

Operational Value Creation

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VimpelCom
Analyst &
Investor Day

Mobile Access Core Product but New Mindset Needed



Winners will be Mobile Telcos with the right cost base and greater capital efficiency



Data services must be priced on speed of access with volume



Tower sharing, outsourcing and network sharing are a new reality



High value subscribers coupled with customer satisfaction is increasingly important



Partnerships with OTTs will be qualifier factor

It's all about Creating Value

VimpelCom's value creation philosophy is based on Performance Management and Empowered BU Management



What it IS about

- ✓ A shared operational strategy to drive execution
- ✓ Achieving synergies
- ✓ Rewarding performance

What it IS NOT about

- ✗ Controlling details
- ✗ Centralized decision making
- ✗ Boundaries to initiatives

How?

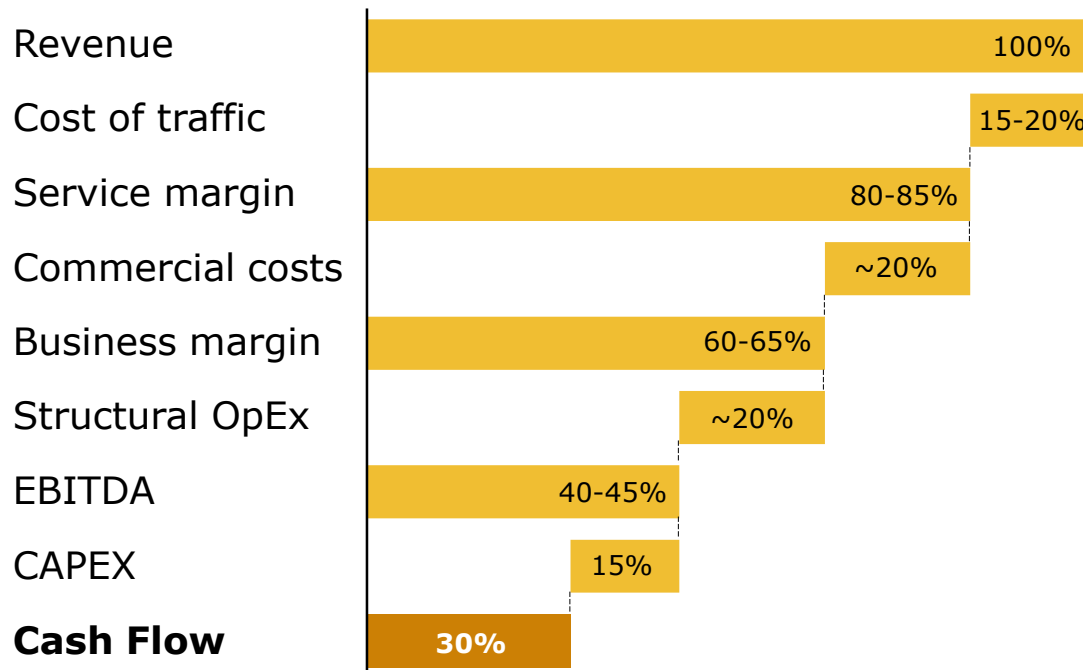
OpCo performance board as a governance tool

Who	<ul style="list-style-type: none">• Group's COO, CCO, CTO, Business Control• BU CEO and management
When	Monthly or bi-monthly meetings
Where	HQ travels to the BUs
What	<ul style="list-style-type: none">• Operational and financial KPIs• Specific deep-dives• Strategic projects / Global initiatives

Cash-flow Creation Framework

Cash-flow scheme

%



Levers to be used

- A Superior pricing and profitable growth
- B Optimize distribution and reduce churn
- C Operational excellence
- D CAPEX efficiency

A Profitable Growth with Integrated Bundles

Priorities for mitigation

- Offer **integrated bundles** (voice/SMS/data)

EXAMPLE - WIND

OFFERTE ALL INCLUSIVE PER ABBONAMENTO

SMART	SILVER	UNLIMITED
400 MINUTI/mese verso tutti	1000 MINUTI/mese verso tutti	MINUTI ILLIMITATI VERSO TUTTI
MINUTI ILLIMITATI verso un numero Wind	MINUTI ILLIMITATI verso un numero Wind	
400 SMS/mese verso tutti	1000 SMS/mese verso tutti	SMS ILLIMITATI VERSO TUTTI

TRAFFICO INTERNET ILLIMITATO DA SMARTPHONE

SIM EDITION Costo mensile in promozione		
22 15 EURO	40 25 EURO	60 35 EURO

FULL EDITION Costo mensile in promozione		
25 18 EURO	50 30 EURO	75 50 EURO

EXAMPLE - KYIVSTAR

Tariffs and Services

Prepaid Contract

Phone internet Computer internet Tariffs Activation

Internet without limits
Unlimited access to Internet
Order *154*1
Subscriber fee 1 UAH/day

Internet-bundle «Search»
100 Mb per month
Order *221*508*
Subscriber fee 30 UAH/month

Internet-bundle «Conversation»
700 Mb per month
Order *221*508*
Subscriber fee 60 UAH/month

Internet-bundle «Entertainment»
3000 Mb per month
Order *221*508*
Subscriber fee 115 UAH/month

EXAMPLE - BEELINE

Популярные тарифы

Go!

Ноль сомнений

«Всё включено»

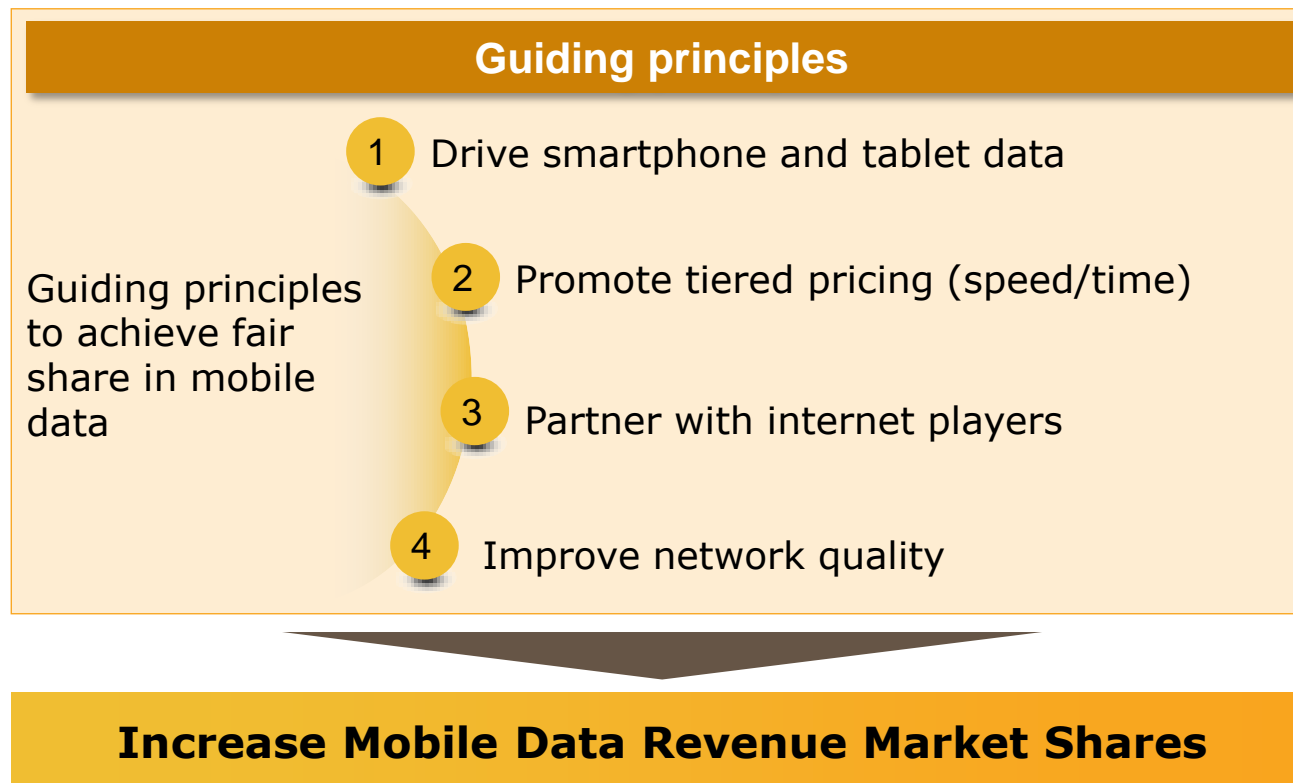
Звонки на любые номера
Звонки по России и в СНГ
Интернет на планшете/iPad

Звонки на любые номера
Для звонков из области
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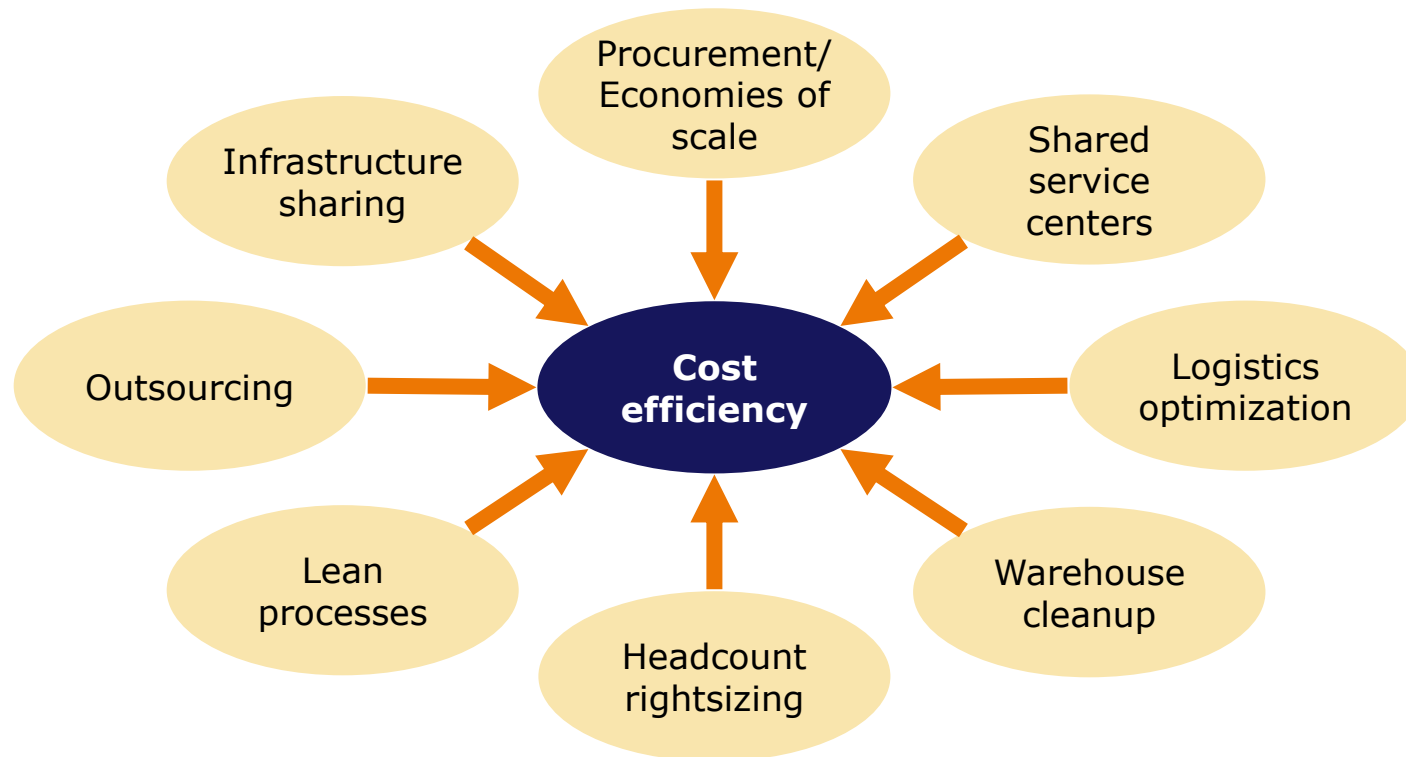
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B Mobile Data and Churn Reduction Key Priorities



C Operations Cash Flow* Improvement Potential USD 2 billion in 2013 – 2015



- Holistic approach, covering all company's processes
- Typical impact can range from 10-15% cost reduction
- Group's standards on methodology and benchmarking
- Continuous improvement culture established (day after day, month after month)

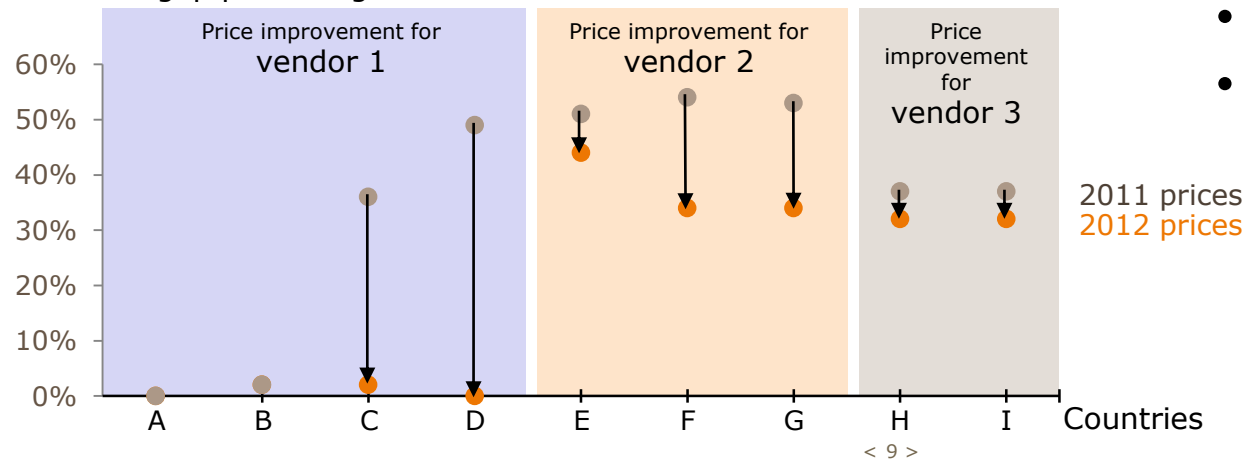
D Leverage Global Scope through Technology Procurement

Outsourcing perimeter enlargement:

	Field Maintenance	Network Maintenance + Operation Center	Network Build	Managed Capacity
# of OpCo's	13	4	3	1
2012 Growth	+1	+2	+2	+1

Example of Price level improvement achieved in 2012: Access – 3G– Price level

Price level gap percentage



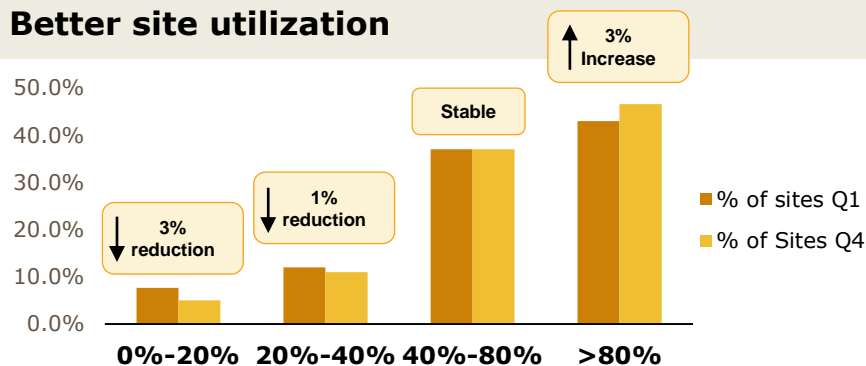
Technology Procurement

- Center-led model
- Cross border synergies
- Center-led knowledge sharing and support

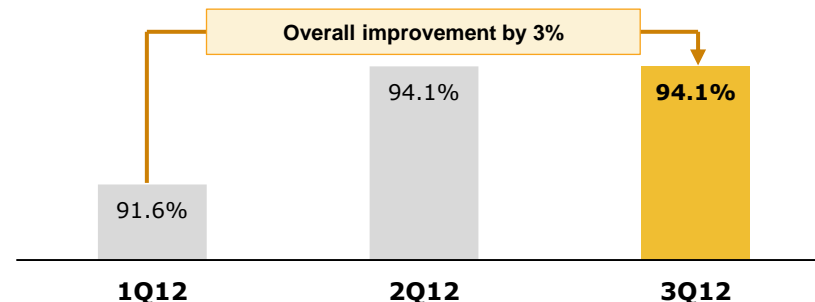
D From CAPEX to CAPEX Efficiency: "Sweat the Assets"

Improved Network Utilization, Performance and Quality

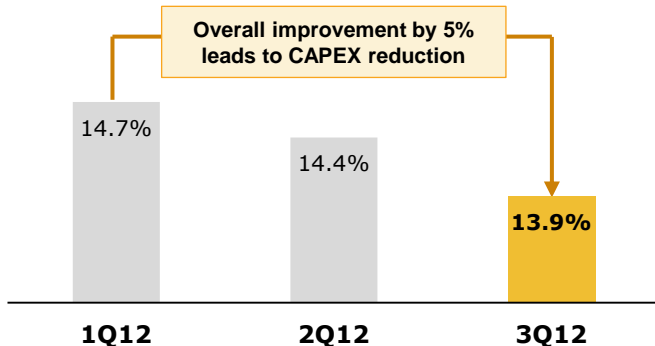
Better site utilization



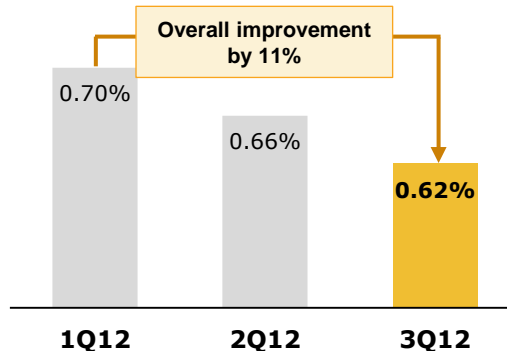
Capacity utilization at busy hour



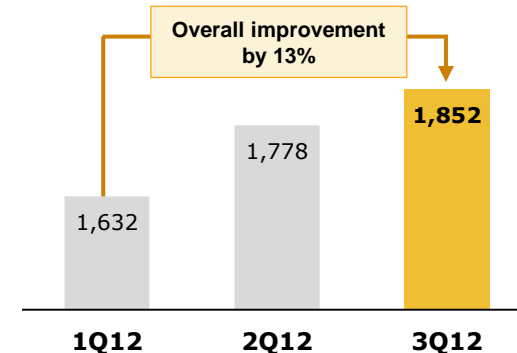
Traffic dispersion (1st and 2nd busy hour)



Call Drop Rate



3G average speed per subscriber



Conclusion

- Mobile Access Core
- Mobile Data and Churn Reduction Key Priorities
- Performance Culture
- Empowered BU Management
- “Sweat the Assets”
- Improve Operational Cash Flows

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