

Creating Value in Africa & Asia

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VimpelCom
Analyst &
Investor Day

It's all about Creating Value

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



What it IS about

- Maintain market leadership in key markets
- Expanding non-voice revenues especially in data and VAS
- Network CAPEX and OPEX efficiency by modernizing networks
- Cost optimization

Competitive Situation and Market Trends: Market leadership

Geographic Footprint

Algeria¹

Pop:37 M
Pen:89%
GDP:7,400

Pakistan¹

Pop:190 M
Pen:63%
GDP:2,800

Bangladesh¹

Pop:161 M
Pen:60%
GDP:1,700

Central African Republic¹

Pop:5 M
Pen:19%
GDP:800

Zimbabwe¹

Pop:12 M
Pen:65%
GDP:500

Laos¹

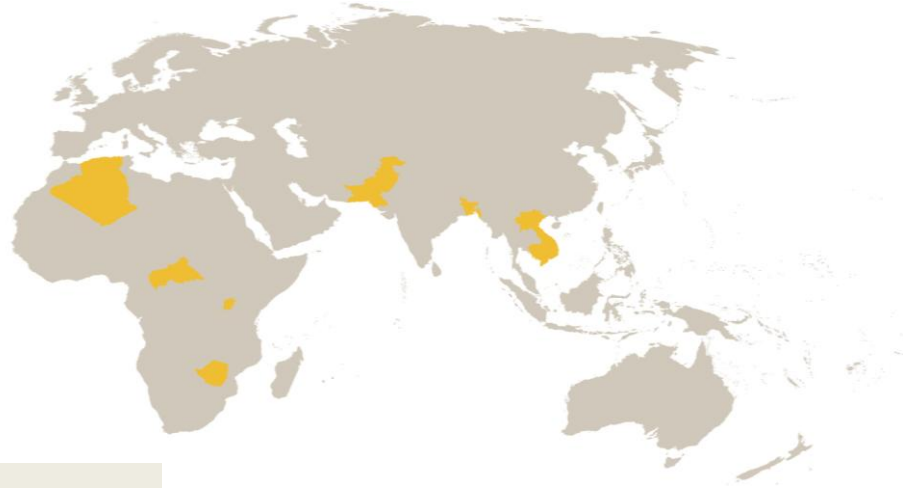
Pop:6 M
Pen:60%
GDP:2,041

Burundi¹

Pop:10 M
Pen:21%
GDP:600

Cambodia¹

Pop:15 M
Pen:95%
GDP:2,200



Competitive Landscape and Market Trends

- Africa and Asia Business Unit operates in 8 countries with low levels of mobile penetration and high potential for data and 3G services
- **Algeria:** Despite limitations, **Djezzy** remains a profitable market leader with tremendous data potential
- **Pakistan:** **Mobilink** leads the maturing market, and with a large customer base has great potential for revenue enhancement through data, MFS and VAS uptake
- **Bangladesh:** In a large market with low penetration levels, **banglalink** is one of the fastest growing operators in a rapidly-growing market with strong focus on increasing value share

¹ Source: CIA Factbook. Mobile Penetration is based on September 30, 2012 subscriber figures and market share.

Djezzy - Overview

Macro Environment

- GDP growth rate for 2012 stood at 2.5%
- Young population with 24% of the population under 15 years of age
- Government, trade and agriculture sectors account for over 60% of Algeria's GDP
- Hydrocarbons have long been the backbone of the economy, accounting for roughly 60% of budget revenues, 30% of GDP, and over 95% of export earnings

Regulatory Environment

- OTA continues to face stringent conditions with the regulator (ARPT) regarding critical promotion and products
- In September 2011, 3G licensing process launched, but was put on hold until situation surrounding Djezzy is resolved
- The Algerian government approved Q-tel acquisition deal over Wattaniya

Competitive Landscape

- Djezzy is the market leader in a three-player market:
- **OTA:** launched its operations in 2002, has a population coverage of 96%
 - **Mobilis:** ATM was the first entrant launched in 1999, rebranded their mobile business to Mobilis. ATM is also the sole fixed line provider and owner of internet and international gateways
 - **Wattaniya:** launched in 2004. As challengers, Nedjma is a large contributor to market growth

Strategic Direction

- Balanced value pricing strategy leading to stable ARPU levels despite high market growth
- Consolidate Djezzy brand leadership and strengthen emotional bonding with customers
- Increase quality and control over the distribution channel
- Define leaner site configurations through tighter design guidelines to manage CAPEX requirements
- Modernize network once ban is lifted

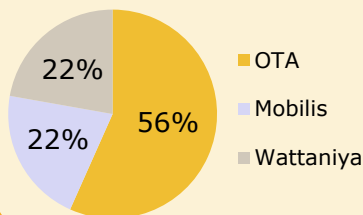


Population: 37 million
GDP/capita: USD 7,400

Market Size¹:
31 million subs
Penetration¹: 89%

- Market Players (subscribers):**
- Djezzy (17.7 million)
 - Nedjma (7.0 million)
 - Mobilis (6.8 million)

Market Shares²

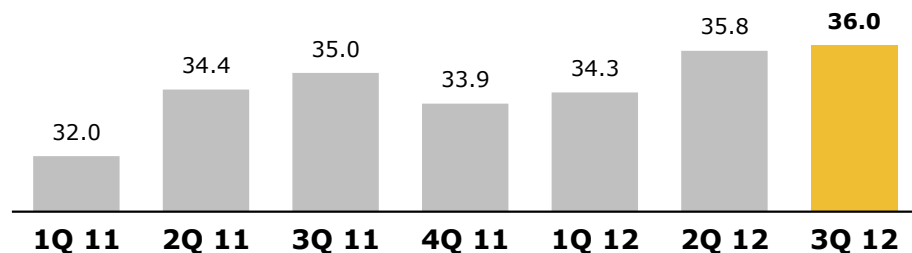


¹ Penetration figures are provided based on OTA closing base and our Data Warehouse (DWH) figures for competition

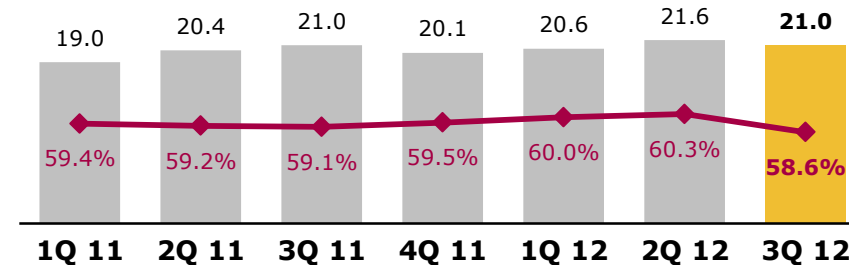
² DWH Market Share

Resilient Market Leadership in Algeria

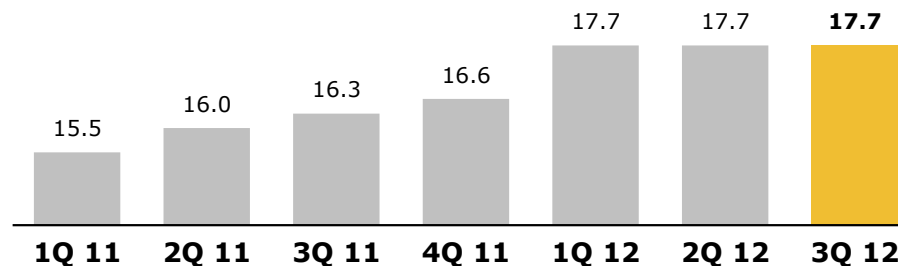
Revenues (DZD billion)



EBITDA and EBITDA Margin (DZD billion)



Mobile subscribers (million)



Mobilink - Overview

Macro Environment

- GDP growth rate in 2012 stood at 2.4%
- 35% of the population is under 15 years of age
- Devaluation of the Pakistani Rupee against the US Dollar continues
- Security and political situation remains tense

Regulatory Environment

- 3G launch process is under way
- PTA issued directives halting MNP services in November 2012, then resumed in December 2012
- More stringent rules on the process of selling SIM cards
- Government asked mobile operators to close their networks in major cities on sensitive occasions
- New PTA Chairman appointed

Competitive Landscape

Mobilink is the market leader in a competitive five-player market:

- **Telenor:** 2nd player in the market, value-driven operator, strong market share position, strong in youth, data offers and mobile financial services
- **Ufone:** 3rd player in the market, positive mass market perception, aggressive offers
- **Zong:** China Mobile's 1st venture outside China, last entrant into the Pakistani market, offers cheap products and services, has high capacities, aggressive on pricing and market share gains
- **Warid:** Their level of activity has been increasing lately through launching new offers and promotions. Strong in postpaid and youth

Strategic Direction

- MFS launched in November 2012
- Leverage the large subscriber base to increase voice revenues
- Capture mobile data opportunity in Pakistan given the low internet penetration level, especially through 3G
- Network modernization and infrastructure sharing as a mean of more efficient use of resources



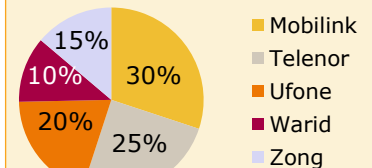
Population: 190 million
GDP/capita: USD 2,800

Market Size:
120 million subs
Mobile Penetration: 63%

Market Players (subscribers):

- Mobilink (36.1 million)
- Telenor (30.2 million)
- Ufone (23.8 million)
- Warid (12.6 million)
- Zong (17.8 million)

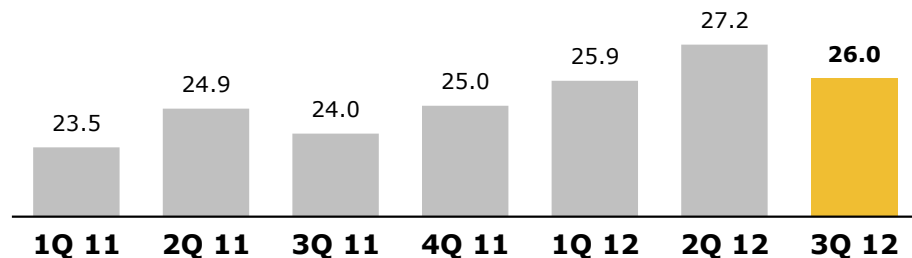
Market Shares¹



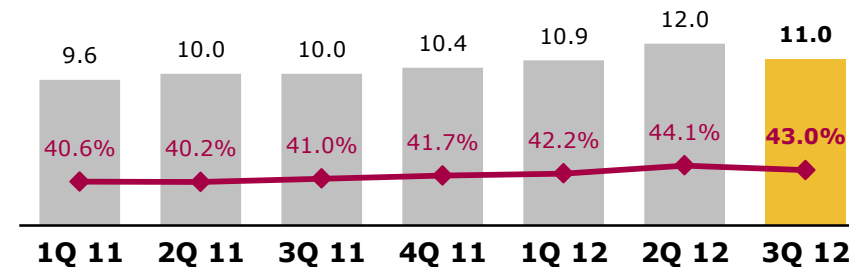
¹ Market share as provided by the regulator as of 30 September 2012

Successful Cost Savings Initiatives in Pakistan

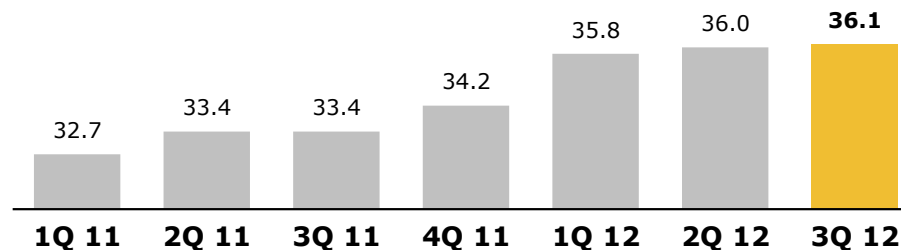
Revenues (PKR billion)



EBITDA and EBITDA Margin (PKR billion)



Mobile subscribers (million)



banglalink - Overview

Macro Environment

- GDP growth rate in 2012 stood at 6.1%
- Bangladesh has the world's highest population density
- 57% of population below 25 years of age
- Continuous devaluation of local currency against US Dollar

Regulatory Environment

- 3G guideline and license awarding process is under development
- New BTRC Chairman and Telecom minister appointed
- More restrictive rules applied on the process of selling SIM cards
- 10 second pulse for all call plans introduced to operators

Competitive Landscape

- **banglalink** places 2nd in a six player market with an innovative brand positioning among the youth segment
- **Grameenphone**: 1st player with largest network, perceived as best in quality and coverage
- **Robi**: 3rd player, aggressive in price reduction and communication
- **Airtel**: 4th player, mainly focused on young people
- **CityCell**: CDMA operator
- **TeleTalk**: Operated by national fixed incumbent BTCL

Strategic Direction

- Leverage large base by unlocking mass-market value potential
- Create appeal and realize improvement in high-end, enterprise and SME segments
- Solidify leadership positioning in Mobile Financial Services market
- Continue innovation in mobile integrated content in fields of education, agriculture, healthcare and financial markets
- Tap into mobile data opportunities with internet penetration rates low in the country
- Network modernization and infrastructure sharing



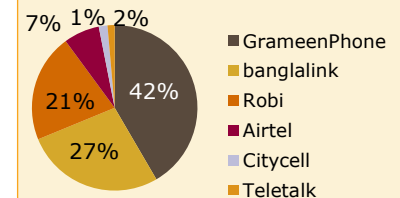
Population: 161 million
GDP/capita: USD 1,700

Market Size:
98 million subs
Mobile Penetration: 60%

Market Players (subscribers):

- GP (40.9 million)
- Banglalink (26.8 million)
- Robi (20.8 million)
- Airtel (6.9 million)
- CityCell (1.7 million)
- TeleTalk (1.4 million)

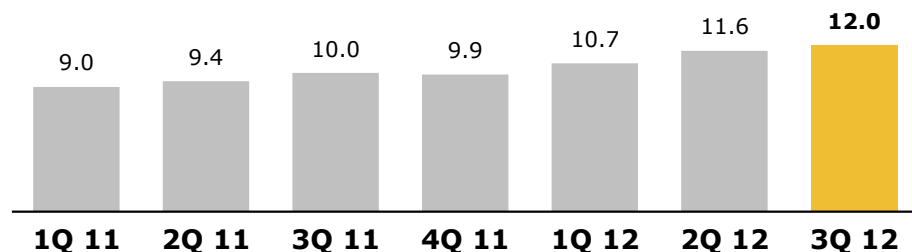
Market Shares¹



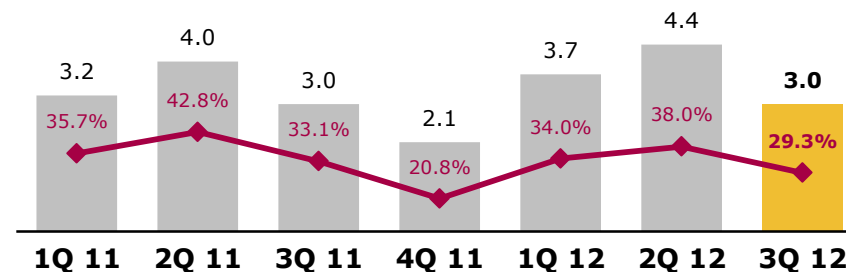
¹ Market share as provided by the regulator as of 30 September 2012

Healthy Subscriber Growth Momentum in Bangladesh

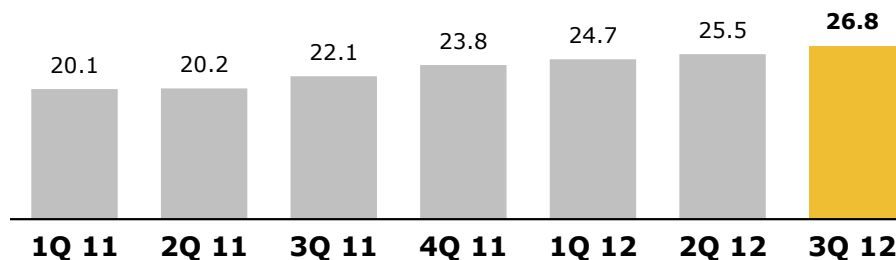
Revenues (BDT billion)



EBITDA and EBITDA Margin (BDT billion)



Mobile subscribers (million)



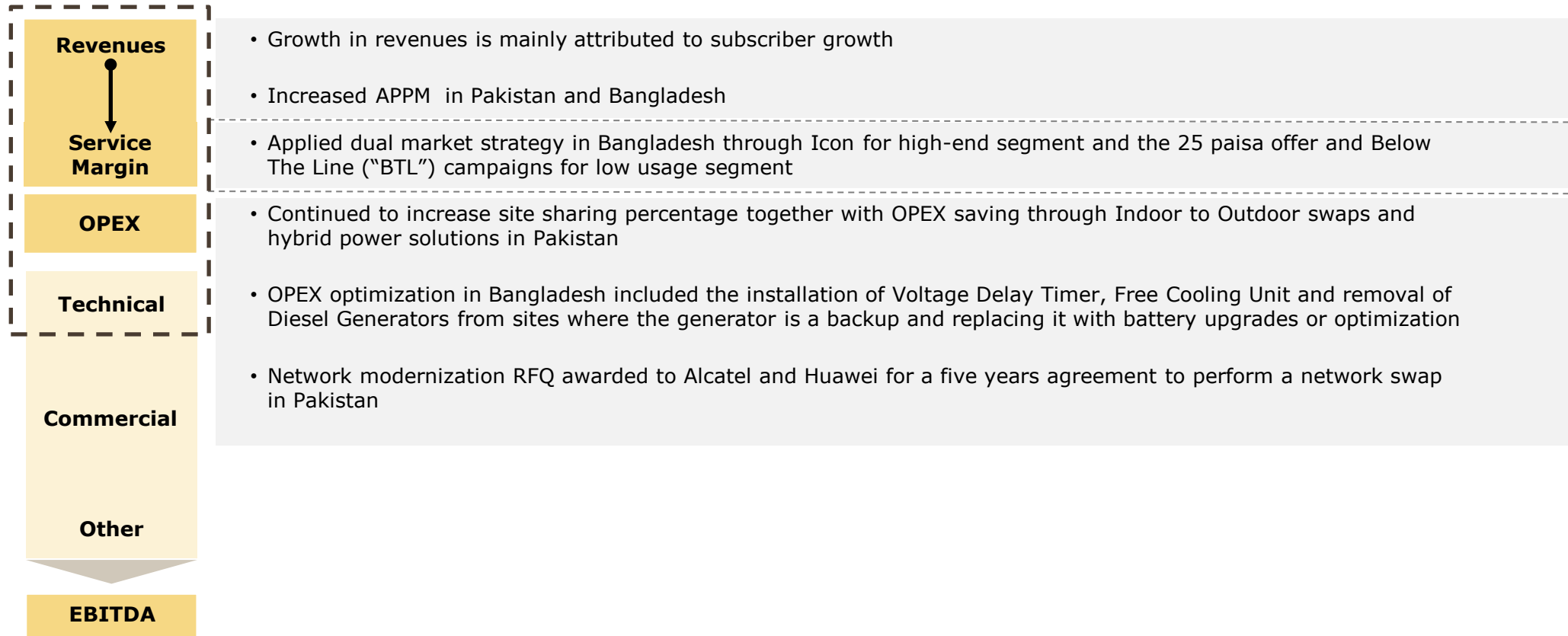
Progress on Actions and Main Achievements: Profitable Growth

Areas	Products	Action announced	Achievements in 2012
Voice & Subscribers Stream	Mobile Voice & Messaging	Value-driven pricing ✓	<ul style="list-style-type: none"> Increased APPM in Pakistan and Bangladesh Revamped corporate offers to serve the value based pricing initiative in Pakistan, Zimbabwe and Laos Repricing of outbound roaming rates in Algeria and Pakistan
		Further market penetration & subscribers growth ✓	<ul style="list-style-type: none"> Subscribers growth YoY as at end of 3Q12 : Algeria 9%, Pakistan 8%, Bangladesh 21%, Zimbabwe 92%, Burundi 26% and Cambodia 25% Initiated airtime channel incentive in Algeria, leading to 30% increase in distributor purchases
VAS & Data Stream	Mobile Data / 3G Launch	Focus on data growth ✓	<ul style="list-style-type: none"> In Bangladesh, data revenues¹ and the number of data subscribers¹ achieved triple digit growth In Pakistan, data revenues¹ and the number of data subscribers¹ achieved double digit growth In Zimbabwe, data revenues¹ and the number of data subscribers¹ achieved double and triple digit growth respectively In Laos, data revenues¹ and the number of data subscribers¹ achieved triple digit growth
	Mobile Financial Services	Launch MFS in Pakistan ✓	<ul style="list-style-type: none"> During November 2012, Mobilink launched Mobicash MFS in collaboration with Waseela Microfinance Bank Limited During October 2012, MFS was commercially launched in Burundi In Bangladesh, MFS achieved a growth of 54% during 2012
	VAS	✓	<ul style="list-style-type: none"> Animation of VAS offerings in Algeria including Tranquilo, Verso and Facebook by SMS In Pakistan and Bangladesh, we launched the mobile site rich with different content, alongside continuous animation of VAS offerings

¹ Compared to data revenues and number of data subscribers as at end of January 2012

Progress on Actions and Main Achievements: Operational Excellence

Achievements in 2012



Progress on Actions and Main Achievements: Operational Excellence

Achievements in 2012

Revenues



Service
Margin

OPEX

Technical

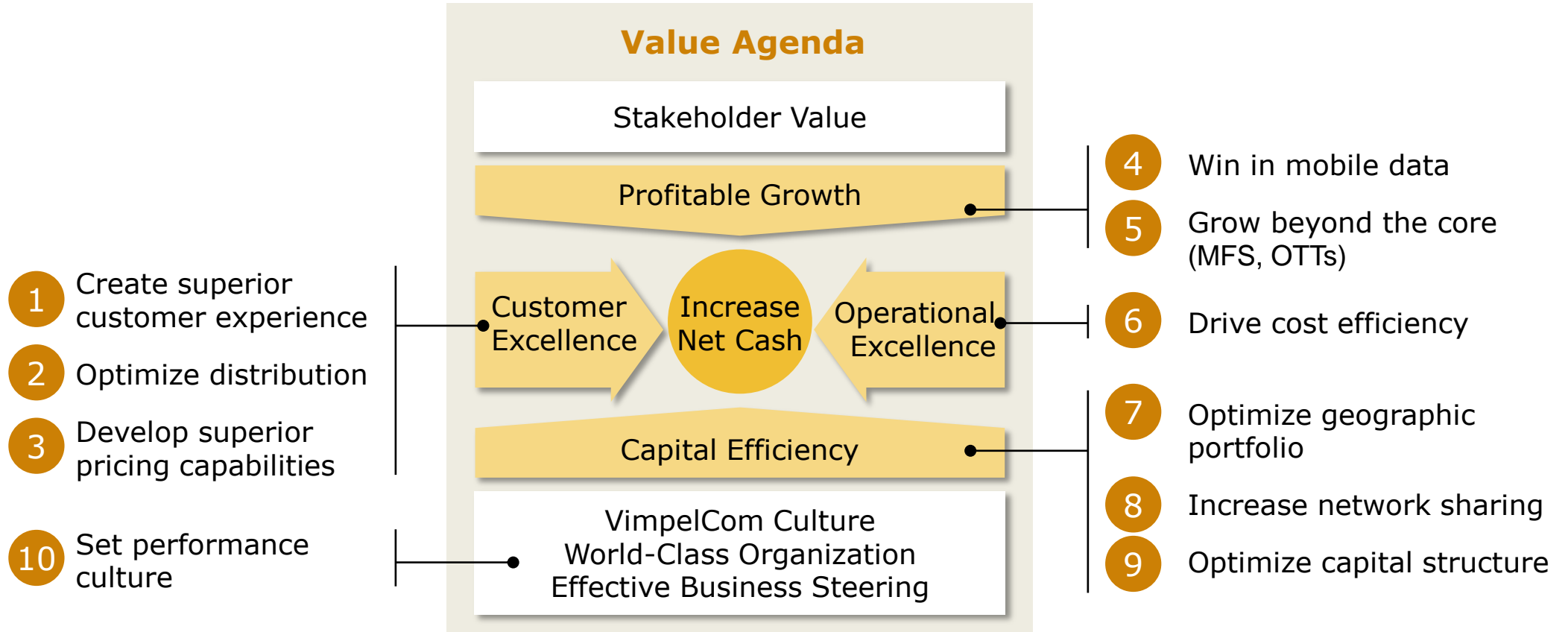
Commercial

Other

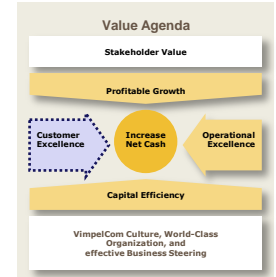
EBITDA

- Djezzy continued to reinforce its brand leadership through several initiatives including new communication platform, consolidation of brand architecture, a leadership campaign, alongside new products and services
- Launched "Flexy code" in Algeria and Bangladesh, which allows subscriber to top-up their airtime at the Point of Sale with a confidential code instead of providing their telephone number
- Introduction of Opera Mini Co-branded browser led to a remarkable increase in the average data traffic on testing environment in Zimbabwe and Pakistan
- Call center outsourcing model resulted in operational efficiencies and cost savings in Pakistan, Bangladesh and Algeria
- Enhancement of the logo and motivational factors of the look and feel of the brand
- Defend market share in Pakistan and Algeria and solidify our position in Bangladesh
- EBITDA organic growth continues to surpass revenue growth

10 Strategic Initiatives Pursued to Achieve Group Objectives



Customer Excellence: Enhance Leadership Positions and Create Superior Customer Experience



Strategic initiative

Description of initiative

1

Create superior customer experience

- Develop a customer experience strategy focusing on improving customer experience in all touch points
- Implementation of touch point Net Promoter Score to measure and improve customer satisfaction
- Revisit content portals to become more customer centric

2

Optimize distribution

- Improve customer acquisition costs through dealer optimization (indirect sales and staff commission structure)
- Focus on quality of sales to mitigate churn

3

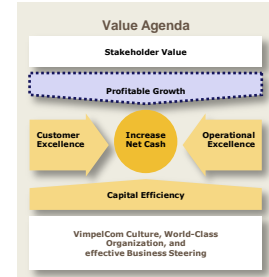
Develop superior pricing capabilities

- Develop innovative pricing and BTL initiatives
- Innovation in VAS and data services and bundling
- New IN capabilities developed in Pakistan, Bangladesh, Zimbabwe and Cambodia

Profitable Growth: Realize data potential and grow beyond the core

Strategic initiative

Description of initiative



4

Win in mobile data

- Increase data user penetration and revenues
- Defend the value share position through flexible value-driven pricing
- Grow mobile broadband by bidding for 3G licenses in Algeria, Pakistan and Bangladesh
- Improve on EDGE end user experience

5

Grow beyond the core (MFS, OTTs)

- Increase revenue contribution from MFS and VAS
- Develop new MFS services in Bangladesh and further rollout in Pakistan and Burundi

Operational Excellence: Focus on Structural Costs Improvements

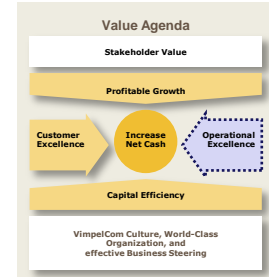
Strategic initiative

6

Drive cost efficiency

Description of initiative

- Increase the scale of BTL promotions
- Apply efficiency measures on marketing expenses
- Launch network modernization program (single RAN concept, energy savings)
- Continue with OPEX optimization initiatives by converting BTS sites from indoor to outdoor sites and deploying hybrid power solutions



Capital Efficiency: Leverage Group Size to Achieve CAPEX Efficiencies

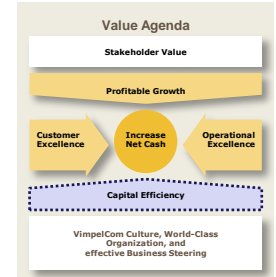
Strategic initiative

8

Increase network sharing

Description of initiative

- Leveraging group size in procurement
- Network modernization tenders
- Increase infrastructure sharing and outsourcing to improve network CAPEX/OPEX



Conclusion

- Data opportunities with the deployment of 3G services
- Growth potentials throughout Africa & Asia BU due to relatively low penetration rates
- Defend market leadership in Algeria and Pakistan
- Continuous focus on profitable growth and cost saving initiatives
- Network modernization is a main pillar to our 2013 strategy
- Leverage on group size to realize CAPEX efficiencies

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