# VimpelCom Financials

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CFO

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# Value Agenda Building Blocks

## I Operational strategy

### Profitable Growth

**Mobile + Fixed Broadband Data 3G / 4G**
- *License*
- *Build out*
- *Marketing*

**Segment Focus**
- *Corporate*
- *Consumer*
- *Pricing*

**New Services**
- *VAS*
- *Content*
- *IPTV*

### Operational Excellence ✓
- *Cost leadership*
- *Synergies*
- *Distribution*

### Capital Efficiency

**FCF Growth** ✓
- *EBITDA – Capex*
- *Working Capital*

**CFROI/ROIC**
- *Capex / Revenue*
- *Return management*

## II Financial strategy

**Financial Structure**
- *Optimize leverage organic growth and net debt*
- *Free Cash flow allocation*

**Listing**
- *Exploring all index inclusion options*
- *European listing*

**Dividend** ✓
- *Aim at least dividend per share of USD 0.80*

## III Portfolio strategy

**Selective In market Consolidation**
- *Value growth*
- *Market leadership*

**Portfolio Mix**
- *Disposals*
- *Mergers*

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- **VimpelCom Key Financials 2009 – 2011**
- Financial Value Agenda 2012 – 2014
- Financial Objectives 2012 – 2014

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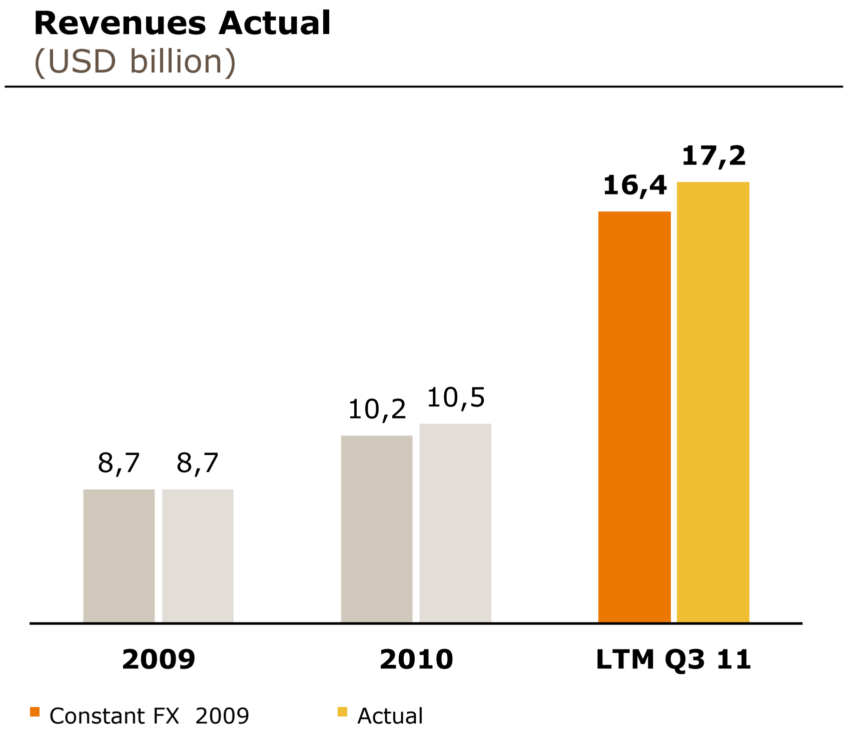
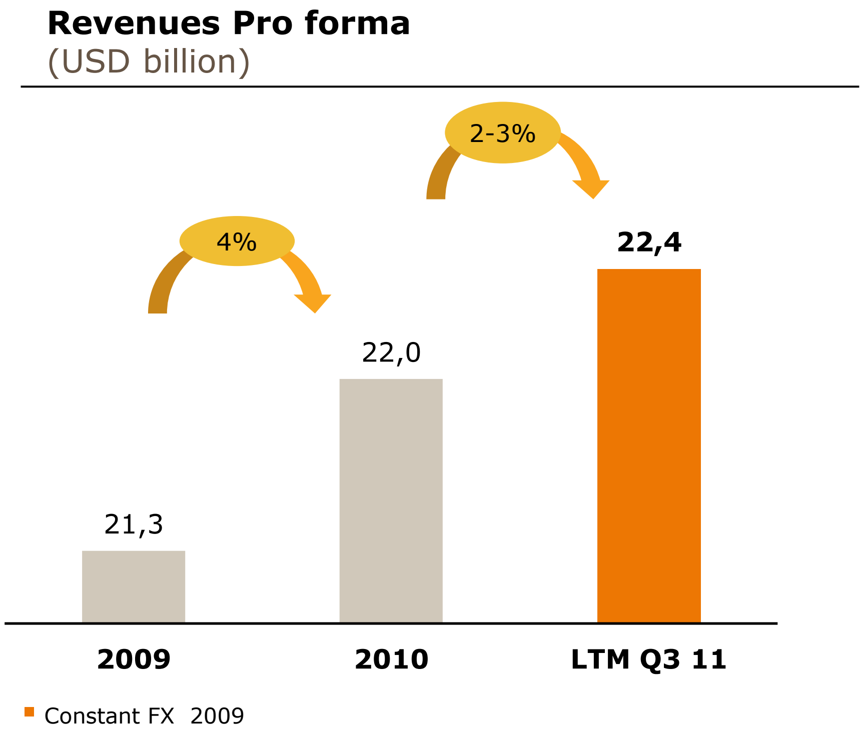
# VimpelCom Revenue Development 2009 to Q3 11




| Average Constant FX 2009 | |
|---|---|
| RUR / USD | 31.72 |
| EUR / USD | 1.39 |
| UAH / USD | 7.79 |
| EGP / USD | 5.58 |

** Pro-forma; for reconciliation of non-GAAP financial measures, please refer to the Investor Relations part of our website*

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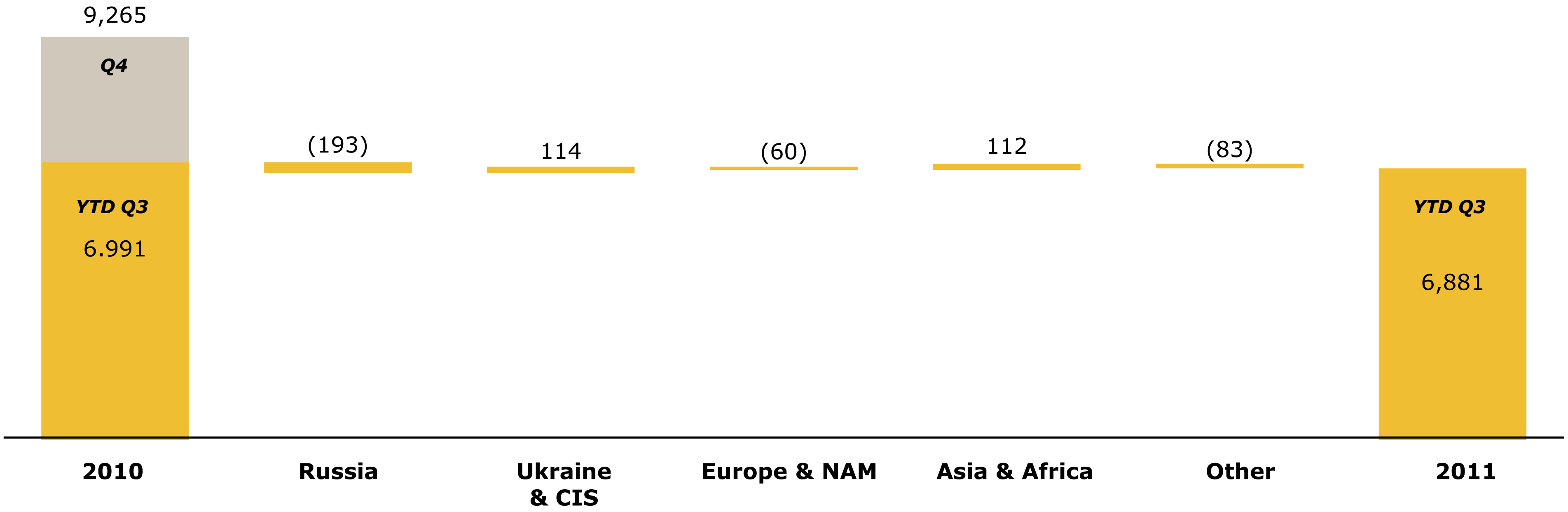
# Pro forma EBITDA Development 2010 – YTD Q3 11

**Pro forma EBITDA Development 2010 / 2011 at average constant 2009 FX in USD million**

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# Financial Performance Q3 11 YOY Pro forma

| (USD million) | Pro forma Q3 11 | Q3 10 | Δ |
|---|---|---|---|
| **Revenue** | **6,093** | **5,519** | **10%** |
| **EBITDA** | **2,535** | **2,435** | **4%** |
| Depreciation/ Amortization/Other | (1,269) | (1,138) | 12% |
| **EBIT** | **1,266** | **1,297** | **-2%** |
| Tax | (250) | (316) | -21% |
| Financial income / expenses | (481) | (493) | -2% |
| FX and Other | (444) | (24) | |
| **Net result** | 104 | 460 | |

| Business Units | Revenue growth Organic | FX | EBITDA growth Organic | FX |
|---|---|---|---|---|
| Russia | 8% | 6% | -8% | 5% |
| Ukraine | 4% | -1% | -1% | -1% |
| Europe / NAM | 2% | 9% | 1% | 8% |
| CIS | 19% | - | 24% | - |
| Africa / Asia | 5% | - | 13% | - |
| **Total** | 5% | 5% | -1% | 5% |

Q3 YoY FX and Other movements explained

- FX movement of USD 320 million on net debt
  - Appreciation of EGP towards CAD leading to an unrealized forex loss of USD 108 million on the CAD denominated receivable
  - Depreciation of EUR towards USD leading to an unrealized forex loss of USD 178 million on the USD denominated loans in Italy and Euro denominated balances in USD functional currency countries.
  - Depreciation of RUR towards USD leading to a forex loss of USD 36 million on the USD denominated loans in Russia
- Movement in Other losses of USD 87 million mainly consist of
  - Decrease of the value of embedded call option on Wind Italy bonds which impacted USD 108 million, due to decrease in price of underlying bonds and unfavorable interest and FX changes

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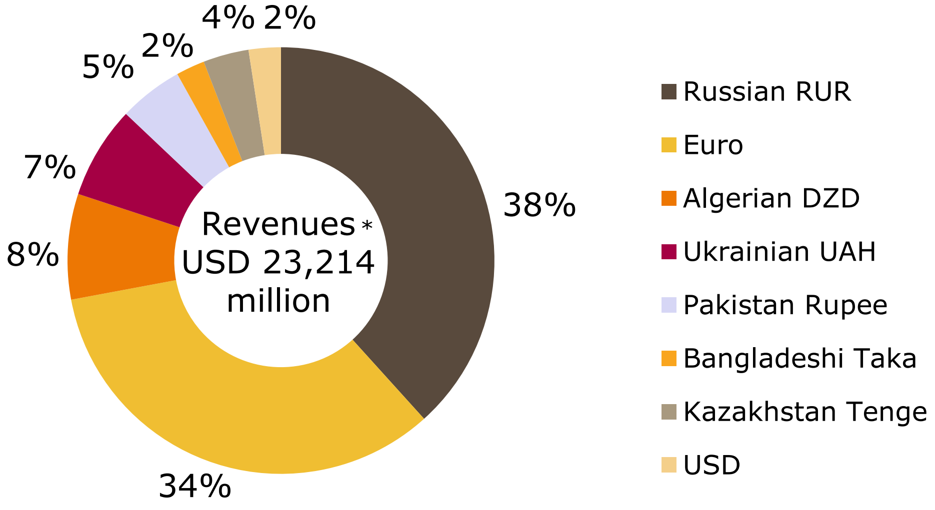
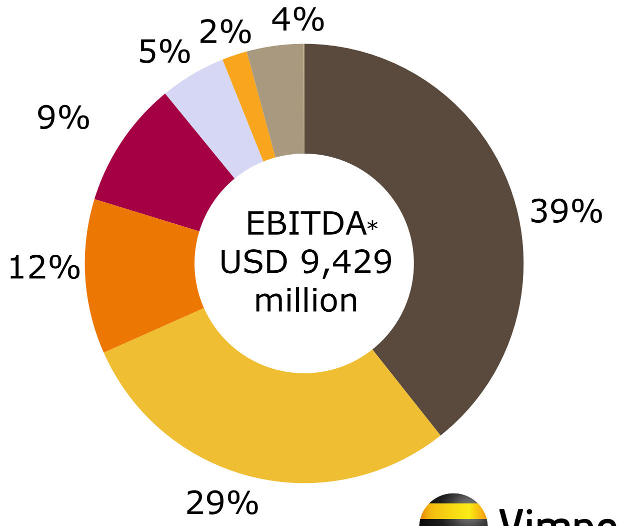
# VimpelCom LTM Q3 11; Currency sensitivities

| | Basic figures | | FX sensitivities** RUB vs USD +/-10% | EUR vs USD +/-10% | Total |
|---|---|---|---|---|---|
| Revenue *(USD million)* * | 23,214 | Average FX LTM | +/- 890 | +/- 780 | +/- 2,270 |
| EBITDA *(USD million)* * | 9,429 | | +/- 370 | +/- 270 | +/- 940 |
| Gross Debt* *(USD billion)* | 26.0 | Ultimo Q3 FX | +/- 0.4 | +/- 1.3 | +/- 1.8 |
| Net Debt* *(USD billion)* | 22.3 | | +/- 0.4 | +/- 1.2 | +/- 1.5 |




Net of VIP Amsterdam derivatives MTM change as of 30 September 2011
* Pro forma ** RUR vs USD +10% = 10% appreciation of the RUR compared to USD

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# VimpelCom LTM Q3 11; Currency sensitivities (continued)

I

- Further foreign currency sensitivities with respect to non-functional currency denominated **loans** and **receivables**
- Major exposure relates to USD loans and the CAD receivable in Egypt

| Functional currency | USD loans | CAD receivable | FX sensitivities +/- 10% compared to functional currency |
|---|---|---|---|
| RUR | -/- 700 | | -/+ 70 |
| EUR | -/- 750 | | -/+ 75 |
| EGP | -/- 2,600 | | -/+ 260 |
| EGP | | + 1,330 | +/- 140 |

II

- Additional volatility of financial income and expense caused by mark-to-market revaluation of embedded derivatives on bonds in Wind Italy Mark-to-market driven by price on bonds, interest rate and foreign exchange movements

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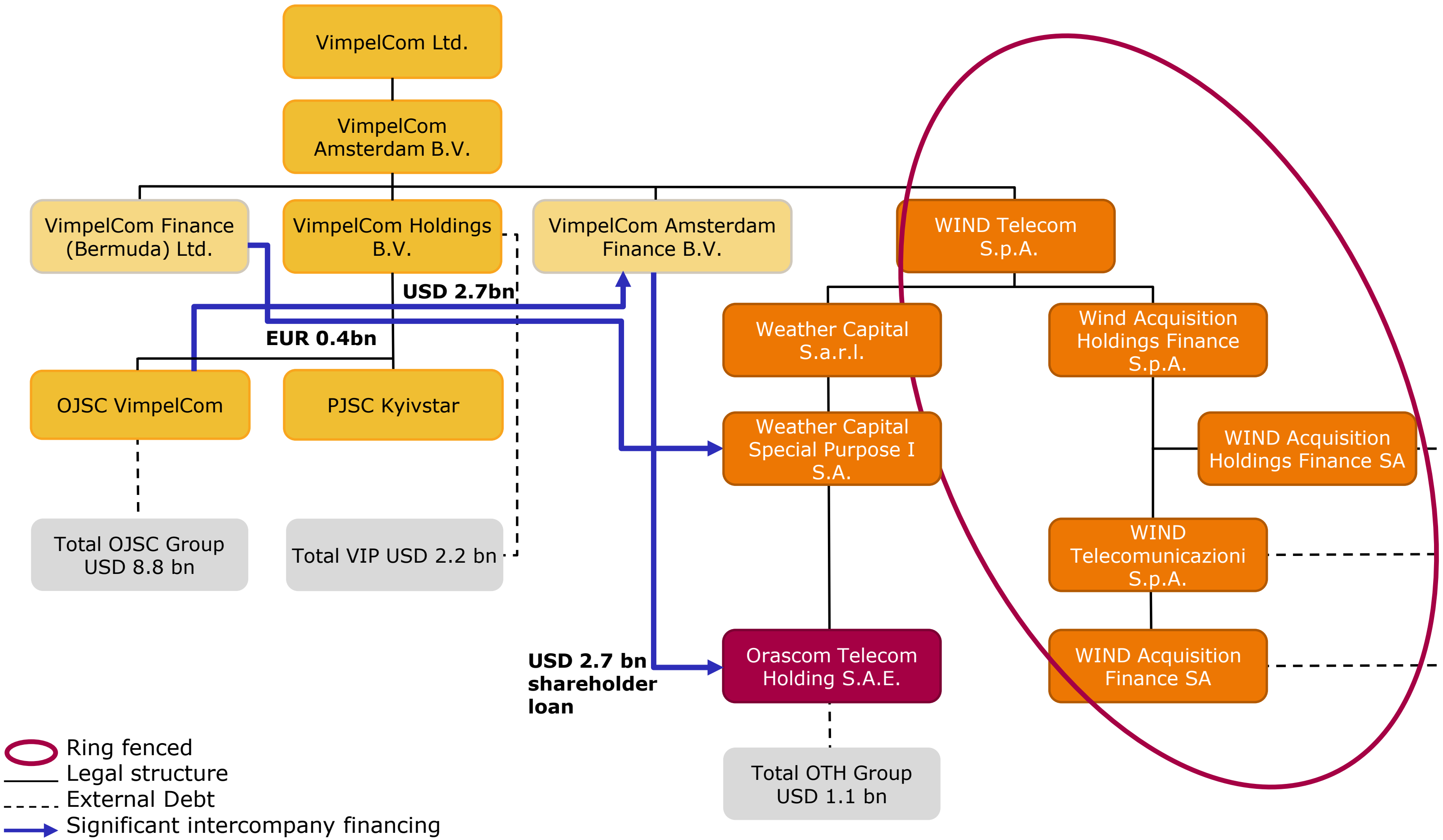
# Simplified legal / financing structure per 30 September 2011




**Total gross debt VimpelCom Group**

| | | |
|---|---|---|
| VIP | USD | 2.2 bn |
| OJSC Group | USD | 8.8 bn |
| WIND Group | USD | 13.7 bn |
| OTH Group | USD | 1.1 bn |
| Other | USD | 0.2 bn |
| | | **USD 26.0 bn** |

Total cash* (incl. bank deposit) **USD 3.7 bn**

Note: rounded figures

* including bank deposits and MTM of derivatives at VIP

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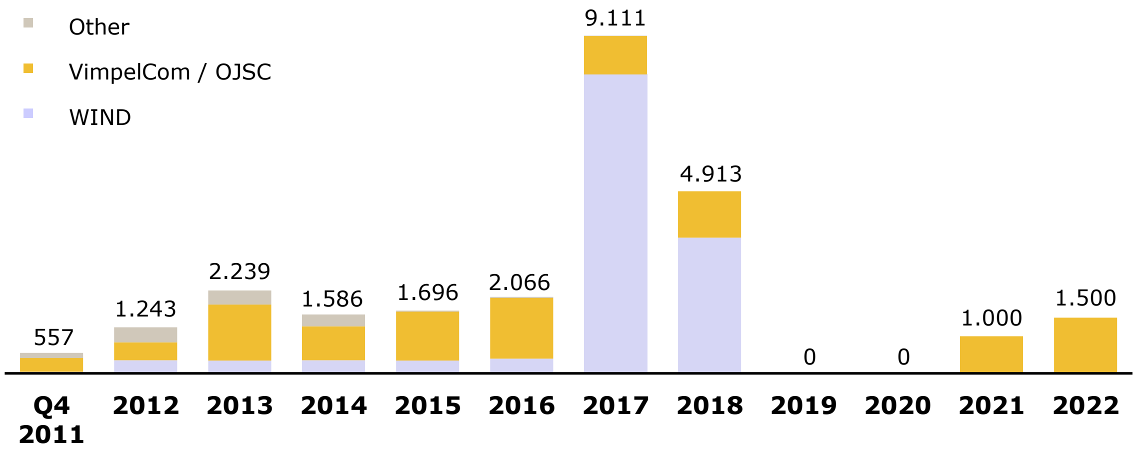
# Debt Structure Elements per Ultimo Q3 11

### Composition

| | EUR | RUR | USD | Other | Total |
|---|---|---|---|---|---|
| Bonds | 7.9 | 1.3 | 7.2 | 0.1 | 16.5 |
| Term loan | 4.7 | 3.0 | 0.3 | 0.6 | 8.6 |
| Other | 0.3 | 0.2 | 0.4 | 0.0 | 0.9 |
| Gross Total | 12.9 | 4.5 | 7.9 | 0.7 | 26.0 |
| Weigthed interest | 9.0% | 9.3% | 7.2% | 13.0% | 8.6% |

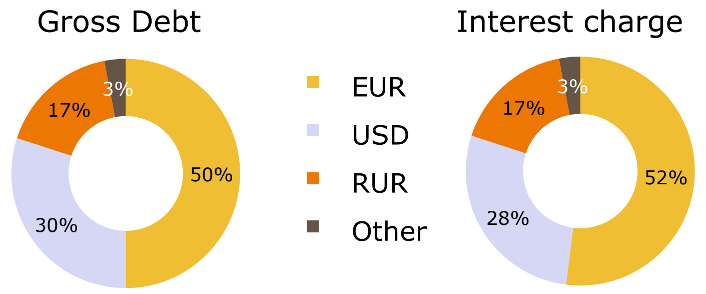
### Maturity schedule
(USD million)




### Ratios

| Currency ultimo Q3 11 | VimpelCom Ltd (excl. Italy) | Wind Italy | Total |
|---|---|---|---|
| Gross Debt/ LTM Q3 EBITDA | 1.95 | 4.77 | **2.78** |
| Gross Debt/ LTM Q3 EBITDA at USD +10% | 1.99 | 5.08 | **2.90** |
| Gross Debt/ LTM Q3 EBITDA at USD -10% | 1.91 | 4.45 | **2.66** |

### Debt and Interest composition

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# Cost Structure Group 2011

**LTM Q3 USD 23.2 billion Revenue**

| | Percentage of Service revenue | Elements | Development YOY |
|---|---|---|---|
| Service Revenue | 100% | Revenues excluding Sales of equipment and Other Income | ▲ |
| Usage related costs | 26% | Interconnection, Roaming, Termination, Leased Lines, Content, Access fees | ▲ ▲ ▲ |
| Commercial opex | 10% | Customer acquisition, Customer Retention, Advertising | ▲ ▲ |
| Technical & IT opex | 9% | Site rent, Maintenance, License Fees, Utilities, IT | = |
| Other SG&A opex | 7% | Third party and outsourcing, Non income taxes, Other rent, Other | = |
| HR Costs | 7% | Salaries & benefits own employees | ▲ |
| DA | 22% | Depreciation, Amortization | ▲ |
| EBIT | 19% | Operating income | ▼ |

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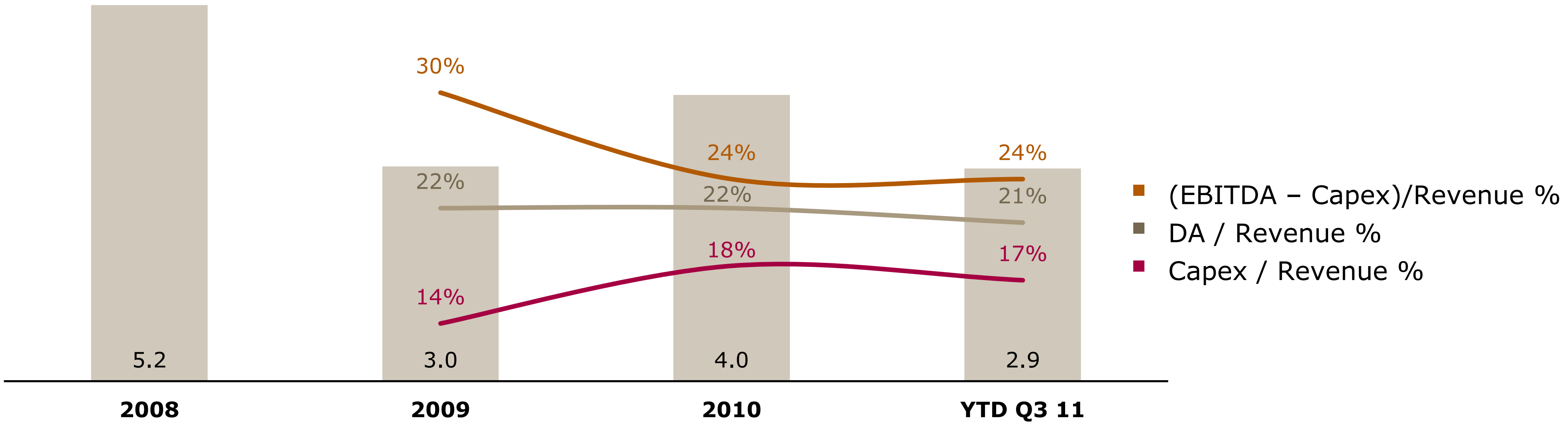
# Capex Basics 2008 – 2011 YTD VimpelCom

**Capex excluding licenses  Pro forma**
(USD billion)

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# VimpelCom (VIP) Listing and Index Inclusion

- Current situation
  - Headquarters in Amsterdam
  - Incorporation in Bermuda
  - 18% free float
  - 15 years NYSE listing
  - VimpelCom (VIP) is in 10 indexes
- Actions
  - Examining all index inclusion options
  - Switch to IFRS reporting
  - Explore further possibilities for European listing
  - Aiming for H1 of 2012 conclusion

| VIP included in the following Indexes |
| --- |
| S&P/IFC Investable Russia Price Index |
| S&P/IFC Investable Eastern Europe Price Index |
| S&P/IFC Investable Europe Price Index |
| S&P/IFC Investable Mid East & Africa Price Index |
| S&P/IFC Investable Composite |
| DJ Emerging Telecom 30 Index |
| DJ Emerging Sector 100 Index |
| S&P Emerging BMI BRIC |
| S&P Global BMI |
| S&P Emerging BMI |

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# Contribution areas of finance function

## 1. Clear strategy, delivering value to customers and shareholders

- Dynamic reviews and updates ✓

## 2. Value creation

- CFROI: Cash, Funding, Returns, Operations, Investments ✓

## 3. Risk management & Compliance

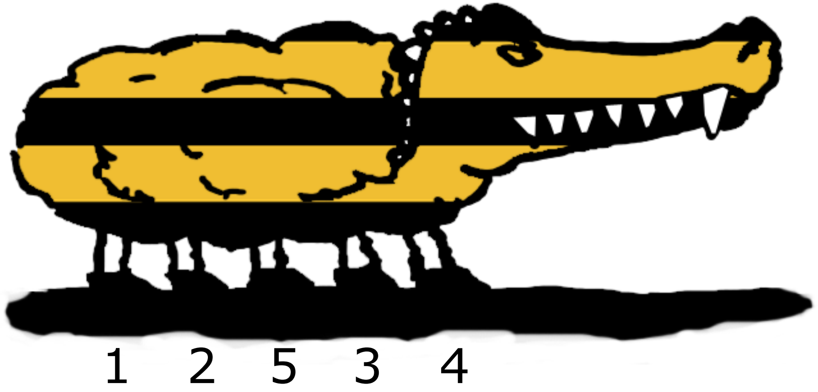
- RICIC: Risk, Internal Control, Integrity, Compliance ✓

## 4. Talent / Career development

- Top competences

## 5. Financial standing

- Credit rating; ratios, access to funding ✓

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# Tax optimisation

| | Old VIP YTD Sept 2010 | New VIP YTD Sept 2011 | New VIP Q2 & Q3 2011 |
|---|---|---|---|
| **Statutory Rate** | **20%** | **25%** | **25%** |
| **Above Statutory** | **11%** | **11%** | **31%** |
| Unrecognized losses | 2% | 11% | 18% |
| Provision for Dividend WHT | 4% | 7% | 15% |
| Provisions and other | 5% | -7% | -2% |
| **Effective Tax Rate** | **31%** | **36%** | **56%** |
| **ETR normalized PBT** (excl non-tax FX-results) | **31%** | **29%** | **34%** |

Focus in ETR on:

- Unrecognized losses
- Dividend withholding tax on dividends from Russia, Ukraine (US GAAP)
- Non-deductible interest in Russia and Italy

**ETR + Cash tax down**:

- Intercompany restructuring to mitigate withholding taxes optimize repatriation of funds
- Restructuring of (inter-company) financing
- Increase interest deductibility

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# Diversified funding structure secured

- Local Bonds and Eurobonds
- Syndicated Facilities
- ECA covered Facilities
- Bilateral (local) Bank Facilities
- Committed revolving credit facilities
- Intercompany funding

**Maturities long**

**Balanced Source Mix**

**Flexible Funding Secured**

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# Financial Standing

- **Maintain BB rating shortterm**
  - Stabilize operating performance
  - Secure cash flow generation
  - Gross debt to be around 3 times EBITDA maximum

- **Grow to BB+ / BBB-**
  - Optimize operating performance
  - Increase cash flow generation
  - Deleveraging strategy

- Moving towards
  - < 2 times Net Debt to EBITDA by end 2014
  - Investment Grade

- Secure Flexible access to capital markets
- Lower cost of funding accelerates cash flow generation and faster deleverage

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# Financial Standing (continued)

- **Cost of debt optimization opportunities**
  - Optimize interest tax deductibility
  - Restructuring expensive debt
  - Financial synergies
  - Local funding as natural currencies hedge

**USD 350 – 500 mln**

- **Additional Free Cash Flows upstreaming from Subsidiaries other than OJSC and Kyivstar**

- **Further lower cost of funding by improving long/short term, senior/junior, fixed/floating debt mix**

- **Capital allocation principles**
  - Stay within cash flows generated
  - Capex to support organic growth
  - Dividends pay-out
  - Debt redemption opportunities
  - Selected in Market M&A

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# Operational Excellence 2012 - 2014

## Cost and Capex

| *(USD billion)* | **LTM Q3** |
|---|---|
| **Usage related costs** | **6.0** |
| **Total Opex** | **7.8** |
| Commercial opex | 2.3 |
| Technical & TT opex | 2.1 |
| Other SG&A | 1.7 |
| HR costs | 1.7 |
| **Capex** | **4.8** |
| **Total Cash** | **18.6** |

**Traffic dependent**

**Competitor behavior dependent**

**Scale Opportunity**

## Synergies


### Preliminary perspective

- Usage > > USD 200 million savings
- Opex > > USD 400 million savings
- Capex < 15% on Revenu by end 2014 (excl. licenses)

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# Capital Return Improved

**Capital Invested per Ultimo Q3 11**

| *(USD million)* | **Book value** | **Gross value** |
|---|---|---|
| Tangible | 14,326 | 20,928 |
| Other Intangibles* | 11,082 | 14,758 |
| Goodwill* | 17,171 | 17,171 |
| Working Capital** | -3,131 | -3,131 |
| **Total** | **39,448** | **49,726** |

- **CFROI** = $\dfrac{\text{EBITDA – Taxes paid (25\% on EBIT) – Economic depreciation}}{\text{Gross Asset Base (incl goodwill)}}$

- **ROIC** = $\dfrac{\text{EBIT LTM Actual}}{\text{Invested Capital *** (incl goodwill)}}$

**WACC 9.3%**

* Goodwill and Other Intangibles are subject to change, due to valuation of assets acquired in business combinations still in progress
** Excluding cash
*** Net book value of capital invested excluding working capital

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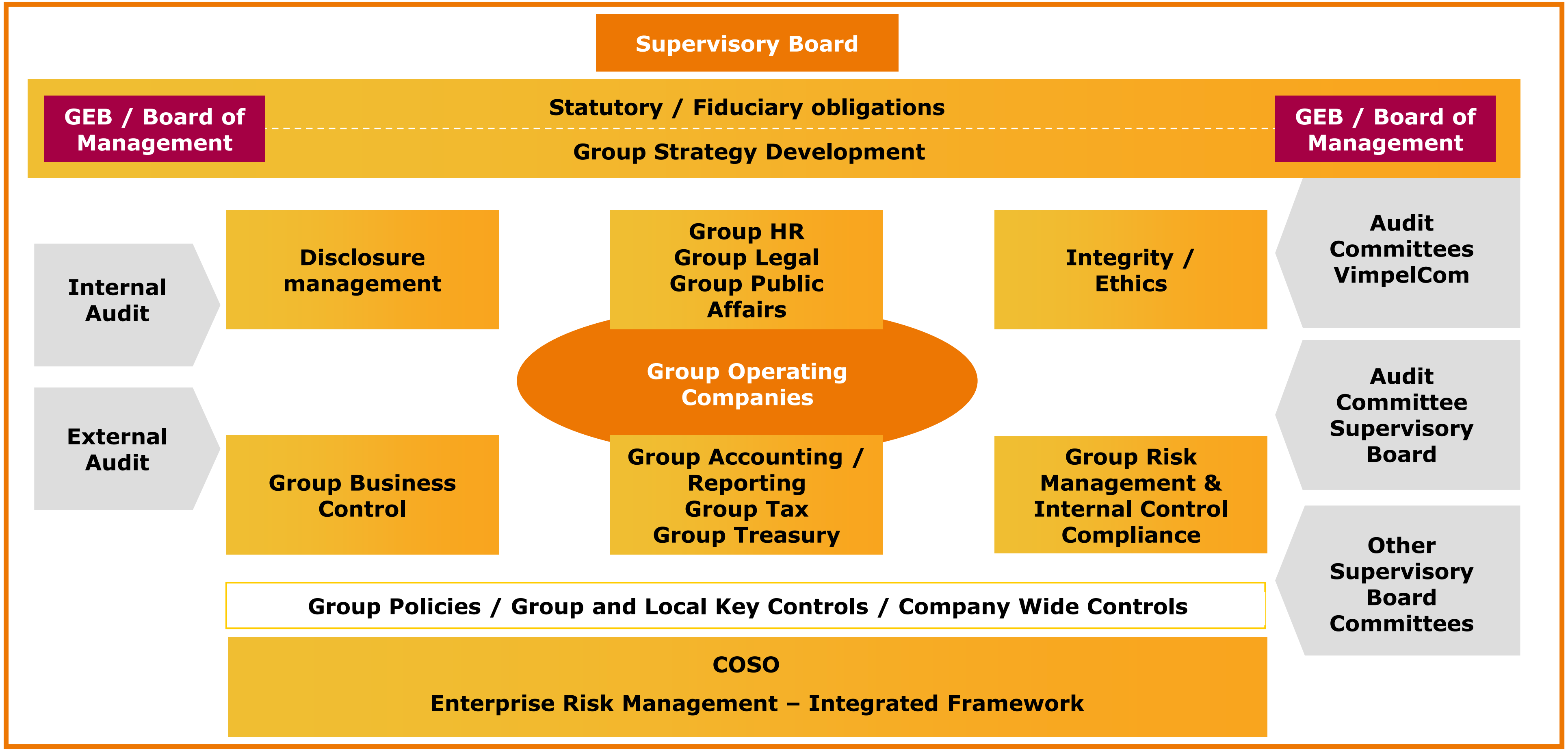
# Risk management, Internal control, Integrity Compliance

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# Financial Performance Objectives 2012 – 2014

| | Key indicators |
|---|---|
| Revenue | Currently being developed as part of business review process |
| EBITDA | |
| Capex / Revenue (excl. licences) | Below 15%<br>*By end of 2014* |
| Leverage | Net Debt / EBITDA < 2<br>*By end of 2014* |
| Operational excellence | Cost savings / cash improvement |

**Revenue and EBITDA objectives planned to be communicated early 2012**

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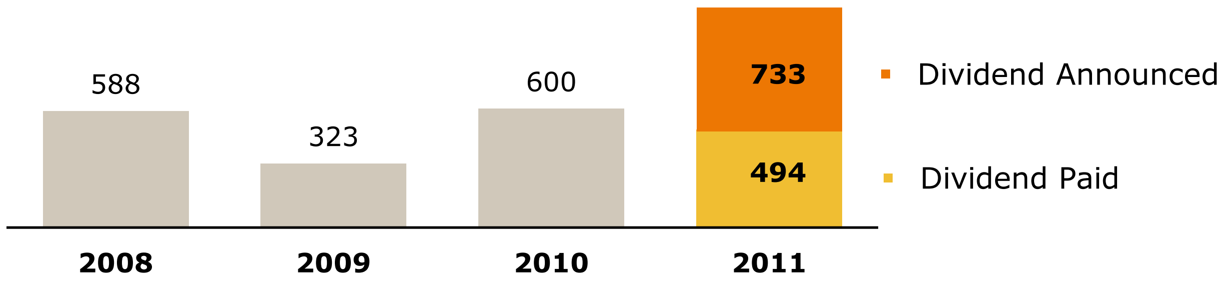
# Cash Returns to Shareholders Objectives

**Dividends paid**
(USD million)




**Aim to pay at least USD 0.80 per common share 2011 – 2014**

**Dividend guideline***

- Intention to pay a dividend that develops substantially in line with the development of operational performance
- Barring unforeseen circumstances, the Company aims to pay out a significant part of its annual operating free cash flow** to its shareholders in the form of dividends
- Precise amount and timing of dividends for a particular year will be approved by the Supervisory Board, subject to certain constraints and guidelines
- Assuming not more than 1,628 million common shares issued and outstanding

** For a full dividend guideline please refer to www.vimpelcom.com*
*** Operating free cash flow = net cash from operating activities minus capital expenditures*

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# Conclusion

- Financially in good shape
- Significant initiatives started
- Substantial cash flow growth potential

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# Disclaimer

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