

Creating Value in Italy

London, January 16th 2013

Maximo Ibarra
Group Executive Vice President and Head of Italy



VimpelCom
Analyst &
Investor Day

It's all about Creating Value Italy

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



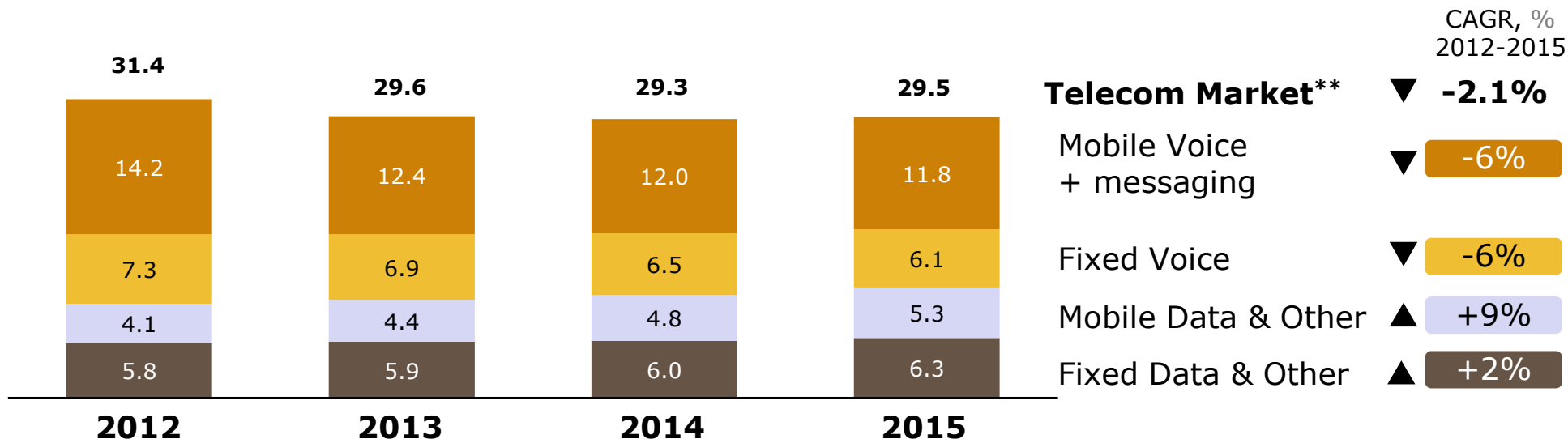
What it IS about

- Value for money positioning characterised by simple and transparent tariff plans, excellence in customer operations, good network quality, leveraging on strong brands
- Market leading commercial performance driving increase in revenue market share and strategy focused on high margins and cash flow generation
- Actively pursuing opportunities to grow in segments and geographical areas where WIND has lower than its fair share – Data and Business segment, mainly in Northern Italy
- Development of innovative models to reduce OPEX and CAPEX while preserving best in class quality of service
- Lean organizational structure characterised by high productivity

Market Expected to Return to Growth in 2015

Italian Telecoms Market Dynamics*

(Revenues in EUR billion)



Data expected to drive growth in telecom market partially offsetting decline in voice, market expected to return to growth in 2015
Net of mobile incoming revenues market CAGR is flat over 2012-15

* Source: IDC September 2012;

** Telecom Market excludes both Fixed and Mobile CPE revenue;
 Fixed Market excludes Incoming and Wholesale revenue

Regulatory Environment and Expected Development

Local Loop Unbundling (LLU)

- EU seeking to stabilize LLU copper prices in the upcoming recommendation on “costing and non discrimination” that is to be published
- New LLU prices expected in 1H13 following AGCom market analysis for Fixed Access
- Potential indirect impact on LLU copper price from TI asset network separation

Termination Rates

- MTR glide path defined for 2012–2013 (€0.98c final value from first July 2013); no further reduction envisaged at this point
- Draft decision on SMS termination rate published by AGCom (no regulation). Final decision expected in 1Q13

Next Generation Network (NGN)

- The market could benefit only from the implementation of a third party entity owning the new NGN network; WIND would welcome such a solution, with both public and private shareholders, providing parity of access to all operators
- Public proceedings on NGN rules currently ongoing

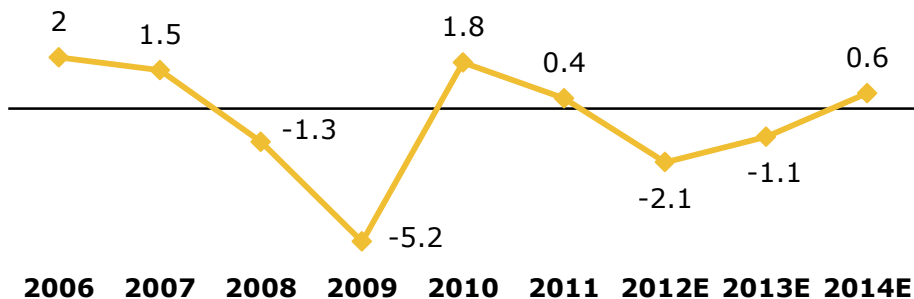
Competitive Situation and Market Trends

Challenging Macro-Economic Scenario

- GDP expected to contract by **-2.1%** in 2012 and **-1.1%** in 2013 but with growth resuming from 2H 2013
- Unemployment rate at 11.1% as of October 2012 and expected to increase to 11.8% in 2013
- Household consumption index expected to contract in line with the overall macro economic trend
- Italian financial stability under control

GDP Trend²

(%)

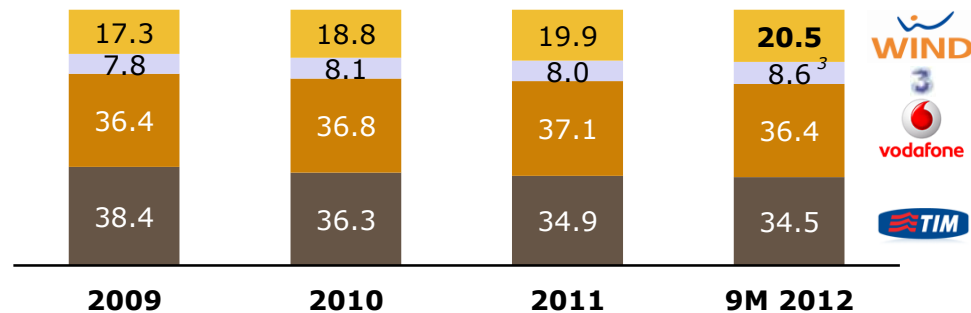


1. Source: internal estimations on Company data, Mobile referred to MNO Market
2. Source: Centro Studi Confindustria
3. H3G market share likely to include handsets sales

< 5 >

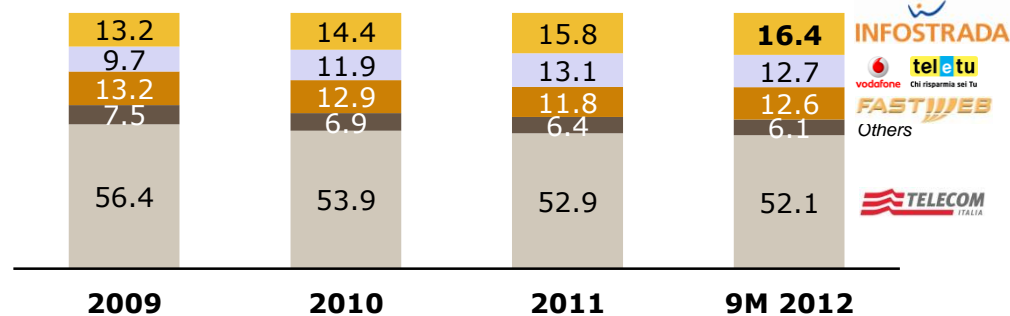
Mobile Market Share¹

(on Revenues), %



Fixed Broadband Market Share¹

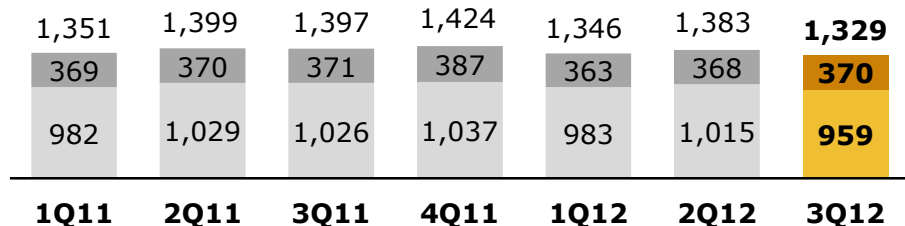
(on subs), %



Creating Value in Italy

Operational Performance

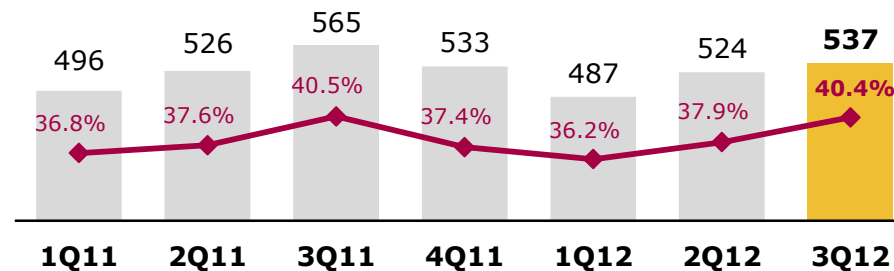
Revenues (EUR million)



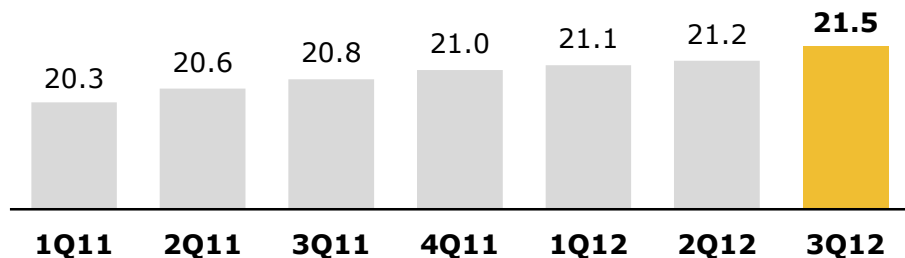
■ Mobile ■ Fixed-line

Mobile Service Rev. 3Q12 vs 3Q11	
WIND	-7.8%
TIM	-13.0%
Vodafone	-13.6%

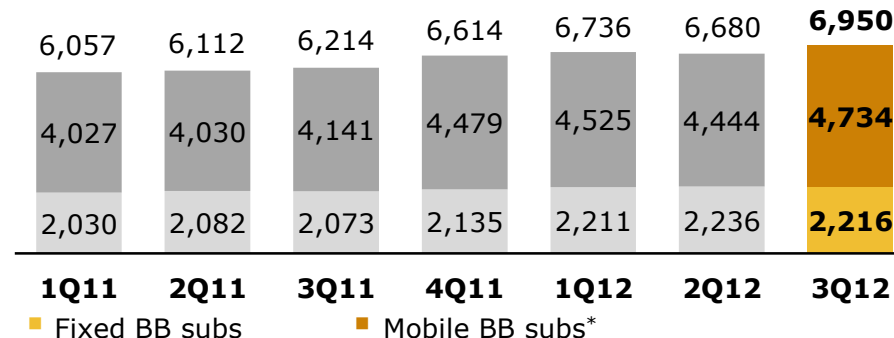
EBITDA and EBITDA Margin (EUR million)



Mobile Subscribers (million)



Broadband Subscribers (thousands)

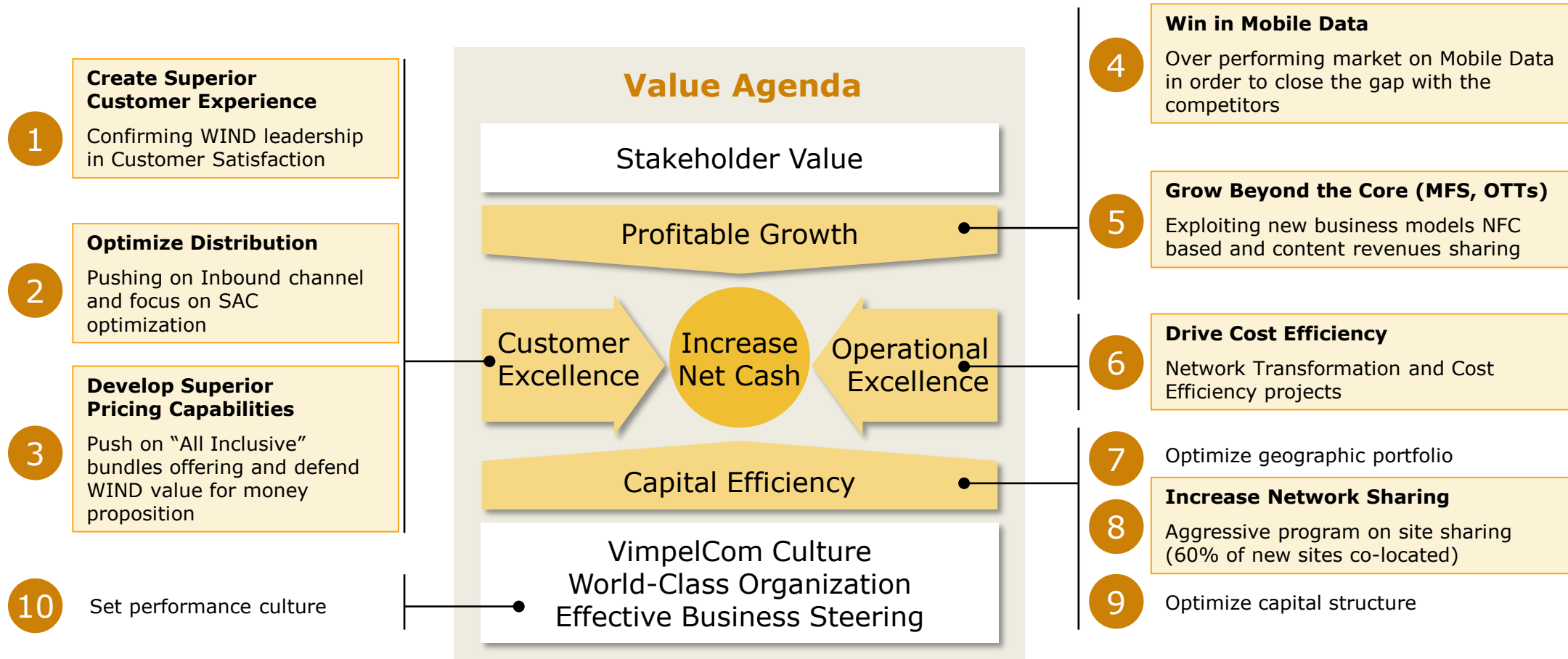


* Consumer customers that have performed at least one mobile Internet event in the previous month on 2.5G/3G/3.5G network technology

Delivering on Announced Actions and Main 2012 Achievements

Achievements in 2012	
Revenues ↓	<ul style="list-style-type: none"> Continued outperformance in market, leading to increase in revenue share Mobile broadband revenues increased 43% YoY in 9 months 2012 Postpaid segment share increased Expansion of "All Inclusive" concept (fixed price bundle including voice and data) to mobile pre-paid, fixed-line and SOHO, up-selling users into larger bundles at higher price points On-net unlimited option launched Fixed-line focus is shifted from market share to profitability and cash generation
Service Margin	<ul style="list-style-type: none"> Advertising spend optimization with single testimonial for fixed and mobile, "All Inclusive" concept for fixed and mobile and marginal reduction of TV pressure
OPEX	<ul style="list-style-type: none"> Cost efficiency project (focus on external costs, real estate, and commercial OPEX)
Technical	<ul style="list-style-type: none"> Site rental renegotiation and power cost optimization Number of sites shared increased in 2012 44% (from 1.5k to 2.1k)
Commercial	<ul style="list-style-type: none"> Rationalization of dealer channels with focus on pull channels Reduction of dealer commissions on MNP Overall reduction of SAC, by far lowest SAC per gross add in the market
Other	<ul style="list-style-type: none"> Agreement signed with the trade unions and employees aimed at reducing network maintenance OPEX through increase in productivity of network personnel and a general reduction of HR costs for approximately EUR 40-45 million per annum
EBITDA	<ul style="list-style-type: none"> Focus on high margin direct market in fixed/broadband Utilization of pull channels and reduction of focus on push channels

10 Strategic Initiatives Pursued to Achieve Group Objectives

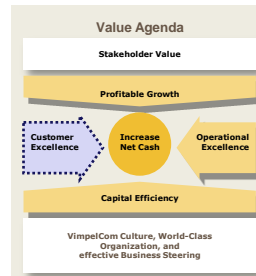


1

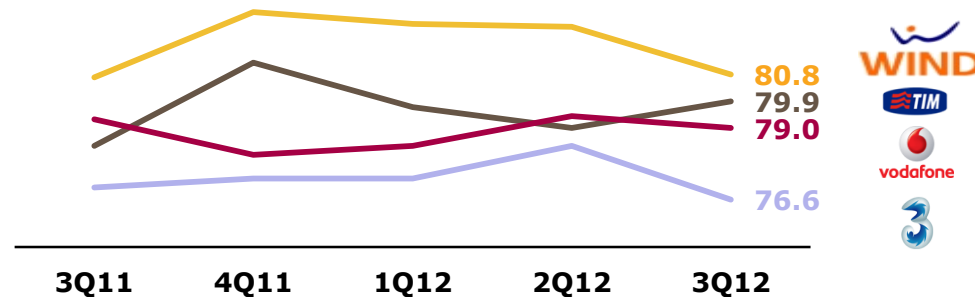
Customer Excellence

Confirming WIND Leadership in Customer Satisfaction

- Clear positioning based on “value for money” proposition with an attractive offer coupled with good overall quality
- Lean operational business model based on pull strategy
- WIND’s mobile customer care continues to be top performer in the market
- WIND’s advertising and image continues to rank n.1 in customers satisfaction
- WIND leader in satisfaction compared to an ideal operator and to customer expectations



Customer Satisfaction Index – Mobile

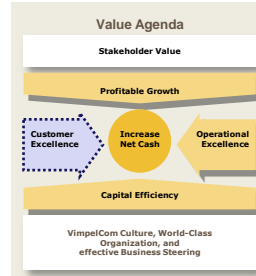


2a

Customer Excellence - Mobile

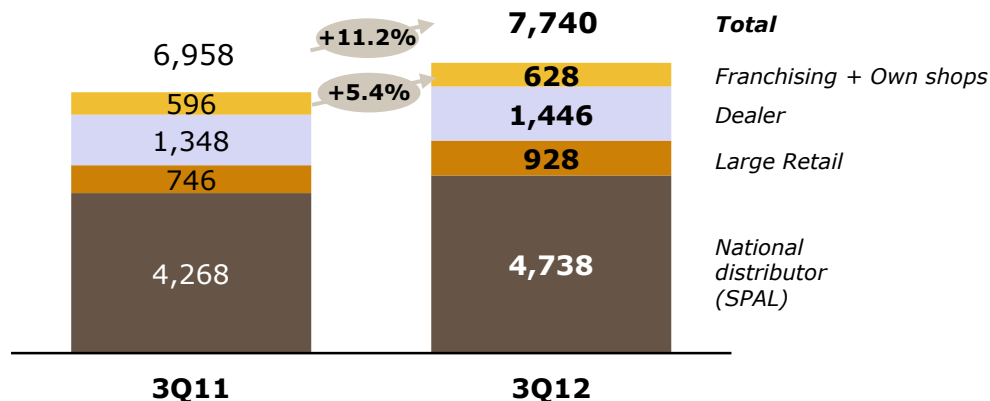
Focus on Distribution, Customer Retention and High Value Growth

- Focus on owned shops and switch low performance PoS to national distributor in order to improve productivity and reduce costs
- Implementation of customer base management activities on PoS
- Launch of inbound channel B2B
- Strong push on high value activations, in particular postpaid and SoHo/SME through "All Inclusive" concept
- Further reduction of standard commissioning, in particular on MNP
- Incentive scheme 100% linked to net value of customers



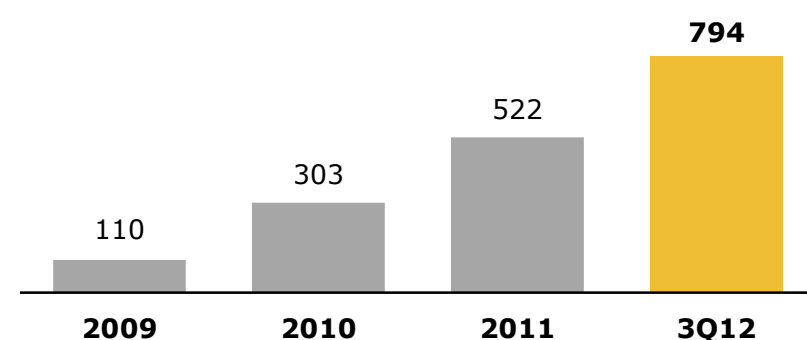
Distribution Channels

(number of POS, %)



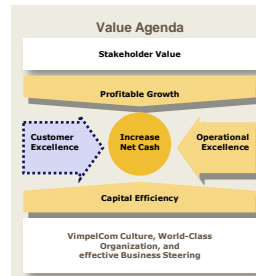
Postpaid Consumer Customer Base

(Thousands)



2b Customer Excellence – Fixed & Corporate

Pushing on Inbound Channel and Focus on SAC Optimization



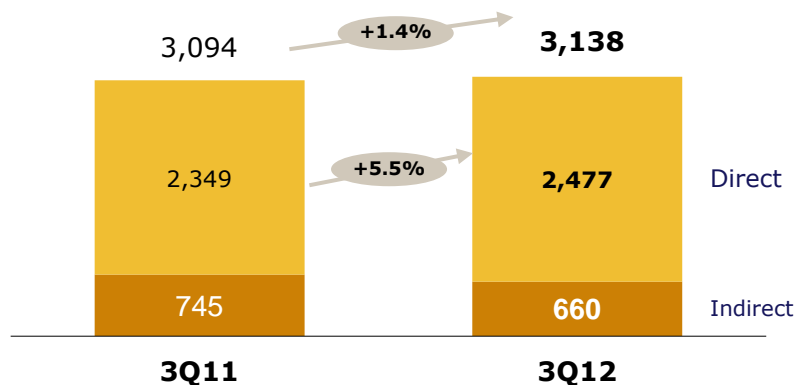
FIXED

- No commercial push on indirect with de-focus from push channels also on LLU acquisitions
- Focus on inbound channels leveraging strong synergies with mobile distribution network to improve quality of acquisitions and to reduce SAC

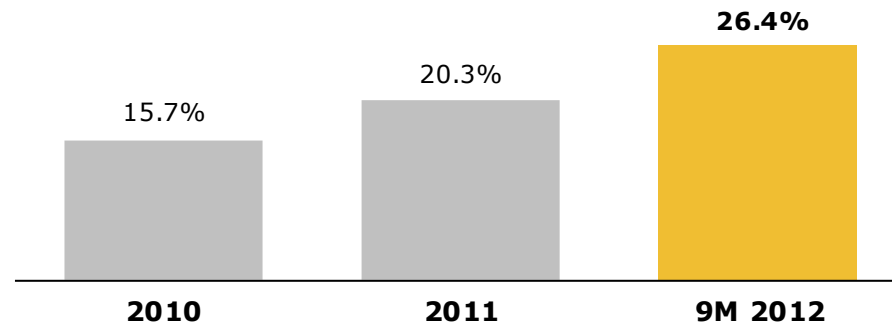
CORPORATE

- Focus on inbound channels with “All Inclusive” offering sold through shops
- Rationalization of agencies based on quality and performance criteria
- Direct sales organization focused on SME segment addressing local industrial districts

Fixed Voice Customer Base (Thousands)



Net Adds Through Retail Distribution Channel (%)



3

Customer Excellence

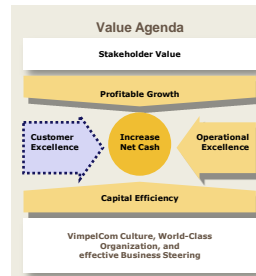
"All Inclusive" Concept, Value for Money Proposition, LLU Focus

WIND is the Right Choice Against the Economic Downturn

- Continuous push on voice, Internet and SMS bundle concept to defend overall bill size
- Leverage on "All Inclusive" bundle family
- Revamp "on-net" portfolio
- Defend ethnic high value customer base
- Strengthen "anti-crisis" concept: "minuto vero" and "più ricarica"

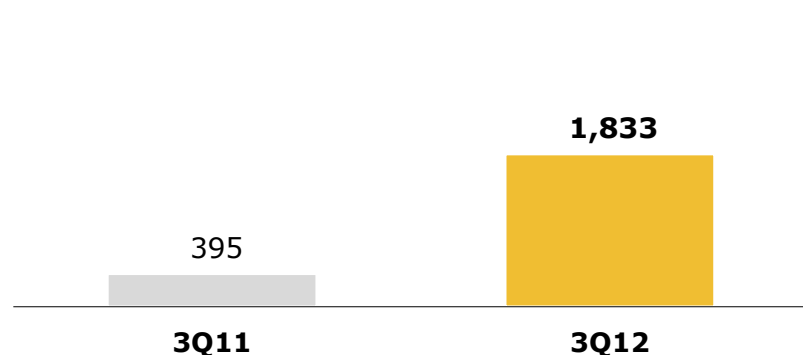
Infostrada Focus on LLU and "All Inclusive"

- "All-Inclusive" concept applied across the board with extension to fixed consumer and business (SME/SOHO)
- Acquisitions effort focused on LLU areas
- Continuous up-selling from single-play to dual-play



Mobile Customer Base with "All Inclusive"*

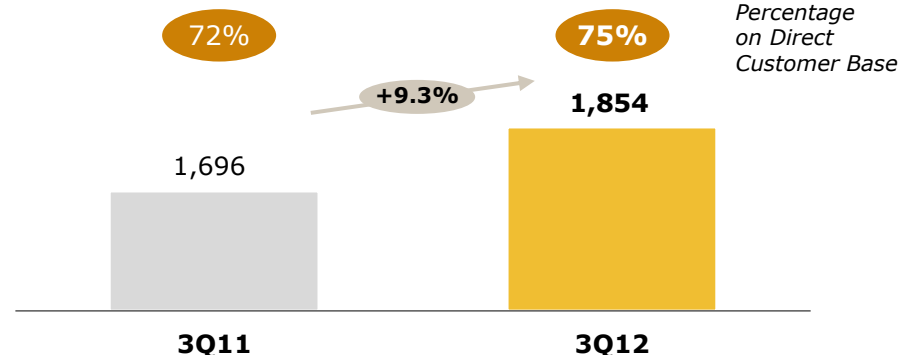
(thousands)



* Pre-paid "All Inclusive" launched in Q4 2011

Fixed Dual Play LLU Customer Base

(thousands)

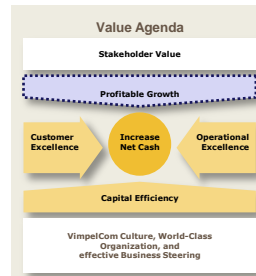


4

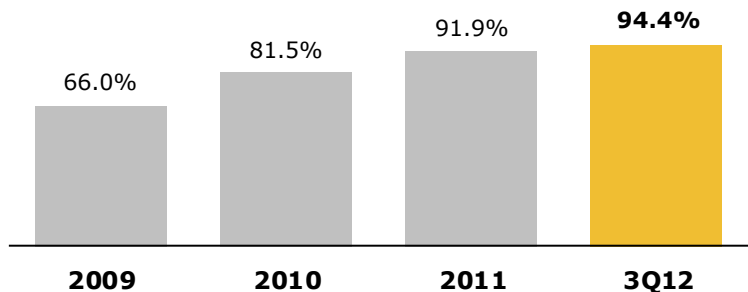
Profitable Growth Over Performing Market on Mobile Data

Strong Focus on Small Screen Internet Growth Through:

- Improve coverage and quality of the HSPA+ network, deploying 42Mbps in 7 largest cities
- Selective launch of LTE in 2013
- Leverage on bundle offer concept, including SMS, to protect from OTT's cannibalization
- Maintain leadership on pricing innovation
- Increase Smartphone penetration by strengthening partnership with key handset vendors
- Simplify user experience to stimulate "trial" and "repeat" on feature phones users

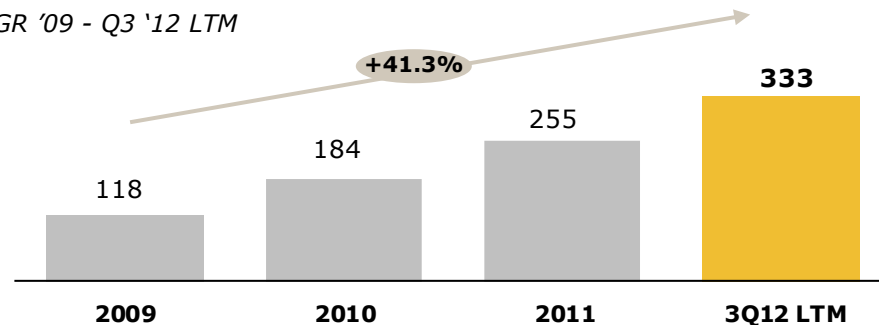


HSPA+ Population Coverage (%)



WIND Mobile Internet Revenues (EUR Million)

CAGR '09 - Q3 '12 LTM



6

Operational Excellence

Network Transformation Project and Cost Efficiency Project

- Network Transformation Project

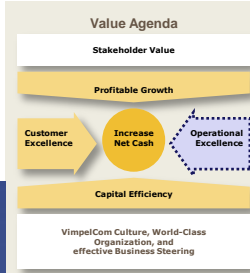
Agreement signed with the trade unions and employees aimed at

- ▶ Reducing network maintenance OPEX through increase in productivity of network personnel
- ▶ General reduction of HR costs
- ▶ Savings of approximately EUR 40-45 million per annum from January 1, 2013

- Cost Efficiency Project

- ▶ Reduction of external costs
- ▶ Optimization of commercial OPEX
- ▶ Optimization of Real Estate costs

- Optimization of Advertising Expenditure

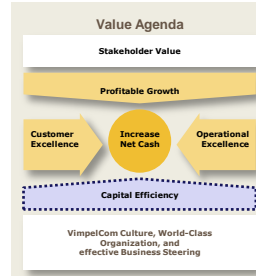


8

Capital Efficiency

Site Sharing and Network Projects

- Aggressive site sharing program with other operators for new infrastructure deployed, including for LTE, in order to reduce OPEX and CAPEX
 - ▶ Number of sites shared increased by 44% in 2012 from 1.5k to 2.1k
- Consolidation of vendors to develop and build the network as part of the Network Transformation Project
- Free of charge modernization of 2G and 3G network equipment future proof for LTE extension
- Maintenance optimization
- Reduction of power expenditure through implementation of energy saving solutions
- Site rental saving through renegotiation of costs and terms of current rental contracts



Continue Outperforming the Market, Delivering Solid Cash Flow

- WIND continues to outperform its competitors and strengthen its position in the Italian market (mobile revenue share up from 19.9% as at the end of 2011 to 20.5% as the end of 3Q12)
- Solid free cash flow generating machine enhanced by lean cost structure (EBITDA-CAPEX consistently above EUR 1.1 billion in the last 4 years: 2008-3Q12 LTM)
- Substantial upside in market segments where current market share is lower than fair share (data, business)
- Expertise in mobile data and growth opportunity both on HSPA+ and on LTE
- High margin and dynamic market with regulatory headwinds lessening after 2013
- Strong management team

Creating Value in Italy