

Italy

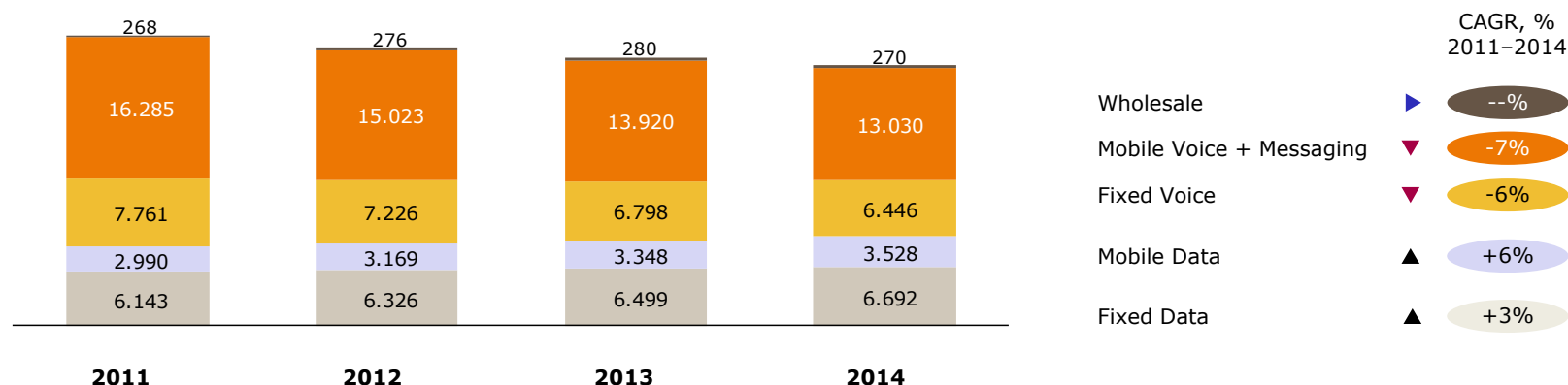
Ossama Bessada

Group Executive Vice President and Head of the Europe & North America Business Unit

Expected Market Evolution in Italy

Total Italian telecom market dynamics

(Revenues in EUR million)



Telecom market expected to decline 3.6% CAGR 2011-2014, mainly driven by Fixed and Mobile Voice reduction

Mobile:

- Mobile Voice + Messaging declining over 2011-2014 (-7%). Voice decline mainly due to MTR reduction. Excluding MTR impact the 2011-14 CAGR for Mobile Voice would be -4%
- The reduction in voice is partially compensated by increase in Mobile Data (excl Messaging) which grows 6%.

Fixed

Fixed Voice market is expected to decrease by -6.0% CAGR 2011-2014 partially offset by Increase of Fixed Data up 2.9%

Regulatory Environment and Expected Development

Termination rates

- Mobile: AGCOM proposal for MTR glide path 2012–2015 under consultation
- Fixed: 2011 values same as 2010, symmetry between OLOs and incumbent from 2012

EU commission proposal for harmonization of roaming charges under discussion

Public consultation on NGN currently ongoing, discussion tables under way at local and national level

LLU wholesale prices for 2011 and 2012 defined in 2010, subject to quality checks on wholesale performance

EU commission (Kroes) interested in pushing fibre investment through an approach that would lower copper access prices unless incumbents invest in fibre networks and switch-off the old copper networks



Market and Competitive Scenario

Mobile:

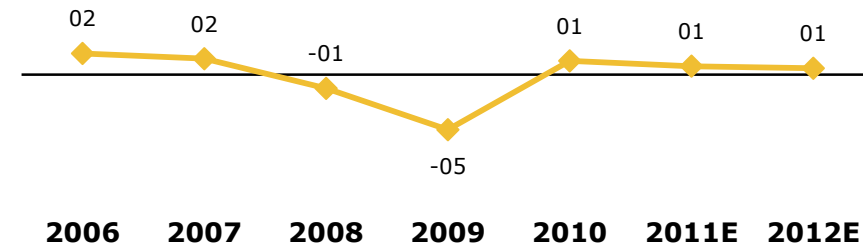
- 86% pre-paid market
- Multiple SIM market
- 151% penetration
- 2 incumbents (Telecom Italia & Vodafone) with comparable market shares

Fixed:

- Telecom Italia still dominant incumbent (70% of revenue market share)
- Voice traffic declining due to fixed-to-mobile substitution
- Low broadband/personal computer penetration vs. other European countries

Italian GDP Trend (1)

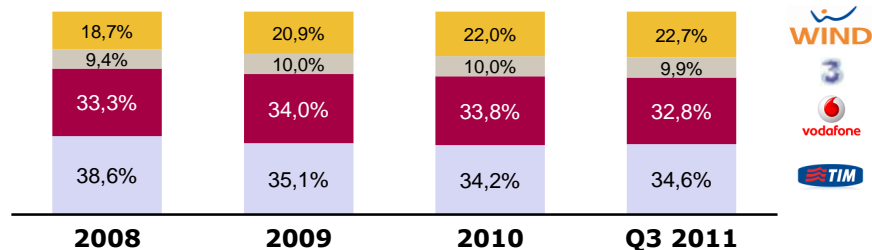
(%)



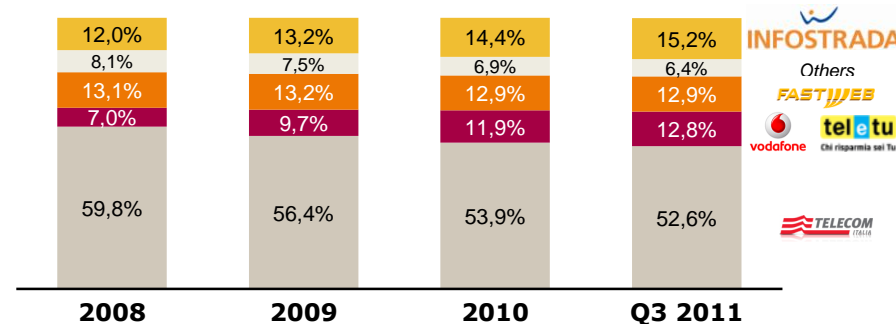
Mobile market share (on SIM) (2)

WIND Revenues value share increase 2008 - 2011 (H1)

+3.5p.p.

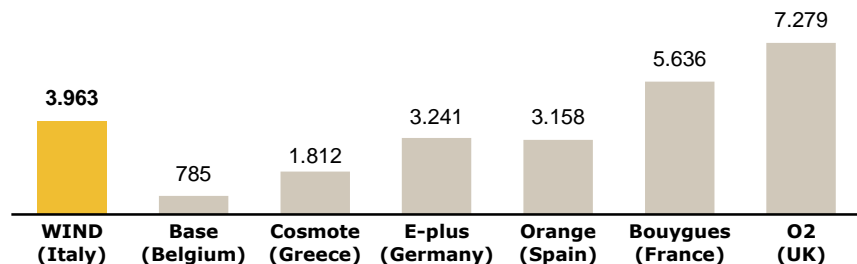


Fixed broadband market share (2)

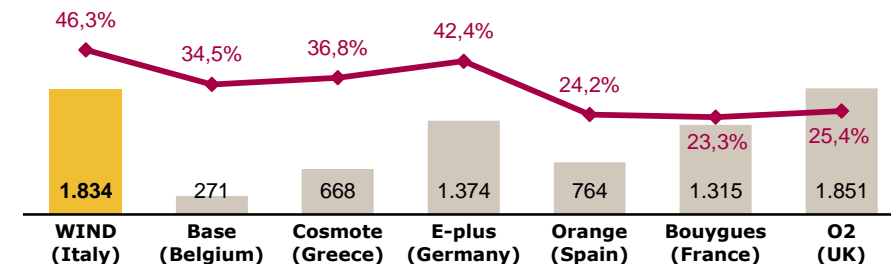


European Third Entrant Mobile Operator Comparison

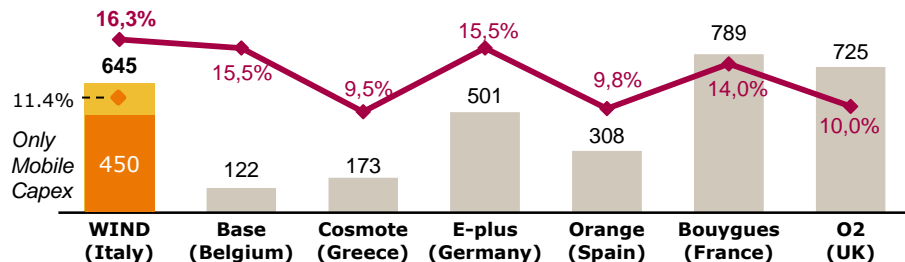
Revenues – FY 2010
(EUR million)



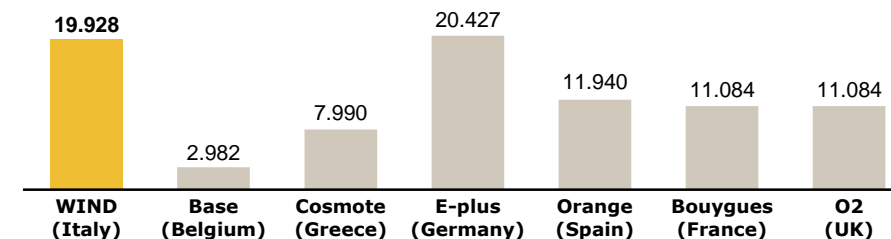
EBITDA and EBITDA Margin – FY 2010
(EUR million)



Capex – FY 2010 Capex/Revenues
(EUR million)

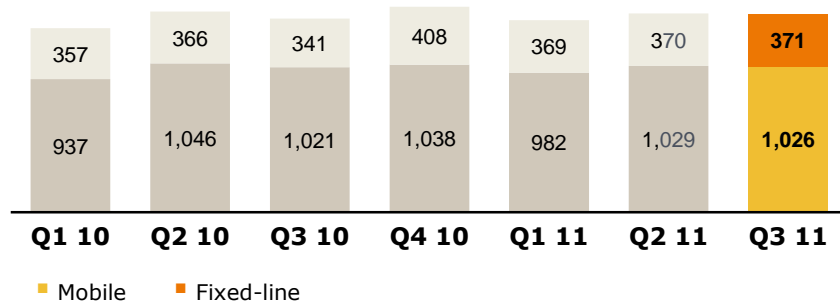


Mobile Customer Base – FY 2010
(thousands)

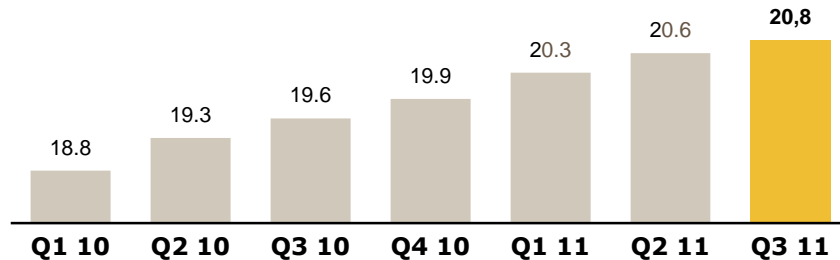


Operating and Financial Highlights

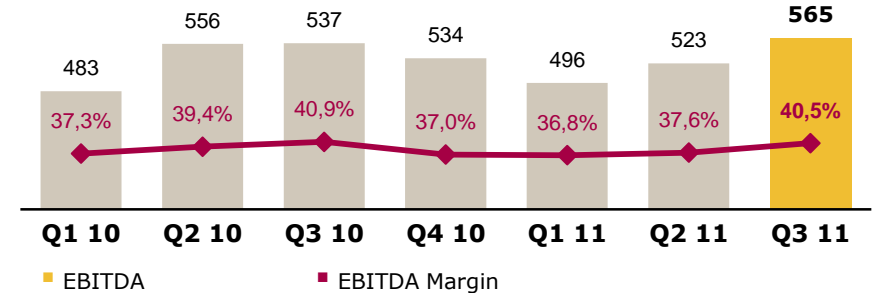
Revenues (EUR million)



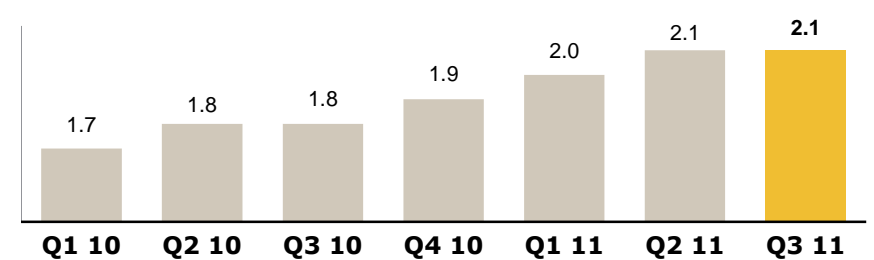
Mobile subscribers (million)





EBITDA and EBITDA Margin (EUR million)



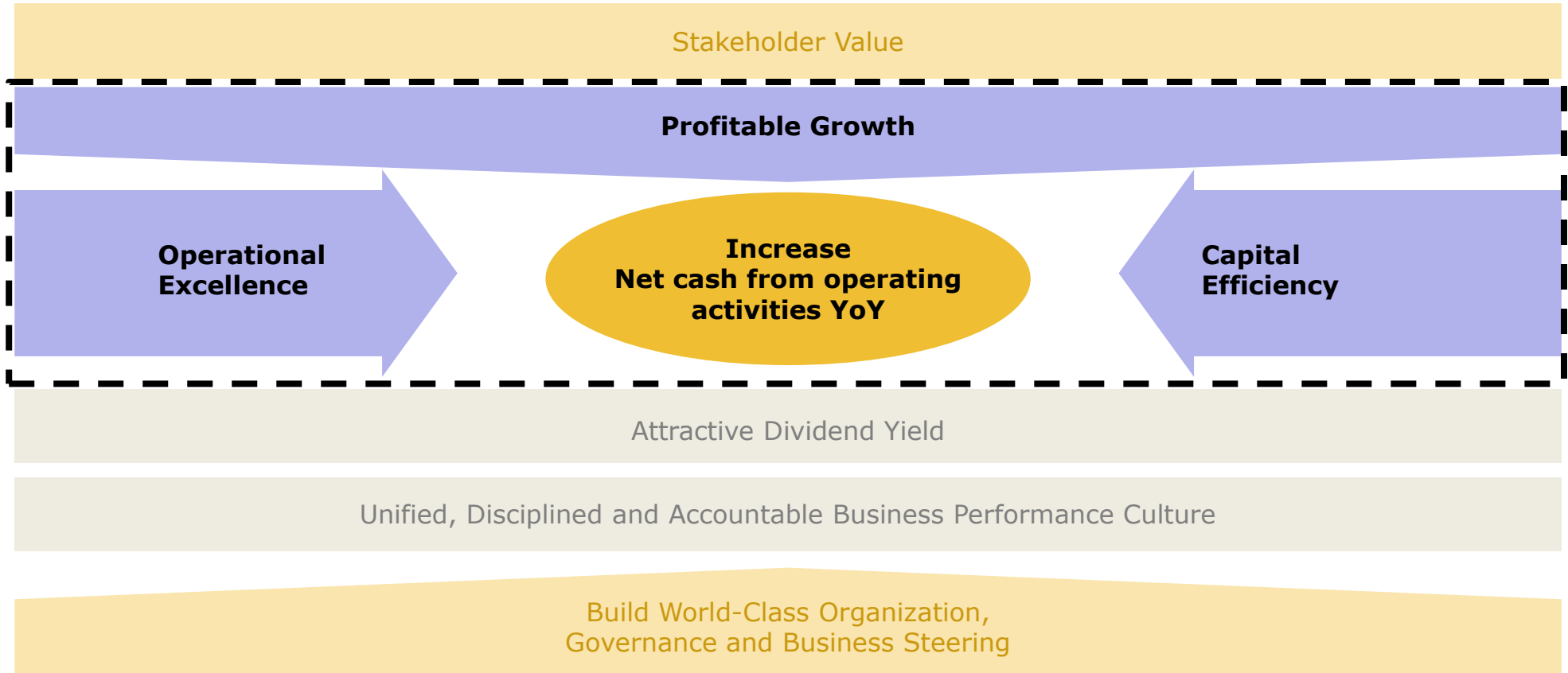
Fixed Broadband subscribers (millions)



Addressing Current Situation

	Current Situation	Actions
Revenues 	<ul style="list-style-type: none"> Competitive pressure in mobile Regulatory pressure on MTR 	<ul style="list-style-type: none"> Maintaining rational behavior; limit use of promotions Target new areas of growth Focus on all-inclusive bundles Continue to pursue on-net strategy to minimize MTR impact Focus on data growth, not impacted by MTR
Gross Margin 	<ul style="list-style-type: none"> Increase of monthly access fees in relation to higher LLU/WLR monthly fees 	<ul style="list-style-type: none"> Retail prices increased in Jan. 2011
Opex		
Technical	<ul style="list-style-type: none"> Increase in OPEX tied to expansion of network infrastructure 	<ul style="list-style-type: none"> Vendor consolidation Site sharing
Commercial	<ul style="list-style-type: none"> Increase in commercial OPEX tied to competitive environment and larger distribution footprint 	<ul style="list-style-type: none"> Opportunistic review of media presence
Other	<ul style="list-style-type: none"> Higher costs of personnel mainly driven by renewal of the collective agreement which led to a new contractual installment increase Increase in collection times on fixed line SME/SOHO 	<ul style="list-style-type: none"> Maintain current headcount Increase productivity Improve collection effectiveness
EBITDA	<ul style="list-style-type: none"> Slowdown of top line coupled with costs associated to competitive dynamics 	<ul style="list-style-type: none"> Maintain rational pricing behavior

Focus in Value Agenda 2012-2014





1 Profitable Growth

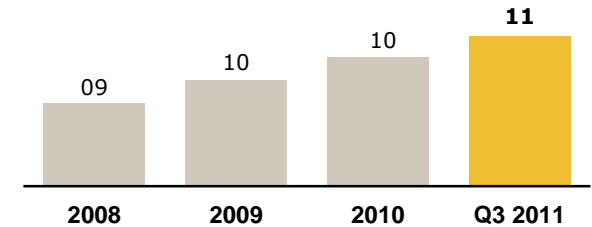
Focus on high value customers and up-selling to existing customers

Core Offer Pre-paid

- A clear, simple and transparent approach to the market based on "option plans concept"
- Leverage on off-net options (Noi Tutti family) to attract new customers from competitors
- Push on-net portfolio offer (Noi Wind family) to extend Wind community
- 75% of customer base has at least one option plan
- Maintaining leadership position in the ethnic segment



Noi "community" (Million SIM)

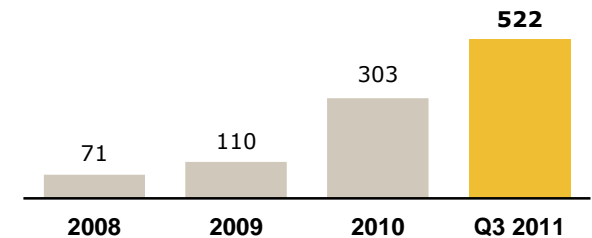


Post-paid

- CB reached 522K in Sep '11
- Four 'All Inclusive' bundle offerings including Voice, SMS, Internet browsing and Smartphone
- Strong performance for SIM only version
- Bundle offerings are part of convergent offering from Wind and Infostrada
- Loyalty program providing benefits for all customers



Post-paid customer base (in Thousands)

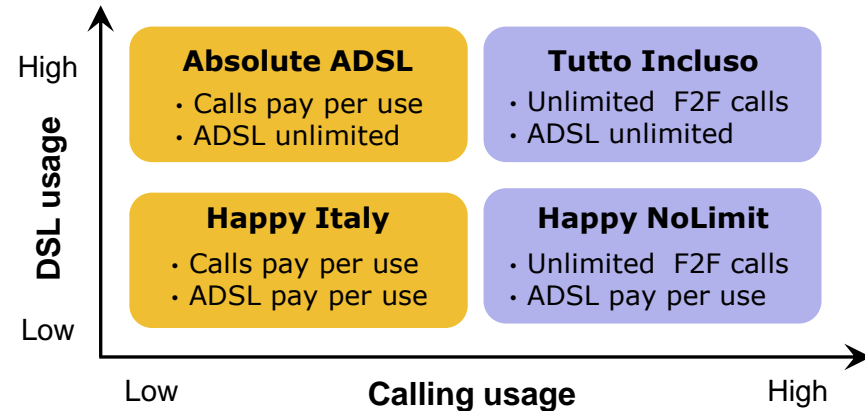




1 Profitable Growth

Focus on high value customers and up-selling to existing customers

Infostrada product portfolio-Only Fixed



Infostrada Offer Driver

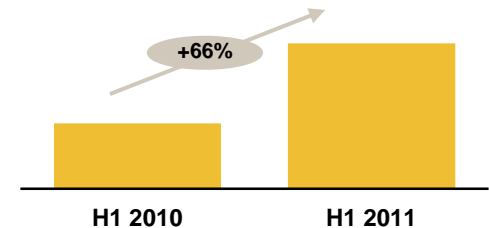
- **Simple** and **complete** product portfolio positioned as best in value for money
- Focus on **2P offers** to leverage **ADSL growing** demand
- Same offer nationwide (LLU/WLR) to exploit ADV synergies

Convergent Offer

- New organizational structure in place to offer convergent proposition for consumer and corporate segments
- Infostrada products and services increasingly sold in the WIND shops
- Harmonization of look and feel between WIND and Infostrada brands
- Launched in 2010 a commercial bundle, Super Tutto Incluso, which combines the Tutto Incluso dual-play offering with a postpaid mobile offering in one monthly bill.

Net acquisition consumer + micro. (thousands)

- Net acquisition consumer + microbusiness on Pull sales channels (**Shops mainly** + inbound telesales + web)
- 18% of fixed-line sales are through WIND's shops

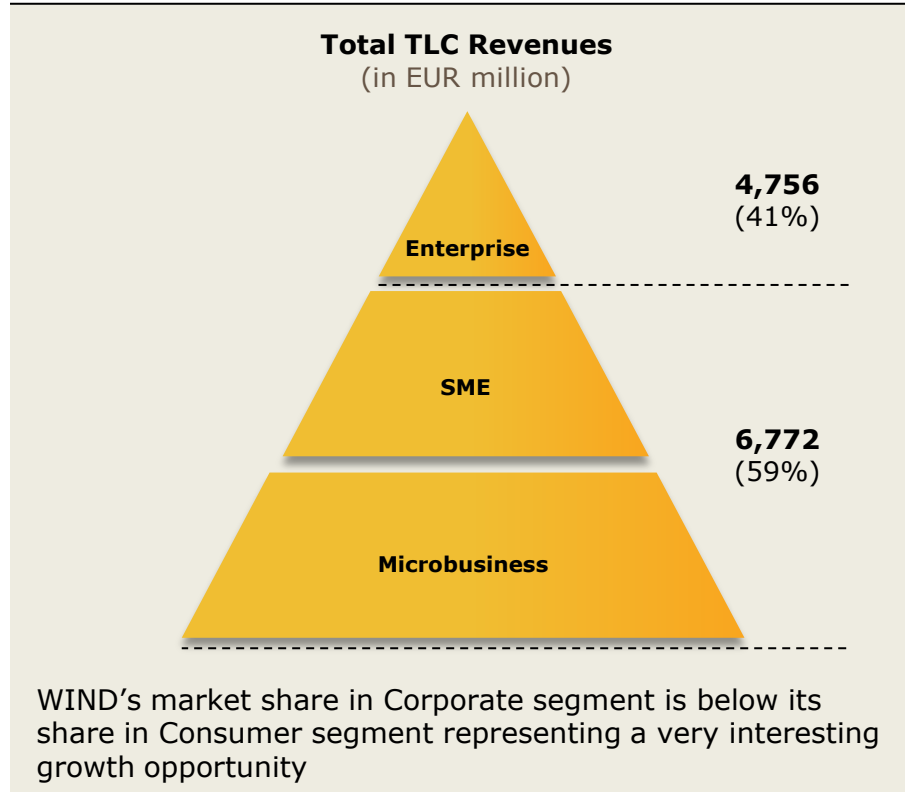




1 Profitable Growth

Focus on high value customers and up-selling to existing customers

Coporate Market Value

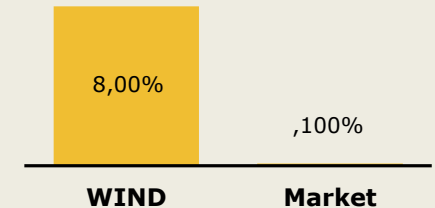


Strategic Drivers

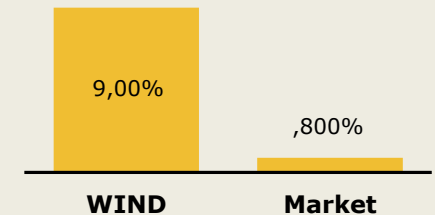
- Convergence
- Quality of Service (i.e., dedicated support structures and SLAs)
- Managed services (e.g., unified communication, security, energy management)
- ICT Applications
 - Mobile app store
 - Collaborative CRM
- Cloud Services: IaaS/SaaS

Business Results

Enterprise Revenue Growth 2011 vs. 2010



Micro & SME Revenue Growth 2011 vs. 2010





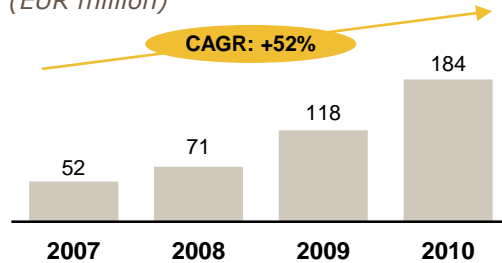
1 Profitable Growth

Surf the Broadband wave

Mobile

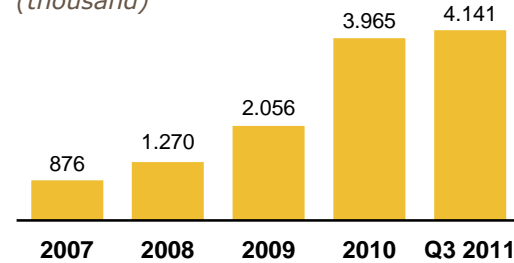
Broadband revenues

(EUR million)



Broadband customers *

(thousand)



Internet

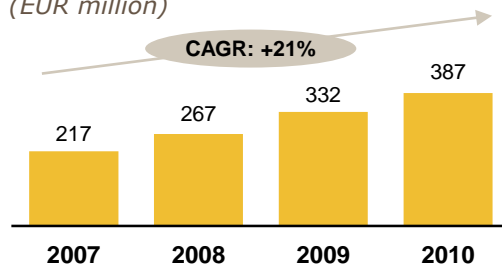
- Smart choice for Mobile Internet navigation
- Simple portfolio mainly based on "Unlimited" offers with fair usage policy and no extra cap (first mover in the market)
- Strong focus on customer experience improvement
- 26% of Wind calling customers browse on Mobile Internet



Fixed

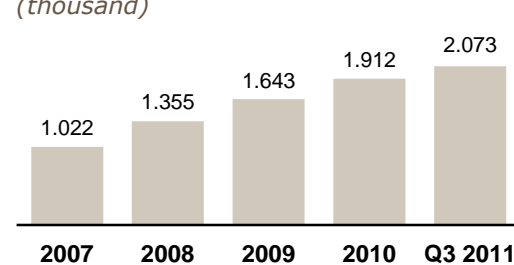
Broadband revenues

(EUR million)

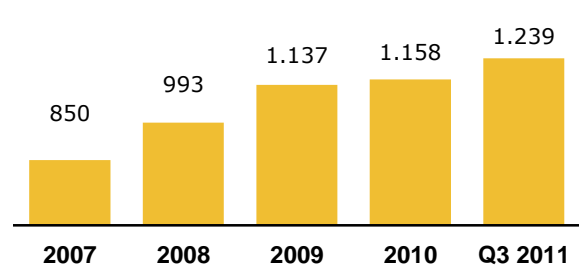


Broadband customers

(thousand)



Unbundled sites



2 Operational Excellence

Relentless Effort to Improve Customer Satisfaction



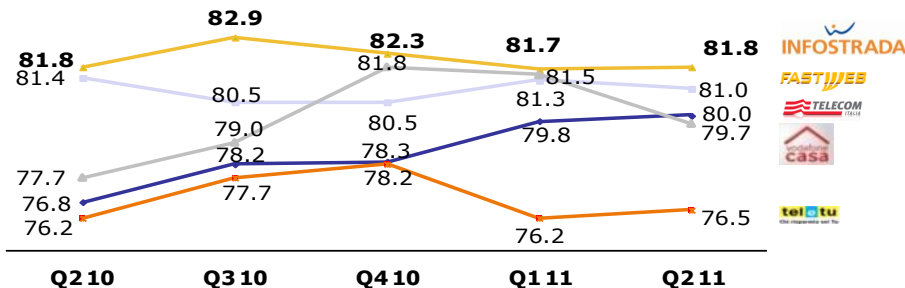
- Maintain leadership in customer satisfaction
- Continue relentless improvement of Customer Care effectiveness both for mobile and fixed
- Keep a strong focus on customer retention and maintain a lower than market churn rate
- Continue the build up of "WIND community"
- Defend leadership acquired in geographic and market segments (e.g. Centre/South market leadership and ethnic markets)

CRM

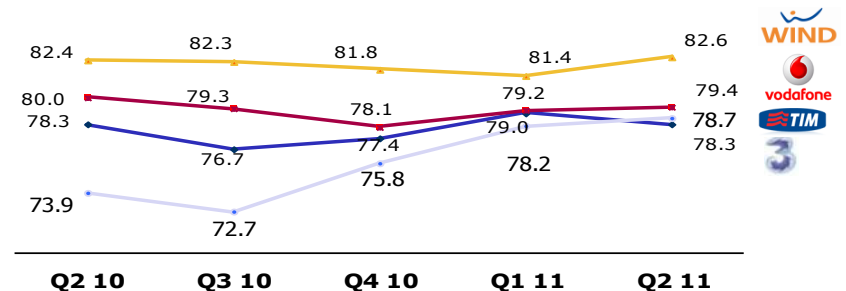
- Push on cross selling and up selling to migrate customers on option plans with higher value in terms of ARPU and margin.
- Strong effort to defend High Value Customers from increasing MNP pressure



Customer satisfaction index (Fixed)



Customer satisfaction index (Mobile)



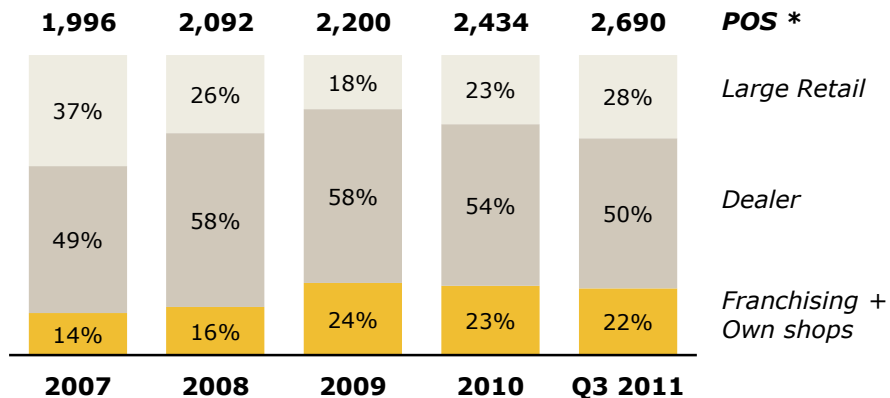
2 Operational Excellence

Strengthen Distribution

Wind image differentiation compared to competitors



Sales and distribution network

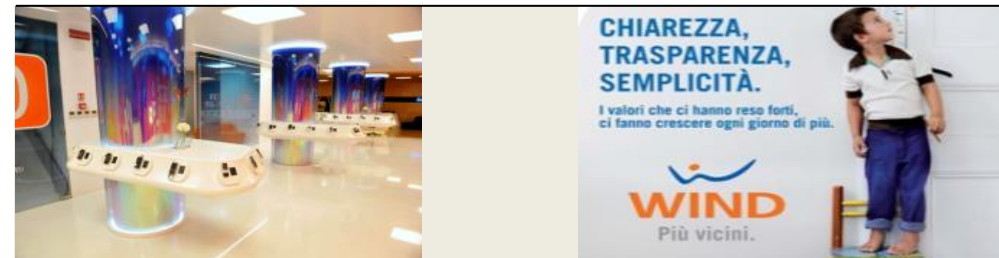


Strengthening distribution

- WIND has a nationwide sales and distribution footprint comprised of over 2,300 sales points
- Selected initiatives launched to improve Wind's brand image and distribution platform include:
 - ▶ Acquisition of 126 Wind-owned shops mainly located in shopping malls during 2009
 - ▶ Provision of one-shop experience and staff training to realize cross-selling opportunities
 - ▶ Improved and enlarged agent sales force
- Acquisition in June 2011 of a minority stake in SPAL TLC (its main distributor)
- WIND plans to continue investment in areas where it has limited presence and high growth opportunities

Brand and Advertising

- WIND continues to invest in its distribution through owned shops and franchises which have gone through a comprehensive restyling
- A concept store was opened in top location in Milan in 2010 and in Rome in 2011
- Institutional campaign "Più vicini" (Closer to you) to enhance the brand values of customer intimacy and being part of a community recently renewed to push on the concept of being clear, comprehensible, transparent



2 Operational Excellence

Investments to Support Growth



Key transformation projects

Site Sharing

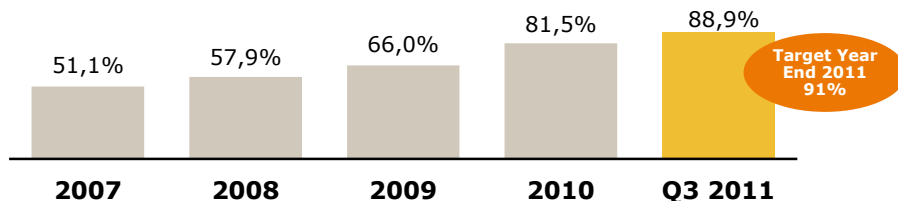
- First phase completed in Q1 2011, involving over 1,000 sites
- Average 50% saving on rental costs for shared sites
- Now in second phase of implementation, with additional 1000 sites, to be completed by mid 2012

IT Strategic Sourcing of Application Development/Management

- Vendor consolidation, 5 year engagements, leveraging off-shoring
- Time-to-Market reduction through new operating model
- Significant productivity improvement over the 5 years in the Application Development activities
- Over 25% saving against the 5 years TCO baseline, now running in first year of operation

Phoenix (new CRM platform)

- Program to completely renew the CRM platform by consolidating 3 legacy systems, providing more efficient development, enhanced features and flexible management of the customer base
- Deployment completed, currently in final stage of consumer customer migration



Network structure*

Mobile network

- **GSM** network completed: reached **99.7% population coverage** with GPRS/EDGE nationwide coverage
- **HSDPA** network developed: **88.9% population coverage**, with plans to expand further, **14.4 Mbps** available in all major Italian cities

Fixed network

- **1,239 LLU sites: c. 54% direct population coverage** in all major Italian cities with plans to further expand the coverage
- **Nationwide WLR** utilization in order to cover areas with no LLU coverage

Fixed network

- More than **21,000 km of solid fiber optic backbone** supporting fixed and mobile businesses

3 Capital Efficiency



Benefit from Capex and Opex synergies within the larger VimpelCom group

Leverage scale to negotiate better terms for terminals procurement

Drive development and specifications mainly in relation to CPE and terminals

Selectively explore alternative structures to optimize Network costs, including infrastructure sharing

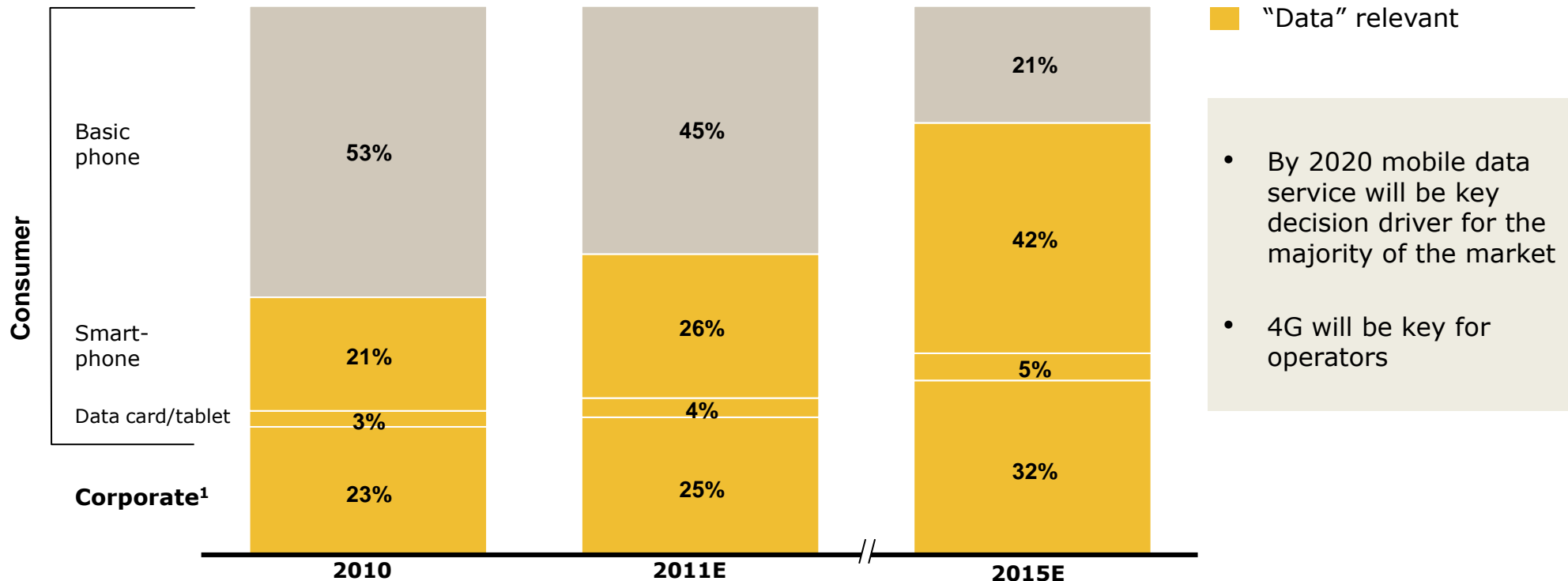


Driving data growth in the future:
*Focus on Italian 4G/LTE
Frequencies Auction*



Expected Market Evolution

Italian market revenues split by device

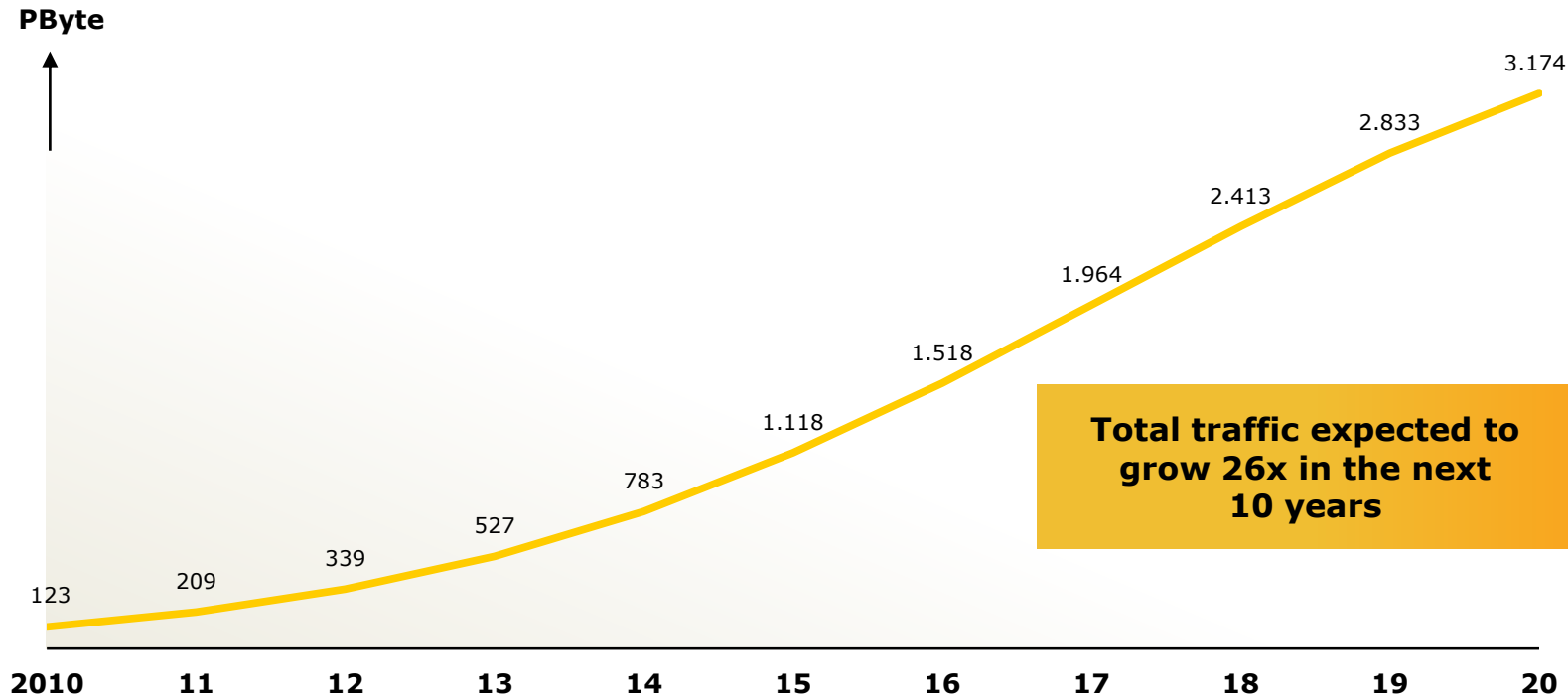


1. Includes Wholesale and other TLC revenues

SOURCE: team analysis on IDC (Q1 2011); Yankee Group (Q1 2011); Strategy Analytics (Q1 2011); Pyramid (Q2 2011); Cisco (Feb 2011); Merrill Lynch Wireless Matrix (Q1 2011); Deutsche Bank - Overview of the Italian Telecoms market (Q1 2011)

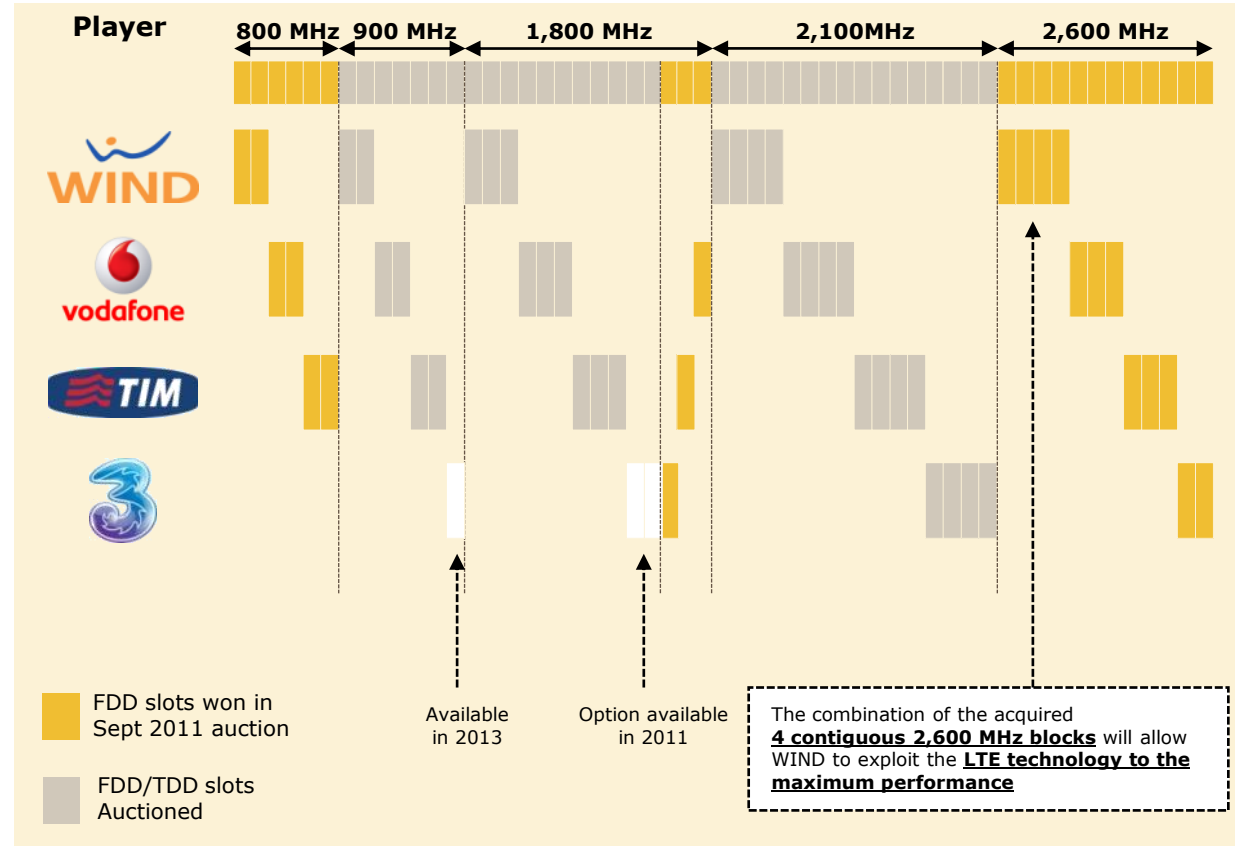
Mobile Data Traffic Expected Growth

Italy, 2010-2020, PByte



4G/LTE Auction Final Outcome

- The acquired frequency cost a total of EUR 1,120 million of which EUR 682 million paid at the beginning of November; the remaining outstanding amount will be payable over five yearly installments starting from end of 2012
- The first spectrum payment was funded by €182 million of cash on hand and a €500 million loan from WAF.
- The 2,600MHz spectrum will be available by the end of 2012 whereas the 800MHz spectrum will be available for use by the awardees at the beginning of 2013 and both will have a validity until 2029.



The 4G/LTE Opportunity for WIND

Mobile Data will increasingly become the key decision driver for the majority of the market:

- MTRs expected to decline over the coming years reducing incoming voice revenues
- Voice tariffs will continue to be under pressure
- Data will grow both in terms of consumer demand and in terms of corporate demand, including M2M applications – volumes of data expected to grow 26x over 2010-20

4G allows to step-change customer experience in mobile data :

- More content downloaded in same amount of time; relevant for data intense services such as music or video
- “Always-on” service experience
- Better response time between sending and receiving data, making real-time applications possible (e.g., VoIP, gaming)
- Lower cost/Gbyte

For WIND 4G is critical to ensure:

- Ability to capture mobile broadband revenue upside
- That main competitors do not have a structural advantage
- Ability to bundle voice with data and avoid revenue loss

Conclusions

Continue to outperform in a highly competitive and declining market

Profitable growth

- Focus on new growth areas
- Defending critical and traditional success factors
- Maintaining leadership positioning in key segments

Operational excellence

- Maintain leadership in customer satisfaction
- Leverage extensive network to serve fixed, mobile and convergent strategies
- Unleash value through outsourcing of non-core network services and explore tower/NTW sharing

Capital efficiency

- Benefit from synergies within the larger VimpelCom group
- Explore alternative network structures

- WIND has outperformed the Italian market for the last 6 years
- Opportunity for growth in low market share segments for WIND, mobile data and corporate, allowing for substantial upside
- Experience and expertise in mobile data monetization
- Free cash flow generating machine with potential for dividend to VimpelCom
- An important element of the overall VimpelCom portfolio of assets

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