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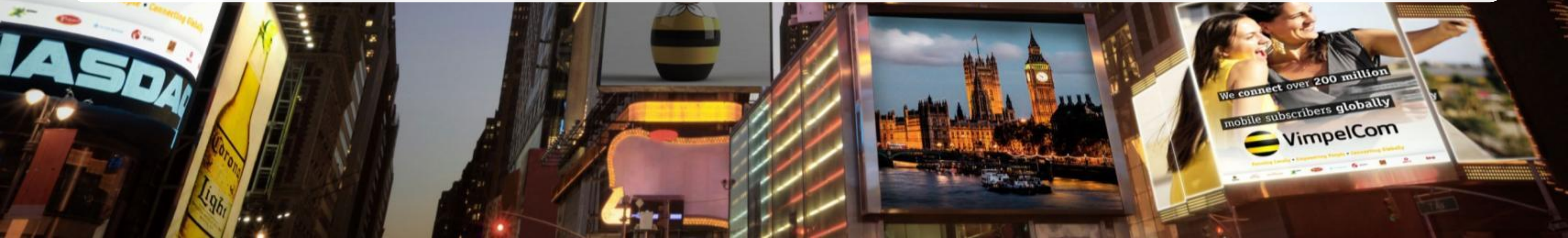
Financial Value Creation

Andrew Davies
CFO

London, January 28, 2014



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Finance organization to create value

The role of the finance organization…

…is to create a more valuable company

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The role of finance…

… is to provide proactive support to decision making while being the financial steward and conscience of the business and its assets

A delicate balance of:

Policeman

Coach

Supporter

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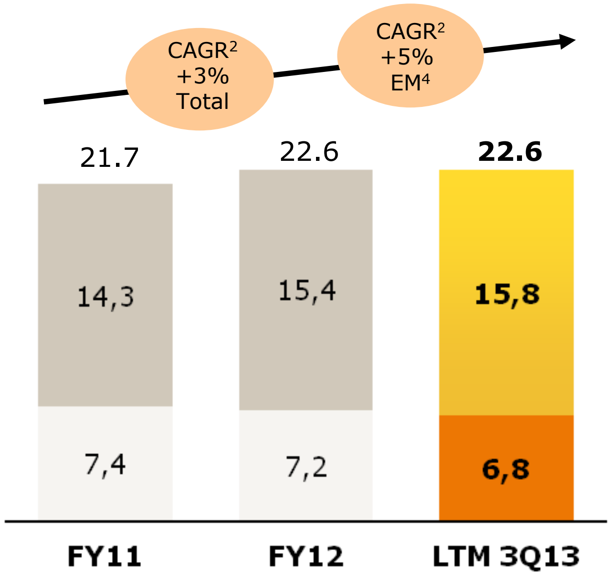
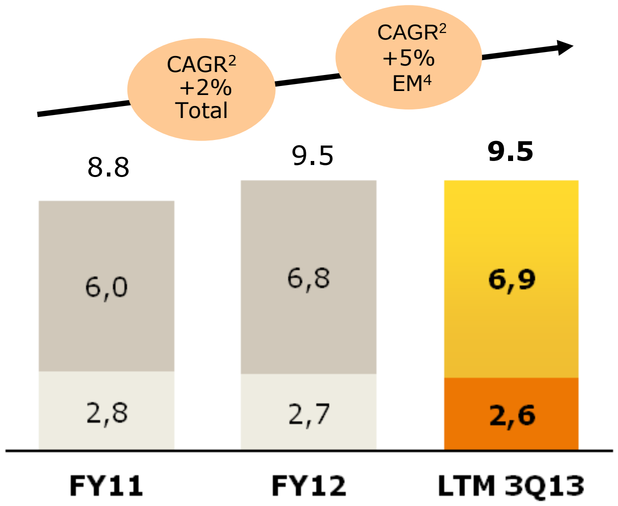
Profitable organic growth[1]

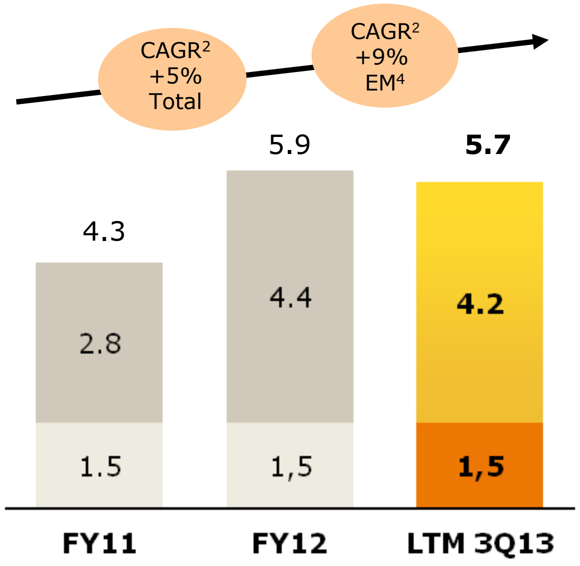
Revenues[3]
(USD billion)



EBITDA[3]
(USD billion)



Cash flow[5]
(USD billion)



- Group Emerging Markets
- Italy

[1] All numbers are at average 3Q13 FX rate for comparability reasons, 2011 numbers are pro-forma due to Wind Telecom acquisition
[2] CAGR: 2010 – LTM 3Q13
[3] For organic growth and EBITDA definitions, please refer to the "Glossary" at the Investor Relations/Shareholder-center part of our website
[4] EM= Our Emerging Markets portfolio = BU's Russia, Africa & Asia, Ukraine and CIS
[5] Cash flow = EBITDA - CAPEX

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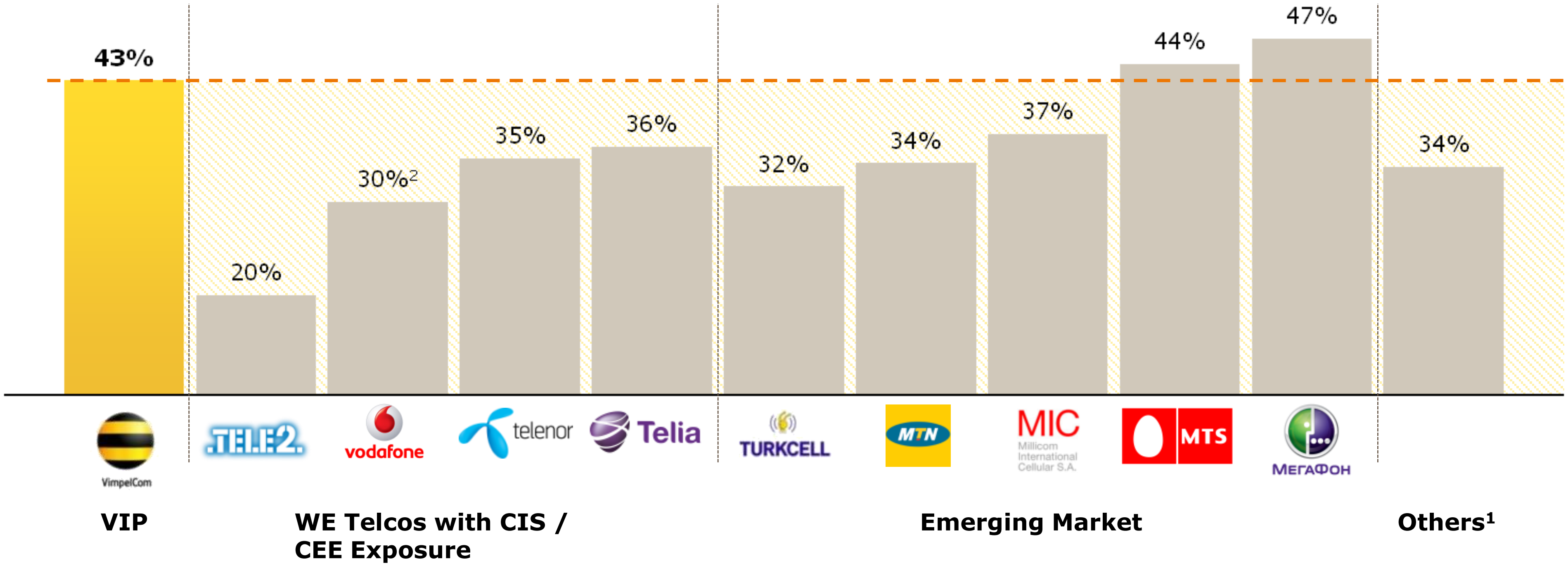
Strong EBITDA margins versus our global peers

EBITDA Margin (9M 2013)



[1] Others include a sample of more than 80 listed telecom operators in Developed, Emerging and Mixed Markets
[2] Vodafone reported for 6M2013

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Group value add

- Procurement advantages
- Capex synergies
- Best practices sharing
- Global partnerships
- Roaming
- Talent

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Sharing best practices

- MNP experiences
- Store design
- eBusiness: self-care harmonization
- B2B campuses
- Sales incentive schemes
- Customer experience programs
- Learnings from 3G and LTE launches
- Call centre processes

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Solid progress against financial management objectives

In-house finance company delivered first savings

Improvement in working capital realized

Successfully secured external funding USD 2.5 billion

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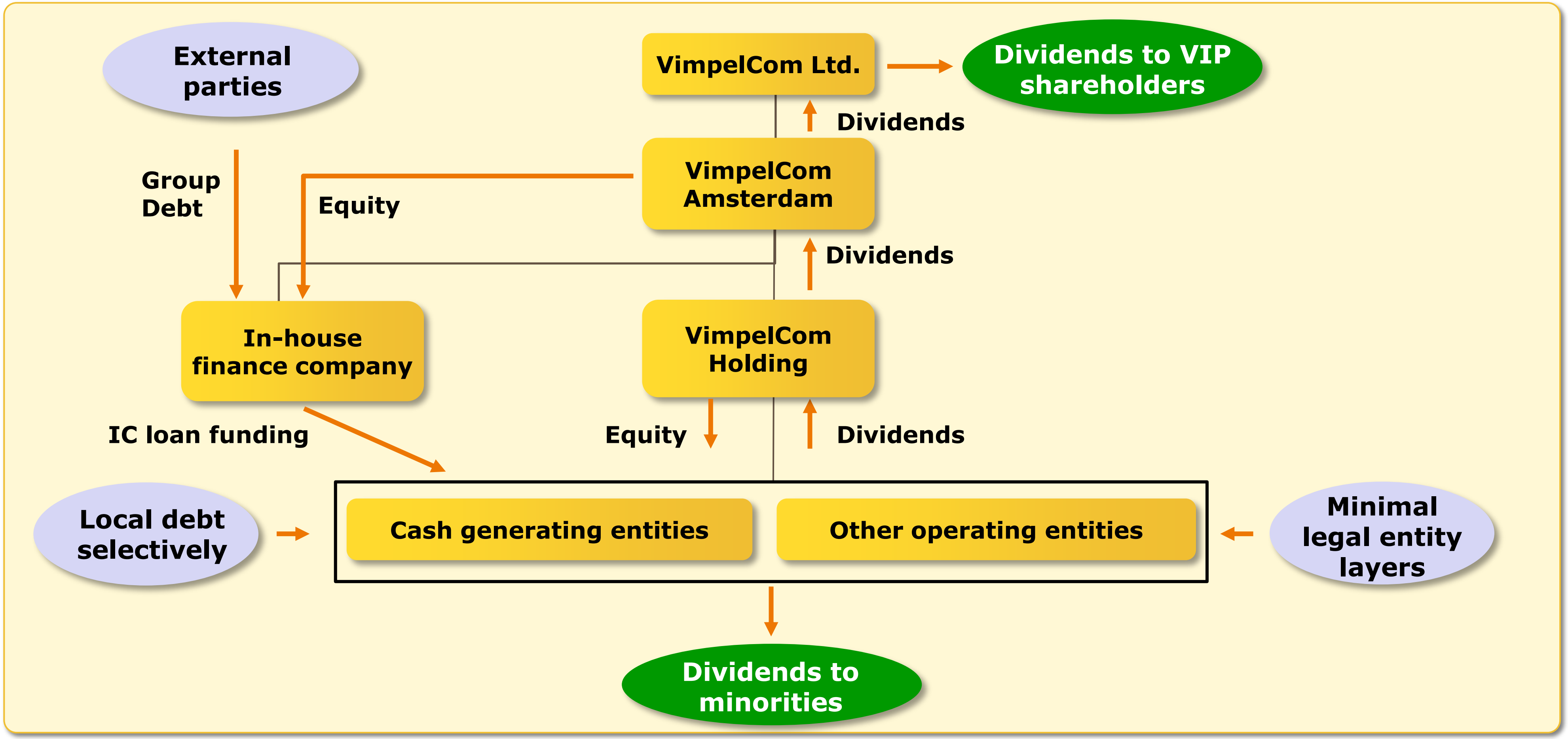
Optimum funding model



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Improve financial standing

- Maintain BB rating short term
  - Secure operating performance
  - Secure cash flow up-streaming
  - Gross debt to be around 3 times EBITDA maximum
- Grow to BB+ / BBB-
  - Increase cash flow generation
  - Deleveraging gross debt

- Moving towards ~ 2 times Net Debt to EBITDA, Investment Grade

- Flexible access to capital markets
- Lower cost of funding

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Cash flow potential from financing improvements

	Updated potential 2013-2015
In-house finance company	USD 50 million
Debt optimization	USD 150 million
Gross debt reduction	USD 150 million
Withholding tax saving	USD 50 million
Total	**USD 400 million per year**

Assumptions:
Resolution of Algeria, lowering Gross Debt, Italy continues to be self financing, simplification of legal structure

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Continued focus on delivering value in Italy

Factors in Decision Making

- Macro economic environment
- Competitive environment
- Operational performance
- Potential interest savings

Leverage Total Group

2.3x net debt/LTM EBITDA[1]

Leverage VimpelCom EM[2]

1.2x net debt/LTM EBITDA[1]

1 *As of September 30, 2013*
2 *EM= Emerging Markets = BU's Russia, Africa & Asia, Ukraine and CIS*

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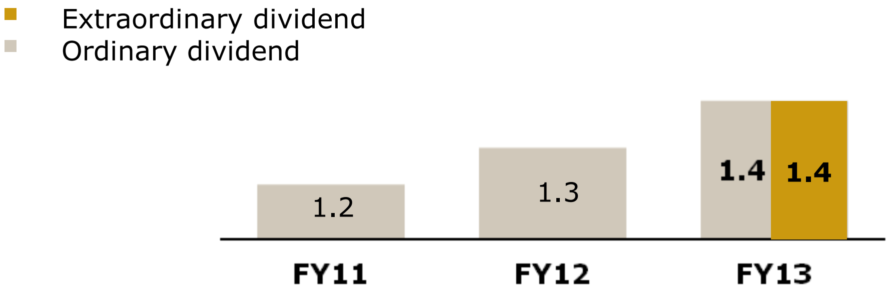
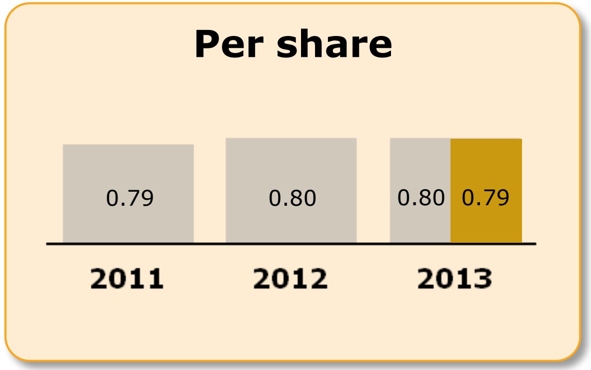
New dividend policy to support deleverage and investments

Dividends (USD billion)





Returned USD 5.3 billion to shareholders last three years

- More long-term value in deleveraging and investing in high quality, 3G and 4G networks to capture high mobile data growth
- Paid ordinary DPS USD 0.8 per share for last 3 years, supported by strong operational cash flows
- Paid already USD 0.45 DPS for 2013; no further dividend for 2013
- Future dividends of 3.5 US cents per share per annum until targeted leverage of 2.0 net debt / EBITDA achieved

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Conclusion

New dividend policy to support deleverage and investments

Group value add

Solid cash flow generation

Finance optimization opportunity

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Reconciliation of Non-GAAP Financial Measures

USD bln.	2011 pro-forma	2012	LTM 3Q13	4Q12	9m 2013
EBITDA					
EM @ average Q3 2013 exchange rate	6	6.8	6.9		
Italy @ average Q3 2013 exchange rate	2.8	2.7	2.6		
Total @ average Q3 2013 exchange rate	8.8	9.5	9.5		
Effect of recalculation using average Q3 2013 exchange rate	0.7	0.3	0.2		
Total EBITDA reported	9.5	9.8	9.7	2.4	7.3
Reconciliaiton of EBITDA to Profit for the year attributable to the owners of the parent					
Depreciation	(3.1)	(2.9)	(3.0)	(0.8)	(2.2)
Amortization	(2.7)	(2.1)	(1.9)	(0.5)	(1.4)
Impairment loss	(0.5)	(0.4)	(0.5)	(0.4)	(0.1)
Loss on disposals of non-current assets	-	(0.2)	-	-	-
EBIT	3.2	4.2	4.3	0.7	3.6
Finance income and expenses	(1.9)	(1.9)	(2.0)	(0.5)	(1.5)
- finance income	0.1	0.1	0.1	-	0.1
- finance costs	(2.0)	(2.0)	(2.1)	(0.5)	(1.6)
Net foreign exchange (loss)/gain and others	(0.5)	0.6	0.4	0.5	(0.1)
- revaluation of Euroset	-	0.6	0.6	0.6	-
- including Other non-operating (losses)/gains	(0.3)	(0.1)	-		-
- including Shares of loss of associates and joint ventures accounted for using the equity method	(0.1)	-	(0.1)	-	(0.1)
- including Net foreign exchange gain	(0.1)	0.1	(0.1)	(0.1)	-
EBT	0.8	2.9	2.7	0.7	2.0
Income tax expense	(0.6)	(0.9)	(1.0)	(0.2)	(0.8)
Profit for the year	0.2	2.0	1.7	0.5	1.2
(Profit)/loss for the year attributable to non-controlling interest	0.3	0.2	0.3	0.2	0.1
Profit for the year attributable to the owners of the parent	0.5	2.2	2.0	0.7	1.3

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Definition of the EBITDA

EBITDA is a non-GAAP financial measure. EBITDA is defined as earnings before interest, tax, depreciation and amortization. EBITDA is defined as operating income before depreciation, amortization, loss from disposal of non-current assets and impairment loss and includes certain non-operating losses and gains mainly represented by litigation provisions for all of its Business Units except for its Russia Business Unit. The Russia Business Unit's EBITDA is calculated as operating income before depreciation, amortization, loss from disposal of non-current assets and impairment loss. The EBITDA measures presented in this presentation have been calculated using the average exchange rates presented above. EBITDA should not be considered in isolation or as a substitute for analyses of the results as reported under IFRS. Historically our management used OIBDA (defined as operating income before depreciation, amortization and impairment losses) instead of EBITDA. Following the acquisition of WIND Telecom, our management concluded that EBITDA is a more appropriate measure because it is more widely used amongst European-based analysts and investors to assess the performance of an entity and compare it with other market players. Our management uses EBITDA as supplemental performance measures and believes that EBITDA provides useful information to investors because they are indicators of the strength and performance of the Company's business operations, including its ability to fund discretionary spending, such as capital expenditures, acquisitions and other investments, as well as indicating its ability to incur and service debt. In addition, the components of EBITDA include the key revenue and expense items for which the Company's operating managers are responsible and upon which their performance is evaluated. EBITDA also assists management and investors by increasing the comparability of the Company's performance against the performance of other telecommunications companies that provide EBITDA information. This increased comparability is achieved by excluding the potentially inconsistent effects between periods or companies of depreciation, amortization and impairment losses, which items may significantly affect operating income between periods. However, our EBITDA results may not be directly comparable to other companies' reported EBITDA results due to variances and adjustments in the components of EBITDA (including our calculation of EBITDA) or calculation measures. Additionally, a limitation of EBITDA's use as a performance measure is that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues or the need to replace capital equipment over time.

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