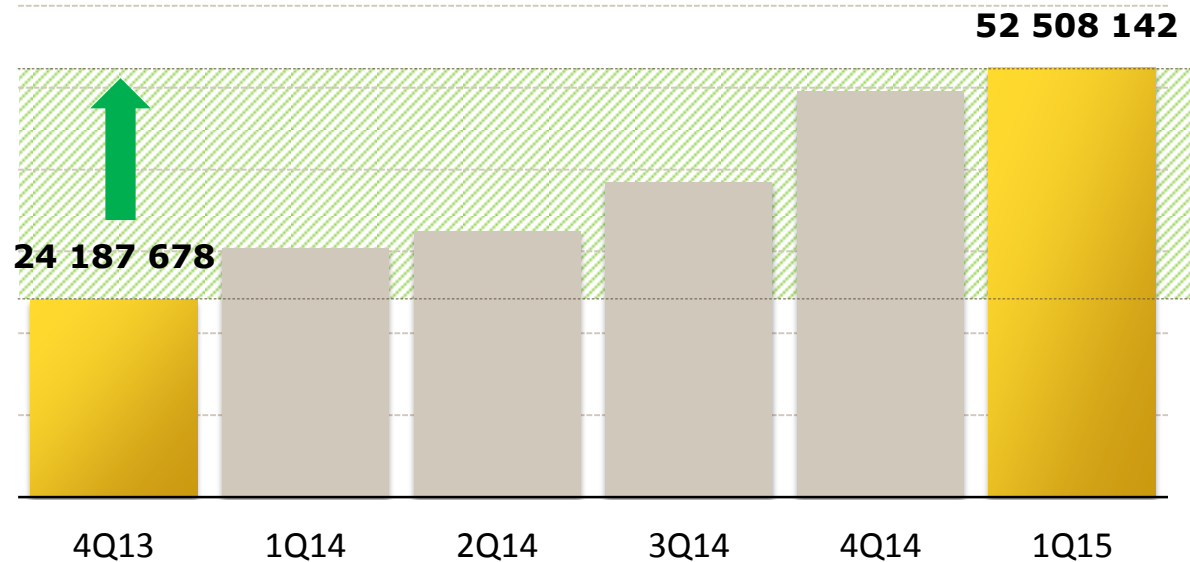
Enabling Locally • Empowering People • Connecting Globally



Initial results



Traffic, GB



Mobile data
revenue up
18 percent
YoY

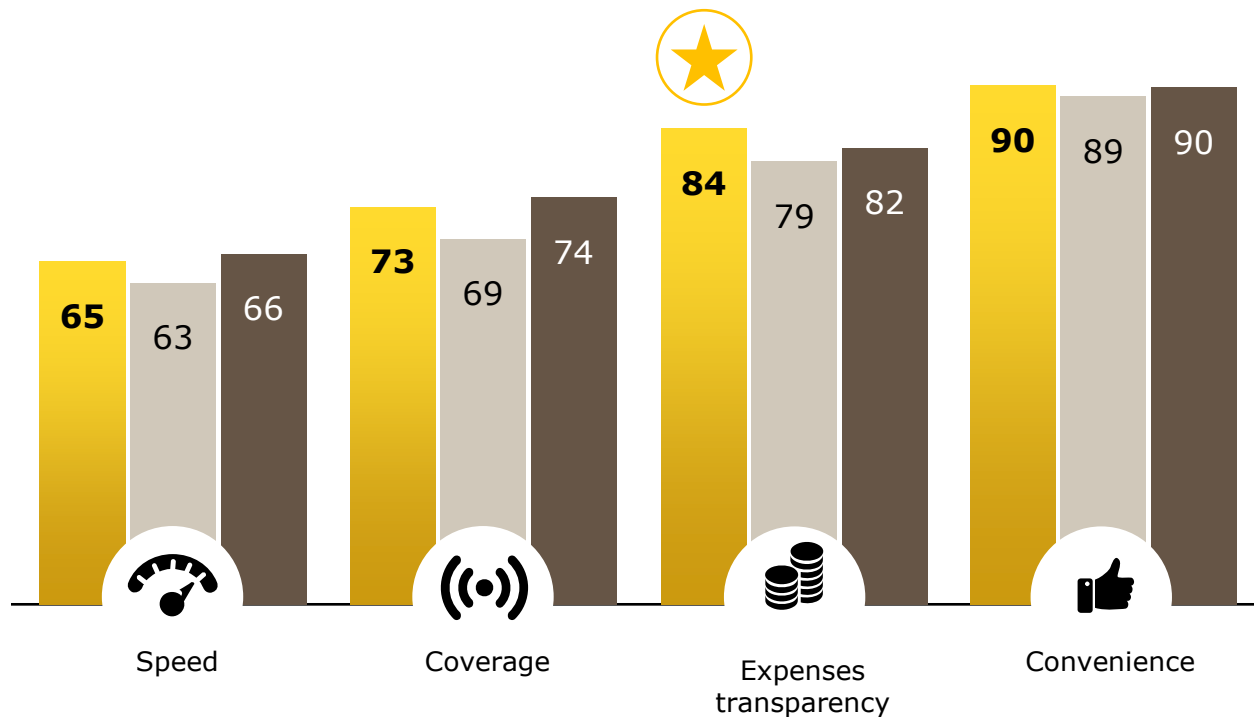
Customer base increased 1.2 percent YoY



Churn decreased 5 percent YoY

By **5 p.p.**
YoY

Leading in mobile data perception



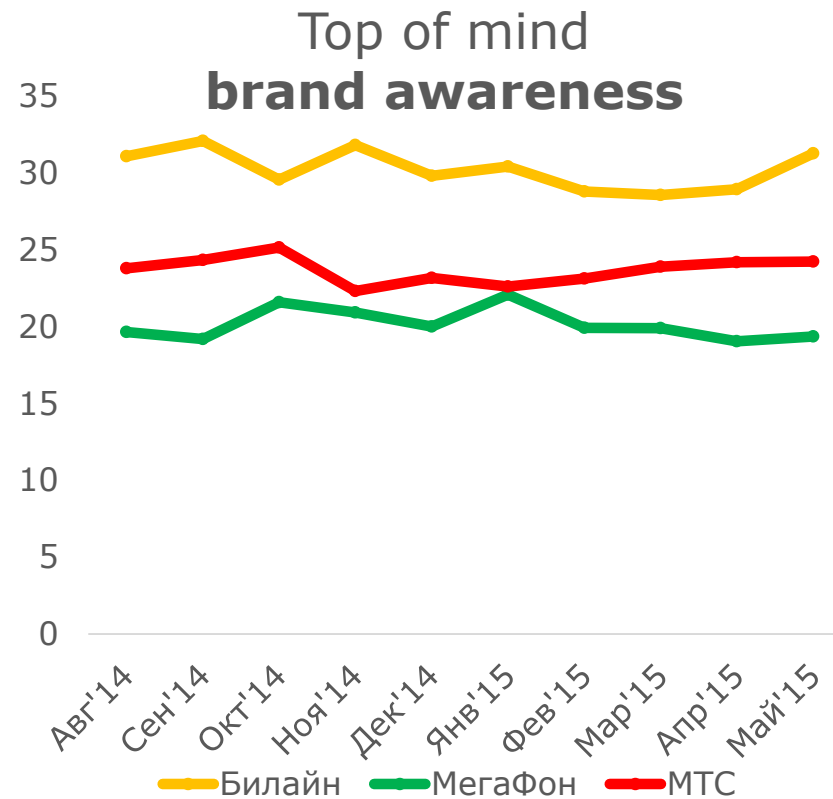
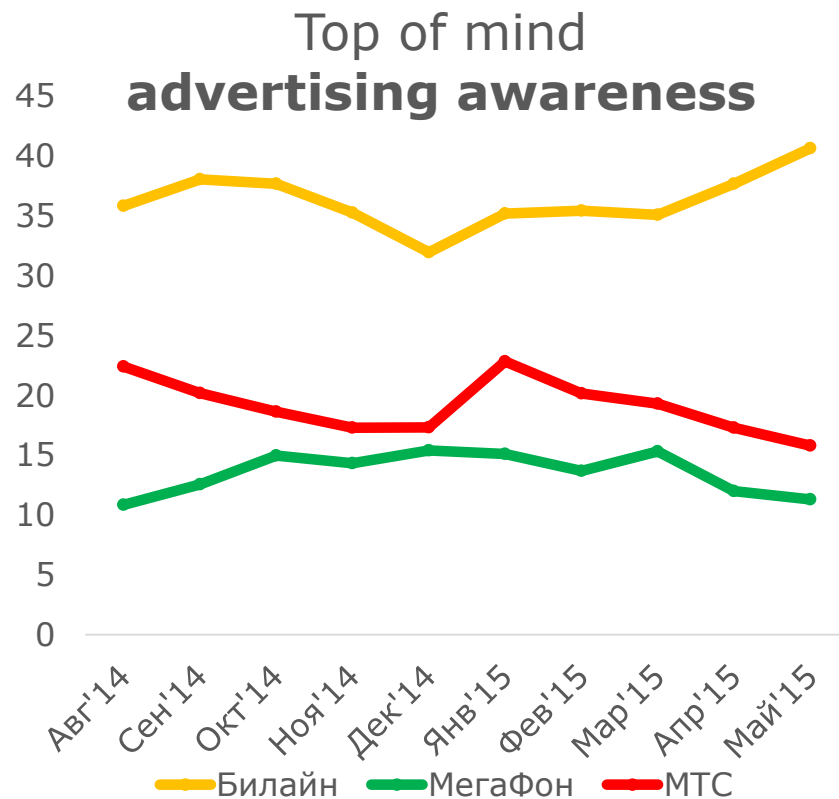
4G +70%

3G +12%

2G +6%

Sources: Own data – mobile data tracking. Q1 2015

Beeline - #1 telecom brand in Russia



Improving the quality of distribution

Sergey Rummyantsev

Chief Distribution Officer



VimpelCom

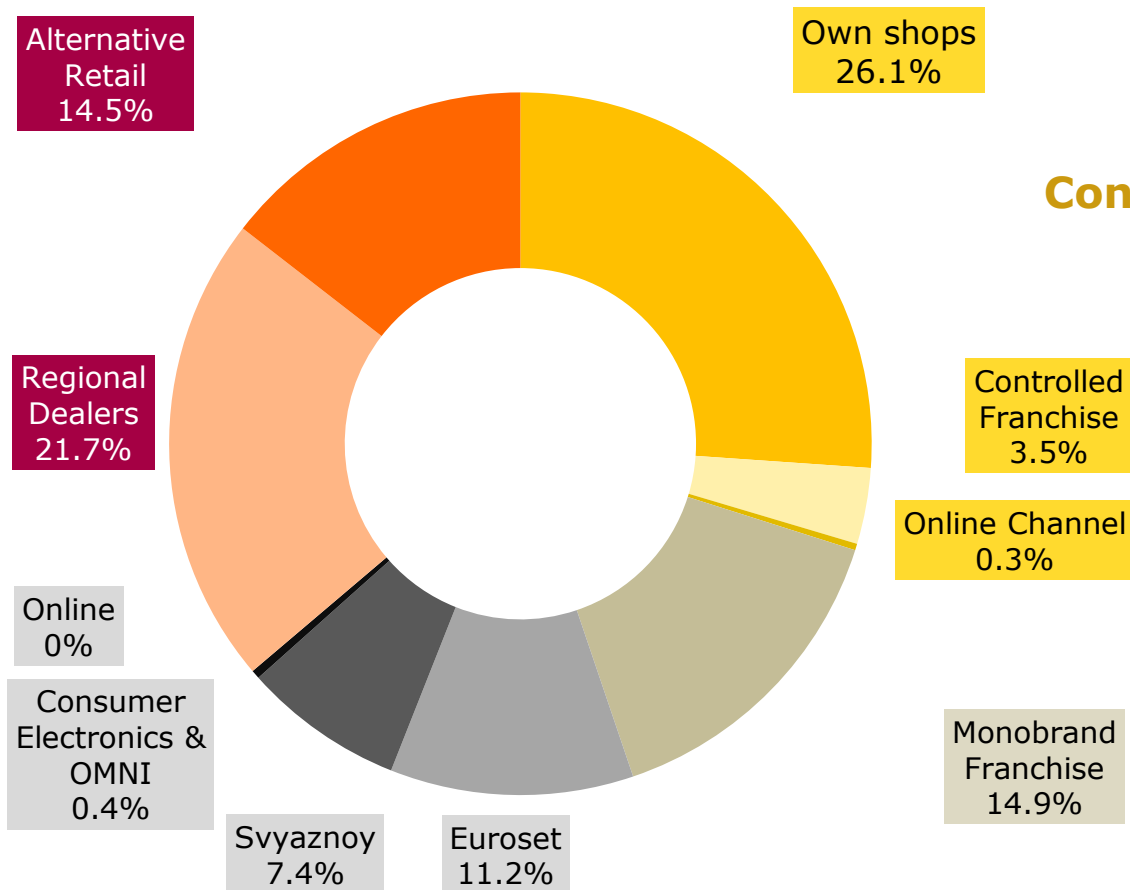
A&I Site Visit

Moscow

Russian mobile market distribution

Multibrand

Key accounts

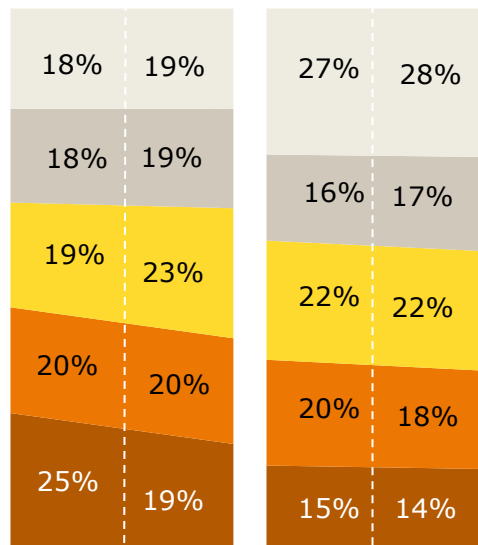


Controlled Monobrand

Non-controlled Monobrand

Controlled channels taking bigger share

Total Russia (%)



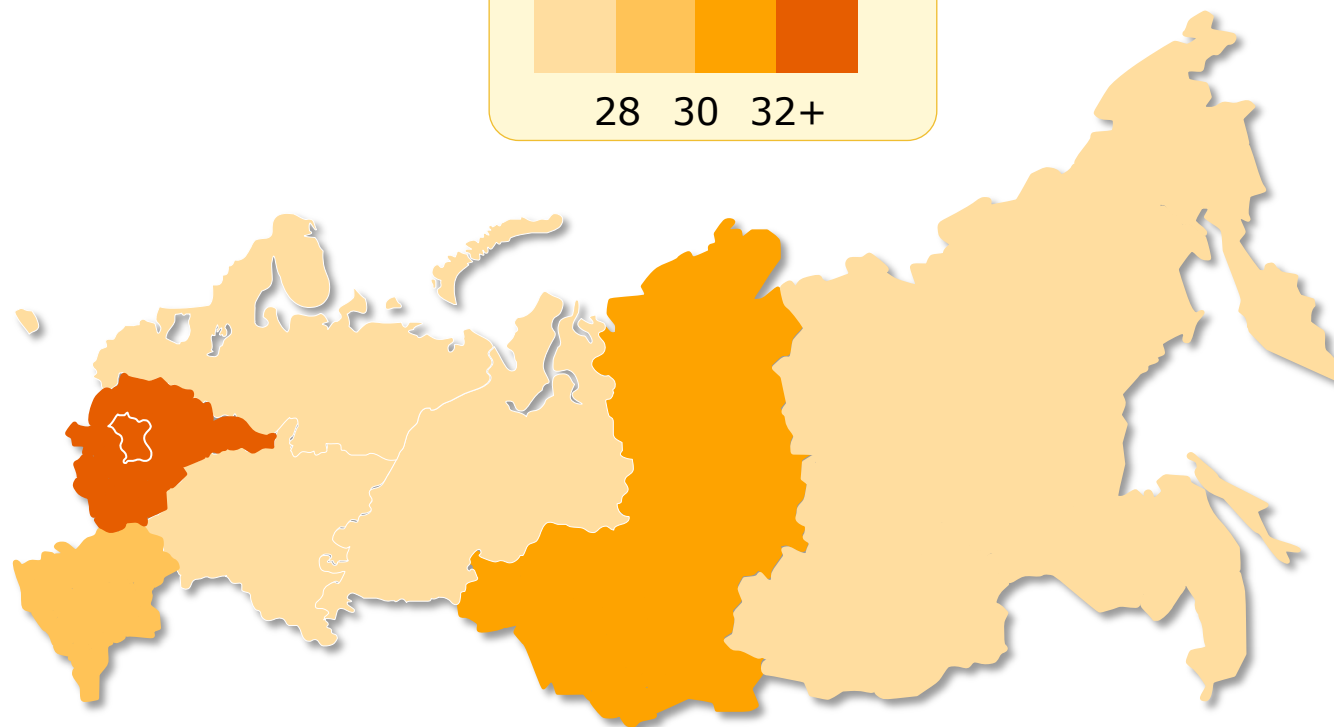
1Q14 1Q15 1Q14 1Q15

- Controlled Monobrand
- Non-Controlled Monobrand
- Key Account
- Regional Dealers
- Alternative Retail

Beeline revenue market share, %



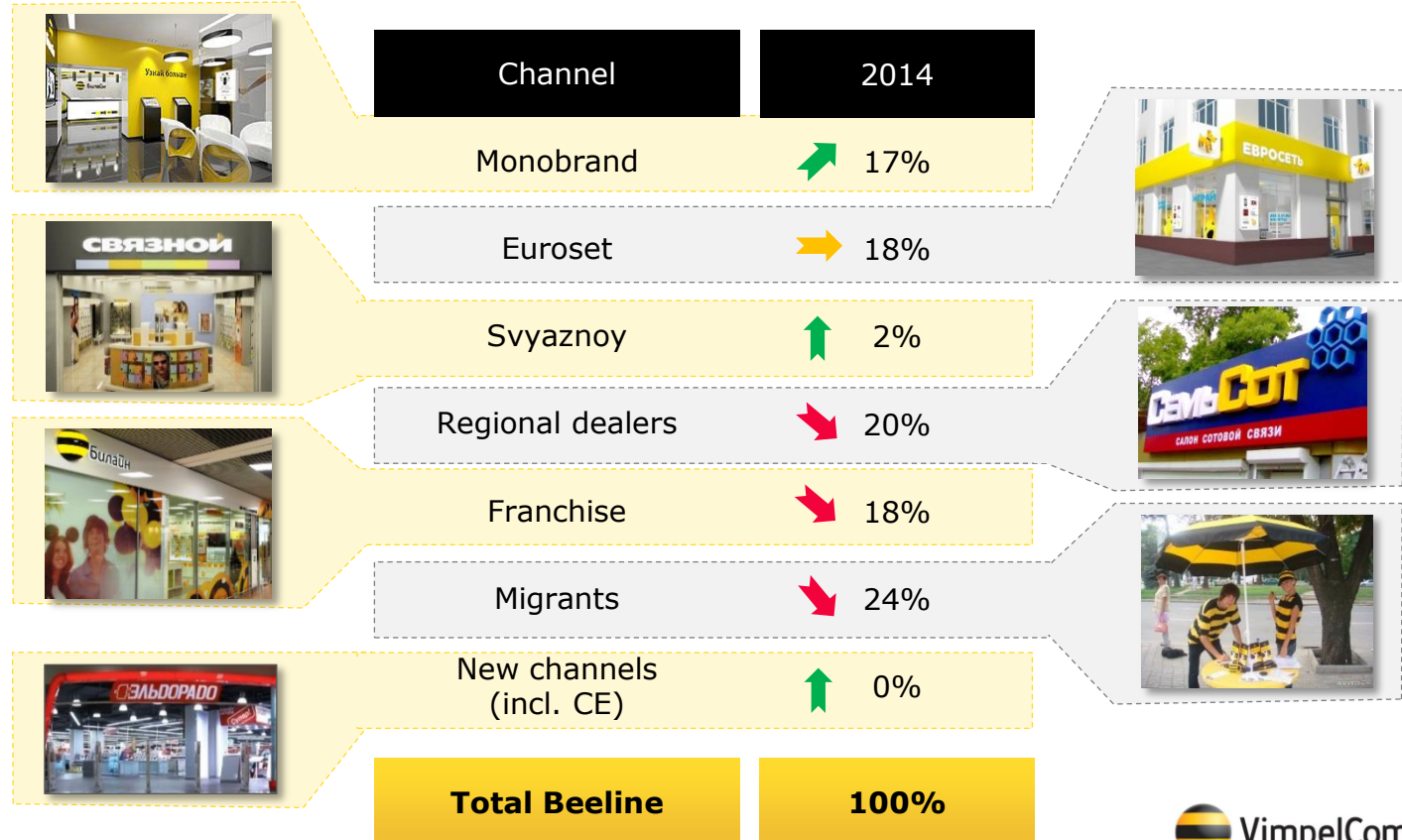
28 30 32+



Channel mix shifting towards controlled channels

- Own shops – our main strategic focus, as highest ARPU and lifetime channel
- Whilst we build out more own shops, key accounts will provide revenue market share growth
- Regional dealers are under market pressure. We will only support the channel where we have a leading position
- In alternative retail we are cutting “bad” sales
- Consumer Electronics – focus on Freemium

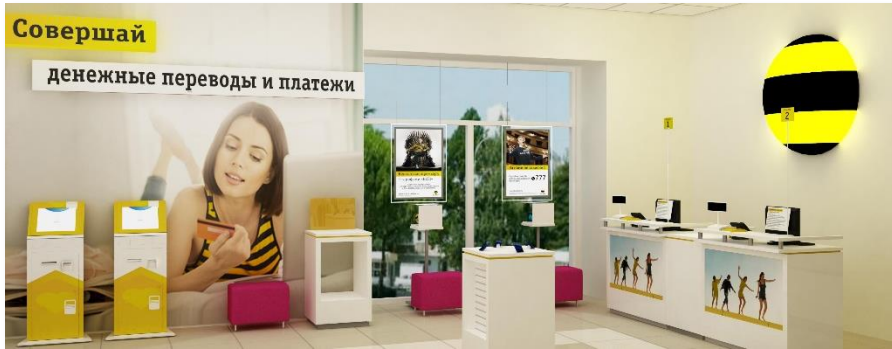
Channel mix in sales and revenue



Beeline shops



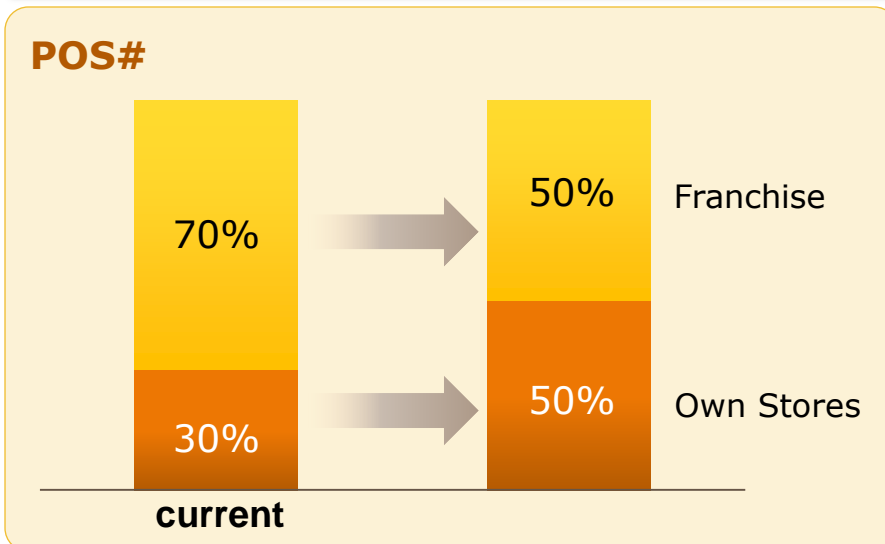
Building towards optimal store count



We are opening **30 new stores** per month

1 shop for **50 thousand people**

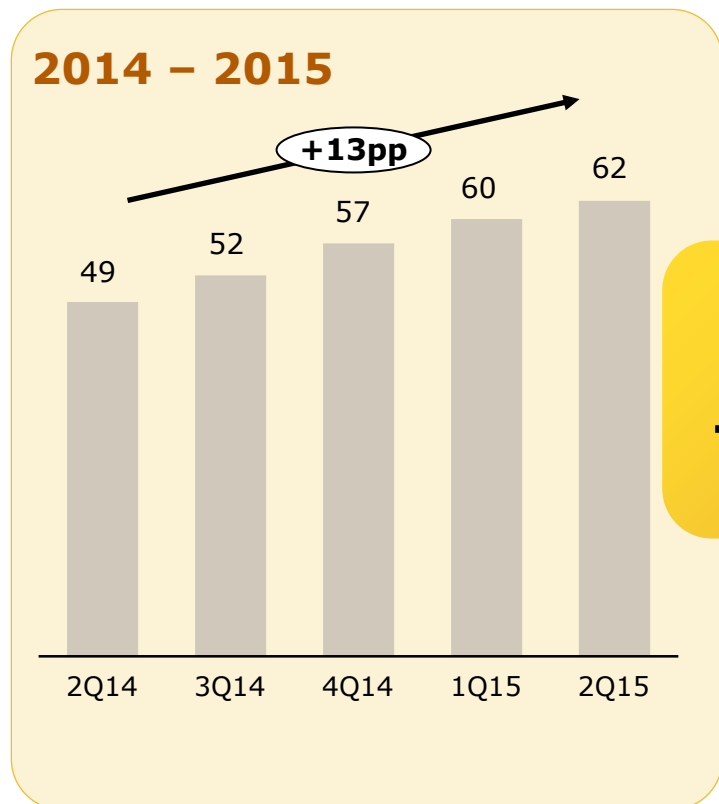
We will cover **70-75% of population**, the rest will be covered by franchise



Omni-channel is the main tool for overtaking competitors



Customer satisfaction in focus



**NPS
+26%**



Daily report



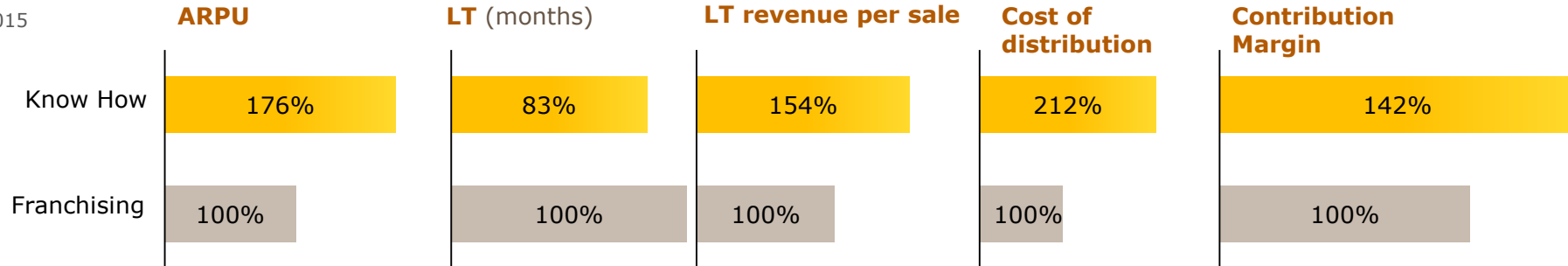
New service standards



Feedback work

Know-How multibrand franchise will be more efficient than classic franchise

April 2015

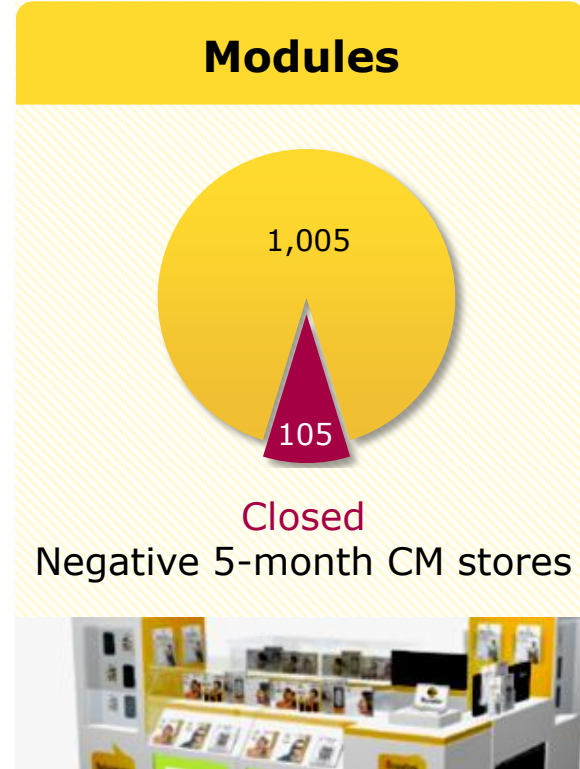
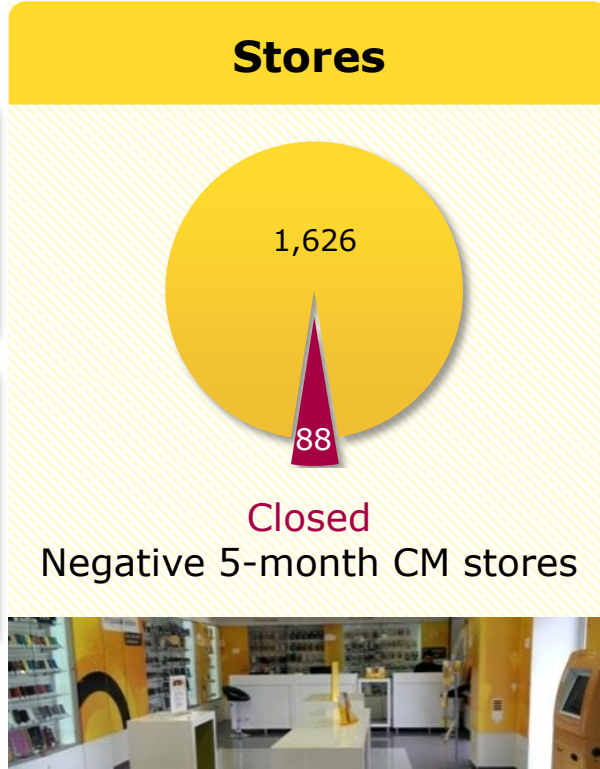


► **8% ARPU growth YoY in 1Q15**

Multibrand franchise Know-How concept



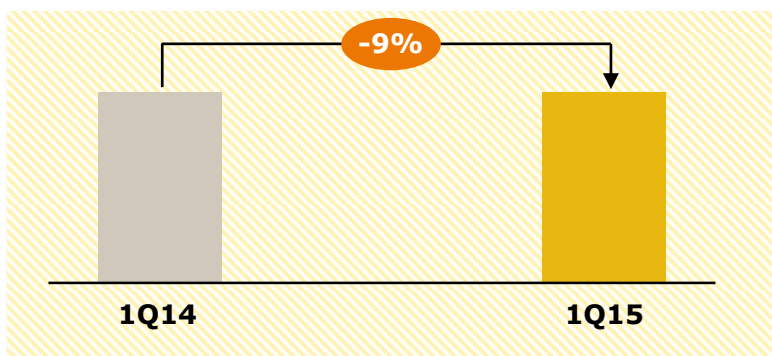
Closing ineffective franchising stores



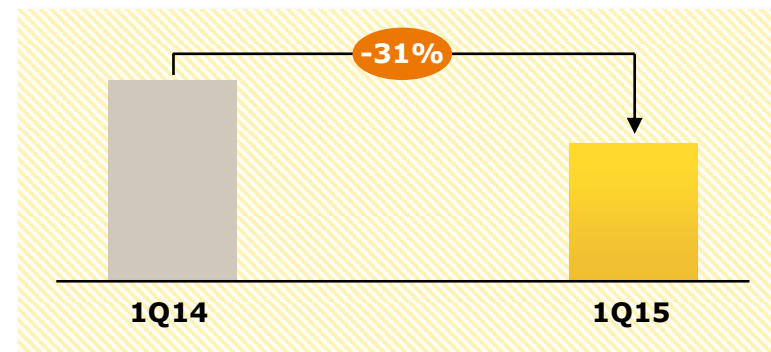
Cutting low quality sales in alternative retail



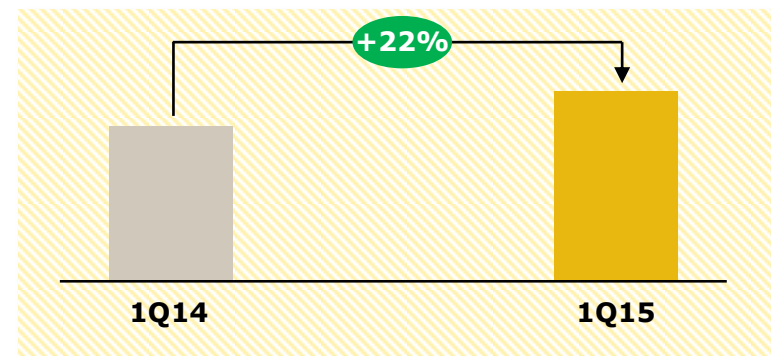
Revenue new-new (mln RUB)



Active sales (thousands customers)

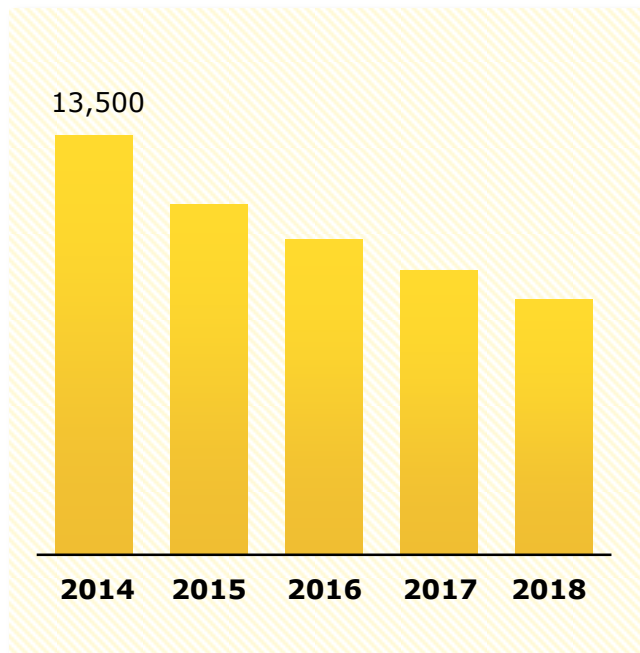


ARPU (RUB)



Regional dealer market is decreasing due to crisis

Number of POS



- ▶ Device market drop, no credits, customers falling incomes, traffic decrease
- ▶ **16%** of partners' sales points were **closed**
- ▶ **SIM sales are decreasing**

Growing consumer electronics channel








Who

National electronics hypermarkets with both physical stores and online shops

#POS

990 POS

Share

1% in sales,
1% in revenue of new customers



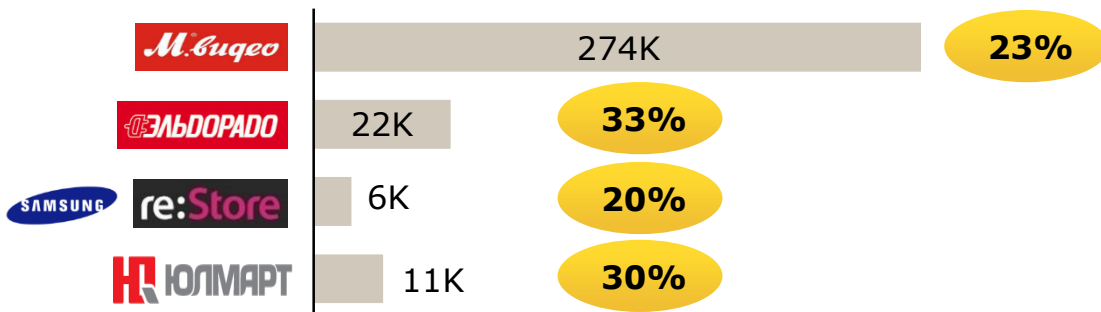
Drive Consumer Electronics sales by launching regular products and "Freemium"

1. Regular products sales started at all CE stores across Russia



2. 183K Freemium SIM bundled with free tablets in MVideo campaign

3. 1Q15 Freemium total sales in CE – 314K SIM bundled and 24% SIM registered:



X% - share of SIMs registered by subscribers

< 84 >

с 10 по 23 февраля

3G ПЛАНШЕТ В ПОДАРОК

1 ПОКУПАЙТЕ

- товары стоимостью от 9 990 рублей или
- комплекты из 2-х товаров на сумму от 9 990 рублей*

2 ПОЛУЧАЙТЕ

- 3G-планшет с ярким и четким экраном

+200МБ каждый месяц!

нам не всё равно

Exploring new sales channels

Russian Post

Proposal concept:
Main pool of tariffs exposed in
20,000+ branches in Russia



New Channels

(banks, coffee houses,
restaurants, cosmetics
networks)

Proposal concept:
100% Freemium, one-off proposal by
channel's specificity, focus on product's
unique character



Post office



Coffee houses



Banks



Fast food



Conclusion

- Strategic focus on owned Beeline monobrand stores
- NPS improving
- Increasing efficiency of franchise channel, cutting low quality in alternative channel
- Expansion in new channels



Digital in Beeline Russia

Alexander Pyatigorskiy

Chief Digital Officer



VimpelCom

A&I Site Visit

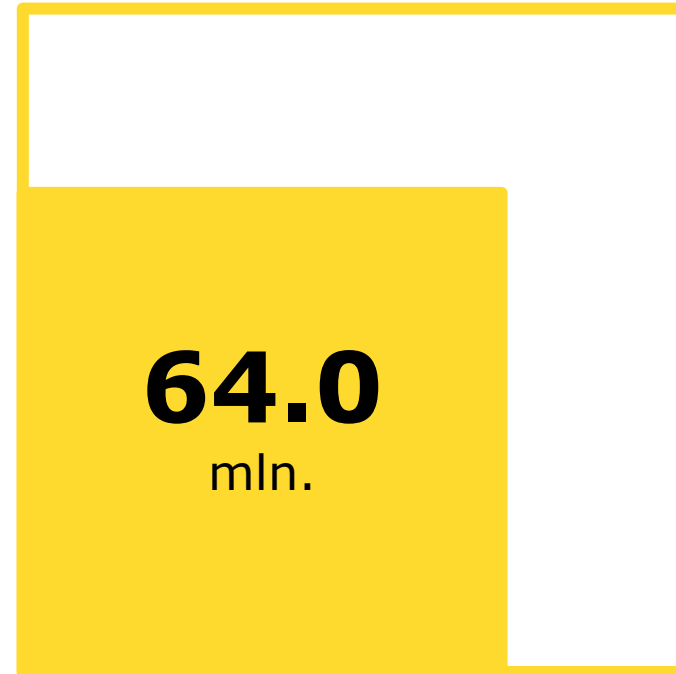
Moscow

Why Digital?

Monthly Reach **64%**



Daily Reach **52%**



Service

App launched in March 2014
More than **10 mln** downloads

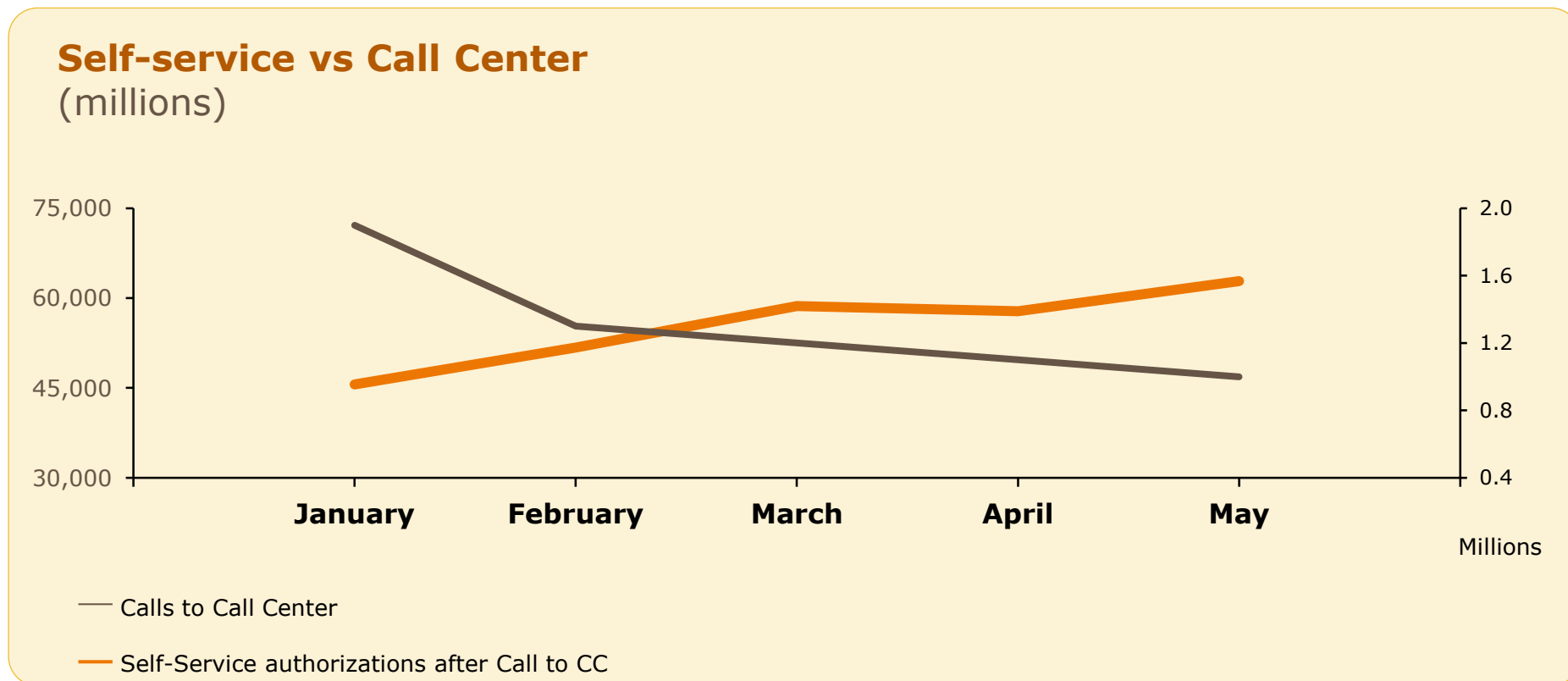
Russia Telco App ratings



Beeline	4	4,5	4
MTS	1,5	2,8	No
Megafon	2	3,5	No
Yota	3	3,9	No

The screenshot displays the Beeline mobile app interface for a user in Moscow. The account number is +7 985 226-56-00. The current tariff is «Всё за 2700», a prepaid system. The account balance is temporarily unavailable. The user has 13 additional services connected, including 'Есть контакт' (Emergency Contact) for 0 rubles per day. Usage statistics for the current month (01.04) are shown for mobile internet (13 GB of 15 GB), minutes (2,084 of 2,400), and SMS (300 of 300).

Self-Service instead of Call Center



Sale & Upsell



Promotion & Advertisement



- ▶ #200деньгинаместе
- ▶ 3 mln views
- ▶ 742K views
- ▶ 1250 participants



- ▶ Programmatic buying
- ▶ Less money more result

Просто.
Удобно.
Для тебя!



Билайн®



Creating a network for the future

Martin Skop

Chief Technology Officer



VimpelCom

A&I Site Visit

Moscow

Creating a network for the future

1. Overview of current network

2. Performance

3. Innovation

4. Future readiness

5. CAPEX evolution

Overview of current network

Complexity



Focus on core location with the biggest influence: 240 → 7

Too many vendors



Complex vendor map: 5+ → 2-3

Network operation in the biggest country is a challenge



Country with many core locations and cable infrastructure

Opportunity in business process improvement



Defined KPIs for key drivers e.g. number of purchase orders

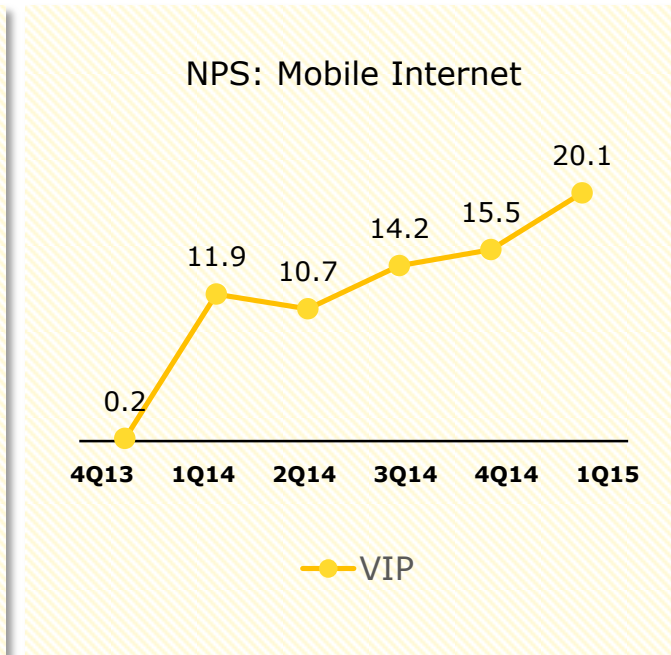
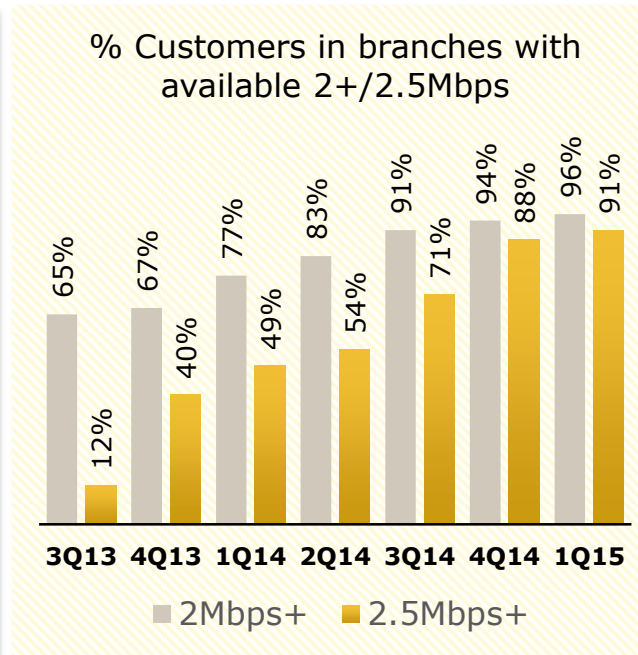
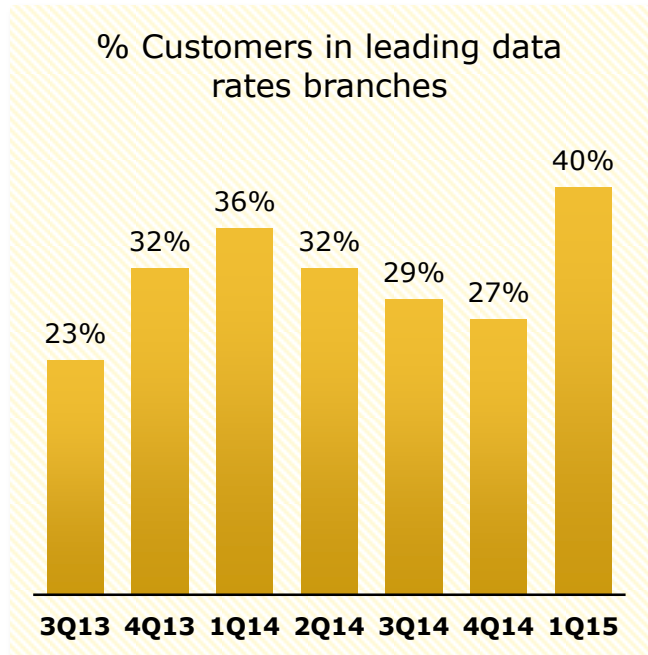
Spectrum situation



Spectrum availability in different regions -> cleaning program

Improving network performance

- In-house benchmarking: 40% of our customers live in areas where we are #1 in data speed
- Customer feedbacks: Net promoter score (NPS) is growing
- Cluster approach (A, B, C, D)



Recent innovations

4G/LTE active radio sharing



First

4G/LTE-Advance



First

Voice over 4G/LTE



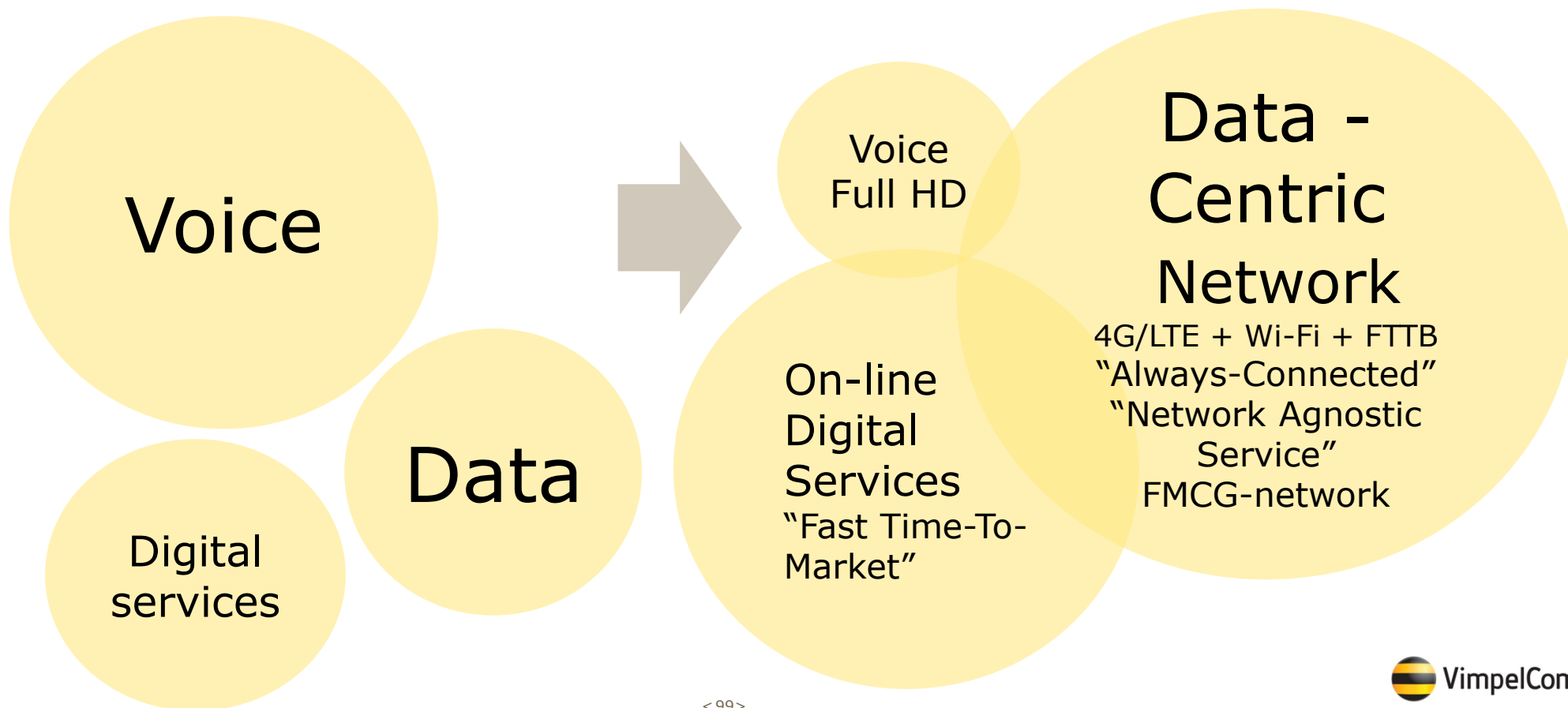
First

WiFi integration

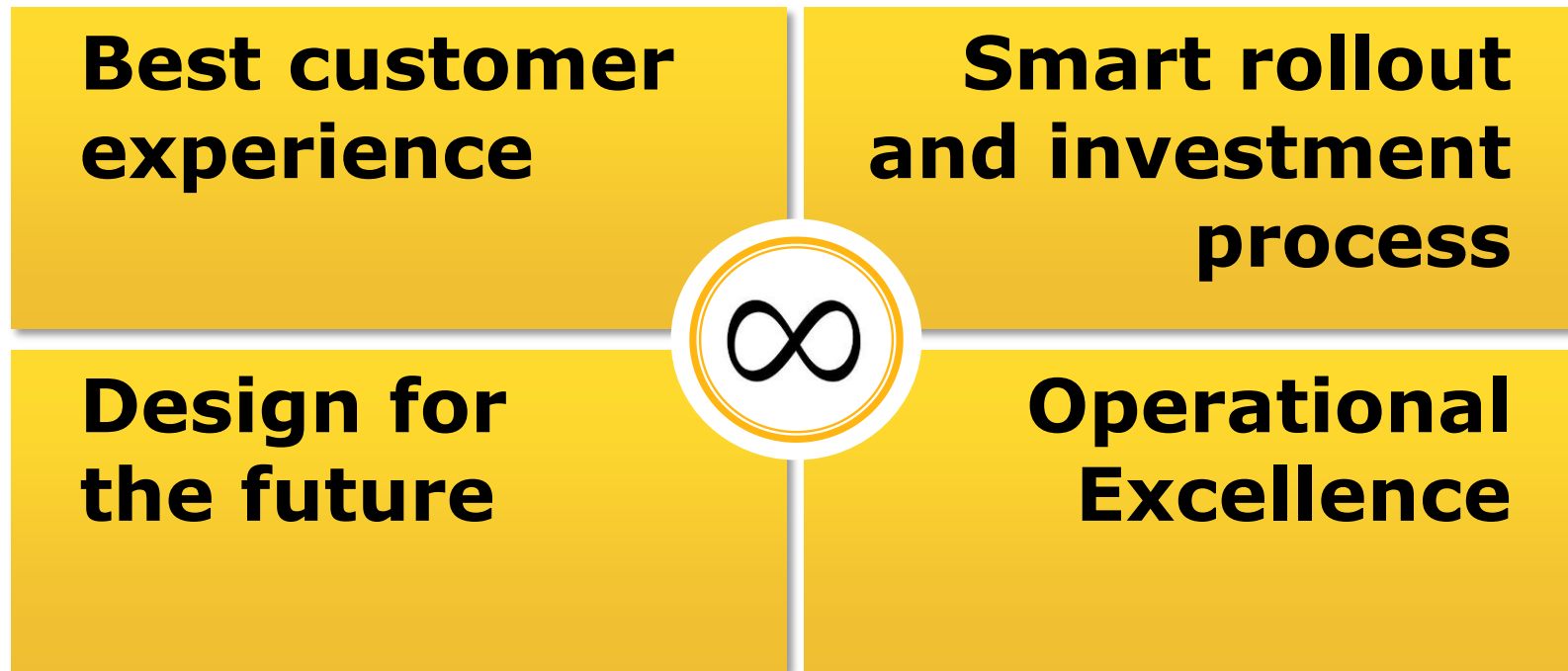


Biggest

Network transformation underway



Future



Forward looking mobile strategy

- Good in voice
- Behind in 4G/LTE coverage
- Network needs modernising
- IT needs simplification
- Cost base too high



Always On & Online

- Seamless handover RAN/WiFi
- In key regions Fixed/Mobile (FMC)

Technology

- Simple, Lean, Fast
- Modern, reliable network & IT
- Share/partner everywhere
- Up-skilled & re-organised

Best
Customer
Experience

Smart
rollout

Design for
the future

Operational
Excellence

Provide best customer experience

Priority

**Best
customer
experience**

Key initiatives

Always best network where we are

- Always on with best KPI
- No preventable outages
- Best HD voice, best video
- Automated optimisation (SON)

Best customers get best service

- Prioritise smartphones
- Smart traffic management
- End to end quality of service
- Caching & application optimisation

Designed for the future

Priority

Design for the future

Key initiatives

- **IMS services (VoLTE etc)**
- **Core site reduction**
- **New transmission architecture**
- **All IP transmission**
- **Radio modernisation**
- **Core virtualisation**
- **Disaster recovery & no single points of failure**

A smart rollout

Priority

**Smart
rollout**

Key initiatives

Focused network deployment

- By branch priority (A, B, C, D)
- By geography locations
- Based on customer data

Share everywhere

- Active and passive everywhere
- Sharing program with MTS
- Spectrum sharing when will be available

4G/LTE-sharing with MTS



Estimated savings of
30-40% of
construction costs

Fixed-line network strategy

Priority

Key initiatives

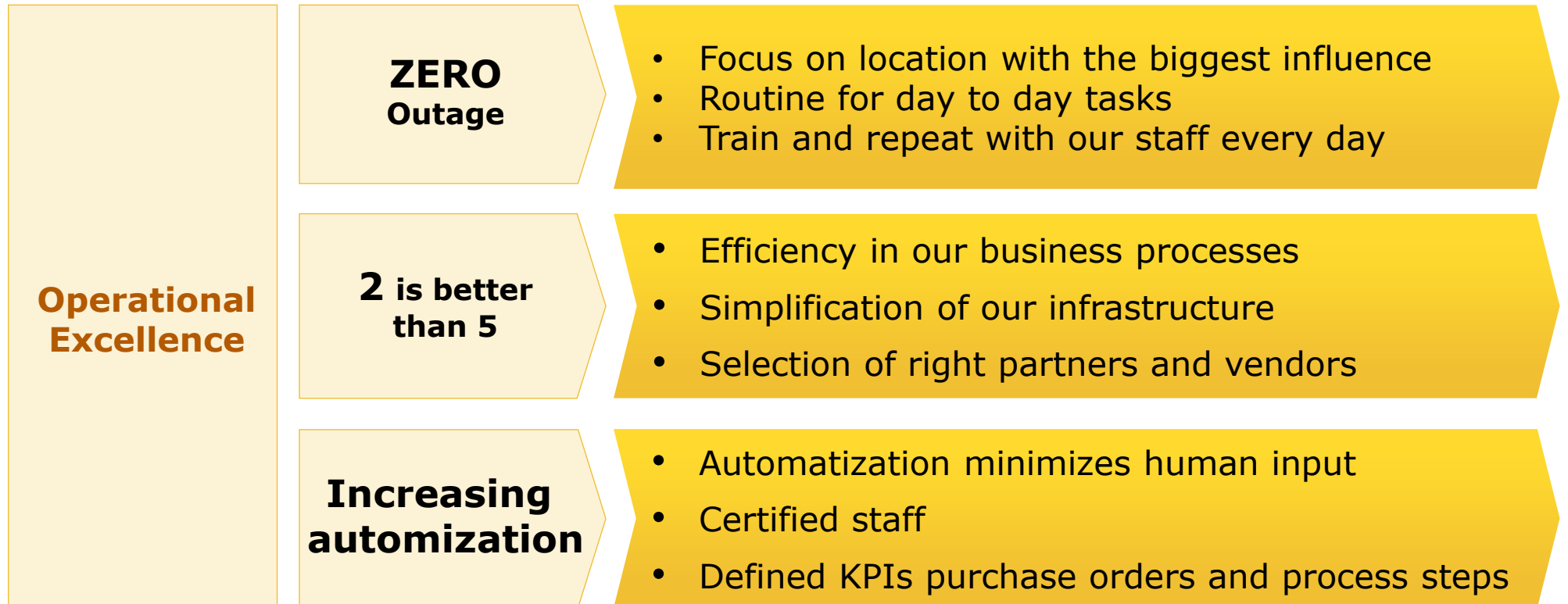
Fixed-line network

- Maximize our assets footprint
- Common core with mobile
- Cloud & virtualization. vCPE

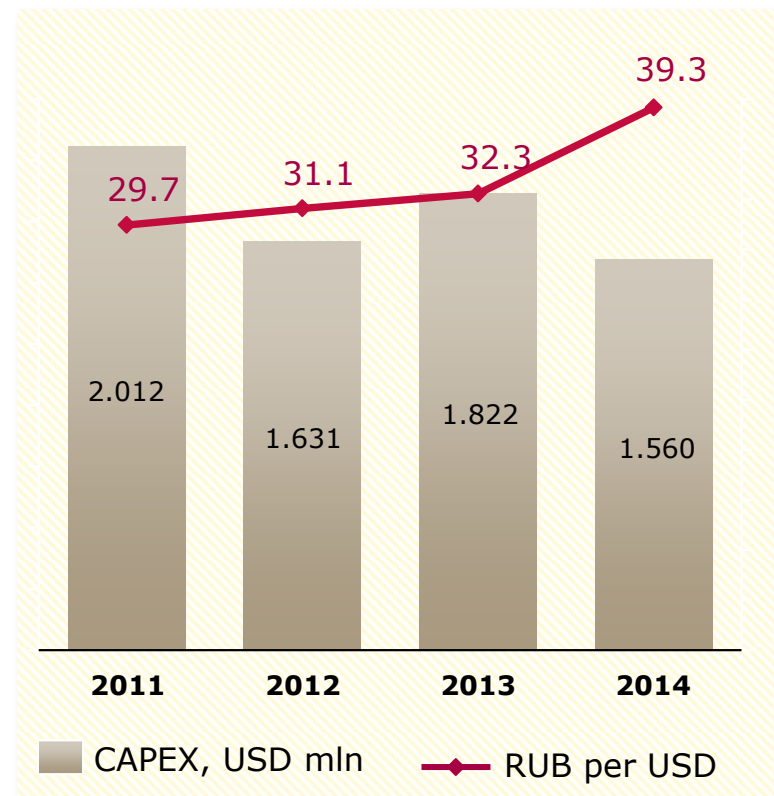
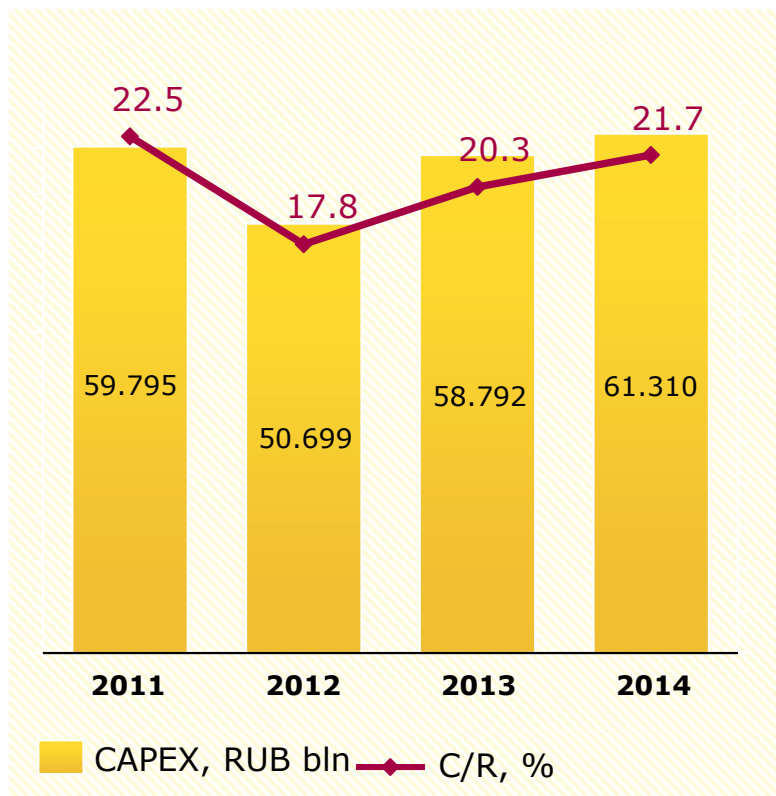
TV

- Develop new OTT Product
- Plug & play IPTV solution

Operational Excellence: focus on **simplification** while improving **reliability**



CAPEX dynamics 2011-2014 with changing USD rate



Creating a network for the future

- Customer Excellence
- Smart rollout and investment process
- Design for future
- Operational Excellence

Driving Operational Excellence

Nikolay Ivanov

Chief Financial Officer

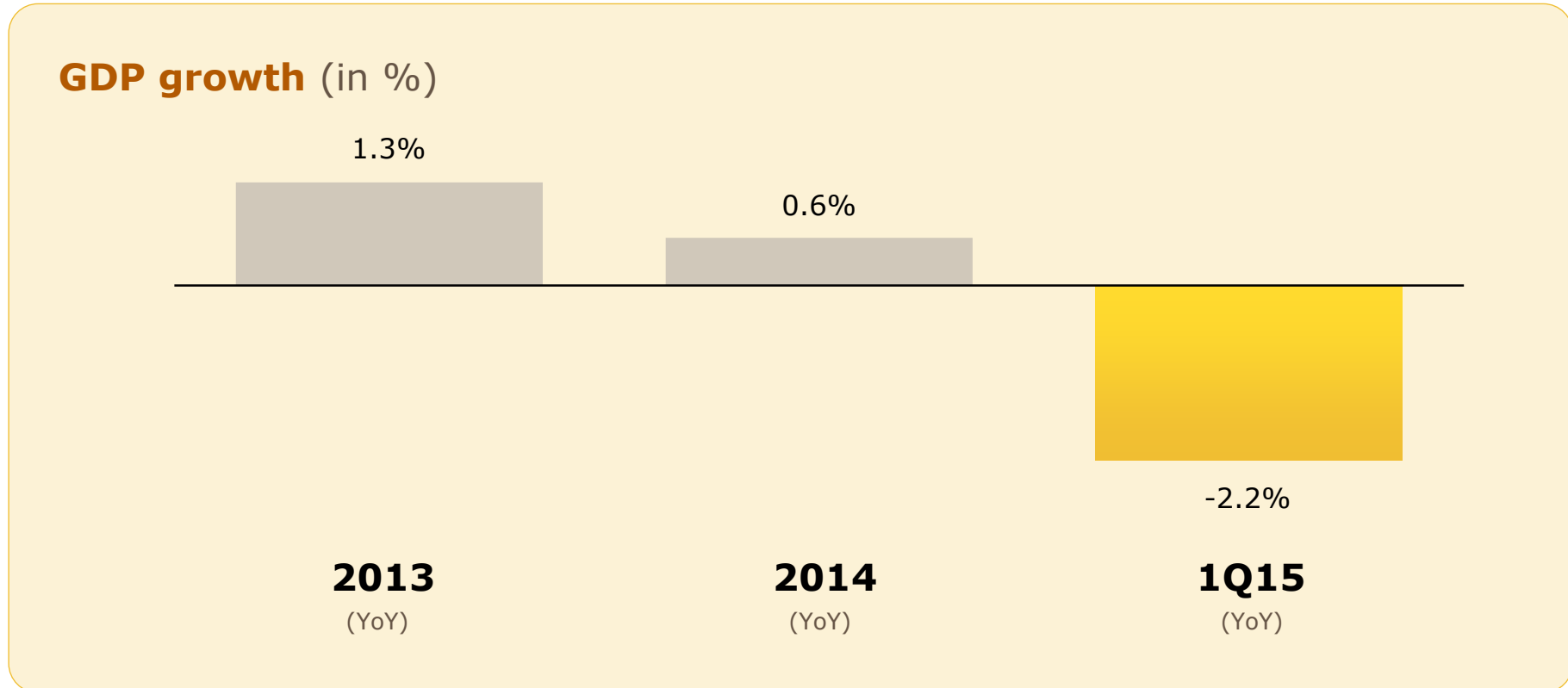


VimpelCom

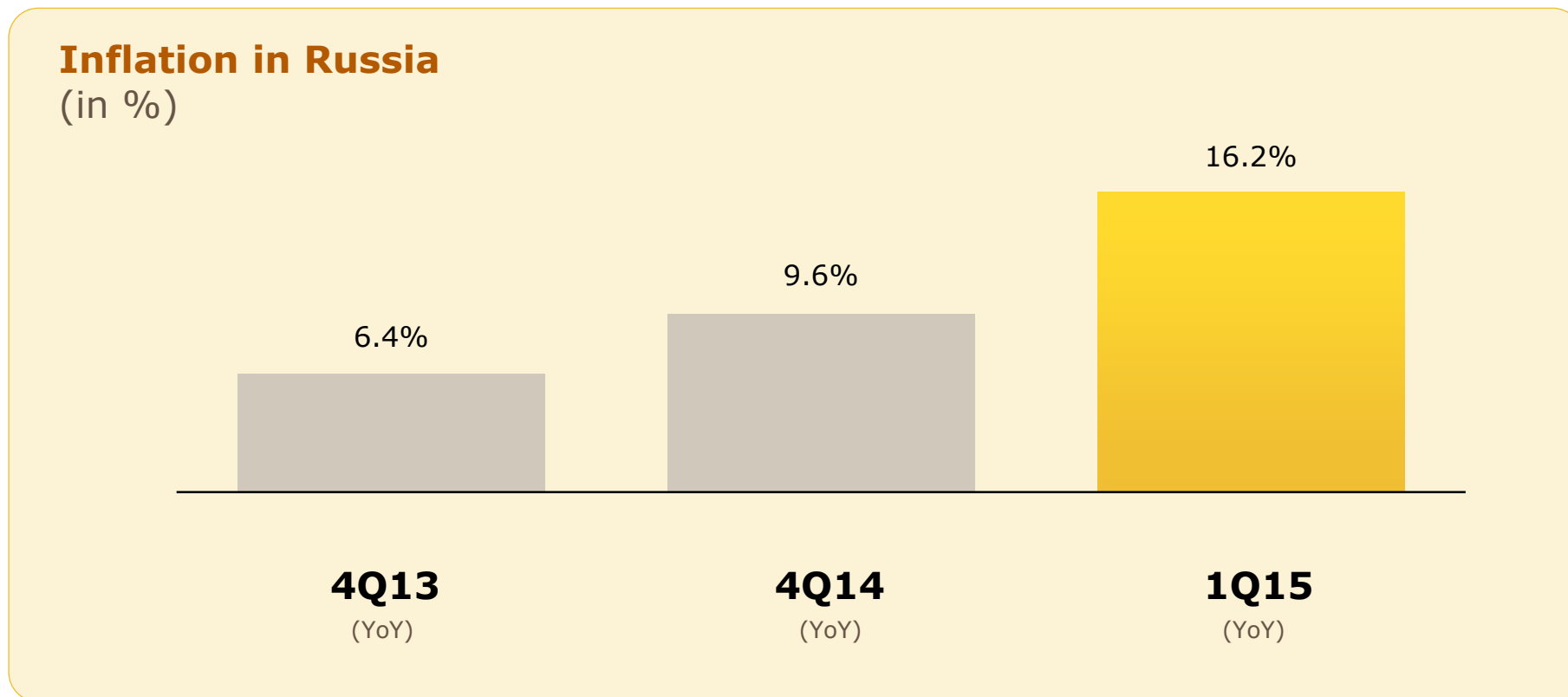
A&I Site Visit

Moscow

Challenging macro economy



Inflation rate is the highest for the last 10 years

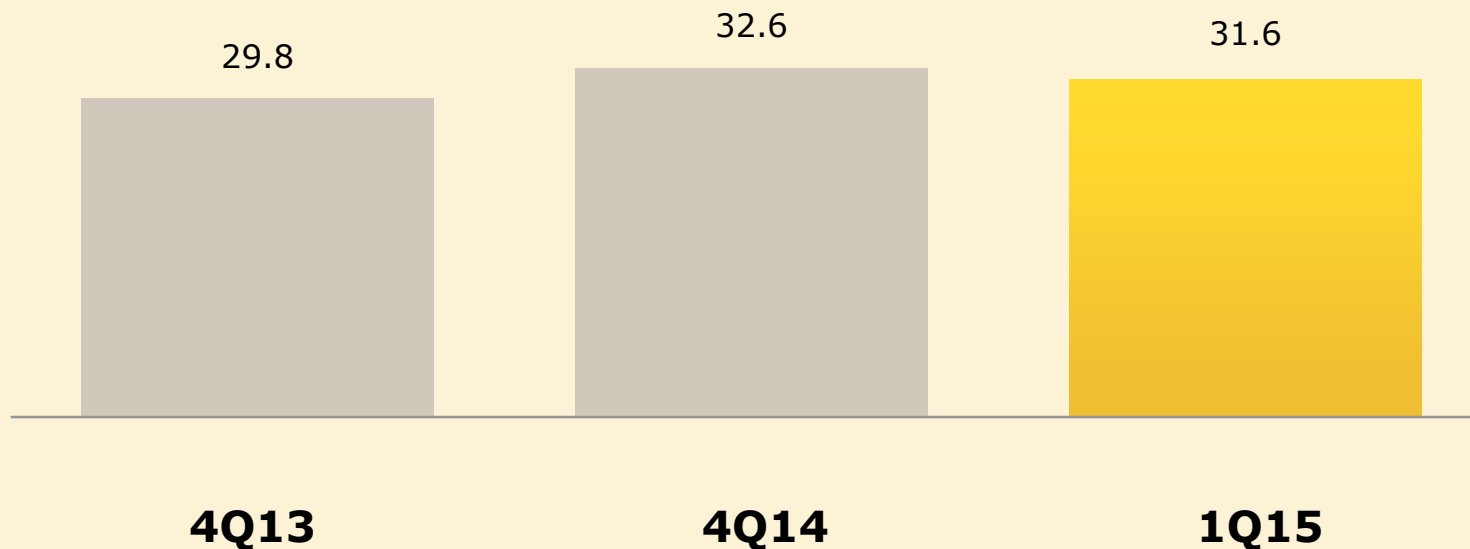


Wage inflation at low level

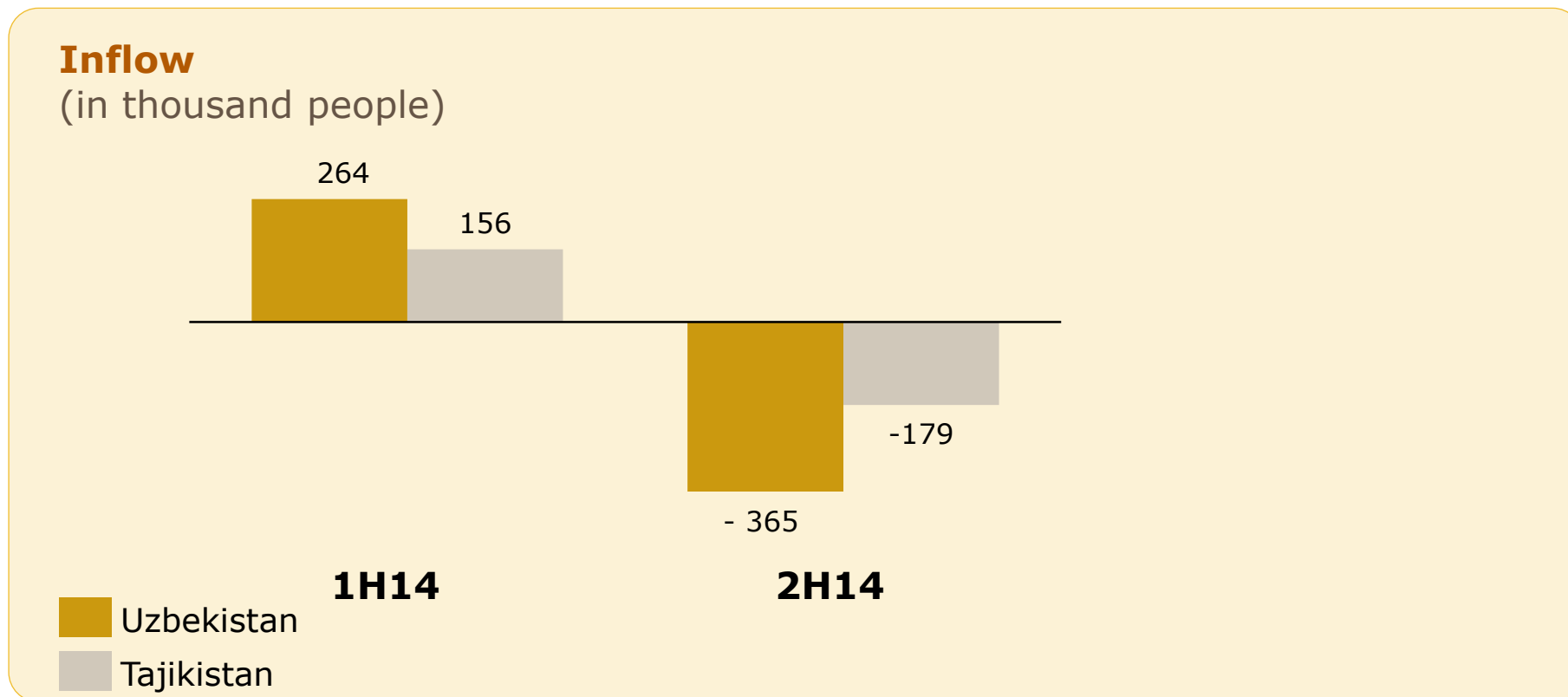
Mobile share of overall spending at 1%

Average salary in Russia per month

(in RUB thousands)

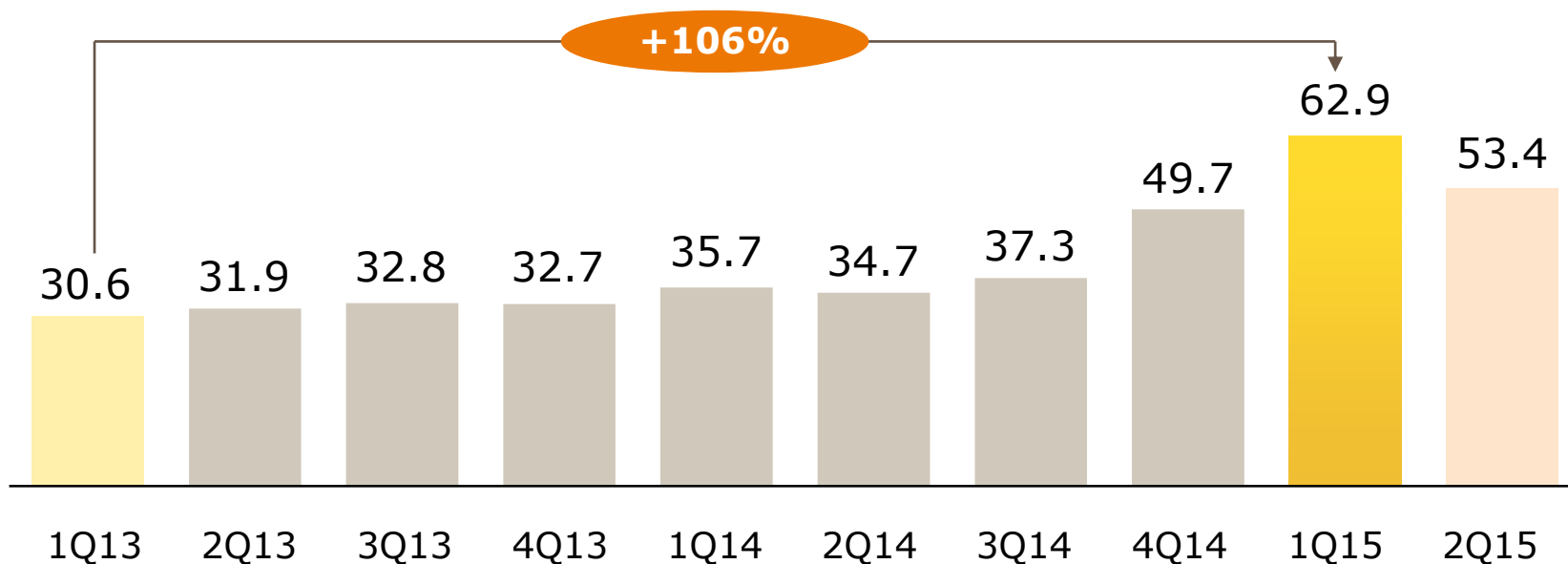


Migration switched from net inflow to outflow



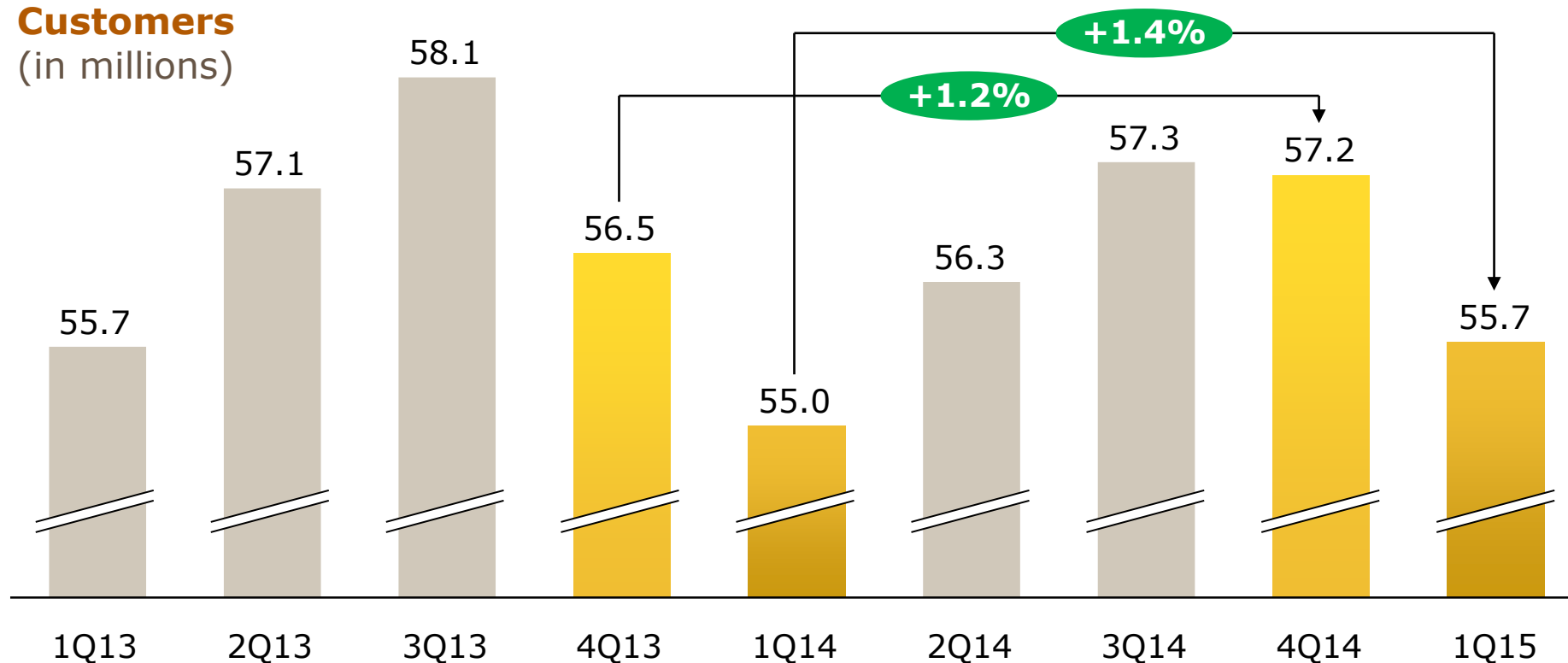
Weak ruble beginning to stabilize

USD/RUB Rate (May 2015 YTD)

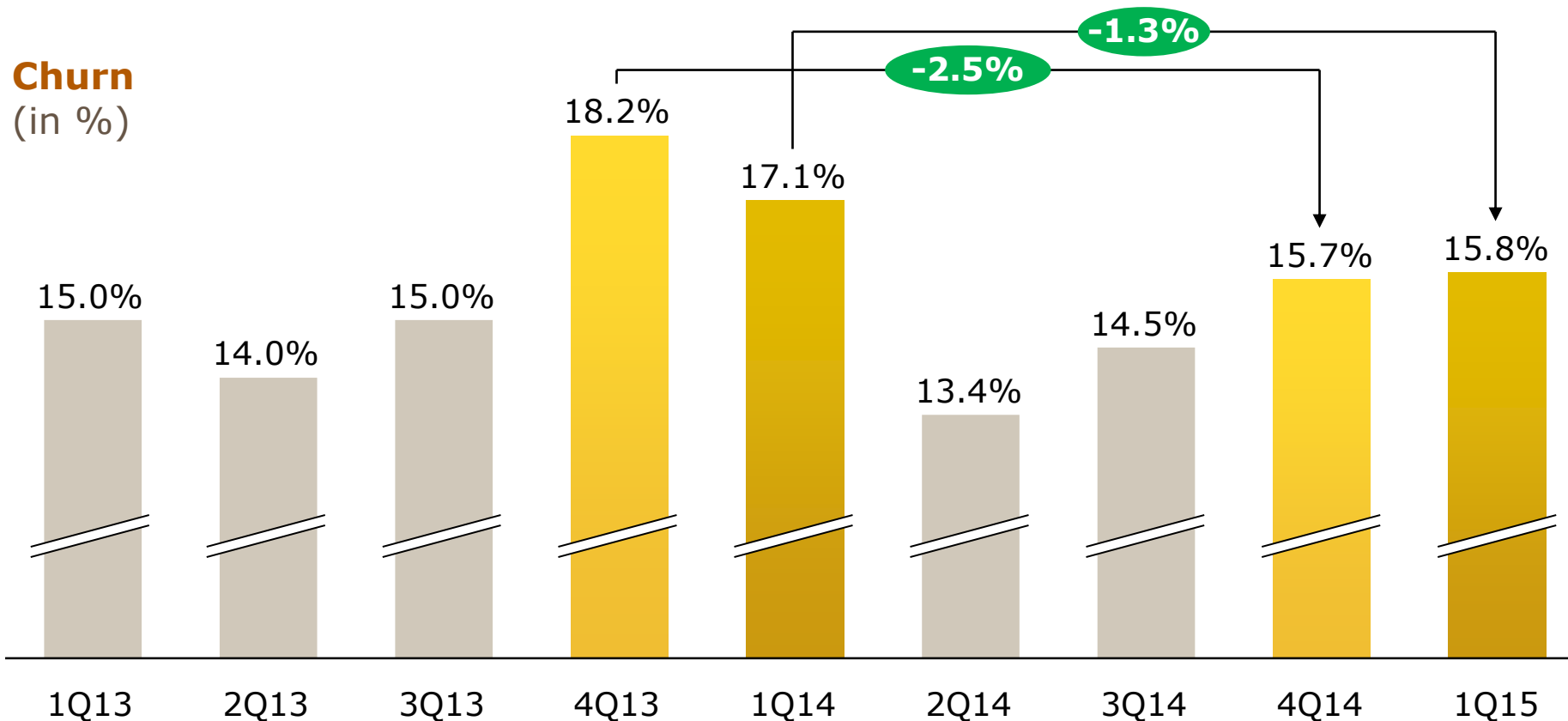


Customer base back to YoY growth

Customers
(in millions)

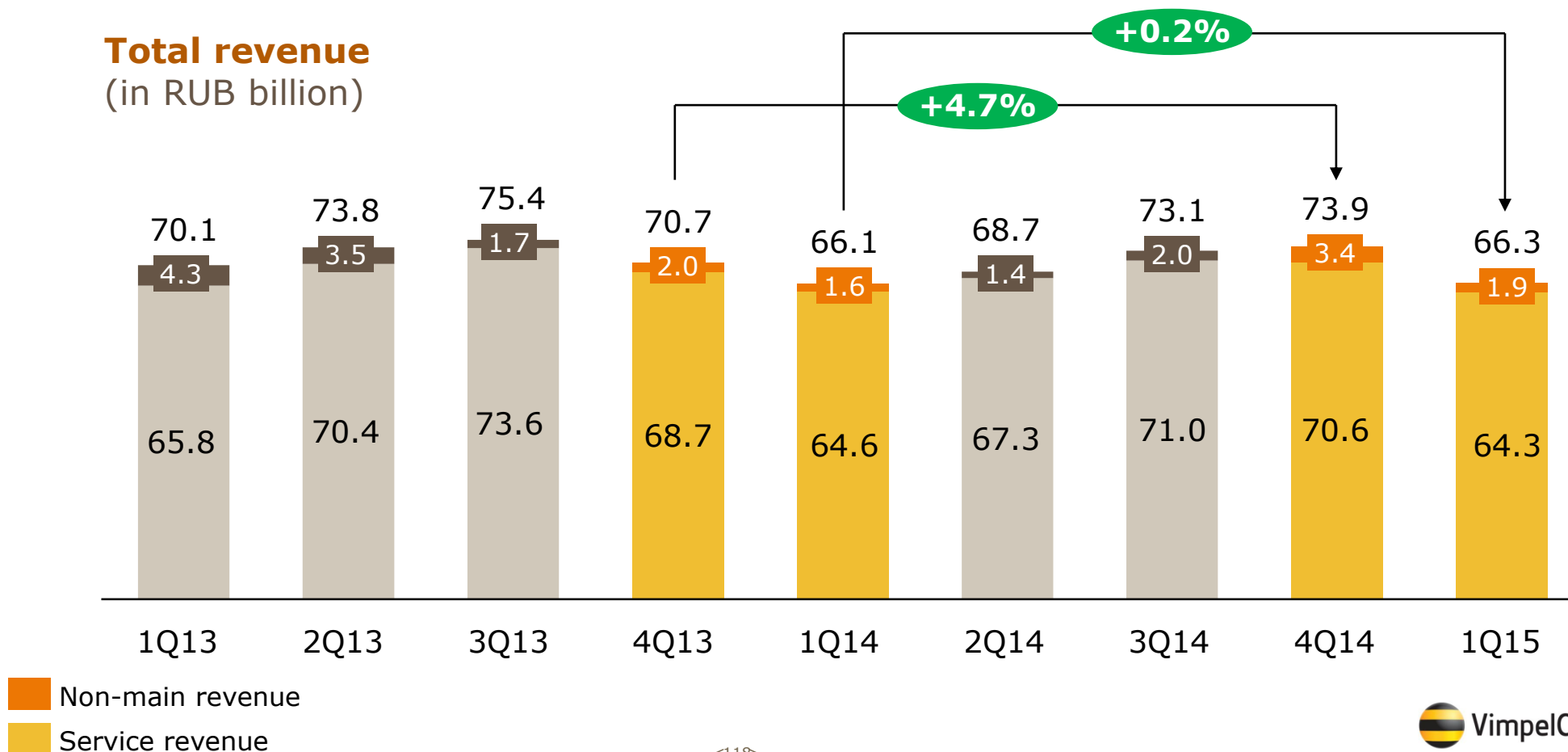


Turnaround in quarterly churn



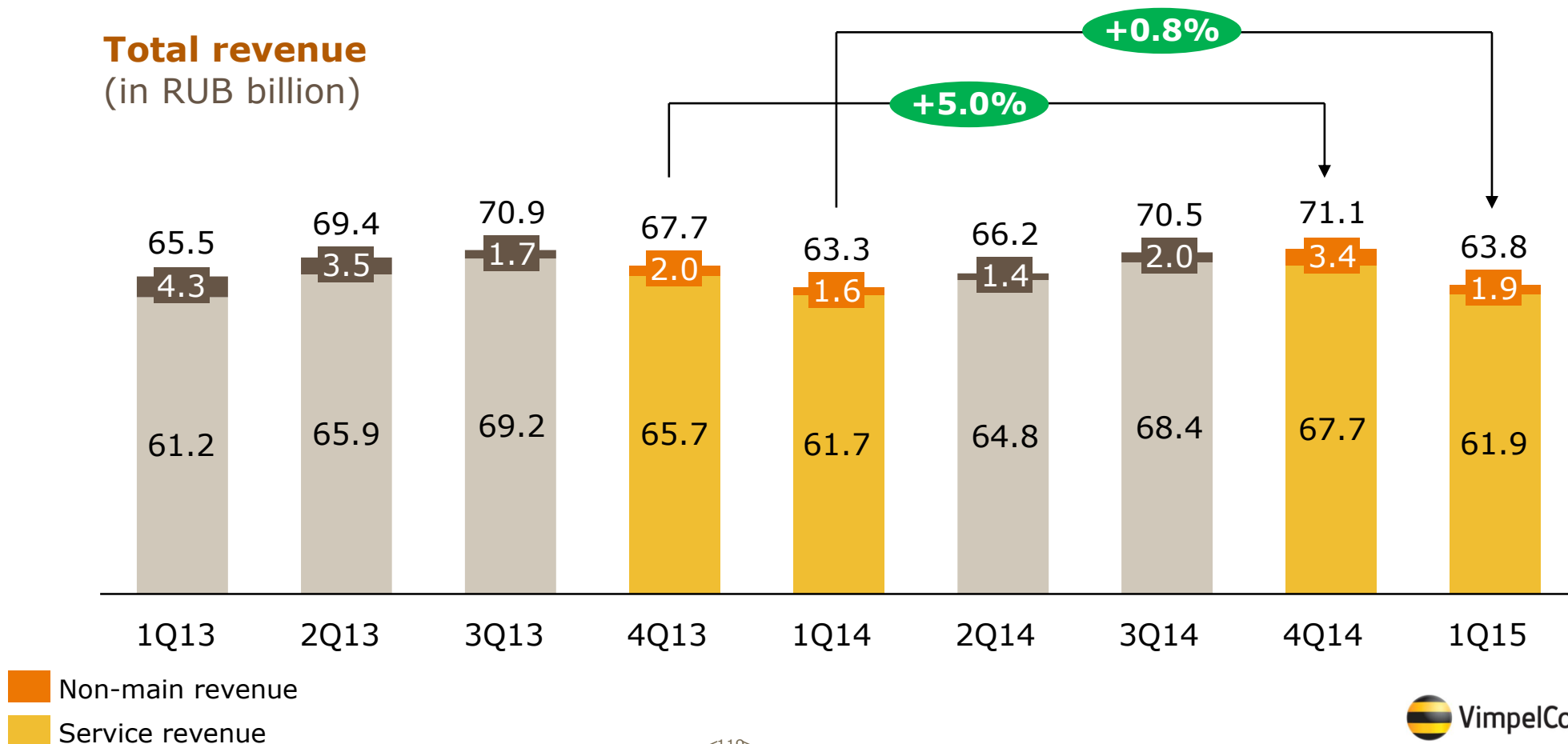
Back to YoY revenue growth

Total revenue
(in RUB billion)

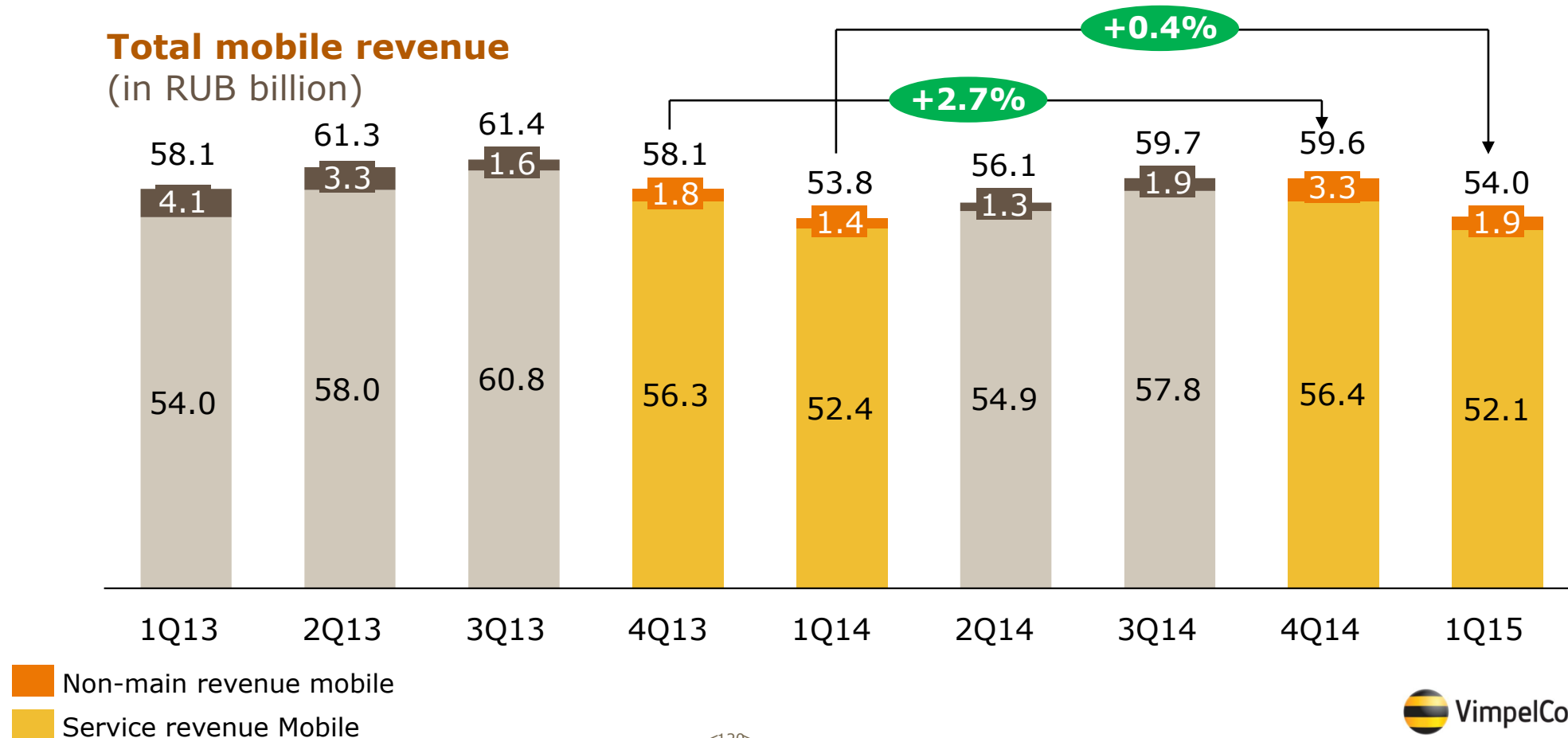


Excluding content revenue growth even higher

Total revenue
(in RUB billion)

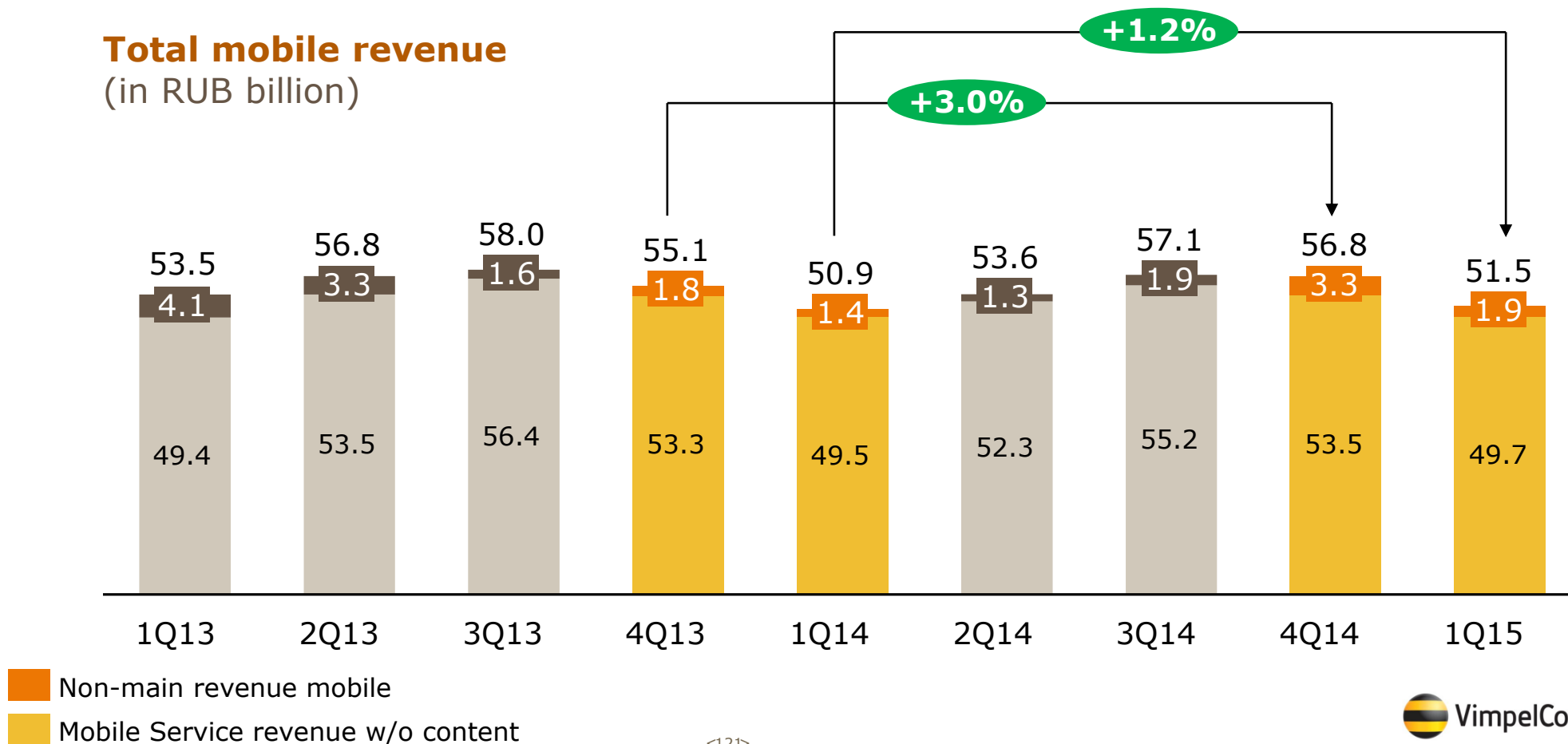


Mobile revenue growing again



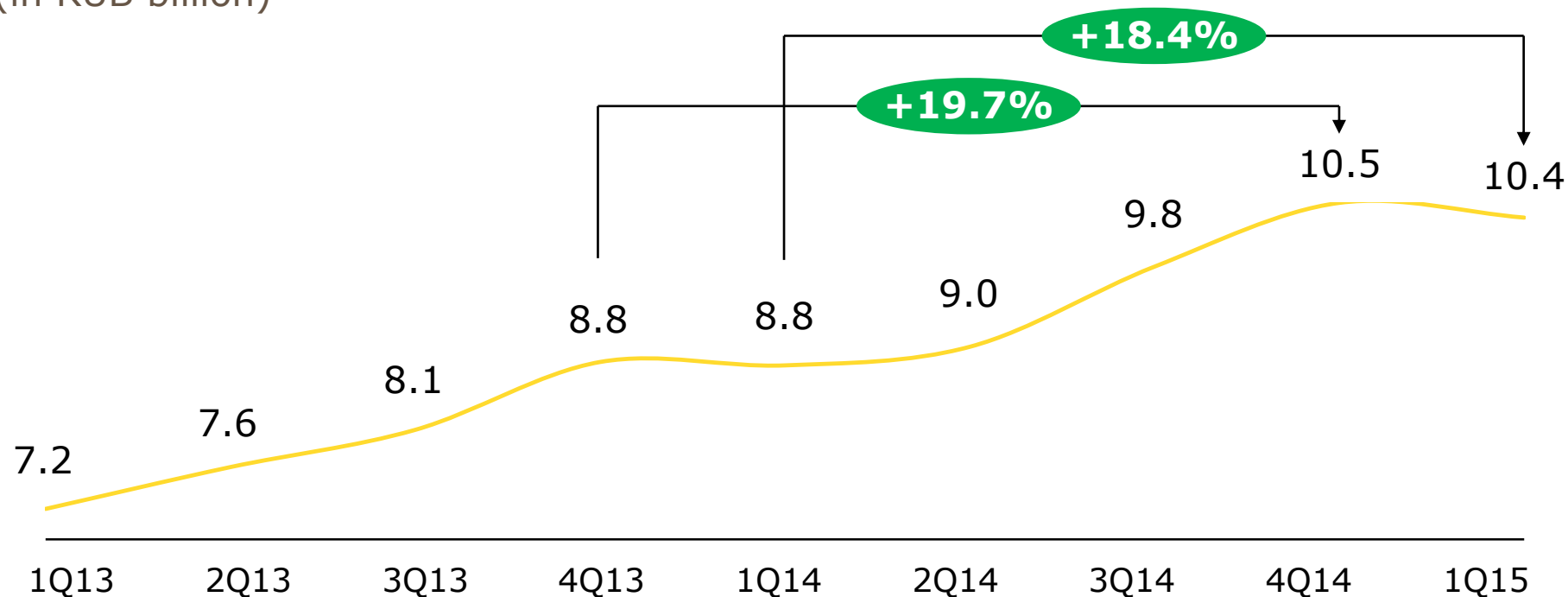
Excluding content mobile revenue growth even higher

Total mobile revenue
(in RUB billion)



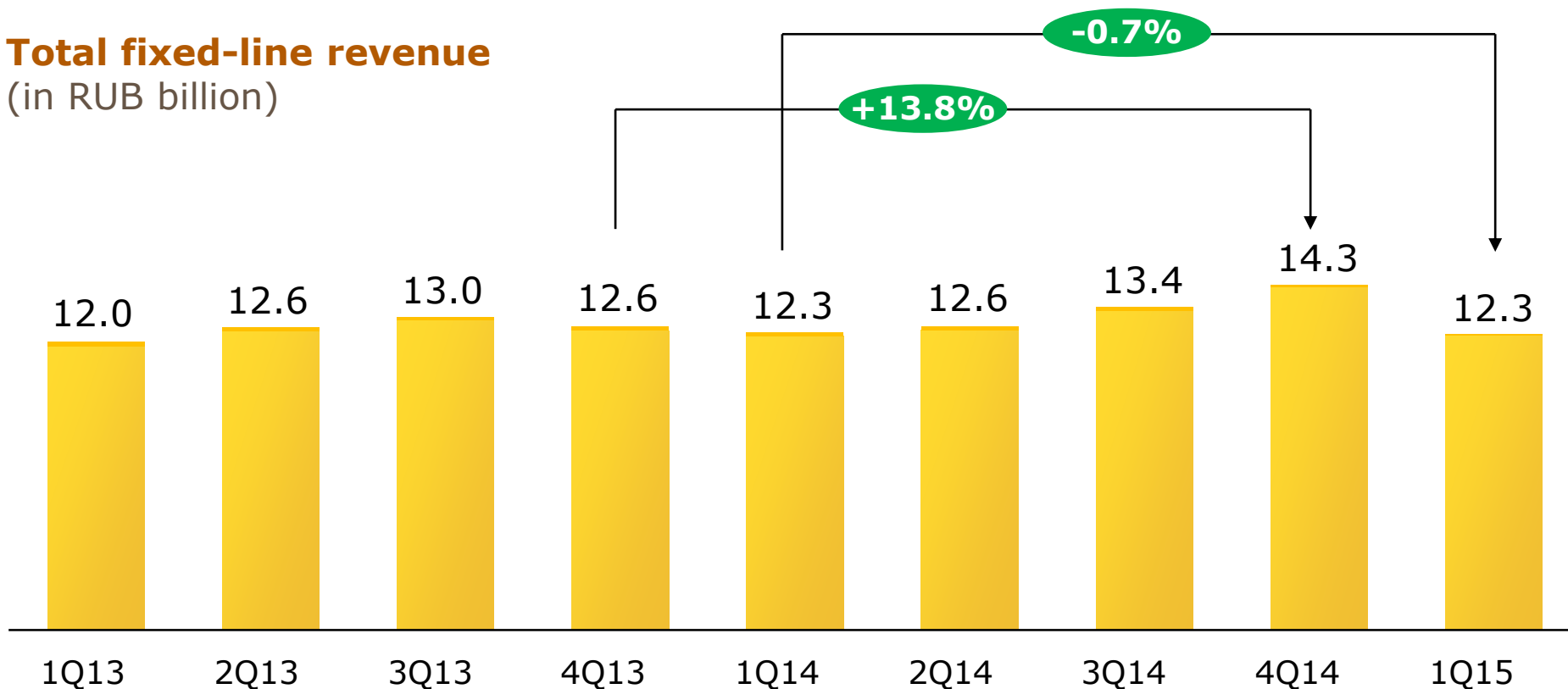
Mobile data revenue the growth engine

Mobile data revenue (in RUB billion)



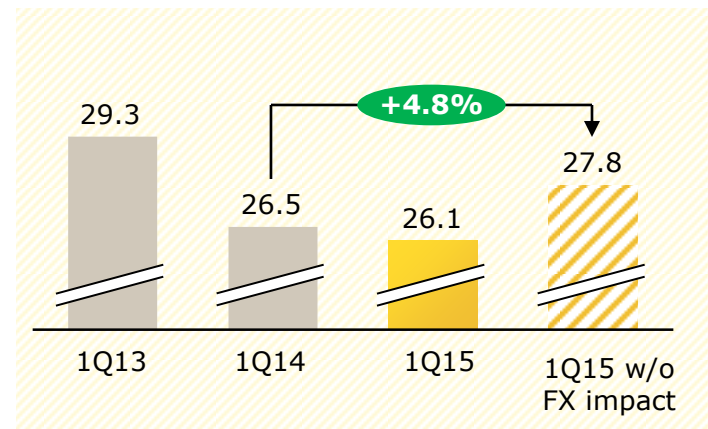
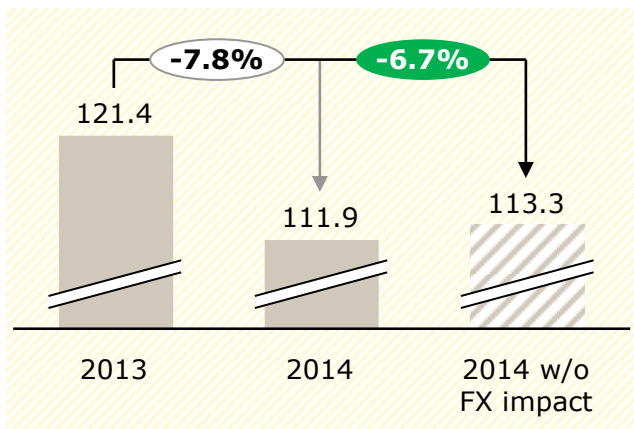
Fixed-line revenue stable

Total fixed-line revenue
(in RUB billion)

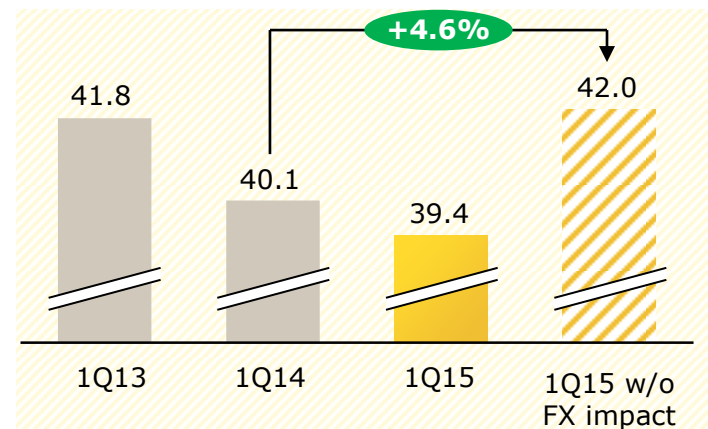
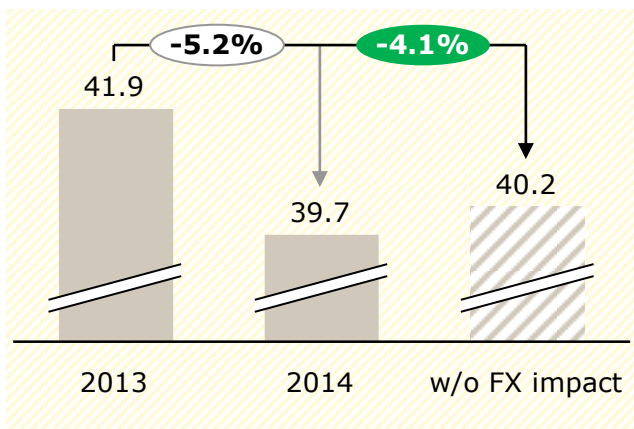


EBITDA and EBITDA margin growing, adjusted for FOREX

EBITDA



EBITDA Margin %



Operational Excellence

**Cover all the value add elements:
OPEX, CAPEX, Margins, Inventory,
Cash**

Creating a continuous improvement culture

Value generation not just cost reduction

Long-term, not just short-term, targets and solutions

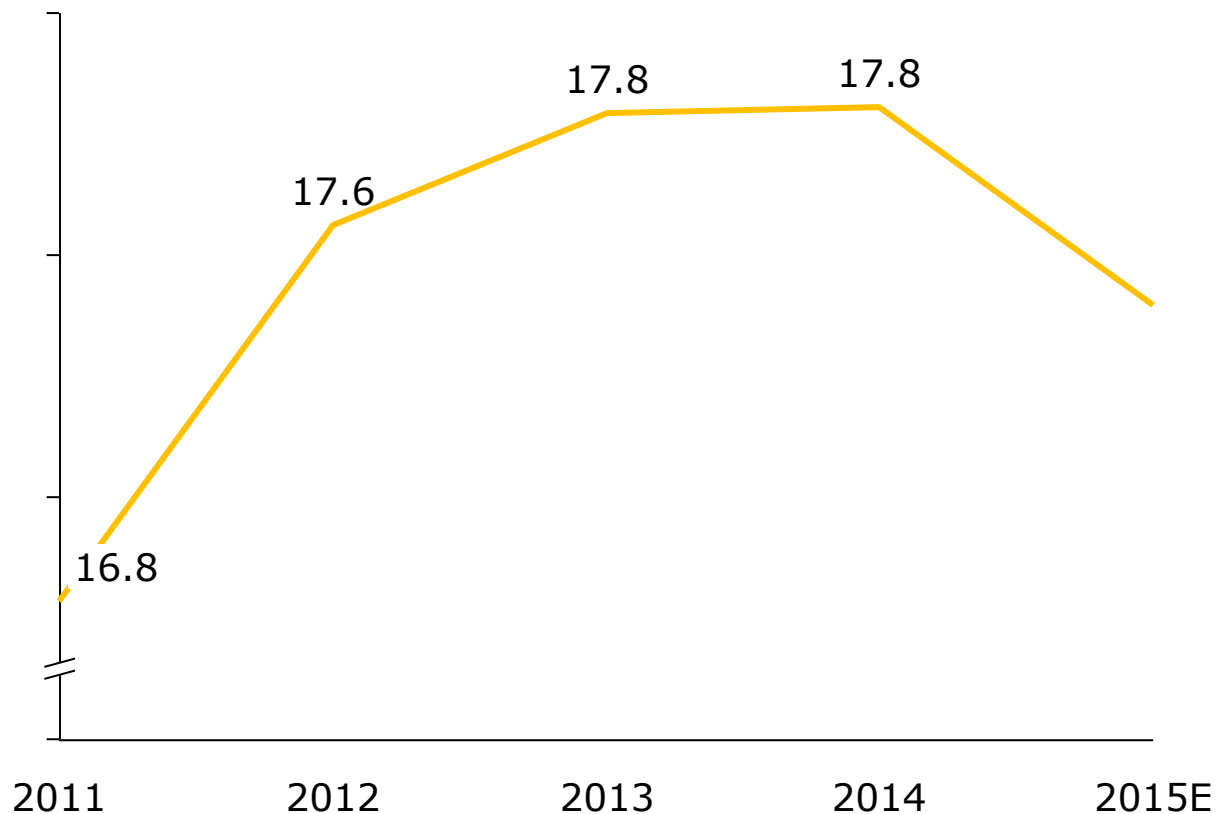
Changing the mind set regarding traditional structures, processes and practices

Go digital and use new technologies

Align personal and company goals

Integrating efficiency targets with personal KPIs

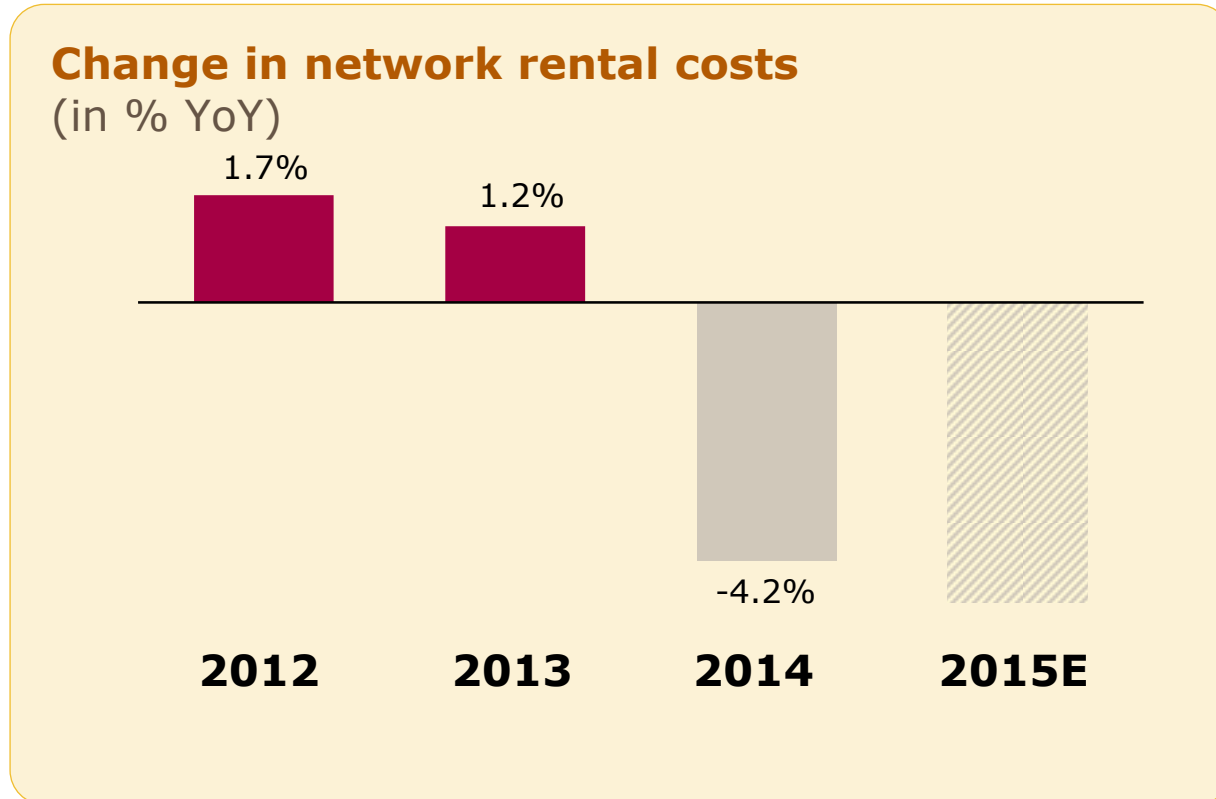
Site rental cost to decrease in 2015



- Small cell usage
- Joint negotiations and rent seeking
- Optimization of equipment set
- Motivation program for employees
- Centralized negotiations (with monopolists)

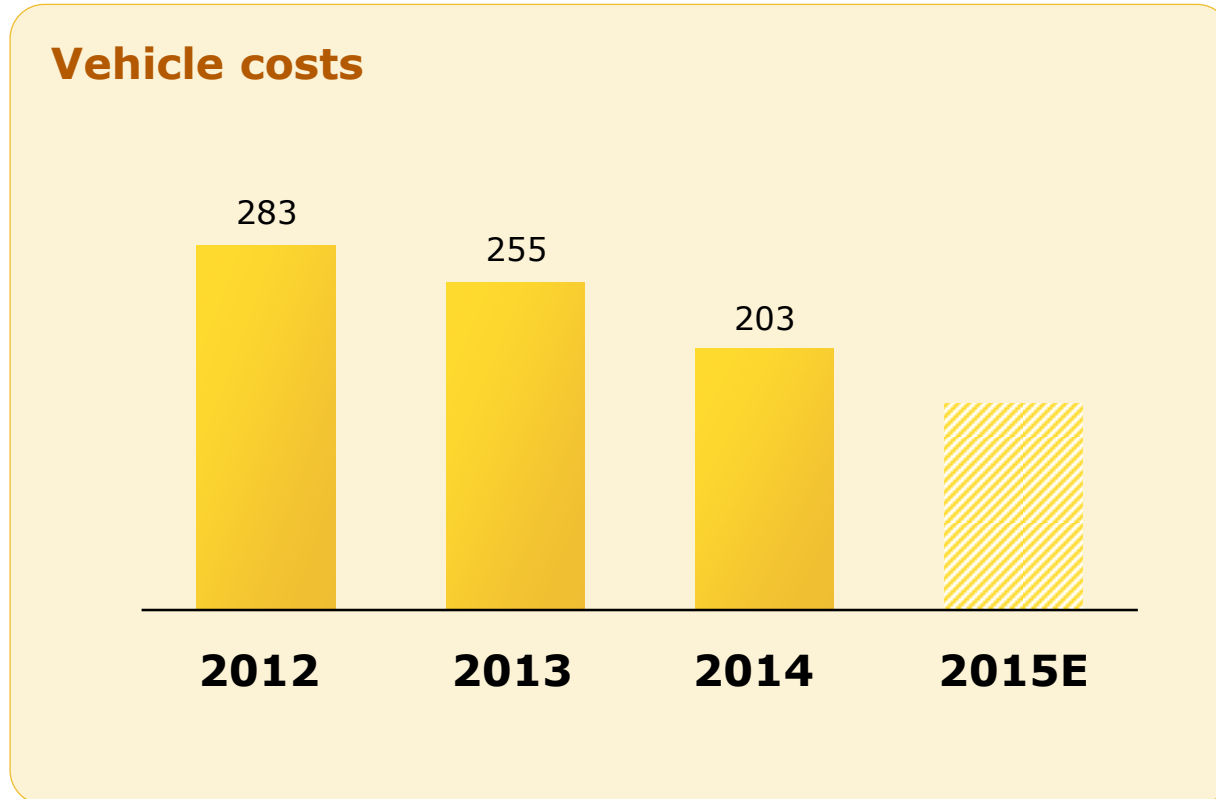
— Rent per mobile site, RUB (thousands)/month

Transportation network rental costs also decreasing



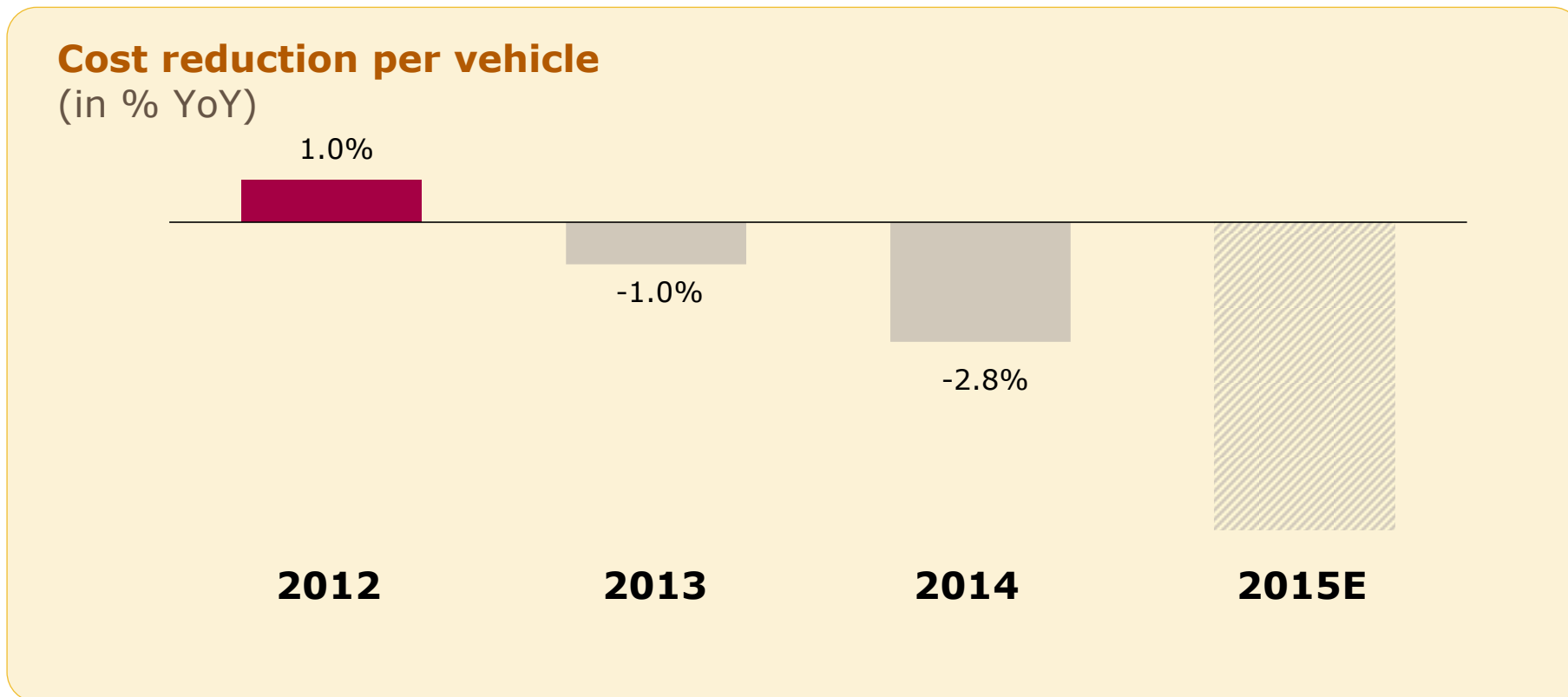
- Own network construction
- Joint construction and sharing
- Replacement of rented space channels by own space capacity
- Channel rent business process optimization
- IP-zation and SDH channel reduction

Strong reduction in vehicle expenses

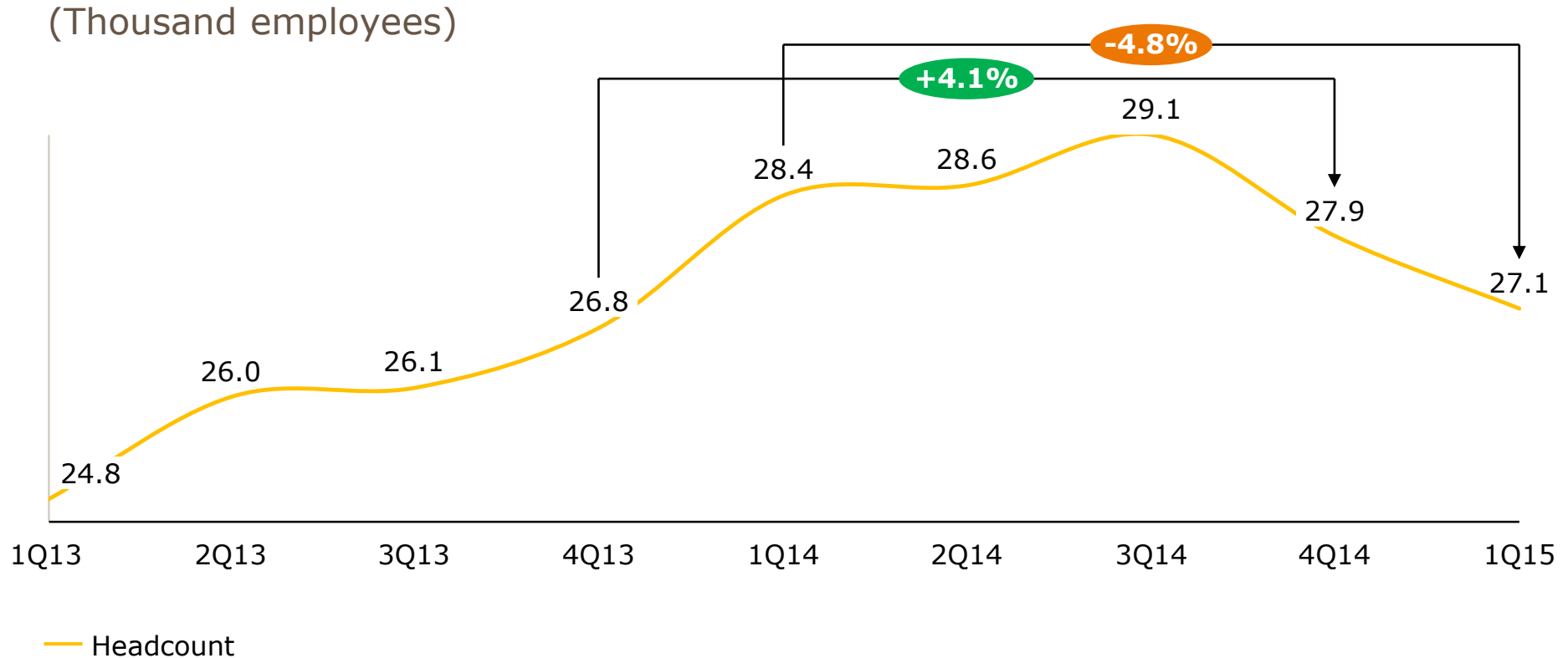


- Reduced the number of models
- Review the required number of vehicles
- New vehicle policy
- Started to use own GPS tracking system to optimize the number and usage of company's vehicles

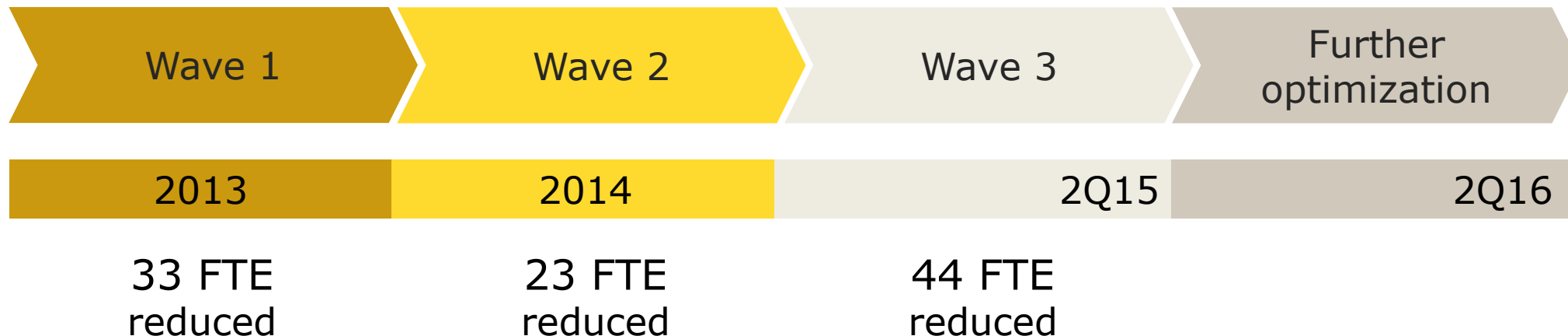
Cost per vehicle declining despite inflation



Reducing headcount without impacting front office functions



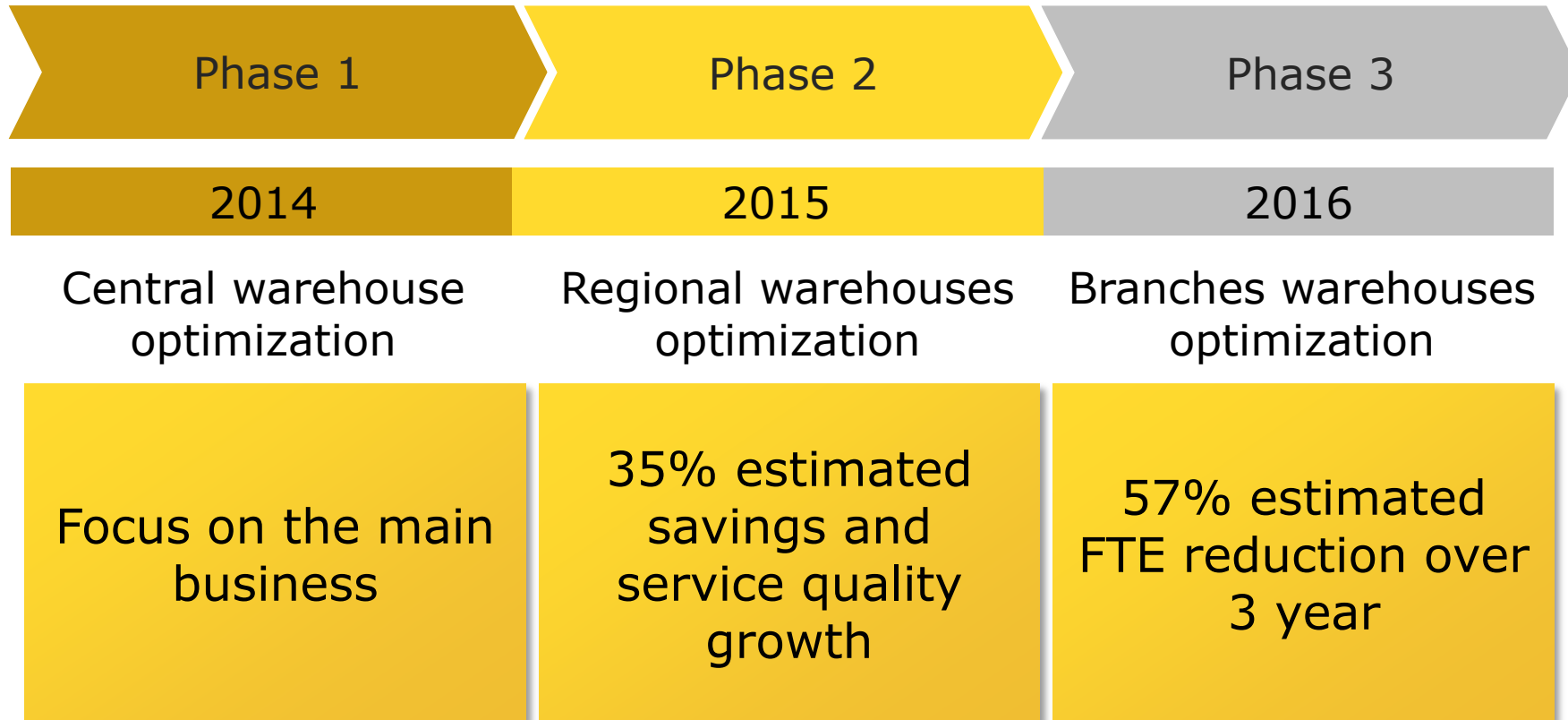
Increasing efficiencies through Shared Service Centre project



22% estimated total S&B savings per year

* Based on number of FTE transferred and FTE reduced

Three phased logistics optimization project leading to substantial savings



* Based on number of FTE transferred and FTE reduced

Improving capital efficiency

- Increased level of accountability
- Improvement of quality of investment cases and decisions taken
- Greater focus on project management
- Focus on monitoring and post investments reviews
- Tighter control
- Optimization of investment portfolio
- Optimization of planning by strategic regions
- Network sharing and outsourcing
- Vendors strategy



Strong working capital improvement

2012-2014 net working capital improved by RUB 3.1bn:

- Overall OPEX inventory decreased due to improvement of planning, logistics and obsolete inventory sale off
- Strict rules on advance payments: discounts versus advances
- 60 days of payment terms to all suppliers

Description	06.2012-12.2014	Effect
Days sales outstanding	-5%	Positive
Days in inventory	-66%	Positive
Days purchase outstanding	+15%	Positive
Days customer advances outstanding	+29%	Positive

Ruble weakness related risks

Risks of ruble weakness

- Price increase
- Pricing and supply chain – suppliers pass on currency risks to integrators
- Supplier bankruptcy
- Supply refusal



Adjusting to new reality

- All currency risks are managed individually
- Fix prices in rubles
- Price reduction by discounts, direct contracts with modified logistics schemes, currency risk compensation (flexible discount)
- Transfer to currency corridors
- All cash outflows, linked to foreign currency, are hedged for the next 6 months using FX derivatives
- For the full year 2015 USD cash outflows have been hedged at a level of USD/RUB ~61

Conclusion

- Macro environment expected to remain challenging
- Turnaround visible in YoY improvements
- Continued focus on operational efficiencies

