

# Creating Value Investing in the future

**Investor Presentation April 2014**



[www.vimpelcom.com](http://www.vimpelcom.com)



**iPad App**

# International telecoms operator with attractive emerging markets exposure



**No 7  
Mobile operator  
in the world\***

Mobile customers  
**220 million\*\***

Population covered  
**753 million\*\*\***

Countries  
**17**

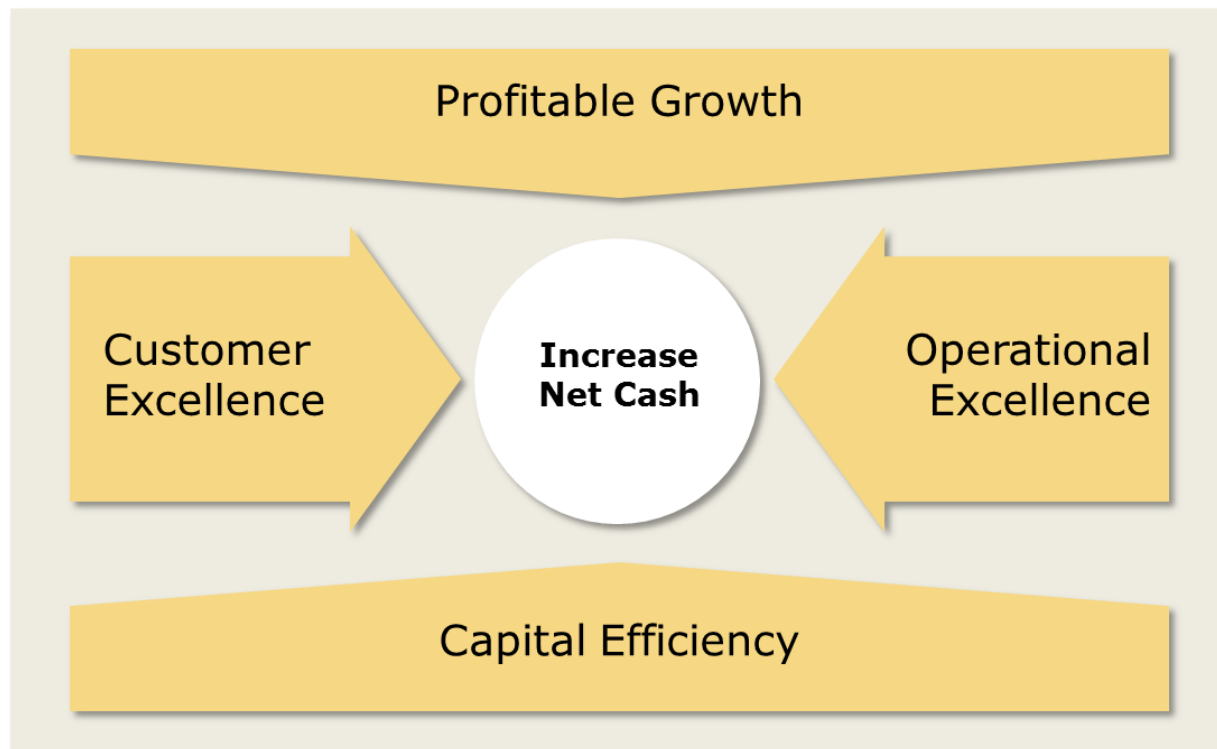
Number of brands  
**9**



\* Based on mobile customers  
 \*\* The FY13 for numbers of mobile customers, Revenue and EBITDA  
 \*\*\* Population figures are provided by ©Informa Telecoms & Media – © Informa UK Ltd 2013 as per YE 2012

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# Strategic value agenda to create value



# Last three years' performance and 2014 targets

	2011	2012	2013	Targets 2014
<b>Revenue</b>	+4% YoY	+4% YoY	Stable YoY <sup>2</sup>	<b>Stable YoY</b>
<b>EBITDA</b>	-1% YoY	+8% YoY	Stable YoY <sup>2</sup>	<b>Stable YoY</b>
<b>EBITDA Margin</b>	40.6%	42.4%	42.7%	
<b>CAPEX / Revenue</b>	21% <sup>1</sup>	17% <sup>1</sup>	18% <sup>3</sup>	<b>~21%<sup>4</sup></b>
<b>Leverage</b>	2.6x	2.2x	2.3x	<b>~2.3x</b>

## Macro economic and regulatory headwinds

- ▶ Russia GDP growth slowed down
- ▶ Continued weak economy in Italy
- ▶ Low growth environment in Ukraine
- ▶ Delay in 3G license allocation processes

Note: numbers represent organic growth

<sup>1</sup> Excluding licenses of USD 1.8 bn in 2011 and USD 0.1 bn in 2012

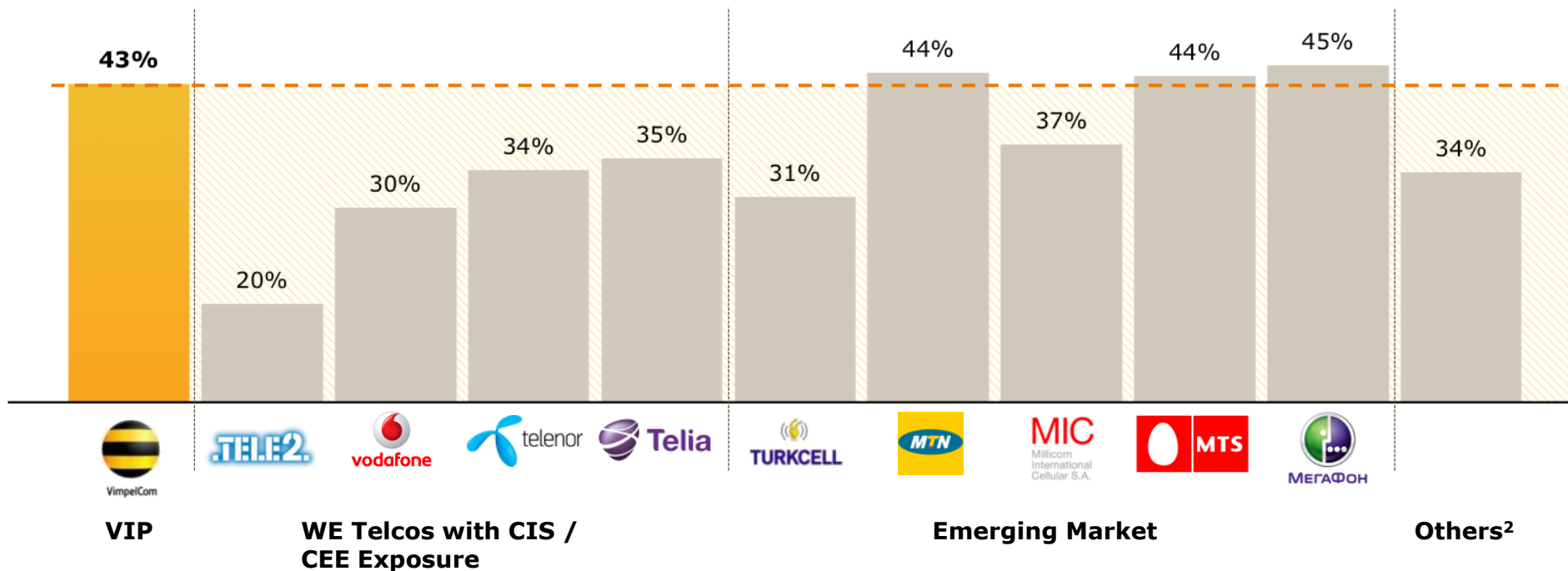
<sup>2</sup> Underlying, excluding MTR cuts and one-off charges

<sup>3</sup> FY13 CAPEX excludes licenses and EUR 136 million of non-cash increase in Intangible Assets related to the contract with Terna in relation to the Right of Way of WIND's backbone

<sup>4</sup> Excluding licenses

# Strong EBITDA margin versus our global peers

## EBITDA Margin (FY13)<sup>1</sup>



<sup>1</sup> Vodafone reported for 6M2013, MTS and Others are based on LTM 3Q13

<sup>2</sup> Others include a sample of more than 80 listed telecom operators in Developed, Emerging and Mixed Markets

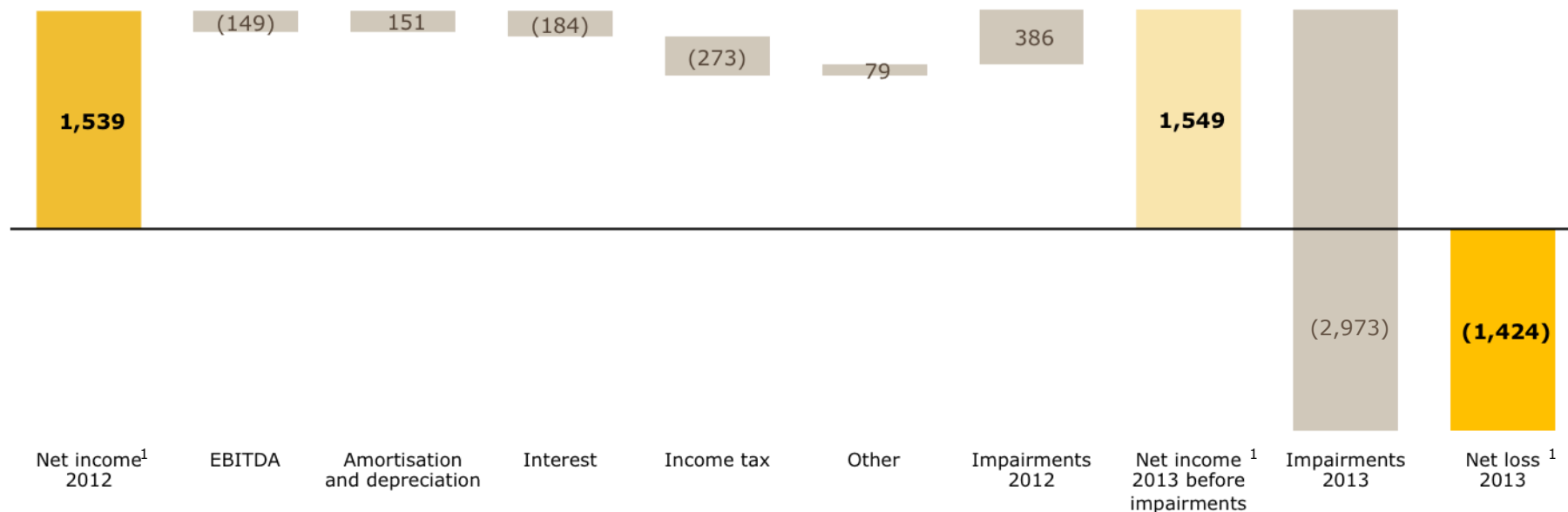
# Stable underlying FY13 results

USD million	FY13	FY12 Restated <sup>1</sup>	YoY	
<b>Revenue</b>	<b>22,548</b>	<b>23,061</b>	<b>(2%)</b>	• Revenue organically <b>stable</b> , excluding one-off charges and MTR cuts
<i>of which service revenue</i>	<i>21,531</i>	<i>22,122</i>	<i>(3%)</i>	
<b>EBITDA</b>	<b>9,619</b>	<b>9,768</b>	<b>(2%)</b>	• EBITDA organically <b>stable</b> , excluding one-off charges and MTR cuts
<b>EBITDA Margin</b>	<b>42.7%</b>	<b>42.4%</b>	0.3pp	• <b>Strong</b> EBITDA margin, up 0.3 p.p. YoY
D&A/Other	(4,955)	(5,211)	(5%)	• Declining amortization of intangible assets on customer relationships
Impairments	(2,973)	(386)	n.m.	
<b>EBIT</b>	<b>1,691</b>	<b>4,171</b>	<b>(59%)</b>	• Effected by <b>non-cash impairments</b> , mainly of Ukraine and Canada
Financial income / expenses	(2,059)	(1,875)	10%	
FOREX and Other	(311)	(14)	n.m.	• Contingencies and losses from JV's and associates
<b>Profit/(Loss) before tax</b>	<b>(679)</b>	<b>2,282</b>	<b>n.m.</b>	• Effected by non-cash impairments
Tax	(1,179)	(906)	30%	• Increase in tax charge is due to non-cash items
Non-controlling interest	434	163	n.m.	
<b>Net income/(loss)<sup>2</sup></b>	<b>(1,424)</b>	<b>1,539</b>	<b>n.m.</b>	

6 1. The FY12 Financial Statements have been restated for the Euroset fair value adjustment of USD 606 million  
 2. Net income/(loss) attributable to VimpelCom shareholders

# Net income FY13 impacted by non-cash impairments

USD million



## Non-cash impairments:

- ▶ Ukraine: related to macro-economic developments, increase in country risk premium and weakening operational performance
- ▶ Canada: fully impaired due to the challenges faced in the country, resulting in strategic decision to withdraw from 4G/LTE spectrum auction

# Sensitivity to FOREX movements

USD billion	FY13 figures		FOREX sensitivities <sup>1</sup>		
			RUB vs. USD +/-10%	EUR vs. USD +/-10%	UAH vs. USD +/-10%
Revenue	22.5	Average FOREX	4%	3%	1%
EBITDA	9.6		4%	2%	1%
Gross Debt	27.5	Year-end FOREX	2%	5%	n.a.
Net Debt	22.6		2%	6%	n.a.

Manageable impact on the Group coming from potential FOREX movements



# Dividend policy to support deleverage and investments

- ▶ 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 USD 0.45 DPS for 2013
- ▶ Future dividends of 3.5 US cents per share per annum until targeted leverage of less than 2.0 net debt / EBITDA achieved



# Future growth drivers

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- ▶ Customer growth from increase in mobile penetration
- ▶ Mobile data revenue growth; investing in high quality networks, 3G and 4G/LTE
- ▶ Continued emerging markets growth
- ▶ General economic recovery, particularly in Italy
- ▶ Global partnership agreements in the new eco system

**Well positioned to convert these drivers into value creation**

# VimpelCom has an attractive emerging markets portfolio

## 71% of revenues in emerging markets

### Emerging market portfolio

	FY 13
Revenues	USD 15.9 bn
EBITDA	USD 6.9 bn
CAPEX	USD 3.1 bn
Cash Flow <sup>1</sup>	USD 3.9 bn
Leverage <sup>2</sup>	1.2

- ▶ Solid market positions
- ▶ Strong cash flow generation
- ▶ Low leverage

<sup>1</sup> EBITDA - CAPEX

<sup>2</sup> Net Debt / LTM FY13 EBITDA

Note: Our Emerging Markets portfolio = BU's Russia, Africa & Asia, Ukraine and CIS

# 2013 Emerging markets progress

## **Russia**

- ▶ Substantially improved mobile data network: at par in key regions
- ▶ Tripled number of owned mono-brand stores
- ▶ Launched LTE in Moscow Oblast and six regions
- ▶ Completed Phase 1 of the transformation process
- ▶ New management to implement Phase 2 of the transformation with focus on Customer Excellence
- ▶ Robust cash flow generation

**Reached parity in key regions**

# 2013 Emerging markets progress



## Algeria

- ▶ Solid performance and market leadership
- ▶ 3G license awarded
- ▶ Roll out of 3G
- ▶ Negotiated settlement is preferred option
- ▶ International Arbitration:
  - ▶ First hearing expected 1H14
  - ▶ Verdict expected by end 2014



## Pakistan

- ▶ Stable market position
- ▶ Network modernization
- ▶ Rapid growth of MFS
- ▶ Robust performance



## Bangladesh

- ▶ Strong growth momentum
- ▶ 3G license awarded, rollout started
- ▶ Satisfactory performance

**Clear market leader in Algeria and Pakistan  
number 2 in Bangladesh**

# 2013 Emerging markets progress

## **Ukraine**

- ▶ Pressure on results, whilst taking measures to improve performance
- ▶ Solid growth of mobile data revenues
- ▶ Ongoing network modernization
- ▶ Operational excellence program continues
- ▶ Transformation program launched
- ▶ Solid cash flow generation

**Clear market leader**

# 2013 Emerging markets progress



## Kazakhstan

- ▶ Strong market position
- ▶ Successful transition to bundles
- ▶ Improved value proposition
- ▶ Strengthened performance



## Uzbekistan

- ▶ Transitioned to a 2-player market
- ▶ Improved network quality
- ▶ Strong performance

## Other CIS

- ▶ Strong mobile data growth
- ▶ Moved to value based commissions in all OpCos
- ▶ Introduced regional and data focused pricing plans
- ▶ Solid performance

**Market leader in Uzbekistan & number 2 in Kazakhstan**

# Italy provides a strong value creation opportunity

## Italy

- ▶ General macro economic recovery
- ▶ MTR reductions completed
- ▶ Strong management team & WIND brand
- ▶ Carefully watching:
  - ▶ Industry developments
  - ▶ Financing options
  - ▶ Strategic opportunities



**Continued outperformance with growing revenue  
market share**



# Group value add



**Procurement  
advantages**



**Capex  
synergies**



**Best  
practices  
sharing**



**Global  
partnerships**

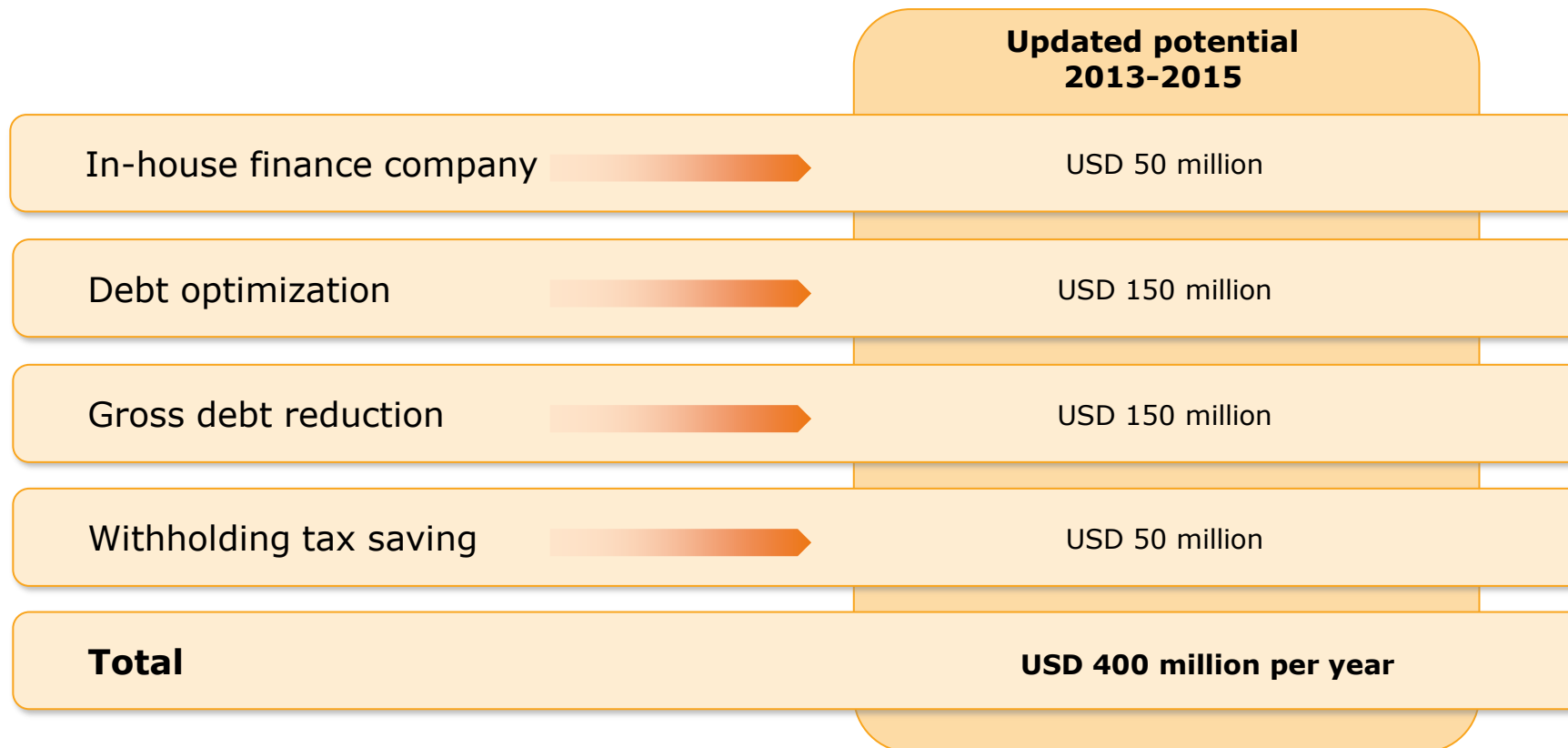


**Roaming**



**Talent**

# Cash flow potential from financing improvements



Assumptions:

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

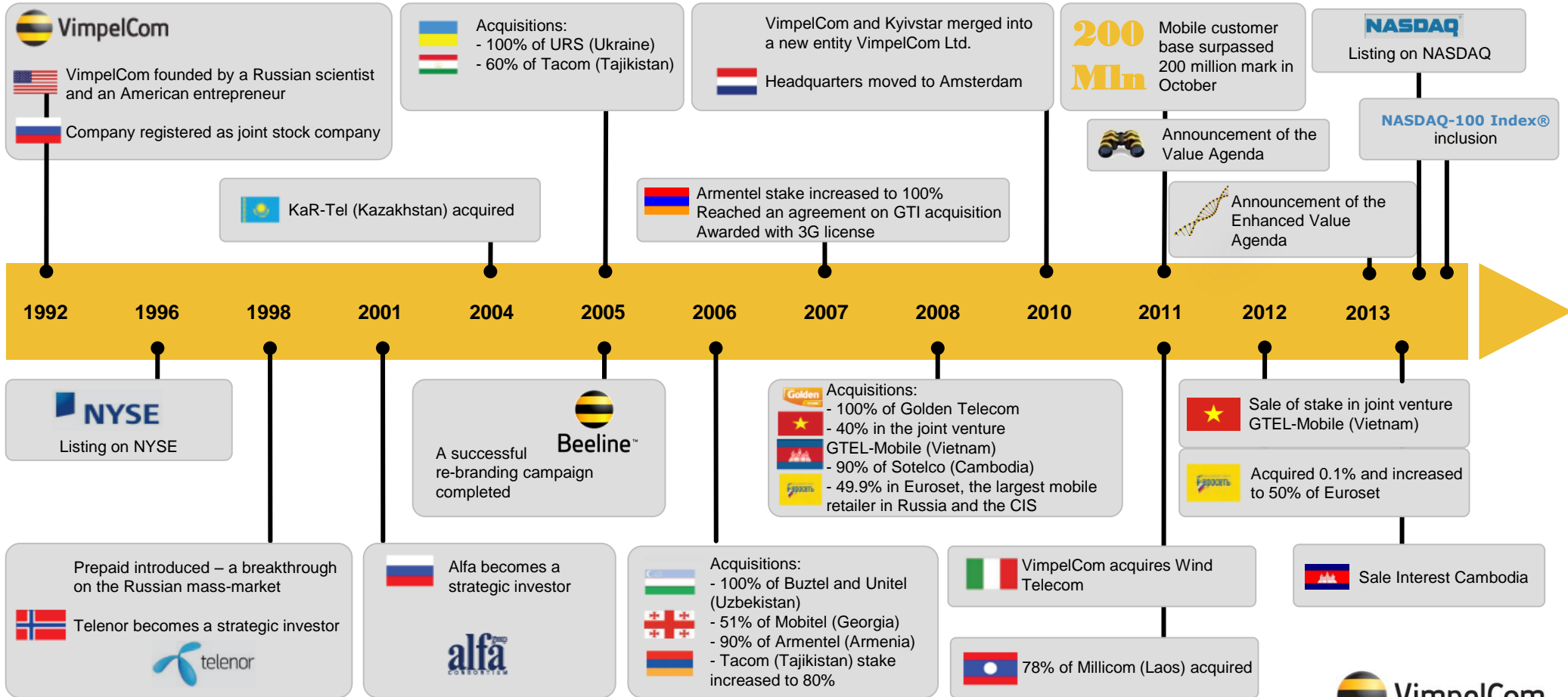
# Conclusion

- ▶ Strong emerging markets portfolio
- ▶ Solid cash flow generation
- ▶ Strong EBITDA margin versus our global peers
- ▶ Manageable FOREX exposures
- ▶ Dividend policy to support deleverage and investments
- ▶ Investments in high quality mobile data networks for the future
- ▶ Italy provides a strong value creation opportunity
- ▶ Algeria: negotiated settlement preferred option; now clarity on arbitration schedule

**Value Agenda remains at the heart of our business**

# Appendices

# Key strategic milestones



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# Achieving business excellence

## The VimpelCom Way

### Passionate

Passion and commitment to achieve exceptional results

### Professional

Admired for customer experience and operational excellence

### Leadership

Empower employees to perform at the highest level and lead with a focus on execution

## The Operating Model

### Global Scope

Performance Management

Portfolio Management

Financial, Tax and Funding Structure

People Management

Governance & Compliance

Shared Services  
*Roaming  
Procurement  
In-house Bank*

### Empowered Employees and Business Units



# 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**

# VimpelCom Ltd. ownership structure\*

Shareholder	Total Economic Common DRs and shares	% Economic rights	Preferred shares	Total voting DRs and shares	% of voting rights
<b>Telenor<sup>(1)</sup></b>	580 578 840	33.0%	305 000 000	885 578 840	43.0%
<b>Altimo<sup>(2)</sup></b>	986 572 563	56.2%	-	986 572 563	47.9%
<b>Minority Shareholders</b>	189 579 732	10.8%	-	189 579 732	9.2%
<b>Total</b>	<b>1 756 731 135</b>	<b>100%</b>	<b>305 000 000</b>	<b>2 061 731 135</b>	<b>100%</b>
















\* Certain amounts and percentages that appear in this table have been subject to rounding adjustments. As a result, certain numerical figures shown as totals may not be exact arithmetic aggregations of the figures that precede or follow them.

<sup>(1)</sup> As reported on Schedule 13D, Amendment No. 26, filed on December 5, 2013, by Telenor East Holdings II AS with the SEC, Telenor East Holdings II AS is the beneficial owner of 580,578,840 common shares and 305,000,000 preferred shares.

<sup>(2)</sup> As reported on Schedule 13D, Amendment No. 15, filed on February 19, 2014, by Altimo Coöperatief with the SEC, Altimo Coöperatief was (as of the date of filing) the beneficial owner of 986,572,563 common shares.



# FOREX rates used in annual targets 2014

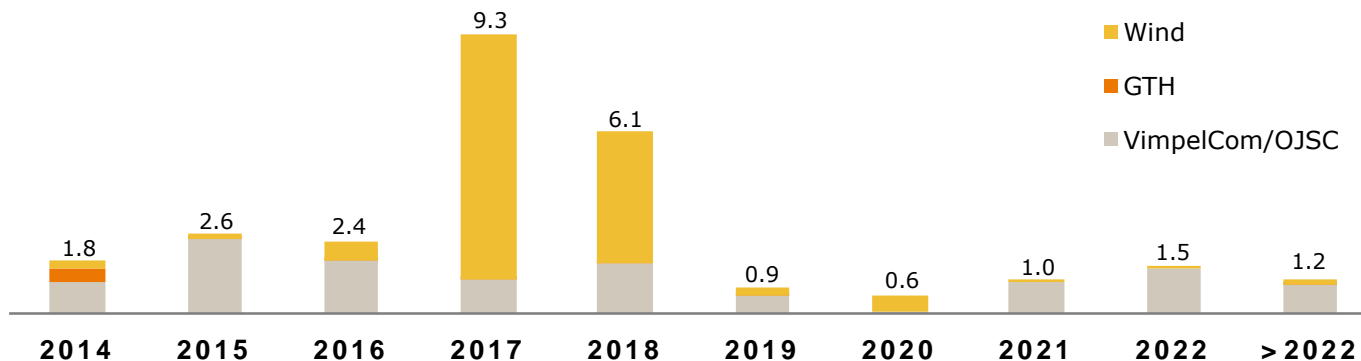
		Currency	FX rates versus USD
	Algeria	DZD	81
	Armenia	AMD	420
	Bangladesh	BDT	80
	Canada	CAD	1.05
	Egypt	EGP	8.0
	Georgia	GEL	1.7
	Italy	EUR	0.80
	Kazakhstan	KZT	155
	Kyrgyzstan	KGS	47
	Laos	LAK	8,000
	Pakistan	PKR	110
	Russia	RUB	32
	United Kingdom	GBP	0.64
	Ukraine	UAH	9.5
	Zimbabwe	ZWD	325

# VimpelCom Finance

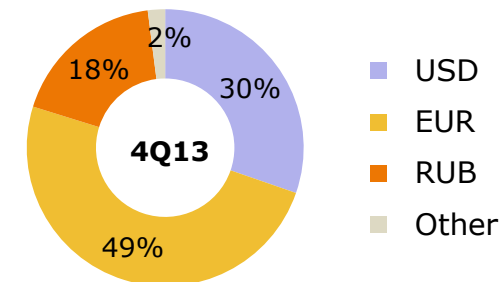
# Maturity profile and FY13 ratios

## Group debt maturity schedule as at 31 December 2013

USD billion



## Debt composition by currency<sup>1</sup>



Net Debt/ EBITDA

2.3

Gross Debt/ EBITDA

2.9

Average Cost of Debt

8.3%

EBITDA / Financial income and expenses

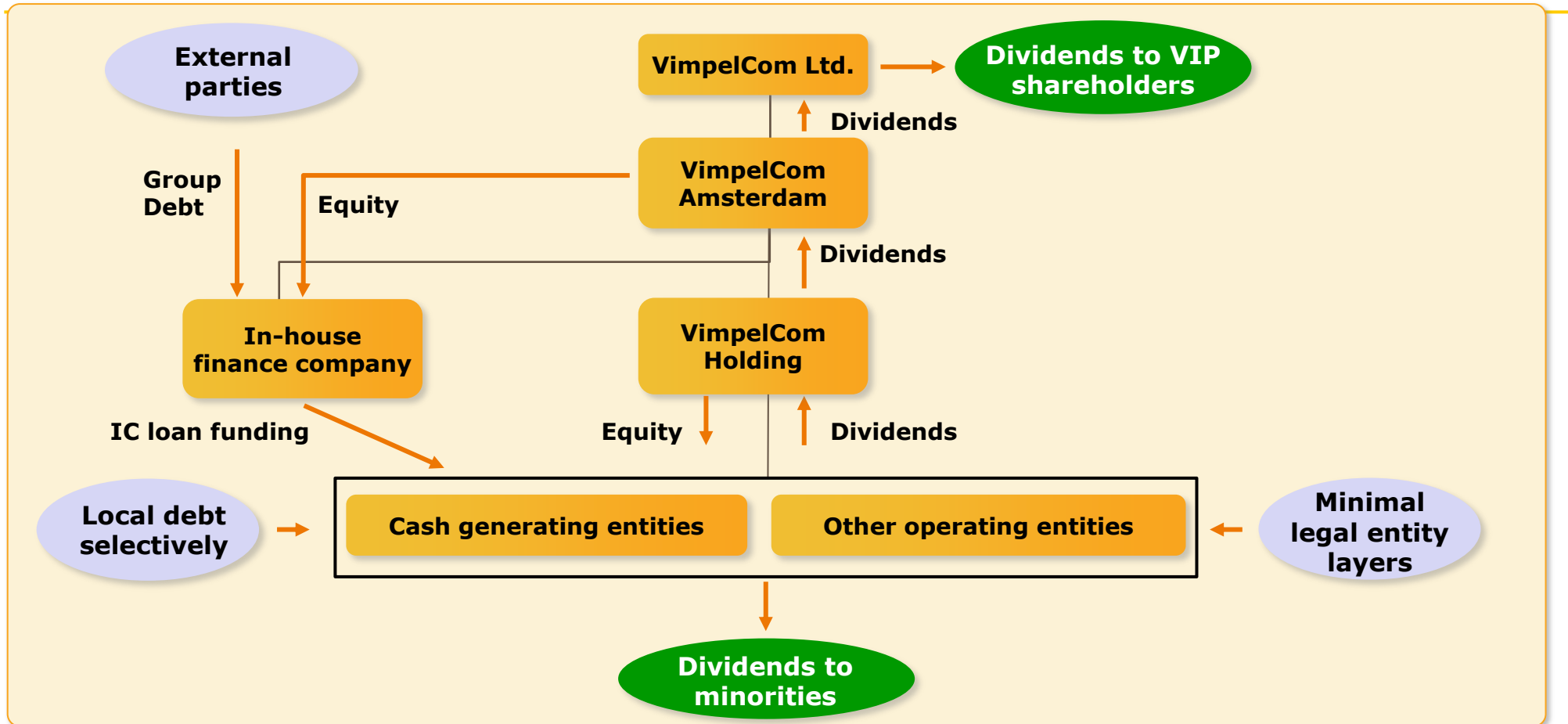
4.7

# Debt as per 31 December 2013

VimpelCom Group	
	Gross Debt (USD billion)
VIP	4.4
OJSC Group	7.9
Wind Group	14.5
GTH Group	0.7
<b>Gross Total</b>	<b>27.5</b>
<b>Total Cash*</b>	<b>4.9</b>
<b>Net Debt</b>	<b>22.6</b>
<b>Net Debt/LTM EBITDA</b>	<b>2.3</b>

Wind Group	
	Gross Debt (USD billion)
PIK Notes	1.6
Senior bank loan	3.2
Debt to Government	0.3
Annuity	0.1
RCF	0.1
Other debt	0.2
HY Notes 2017	3.7
SSN 2018	4.4
SSN 2019/2020	0.8
<b>Total Wind Group</b>	<b>14.5</b>

# Optimum funding model



# Solid progress against financial management objectives in 2013

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**In-house finance  
company  
delivered first  
savings**

**Improvement in  
working capital  
realized**

**Successfully  
secured external  
funding USD 2.5  
billion**

# 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

# VimpelCom Financials 2013



# Effective tax rate analysis

USD million	FY13		FY12 Restated <sup>1</sup>		
<b>Income/(Loss) before tax</b>	<b>(679)</b>		<b>2,282</b>		
<b>Dutch statutory tax rate</b>	<b>(170)</b>	<b>25%</b>	<b>571</b>	<b>25%</b>	
WHT on undistributed earnings	227		97		• Withholding taxes on intercompany dividends from Russia and CIS
Impairments	743		97		• Non-deductible impairments, mainly of Ukraine and Canada
Tax contingencies	112		85		• Provision for uncertain position mainly related to interest expenses
Prior year adjustments	44		(62)		• Change in tax recognition due to tax filing in 2013 2012 positively affected by favorable changes in tax laws and prior year adjustments in Russia, Pakistan and CIS
Non-deductible expenses & other	272		286		
Differing tax rates	(49)		(167)		• Change in mix of profit/(loss) recorded in different countries
<b>Actual tax charge</b>	<b>1,179</b>	<b>(174%)</b>	<b>906</b>	<b>40%</b>	• Normalized effective tax rate FY13: 35.6%

Increase in tax charge is due to non-cash items

The actual tax charge in FY13 is the result of the non-tax deductibility of impairments

# Cash flow

USD million	FY13	FY12 Restated <sup>1</sup>	YoY	
EBITDA	9,619	9,768	(149)	
CAPEX	(4.233)	(4.120)	(113)	
<b>Operating cash flow</b>	<b>5,386</b>	<b>5,648</b>	<b>(262)</b>	• Decline in EBITDA and accelerated investments for future growth
Net Interest paid	(2,047)	(1,761)	(286)	• Interest rate swaps unwound in 2012
Income tax paid	(1,265)	(1,231)	(34)	
Other operating changes <sup>2</sup>	322	715	(393)	• Positive in 2013 however less favorable than in 2012
Net cash from financing activities <sup>3</sup>	(334)	(638)	305	• Repayments of Italian borrowings in 2012
Disposal of subsidiaries, net of cash disposed	83	(75)	158	
Other investing activities	93	35	58	
Other financing activities	(12)	(31)	19	
<b>Cash flow before distribution to shareholders</b>	<b>2,226</b>	<b>2,662</b>	<b>(436)</b>	
Dividends paid to equity holders net of share capital issued	(2,663)	-	(2,663)	• Payment of interim and final dividends
<b>Net increase in cash and cash equivalents</b>	<b>(437)</b>	<b>2,662</b>	<b>(3,099)</b>	

1. The FY12 Financial Statements have been restated for the Euroset fair value adjustment of USD 606 million
2. Other operating changes include change in working capital, non-cash movements in CAPEX and provisions
3. Receipts from/(payments on) deposits, loans granted and Proceeds from/(repayments of) borrowings

# Financial performance 4Q13

GROUP			
(USD million)	4Q13	4Q12	YoY
<b>Revenues</b>	<b>5,554</b>	<b>5,950</b>	<b>(7%)</b>
<b>EBITDA</b>	<b>2,372</b>	<b>2,446</b>	<b>(3%)</b>
D&A/Other	(4,245)	(1,737)	n.m.
<b>EBIT</b>	<b>(1,873)</b>	<b>709</b>	<b>n.m.</b>
Financial income / expenses	(511)	(484)	6%
FX and Other	(265)	(67)	n.m.
<b>Profit before tax</b>	<b>(2,649)</b>	<b>158</b>	<b>n.m.</b>
Tax	(372)	(195)	91%
Non-controlling interest	(361)	(232)	55%
<b>Net income*</b>	<b>(2,660)</b>	<b>195</b>	<b>n.m.</b>

BUSINESS UNITS						
	Revenue			EBITDA		
	Organic	FX and others	Reported	Organic	FX and others	Reported
Russia	(4%)	(4%)	(8%)	(6%)	(4%)	(10%)
Italy	(10%)	5%	(5%)	(3%)	4%	1%
Africa & Asia	(5%)	(3%)	(8%)	(3%)	(2%)	(5%)
Ukraine	(9%)	0%	(9%)	(18%)	0%	(18%)
CIS	5%	(2%)	3%	5%	(1%)	4%
<b>Total</b>	<b>(6%)</b>	<b>(1%)</b>	<b>(7%)</b>	<b>(2%)</b>	<b>(1%)</b>	<b>(3%)</b>

- **Revenue** of USD 5.6 billion; organic<sup>1</sup> decline of 6% YoY
- **EBITDA** of USD 2.4 billion; organic<sup>1</sup> decline of 2% YoY
- **EBITDA margin** grew 1.6 percentage points YoY to a strong 42.7%
- **Net loss** of USD 2.7 billion reflecting non-cash impairments
- Total **mobile customer** base increased 4%<sup>3</sup> YoY to 220 million

# Business Units Performance 2013

# Business dashboard 4Q13

## Russia

Revenue	(4%)	RUB 70.7 bn	EBITDA margin 40.3%
EBITDA	(6%)	RUB 28.5 bn	
Mobile Customers	1%	57 mln	
Mobile ARPU	(4%)	RUB 327	

## Ukraine

Revenue	(9%)	UAH 3.1 bn	EBITDA margin 47.2%
EBITDA	(18%)	UAH 1.5 bn	
Mobile Customers	3%	26 mln	
Mobile ARPU	(13%)	UAH 36.5	

## Algeria

Revenue	(3%)	DZD 36 bn	EBITDA margin 58.3%
EBITDA	(4%)	DZD 21 bn	
Mobile Customers	5%	18 mln	
Mobile ARPU	(6%)	DZD 689	

## Italy

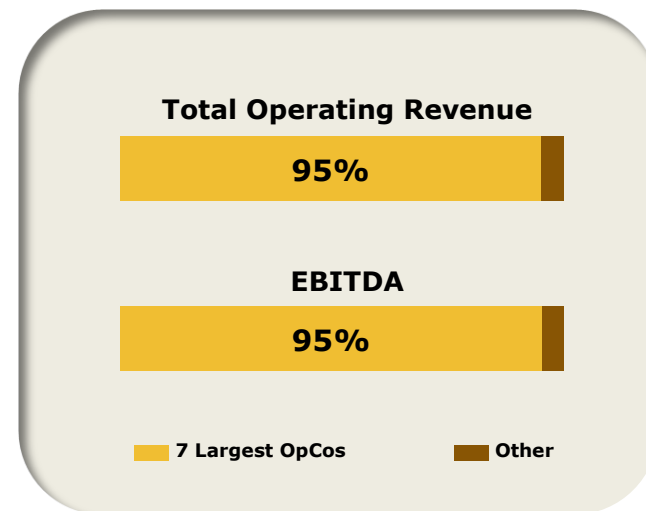
Revenue	(10%)	(3%)*	EUR 1.2 bn	EBITDA margin 40.4%
EBITDA	(3%)	(1%)*	EUR 0.5 bn	
Mobile Customers	3%		22 mln	
Mobile ARPU	(13%)		EUR 12	

## Kazakhstan

Revenue	5%	KZT 33.7 bn	EBITDA margin 47.7%
EBITDA	9%	KZT 16.1 bn	
Mobile Customers	7%	9 mln	
Mobile ARPU	(4%)	KZT 1,110	

## Pakistan

Revenue	(6%)	PKR 26 bn	EBITDA margin 37.2%
EBITDA	(18%)	PKR 10 bn	
Mobile Customers	4%	38 mln	
Mobile ARPU	(10%)	PKR 219	



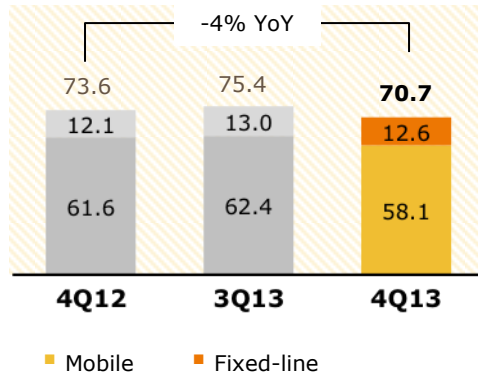
## Bangladesh

Revenue	(11%)	BDT 10 bn	EBITDA margin 33.7%
EBITDA	(20%)	BDT 3 bn	
Mobile Customers	11%	29 mln	
Mobile ARPU	(20%)	BDT 111	

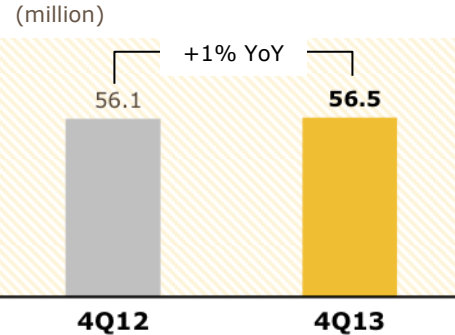
# Russia 4Q13: Pressure on margins while investing in the future

RUB BILLION, UNLESS STATED OTHERWISE

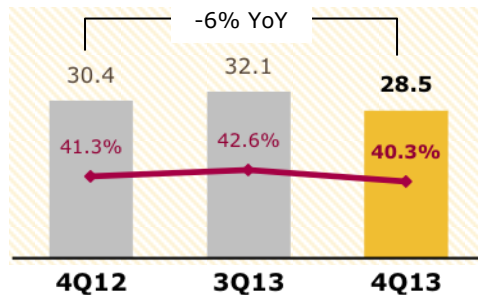
## Revenue



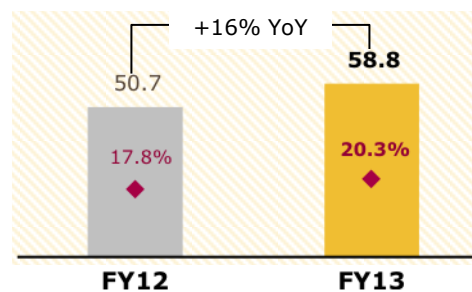
## Mobile customers



## EBITDA and EBITDA margin



## CAPEX and CAPEX/revenue

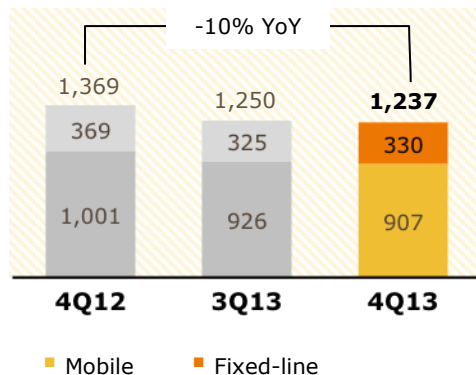


- Mobile service revenue decreased 2% YoY; adjusted for one-offs increased 0.3% YoY
- Mobile data revenue grew 25% YoY
- EBITDA declined due to lower revenue and investments in network and owned monobrand stores
- CAPEX: Up due to investments in 3G and 4G/LTE networks

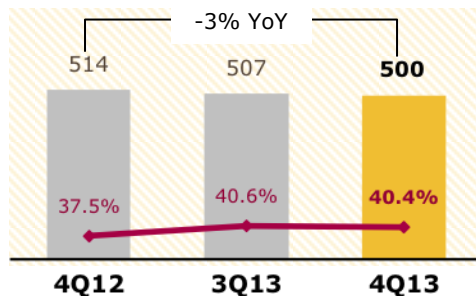
# Italy 4Q13: Continued market outperformance

EUR MILLION, UNLESS STATED OTHERWISE

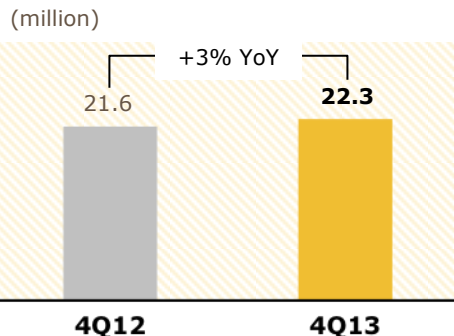
## Revenue



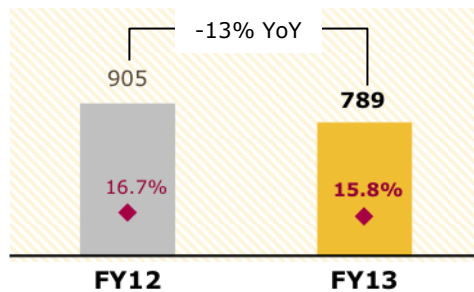
## EBITDA and EBITDA margin



## Mobile customers



## CAPEX<sup>1</sup> and CAPEX/revenue



- Continued mobile market share increase
- Mobile broadband customers<sup>2</sup> up 50% YoY to 8.3 million
- Strong data revenue growth YoY:
  - ▶ Mobile broadband up 30%
  - ▶ Fixed broadband up 6%
- EBITDA margin increased 2.9 p.p. YoY due to cost savings
- CAPEX: Investments in HSPA+ and 4G/LTE networks

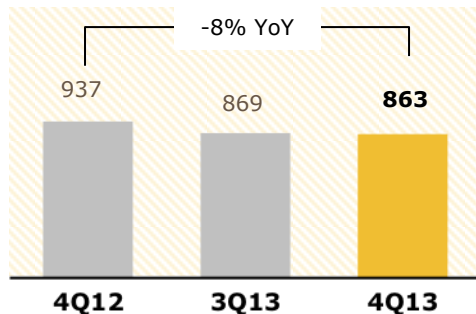
1. CAPEX excluding licenses  
 CAPEX 2013 excludes €136 mln of non-cash increase in Intangible Assets related to the contract with Terna in relation to the Right of Way of WIND's backbone

2. Mobile broadband includes consumer customers that have performed at least one mobile Internet event in the previous month

# Africa & Asia<sup>1</sup> 4Q13: Negative impact from regulatory measures, unstable macro environments and FOREX

USD MILLION, UNLESS STATED OTHERWISE

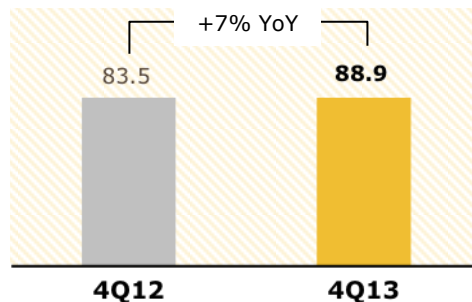
## Revenue



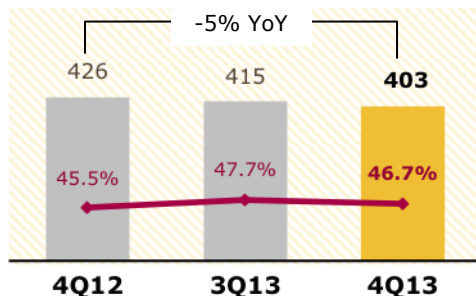
■ Mobile

## Mobile customers<sup>2</sup>

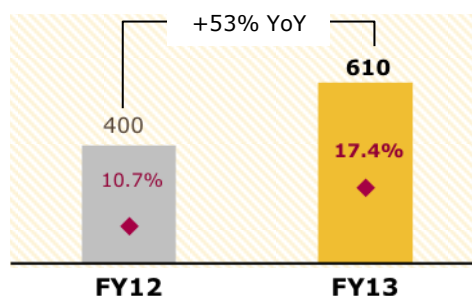
(million)



## EBITDA and EBITDA margin



## CAPEX<sup>3</sup> and CAPEX/revenue



- Revenue and EBITDA organically declined 5% YoY and 3% YoY
- Unfavorable regulatory and governmental measures as well as unstable macro environments in Pakistan and Bangladesh
- Strong mobile customer growth in all countries
- EBITDA margin up 1.2 p.p. YoY due to Operational Excellence measures
- CAPEX<sup>3</sup>: Network modernization in Pakistan, 3G licenses and roll-out in Algeria and Bangladesh

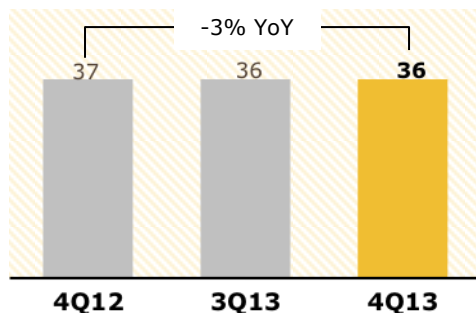
1. This segment includes our operations in Algeria, Pakistan, Bangladesh, Sub-Saharan Africa and South East Asia  
 2. Following the sale of Vietnam and Cambodia the customer numbers for FY12 exclude Vietnam and Cambodia customers. In addition, the customer base in Algeria has been adjusted retroactively for the technical issue  
 3. CAPEX including 3G licenses of USD 110 million in Bangladesh and USD 38 million in Algeria



# Algeria 4Q13: Maintaining strong market share despite ongoing restrictions

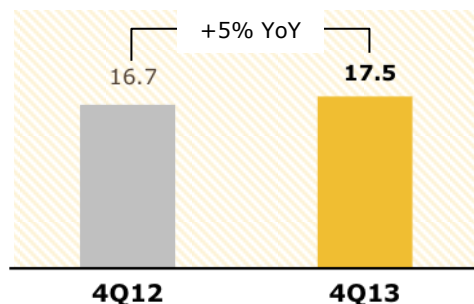
DZD BILLION, UNLESS STATED OTHERWISE

## Revenue

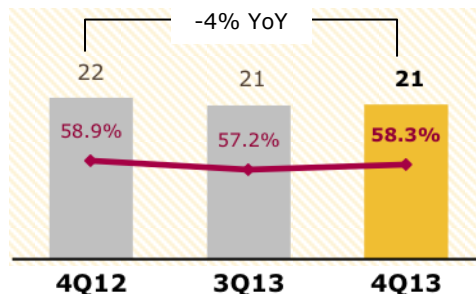


## Mobile customers<sup>1</sup>

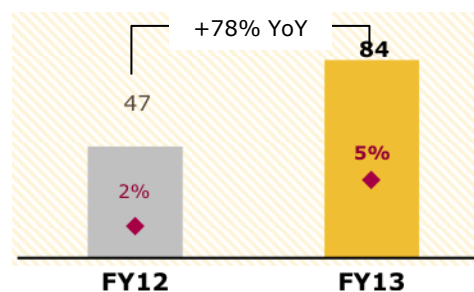
(million)



## EBITDA and EBITDA margin



## CAPEX<sup>2</sup> and CAPEX/revenue (USD mln)



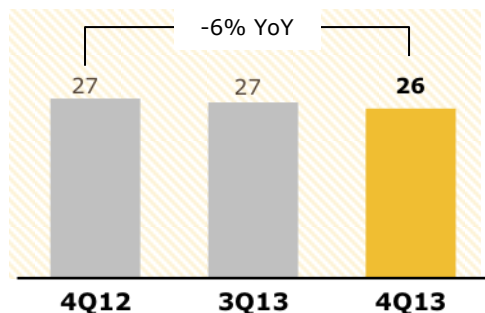
- Revenue decreased due to ongoing restrictions on its commercial activities and propositions
- Maintained a strong market share of 56%
- EBITDA decreased due to ongoing restrictions, together with the increase in network and IT costs
- Djezzy expects to launch 3G services during 2Q14

1. The customer base in Algeria has been adjusted retroactively for the technical issue  
 2. CAPEX excluding 3G licenses of USD 38 million in Algeria

# Pakistan 4Q13: Regulatory measures and unstable macro environment

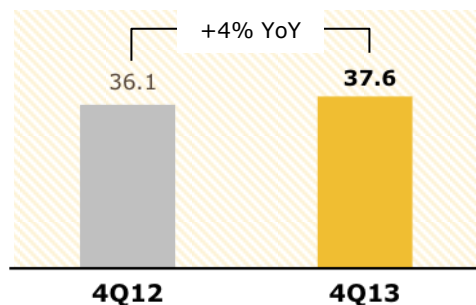
PKR BILLION, UNLESS STATED OTHERWISE

## Revenue

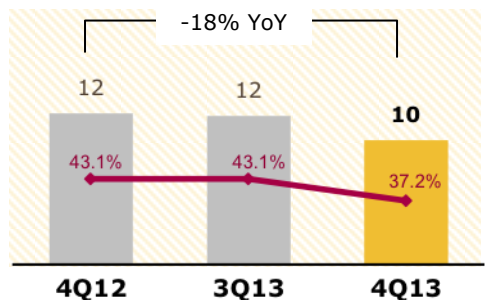


## Mobile customers

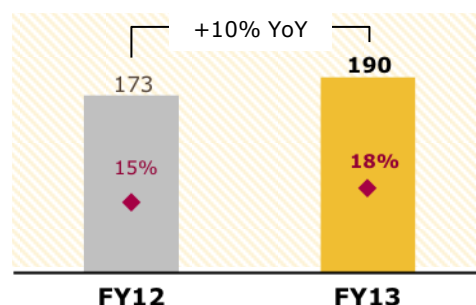
(million)



## EBITDA and EBITDA margin



## CAPEX and CAPEX/revenue (USD mln)

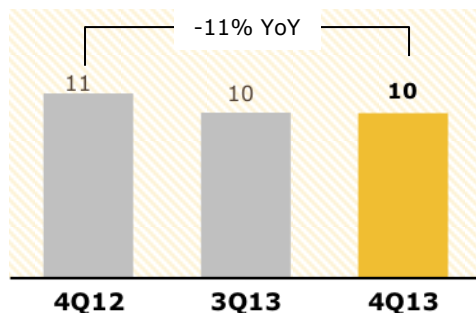


- Pressure on revenue due to unstable macro situation, higher withholding taxes and government requested network shutdowns
- Customers increased due to attractive reactivation and acquisition offers
- EBITDA margin decreased due to revenue decline, power outages, retroactive tax charges and costs related to sales increases
- CAPEX increased as the network modernization program neared completion

# Bangladesh 4Q13: Regulatory measures and unstable macro environment

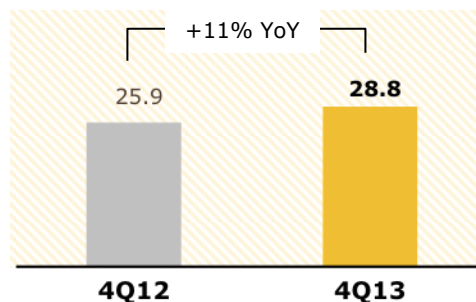
BDT BILLION, UNLESS STATED OTHERWISE

## Revenue

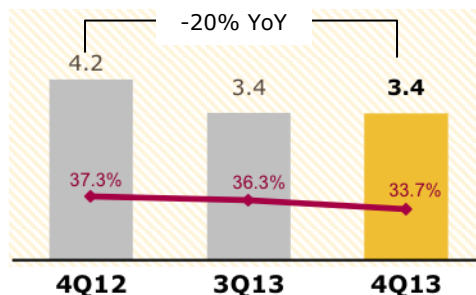


## Mobile customers

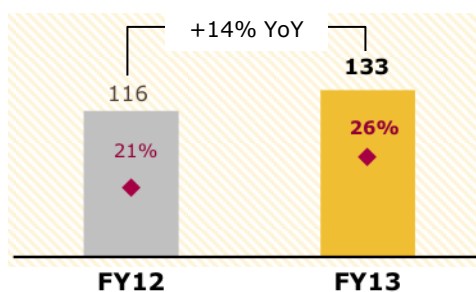
(million)



## EBITDA and EBITDA margin



## CAPEX<sup>1</sup> and CAPEX/revenue (USD mln)



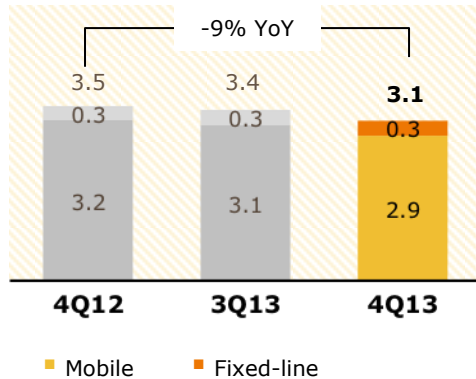
- Revenue negatively impacted by unstable macro situation and disconnection of suspected VoIP customers
- Customers growth driven by the launch of different channel and customer promotions
- EBITDA margin declined due to higher customer acquisition cost and ongoing implementation of regulatory measures
- CAPEX increased due to the roll out of 3G and 2G network modernization

1. CAPEX excluding 3G licenses of USD 110 million in Bangladesh

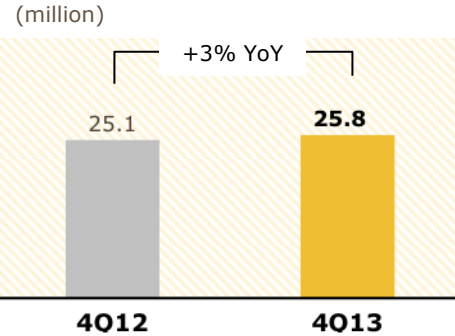
# Ukraine 4Q13: Continued pressure on results, transformation program launched

UAH BILLION, UNLESS STATED OTHERWISE

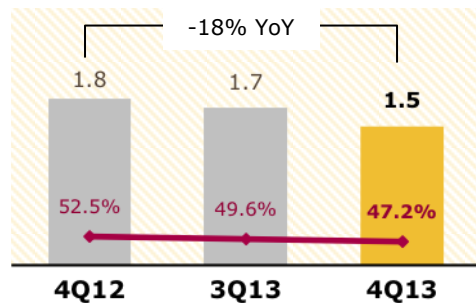
## Revenue



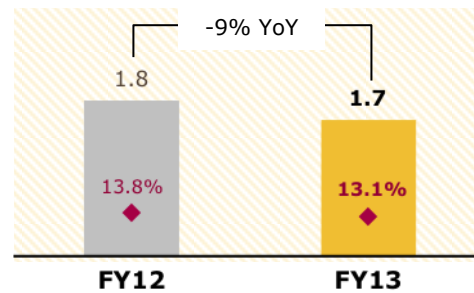
## Mobile customers<sup>1</sup>



## EBITDA and EBITDA margin



## CAPEX and CAPEX/revenue

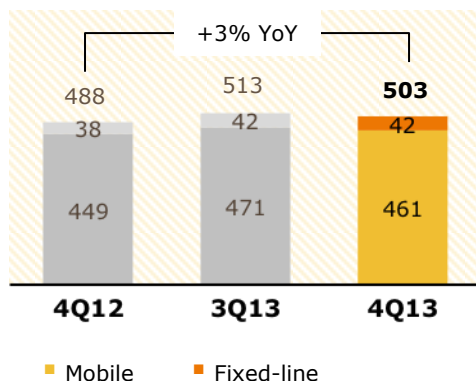


- Mobile service revenue decreased 9% YoY following the transition to lower priced bundled tariff plans
- Increase in customers due to improved propositions
- Strong EBITDA margin
- Solid operating cash flow margin of 33%
- CAPEX: Network modernization in order to prepare for future data growth

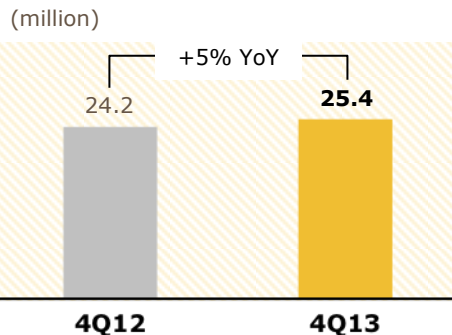
# CIS<sup>1</sup> 4Q13: Solid results

USD MILLION, UNLESS STATED OTHERWISE

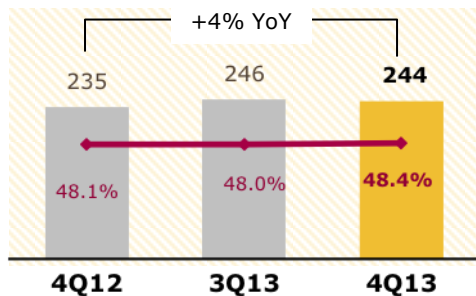
## Revenue



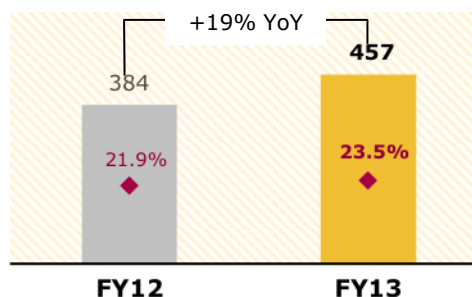
## Mobile customers



## EBITDA and EBITDA margin



## CAPEX and CAPEX/revenue

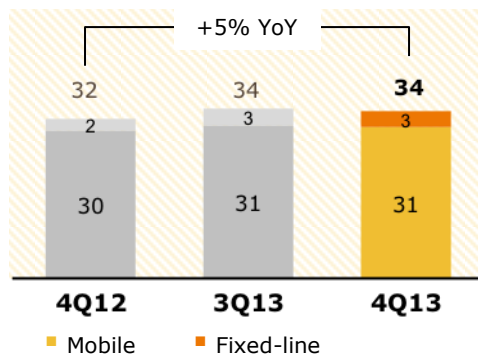


- Mobile service revenue increased 3% YoY driven by strong mobile data revenue growth of 39% YoY
- Mobile customers increased 5% YoY, mainly due to growth in Kazakhstan
- EBITDA increased organically 5% YoY
- Strong EBITDA margin
- CAPEX: Increase mainly due to network capacity investments in Uzbekistan

# Kazakhstan 4Q13: Profitable growth with an improved market position

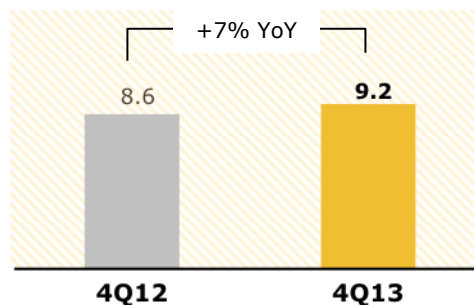
KZT BILLION, UNLESS STATED OTHERWISE

## Revenue

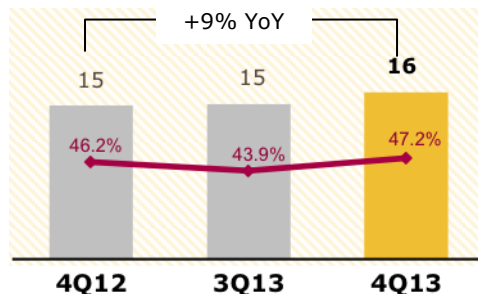


## Mobile customers

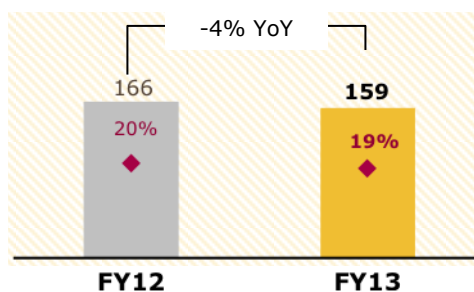
(million)



## EBITDA and EBITDA margin



## CAPEX and CAPEX/revenue (USD mln)

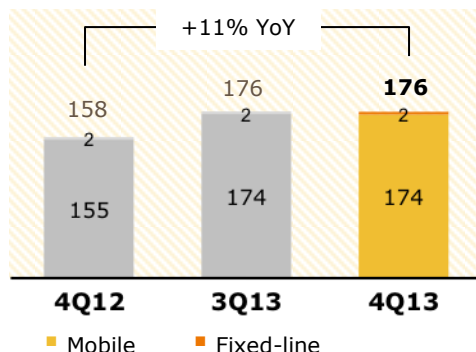


- Mobile service revenue increased 2% and fixed-line service revenue by 41% YoY
- Mobile data revenue increased 28% YoY
- ARPU increased 4% YoY to KZT 1,110
- Improved market position due to attractive value proposition with bundled tariff plans
- EBITDA grew 9% YoY due to efficiencies realised by the operational excellence program
- CAPEX decreased 4% YoY while 3G network roll out was completed

# Uzbekistan 4Q13: Continued profitable growth

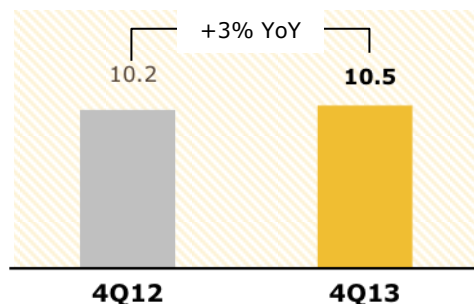
USD MILLION, UNLESS STATED OTHERWISE

## Revenue

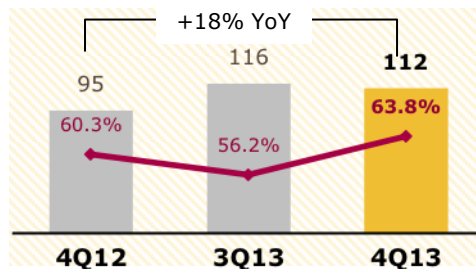


## Mobile customers

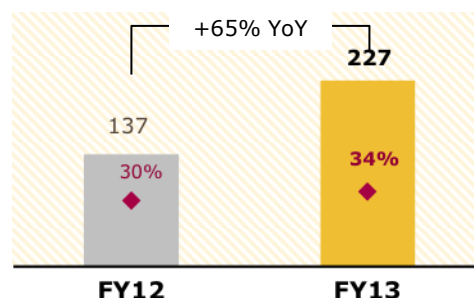
(million)



## EBITDA and EBITDA margin



## CAPEX and CAPEX/revenue

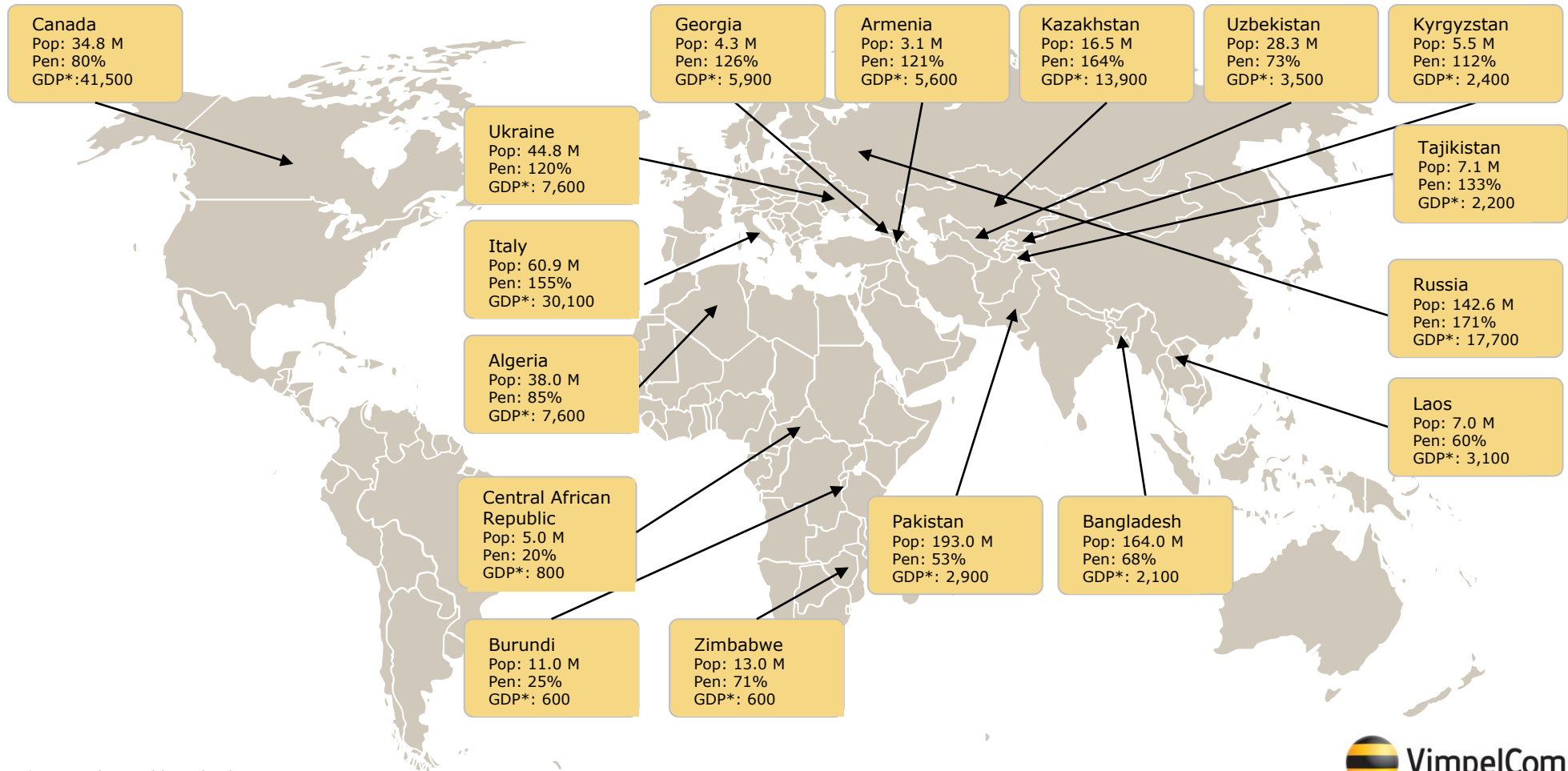


- Strong revenue growth in a 2 player market
- Mobile data revenue growth of 61% YoY
- Strong EBITDA margin supported by increased on-net traffic and cost control
- CAPEX/revenue increased due to network capacity investments

# Market Overviews



# A truly international telecoms operator



# Competitive situation and market trends - Russia

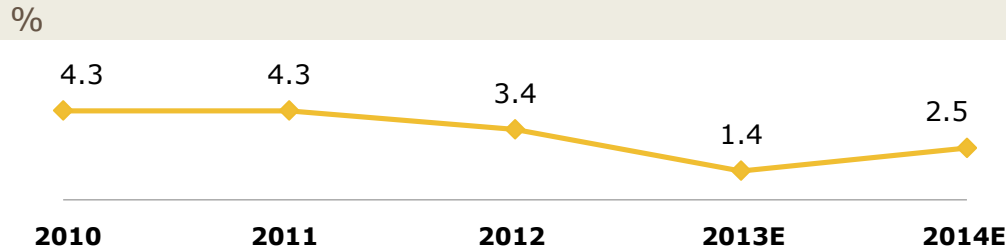
## Mobile<sup>1</sup>

- ~90 % pre-paid market
- ~ 171% penetration
- 3 major players (Megafon, MTS and VimpelCom) with comparable market shares
- ARPU ~USD 10
- 4G launched in 2013 in major cities

## Fixed<sup>1</sup>

- Rostelecom is still dominant market leader (~42 % subs market share incl. daughter companies)
- Voice traffic declining due to fixed-to-mobile substitution
- Residential broadband penetration ~50% and still growing by ~1% per quarter

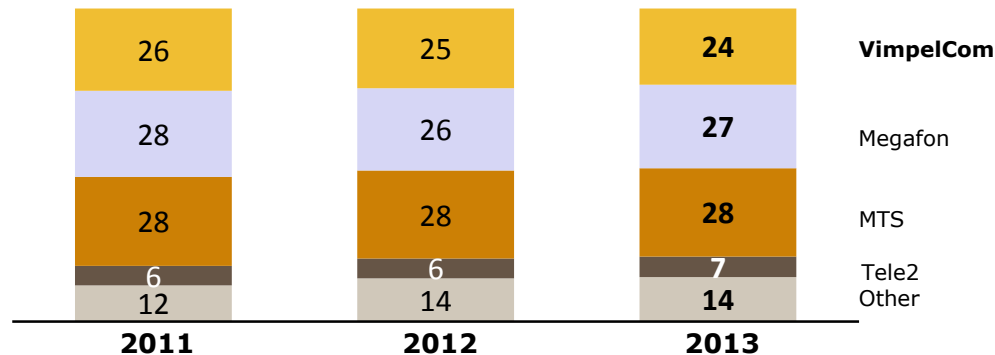
## GDP trend<sup>2</sup>



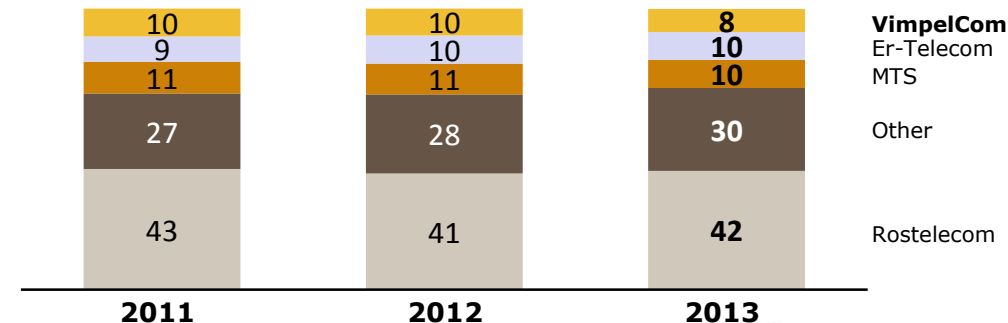
<sup>1</sup> Source: Informa

<sup>2</sup> Source: RosStat, Ministry of Economic Development of Russia, Prime Minister of Russia as of December 2013

## Mobile market share<sup>1</sup> (on service revenue), %



## Fixed broadband market share<sup>1</sup> (on subs), %



# Competitive situation and market trends - Italy

## Mobile

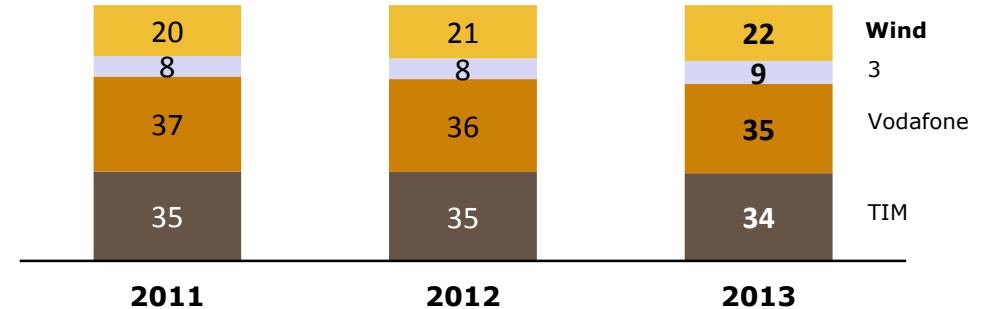
- ~ 80 % pre-paid market
- ~ 155% penetration
- 4 major players: TIM, Vodafone, WIND and H3G
- 35% smartphone penetration on SIM cards

## Fixed

- Telecom Italia still the incumbent
- Broadband penetration on total lines ~ 65%
- Fixed to mobile substitution

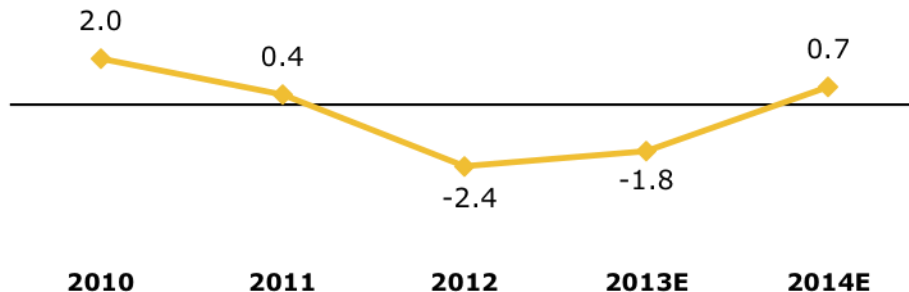
## Mobile market share<sup>1</sup>

(on revenue), %



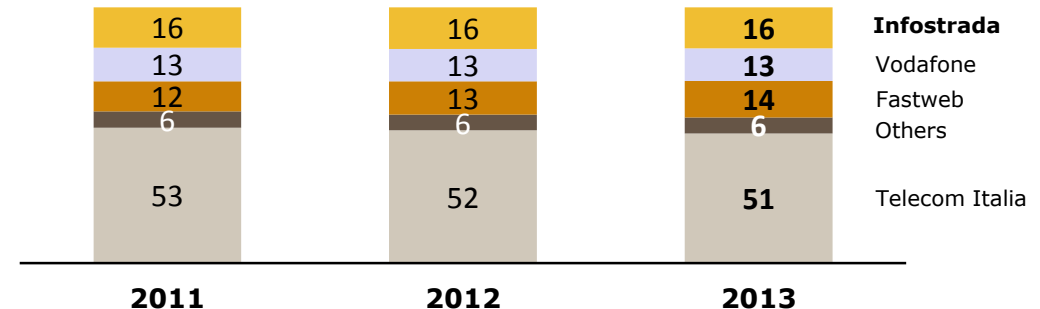
## GDP trend<sup>3</sup>

%



## Fixed broadband market share<sup>2</sup>

(on lines), %



1. Source: from official declaration; excluding MVNO

2. Source: from official declaration

3. Source: ISTAT

# Competitive situation and market trends - Ukraine

## Mobile

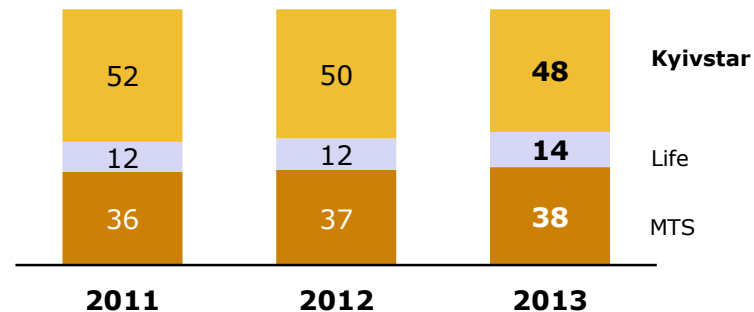
- Major players are Kyivstar, MTS and Astelit ("Life" brand)
- Kyivstar is the leading integrated operator with #1 in mobile and #2 in fixed residential broadband
- Penetration ~120%, ~87% pre-paid market
- Mostly bucket pricing with high MOU of ~500
- In absence of large scale 3G, CDMA players grew data revenues to ~8% of mobile revenues

## Fixed

- Major competitors: Ukrtelecom (incumbent), Volia, Vega, Datagroup
- Fixed broadband growth >20%; fragmented market with potential for consolidation

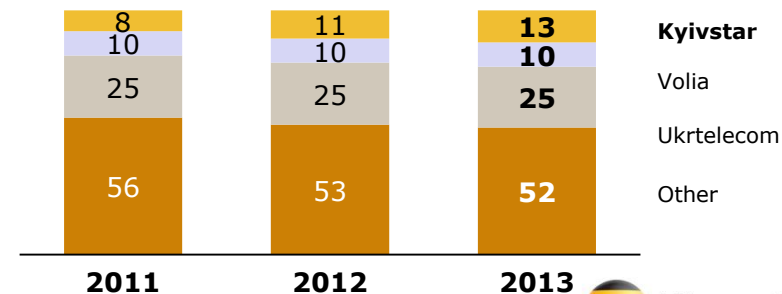
## Mobile Market Share

(on revenue), %



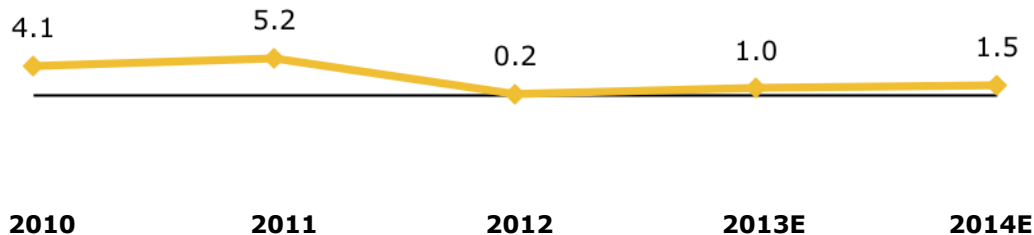
## Fixed Broadband Market Share

(on revenue), %



## GDP trend<sup>1</sup>

%



# Competitive situation and market trends - Kazakhstan

## Mobile<sup>1</sup>

- 151% penetration
- 2 major players (VimpelCom, KCell) with cumulative MS 91%, 3d player is discounter (Tele2)
- ARPU \$7
- 3G launched by all players, 4G network introduced only by Altel (government owned)

## Fixed<sup>3</sup>

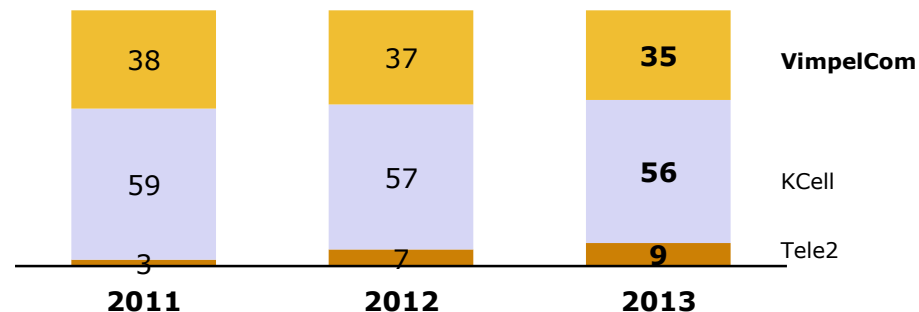
- Residential broadband is the main revenue growth contributor to the fixed market
- Residential broadband penetration ~30% and still growing
- Kazakhtelecom is still dominant incumbent (with ~84 % subs market share)
- Voice is expected to decrease due to FMS and voice over broadband substitutes

## GDP trend<sup>2</sup>



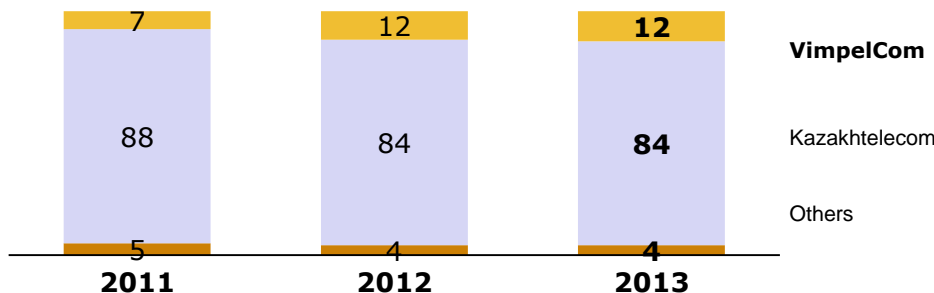
## Mobile market share<sup>1</sup>

(on revenue), %



## Fixed broadband market share<sup>3</sup>

(on subs), %



1 Source: Official publications (Beeline revenue is calculated as mobile standalone)

2 Source: National Statistic Committee as of December 2013

3 Source: Delta Partners analyses

# Competitive situation and market trends - Uzbekistan

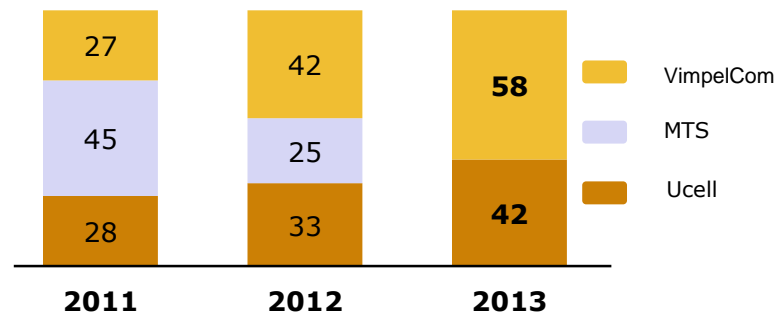
## Mobile

- 66% penetration
- 2 major players: VimpelCom, UCell, New Player entrance expected in April-May 2014
- ARPU \$5
- 3G launched by two operators

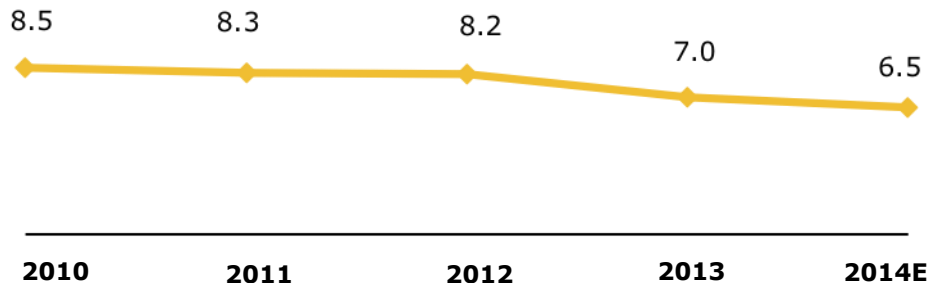
## Fixed

- Uzbektelecom is still dominant incumbent (with ~98 % subs market share)

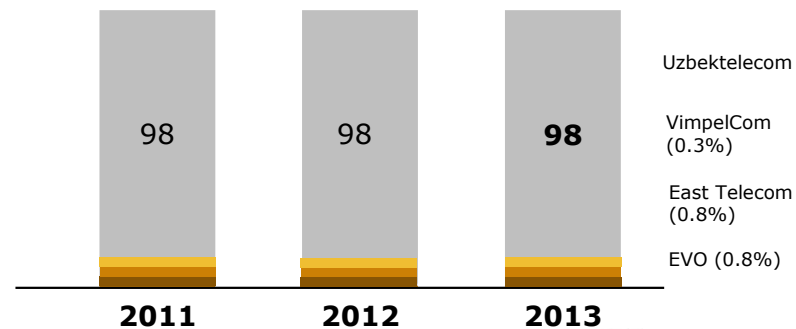
## Mobile market share<sup>2</sup> (on revenue), %



## GDP trend<sup>1</sup> %



## Fixed broadband market share<sup>3</sup> (on subs), %



Focusing Locally • Empowering People • Connecting Globally

<sup>1</sup> Source: [www.imf.org](http://www.imf.org)

<sup>2</sup> Source: [www.vimpelcom.com](http://www.vimpelcom.com), [www.mts.ru](http://www.mts.ru), [www.teliasonera.com](http://www.teliasonera.com)

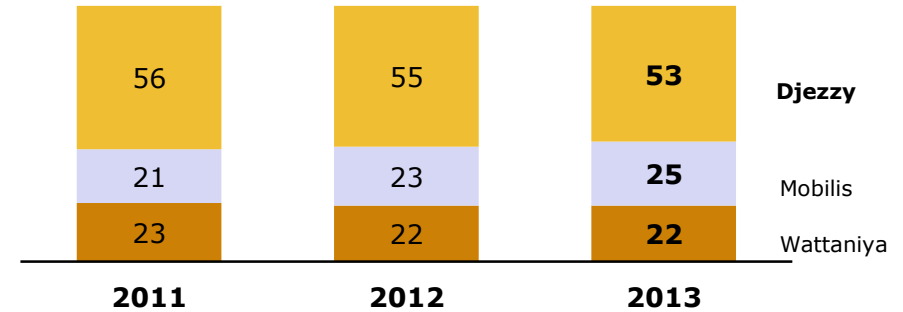
<sup>3</sup> Source: Local estimation

# Competitive situation and market trends - Algeria

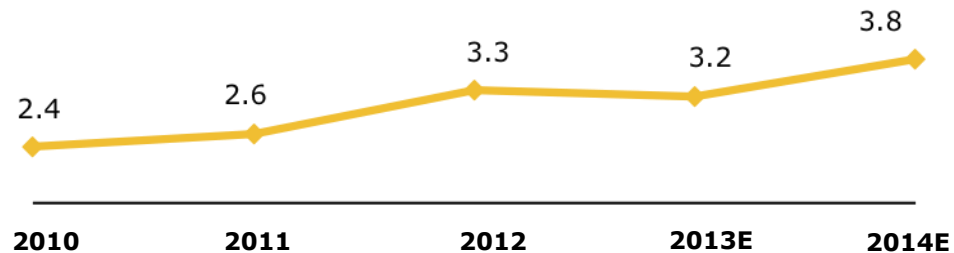
## Macro Environment:

- Government, trade and agricultural sectors account for over 60% of GDP
- 28% of the population is under 15 years old
- Presidential elections expected to commence in April 2014

## Mobile market share<sup>1</sup> (on revenue), %



## GDP trend<sup>2</sup> %



<sup>1</sup> Source: Market share as provided by the regulator as of November 30, 2013

<sup>2</sup> Source: World Bank as of December 2013

## Regulatory Environment:

- Djezzy continues to face stringent conditions from regulator regarding promotions and products
- Djezzy awarded a 3G license in December 2013 and received an exceptional approval from the Bank of Algeria for foreign payments for 3G equipment
- Government plans to list 10 public companies on ASE, including Mobilis

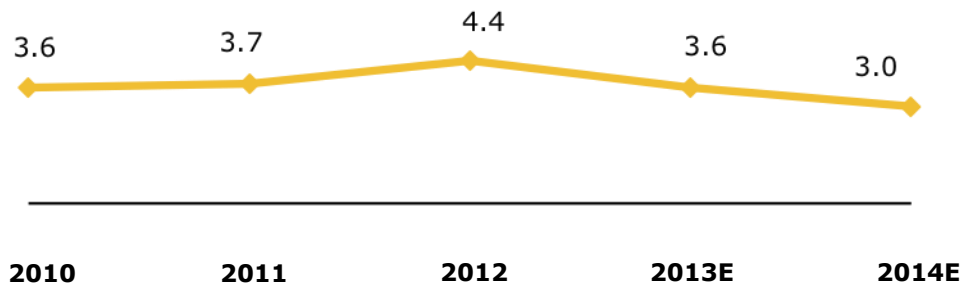
# Competitive situation and market trends - Pakistan

## Macro Environment:

- Continued devaluation of the Rupee against the USD
- Power shortfalls persist
- 34% of the population under 15 years old
- New government elected and in place since May 2013, working on achieving political stability and economic reform

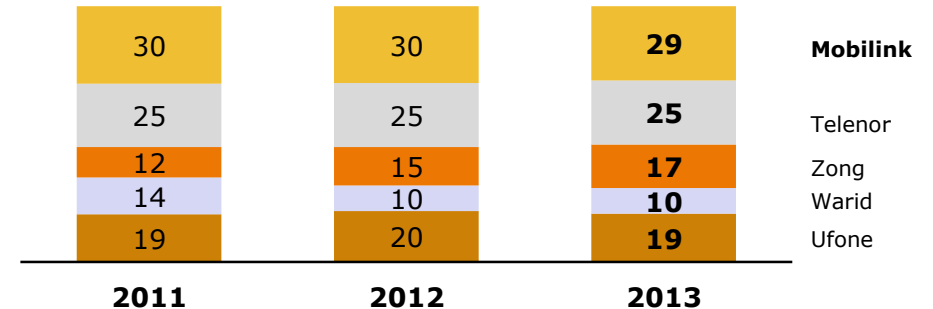
## GDP trend<sup>2</sup>

%



## Mobile market share<sup>1</sup>

(on revenue), %



## Regulatory Environment:

- New PTA chairman appointed in 4Q13
- 3G auction process reinitiated by the government
- Government increased withholding tax on recharge to 15% and also increased commercial electricity tariffs by 30% effective October 1, 2013
- Trends of fewer forced network shutdowns



# Competitive situation and market trends - Bangladesh

## Macro Environment:

- The world's highest population density
- 33% of the population under 15 years old
- BDT continued to appreciate against the USD
- Elections and political instability

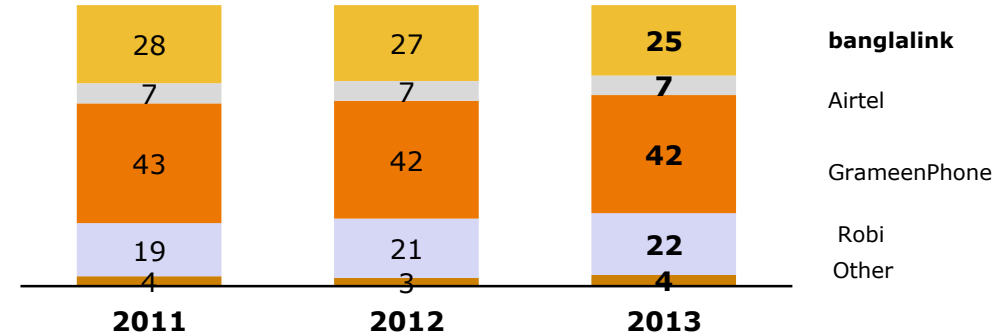
## GDP trend<sup>2</sup>

%



## Mobile market share<sup>1</sup>

(on revenue), %



## Regulatory Environment:

- Four 3G licenses were awarded in September 2013 during an auction for 8 blocks of spectrum, each consisting of 5 MHz (uplink and downlink). 5 of the 8 blocks were awarded
- banglalink launched 3G services in October 2013
- The government reduced SIM tax to BDT 300 from BDT 606 during 2Q13

# Competitive situation in rest of CIS

## Tajikistan

- 4 GSM competitors (Beeline 3rd), 2G penetration 133%, 3G operations first in CIS, low data usage, collaboration with BU Russia for migrant Subs



## Kyrgyzstan

- 3 GSM competitors (Beeline 1st), penetration 112%, 3G developing fast, EBITDA margin leader together with growth



## Armenia

- 3 international competitors in GSM: Beeline – 2nd, MTS (Russian competitor subsidiary) is 1st, Orange is 3rd
- 2G penetration 121%, 3G operations, LTE license - MTS high data usage
- Beeline fixed monopoly, stagnating voice, ADSL as fixed BB, growing competition urges for FTTx



## Georgia

- 3 GSM competitors (Beeline – 3rd and growing), 2G penetration 126%, 3G operations by competitors, 80+% coverage, liberal economy



# Reconciliation Tables and Forex

# FOREX development

## RATES OF FUNCTIONAL CURRENCY TO USD

	Average rates			Closing rates		
	4Q13	4Q12	YoY	FY13	FY12	YoY
Russian Ruble	32.53	31.08	(4.5%)	32.73	30.37	(7.2%)
Euro	0.73	0.77	4.8%	0.73	0.76	4.2%
Algerian Dinar	80.18	79.40	(1.0%)	78.38	78.94	0.7%
Pakistan Rupee	106.93	96.25	(10.0%)	105.33	97.14	(7.8%)
Bangladeshi Taka	77.67	81.08	4.4%	77.67	79.78	2.7%
Ukrainian Hryvnia	7.99	7.99	0.0%	7.99	7.99	0.0%
Kazakh Tenge	153.80	150.45	(2.2%)	153.61	150.74	(1.9%)
Armenian Dram	405.56	406.47	0.2%	405.64	403.58	(0.5%)
Kyrgyz Som	48.89	47.25	(3.4%)	49.25	47.40	(3.8%)

# Reconciliation of EBITDA

USD million	4Q13	4Q12 Restated <sup>1</sup>	FY13	FY12 Restated <sup>1</sup>
<b>Unaudited</b>				
<b>EBITDA</b>	<b>2,372</b>	<b>2,446</b>	<b>9,619</b>	<b>9,768</b>
Depreciation	(823)	(758)	(3,063)	(2,926)
Amortization	(459)	(519)	(1,792)	(2,080)
Impairment of Canada	(768)	(328)	(768)	(328)
Impairment of Ukraine	(2,085)	-	(2,085)	-
Impairment loss	(53)	(58)	(120)	(58)
Loss on disposals of non-current assets	(57)	(74)	(100)	(205)
<b>EBIT</b>	<b>(1,873)</b>	<b>709</b>	<b>1,691</b>	<b>4,171</b>
Financial Income and Expenses	(511)	(484)	(2,059)	(1,875)
- including finance income	21	38	91	154
- including finance costs	(532)	(522)	(2,150)	(2,029)
Net foreign exchange (loss)/gain and others	(265)	(67)	(311)	(14)
- including Other non-operating (losses)/gains	(194)	(44)	(172)	(75)
- including Shares of loss of associates and joint ventures accounted for using the equity method	(47)	7	(159)	(9)
- including Net foreign exchange gain	(24)	(30)	20	70
<b>EBT</b>	<b>(2,649)</b>	<b>158</b>	<b>(679)</b>	<b>2,282</b>
Income tax expense	(372)	(195)	(1,179)	(906)
<b>Profit/(loss) for the year</b>	<b>(3,021)</b>	<b>(37)</b>	<b>(1,858)</b>	<b>1,376</b>
Profit/(loss) for the year attributable to non-controlling interest	(361)	(232)	(434)	(163)
<b>Profit/(loss) for the year attributable to the owners of the parent</b>	<b>(2,660)</b>	<b>195</b>	<b>(1,424)</b>	<b>1,539</b>

# Reconciliation of consolidated net debt

USD million	4Q12	3Q13	4Q13
Net debt	21,971	22,485	22,603
Cash and cash equivalents	4,949	4,890	4,454
Long-term and short-term deposits	67	191	396
Gross debt	26,987	27,566	27,453
Interest accrued related to financial liabilities	536	430	606
Fair value adjustment	-	-	-
Unamortised fair value adjustment under acquisition method of accounting	794	696	665
Other unamortised adjustments to financial liabilities (fees, discounts etc.)	73	43	29
Derivatives not designated as hedges	453	489	204
Derivatives designated as hedges	237	218	271
Total other financial liabilities	29,080	29,442	29,228

# Disclaimer

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This presentation contains “forward-looking statements”, as the phrase is defined in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements relate to the Company's anticipated performance, expected capital expenditures, potential future cash flows and credit ratings, 2014 annual targets, network development, refinancing plans, potential future dividend payments and the Company's ability to realize its strategic initiatives in the various countries of operation. The forward-looking statements included in this presentation are based on management's best assessment of the Company'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. There can be no assurance that such risks and uncertainties will not have a material adverse effect on the Company. 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 Company's Annual Report on Form 20-F for the year ended December 31, 2012 filed with the U.S. Securities and Exchange Commission (the “SEC”) and other public filings made by the Company with the SEC, which risk factors are incorporated herein by reference. The Company disclaims 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.