Creating Value in Italy

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Group Executive Vice President and Head of Italy

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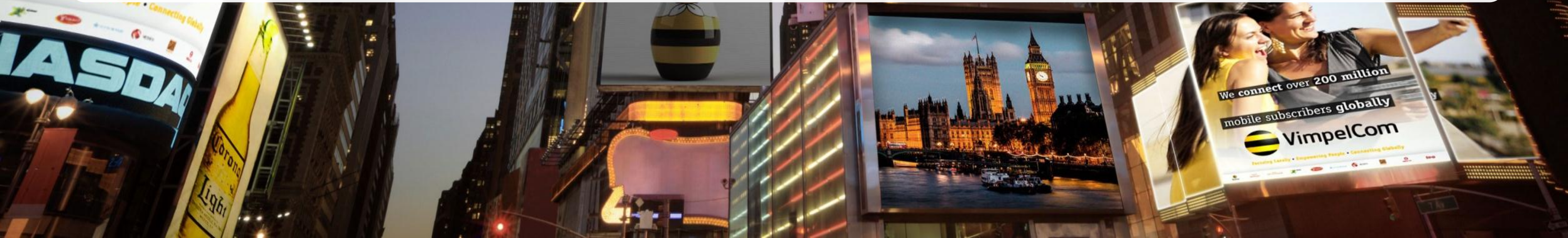
VimpelCom
Analyst & Investor Conference



Delivering on our objectives

- Market outperformer consistently increasing market share
- One of the most efficient operators in Europe[1] delivering the highest EBITDA margin among third entrants
- Solid operational cash flow generation
- Market leader in customer satisfaction
- Smart Value for Money operator delivering good network quality on all technologies
- Two strong brands: WIND and Infostrada exploiting business synergies
- “WIND Digital” to develop innovative services and address ‘digitally native’ segment

[1] *Source: AT Kearney benchmark*

Competitive positioning evolution

Competitive 'Smart value for money 2.0'

Good quality network

Guarantee good quality user experience through a **seamless data experience** regardless of technology

Best customer relationship

Maintain leadership in customer satisfaction through excellence in all customer touch points

Smart value for money proposition

Innovative and attractive pricing, clear and transparent offer, focus on mobile data and digital innovative services

Strong focus on delivery

Efficient "execution model" (**operational excellence** in CAPEX and OPEX)

Guarantee **end-to-end high quality** customer experience

One distribution

'PoS are King', commissions focused on acquisition quality, moving to a **'value partnership' model based on PoS quality selection**

One product

'All Inclusive' across the board Prepaid-Postpaid, Consumer-Business **Full integration of mobile internet-DSL and fixed-mobile voice**

One brand

Single advertising format and testimonials for entire product portfolio and across all segments

One customer care

Unified customer care and CRM across all segments. **Enhanced 'social approach' N.1 in social media response**

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WIND: Smart value for money 2.0

Advertising

Most reliable testimonials for all products

Processes

New and evolved IT platforms

Data quality

Network availability and performance in line with customer expectations

CUSTOMERS

CRM

Innovative CRM approach

Point of Sale

Long term quality commitment and innovative revenue sharing approach

Web

Creation of a digital sub-brand

WIND brand perception: the best "quality to expenditure ratio"

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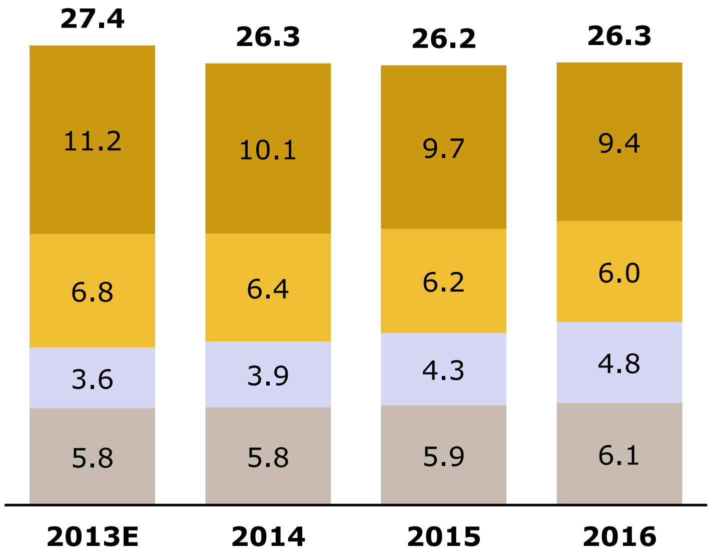
Market expected to return to growth in 2016

Market dynamics[1]

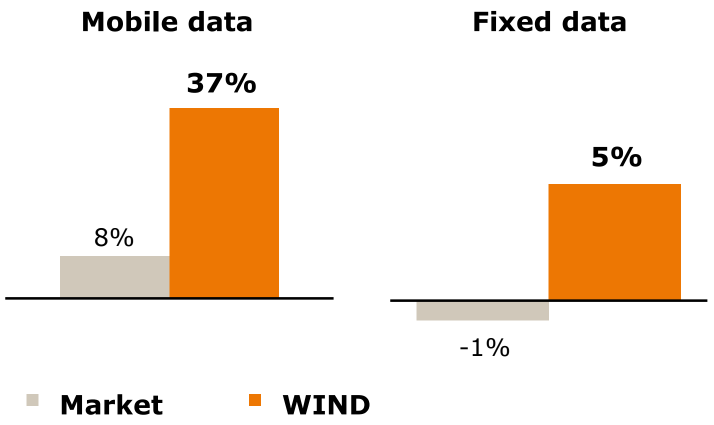
(Revenues in EUR billion)



		CAGR, % 2013-2016
Total	▼	**-1%**
Mobile voice + Messaging	▼	-6%
Fixed voice	▼	-4%
Mobile data	▲	+10%
Fixed data	▲	+2%

WIND continues to outperform

2013E vs. 2012



2013 market decline driven by intense mobile price competition coupled with MTR cuts
Half of mobile market decline driven by regulatory impacts (MTR cuts)
Data and innovative services expected to fuel future growth

[1] *Fixed market excludes incoming, wholesale and CPE revenues; source: IDC September 2013*
Mobile market excludes CPE revenues; source: internal estimates.

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Competitive situation and market trends

Difficult economic environment

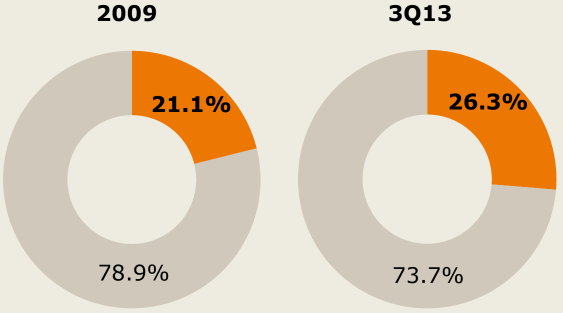
- GDP trend[1] remained negative in 2013; expected to return to growth in 2014
- Unemployment rate expected to remain above 12% in 2014/2015 with youth unemployment above 40%[3]
- Family Consumption Index was negative in 2013

Italian market ecosystem

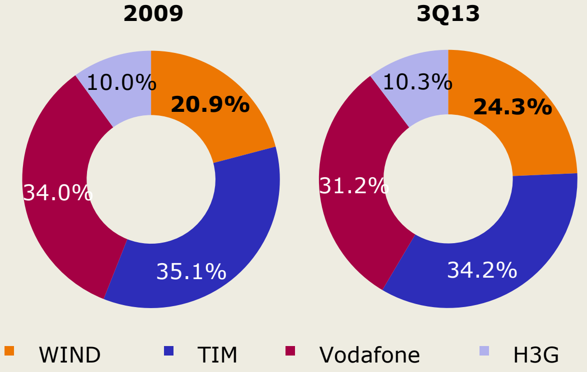
WIND Più vicini.

Impressive value share growth, particularly in consumer segment and Northern Italy

WIND consumer value share (%)



Customer base market share[2] (%)



[1] Source: ISTAT (Nov '13)
[2] Market share on SIM cards excluding MVNO
[3] Youth unemployment: age 15-24

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2014 market and regulatory expectations

2014 Challenges

Customer needs evolution

- Voice centric to data centric
- Same user expectations regardless of type of device or type of access
- Data network quality is a 'must'

Digital opportunities

- New services and business opportunities arising
- New players coming into the market
- Necessary to re-think service value chain

Surplus distribution

- WIND and Vodafone ~700 mono-brand stores each; TIM ~1,300
- Necessary to reduce overall number of gross adds and related acquisition costs

Competitive positioning

- Big players with very similar competitive positioning
- Necessary to evolve, focusing on new differentiating factors

Regulation

Body of European Regulators for Electronic Communications BEREC

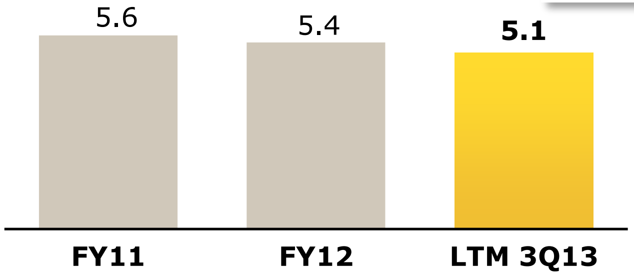
European commission rules:

- Single EU market on roaming
- "Defending incumbents" position through favorable conditions in order to push fixed fiber roll out
- New LLU prices approved by AGCOM in 2013 confirmed; 2014-2016 values still under scrutiny
- Several announcements on NGN made but no material developments in 2013

Strong operational performance despite market context

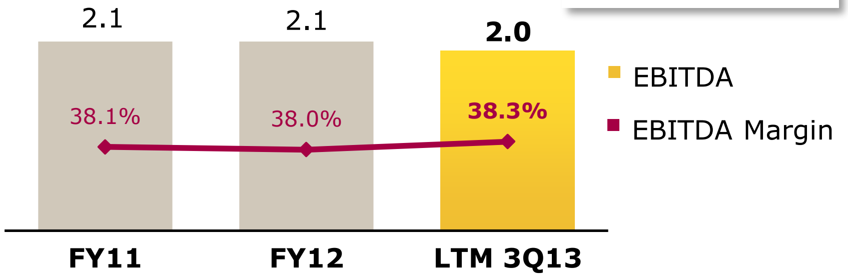
Revenues
(EUR billion)

Mobile service rev. 9M13 vs 9M12	
WIND	-10.9%
TIM	-17.0%
Vodafone	-18.6%

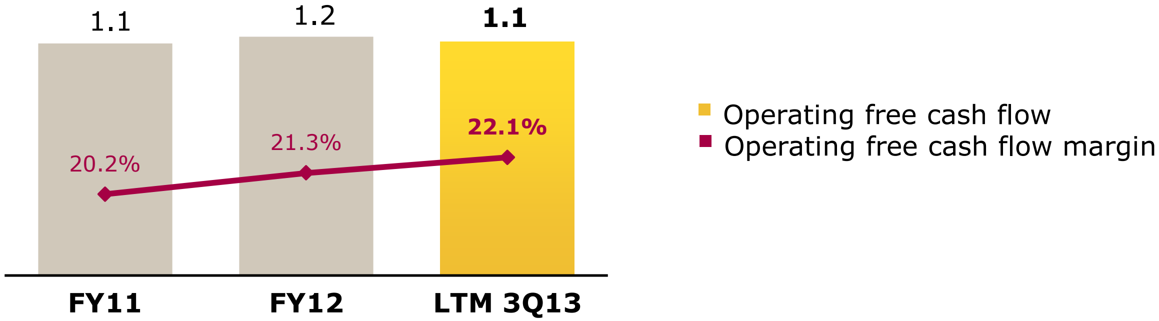


EBITDA and EBITDA margin
(EUR billion, %)

Mobile EBITDA[2] 9M13 vs 9M12	
WIND	-11.2%
TIM	-17.1%
Vodafone	-25.7%



Operating free cash flow[1] and operating free cash flow margin
(EUR billion, %)



[1] *Cash flow defined as EBITDA – CAPEX without licenses*

2 Source: WIND reported EBITDA, Vodafone IT and TIM EBITDA internal estimates based on company releases and analysts' reports

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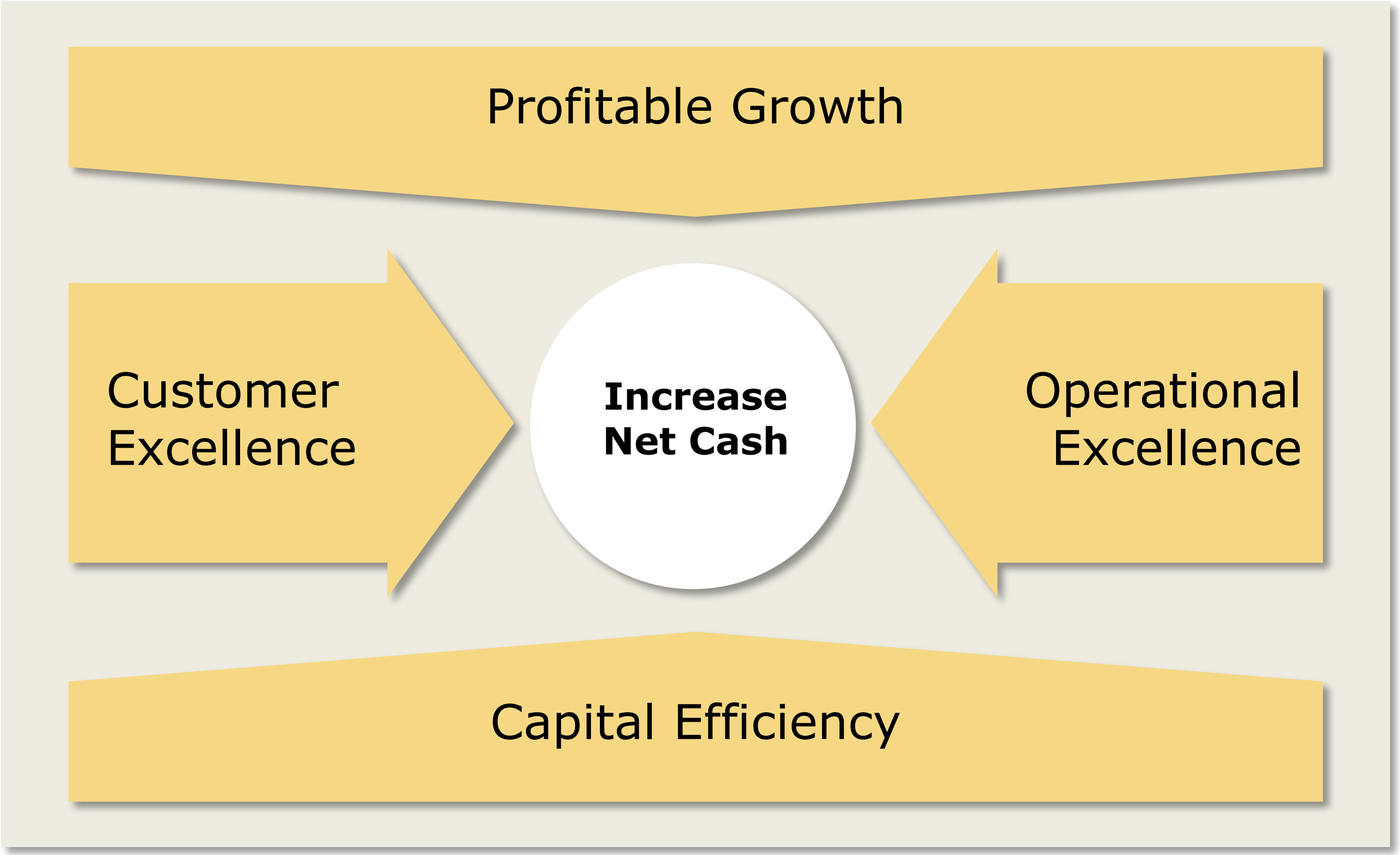
What have we delivered since last A&I Conference?

1. Continued market outperformance
2. Market leader in mobile data growth
3. Best in class customer service
4. Lowest SAC through efficient distribution strategy
5. Fixed margins increased sharply
6. Network transformation project delivered savings for more than EUR 40 million
7. Strong operational cash flow generation

Strategic initiatives pursued to achieve group objectives



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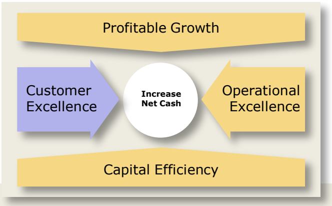
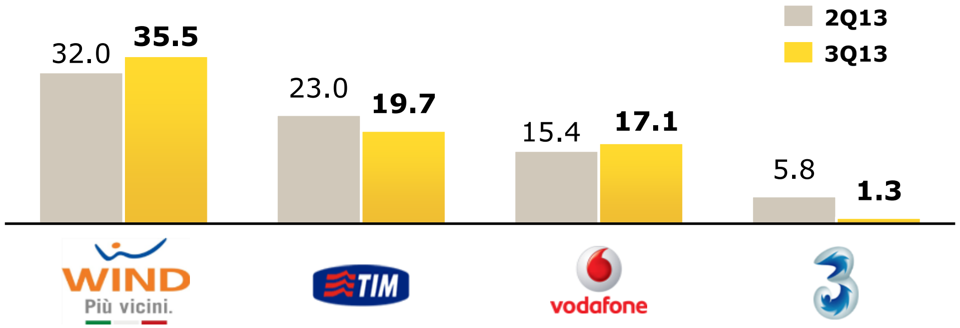
Customer Excellence

Best customer relationship

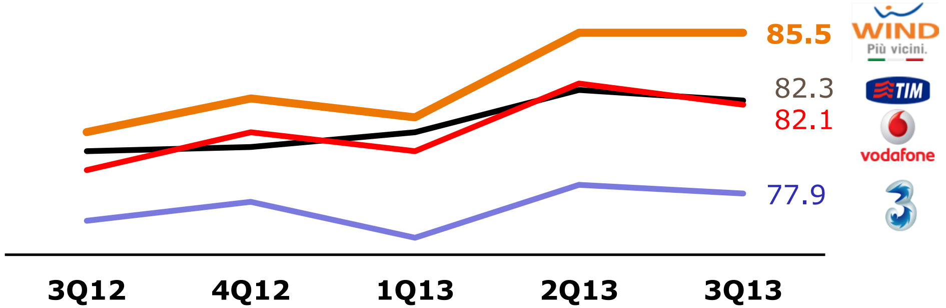


Net Promoter Score in 2Q-3Q 2013

Mobile Consumer



Customer Satisfaction Index – Mobile



- Clear positioning, simple offers and customer care as pillars for customer excellence
- Maintain leadership in customer satisfaction through excellence at all touch points coupled with advanced CRM activities
- Enhanced 'social approach' confirming WIND as best-in-class social media response
- Improve customer experience through enhancement of digital capabilities

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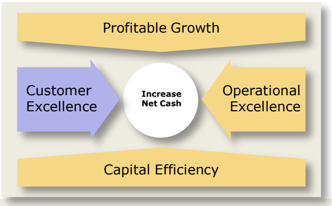
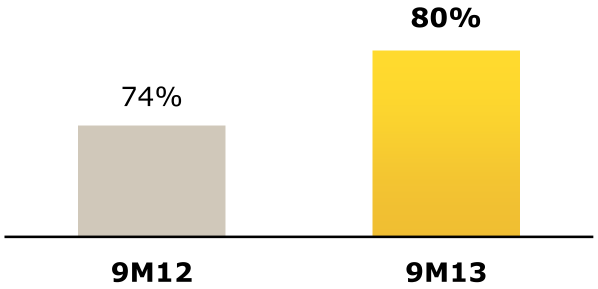
Customer Excellence

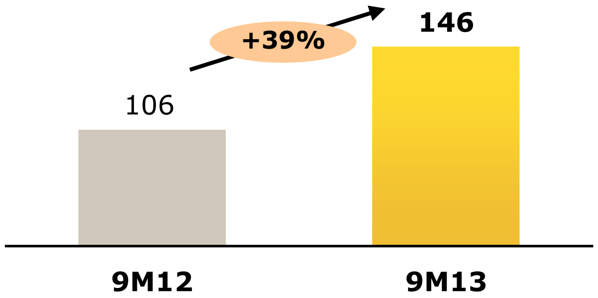
Focus on high value subscribers and profitability



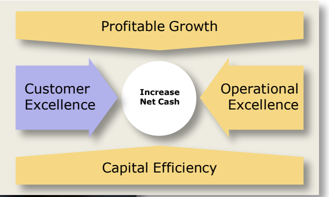
SIM with at least one single bundle option
(%)



Mobile SME/SoHo gross adds through shops
(thousands)



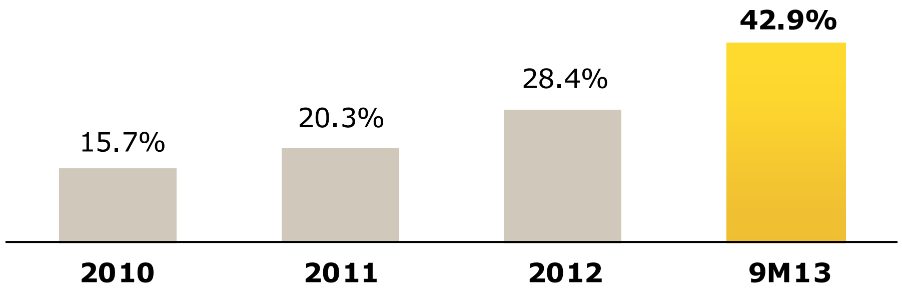
- Focus on acquisition of higher value customers: mobile postpaid and SoHo/SME as well as LLU fixed customers
- Defend higher ARPU, ethnic customer base and continue to grow in the northern regions of Italy
- Effectiveness of fixed strategy demonstrated by increase in margins, increased penetration of both direct and dual play customers
- De-focus on lower margin indirect customers driven by the new fixed strategy



Customer Excellence

Enhance distribution: point of sales long term quality commitment

Fixed net adds through retail distribution channels (shops) (%)



- Improved sales footprint by reducing low-performance distribution
- Reduced dependence on push channels with increased utilization of inbound sales: switch acquisition focus from quantity to quality
- Reinforce linkage of incentive schemes to acquisition quality
- Focus on owned and retail shops across all segments extracting synergies between fixed and mobile
- Refresh mono-brand distribution with a new layout

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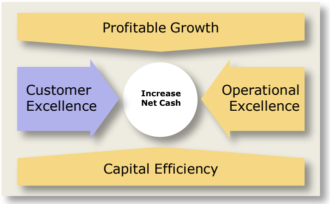
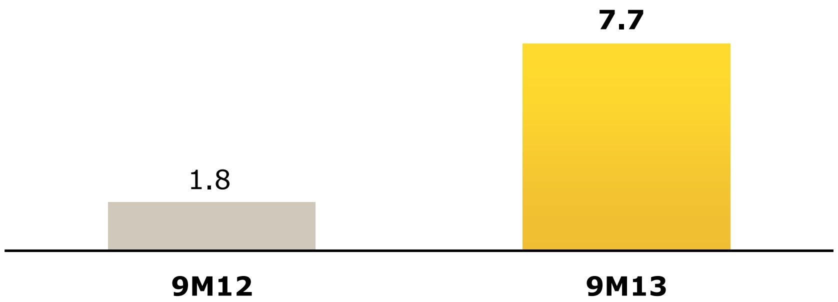


Customer Excellence

One product & one brand

Mobile customer base with "All Inclusive"

(million)



- State-of-the-art commercial proposition:
  - "All Inclusive" extended across the board
  - Innovative and attractive pricing proposition
  - Simplified options portfolio
- Upselling through self-tailored options to add to "All Inclusive" bundle
- Push on convergence through "All Inclusive" bundle: Fixed voice & ADSL + Mobile voice, SMS & data

WIND Più vicini. INFOSTRADA by WIND

- Leverage a strong, unified brand across all segments
- Advertising with single format and testimonials for entire product portfolio and across all businesses
- Best testimonials for all products with a very efficient TV and web mix to improve brand perception

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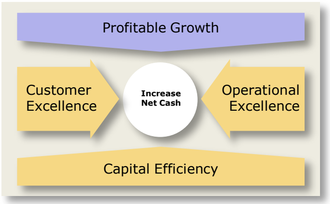
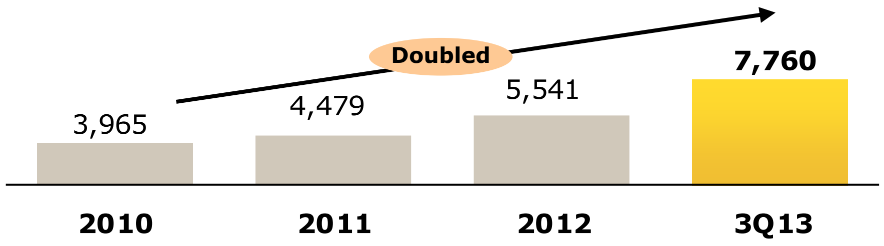
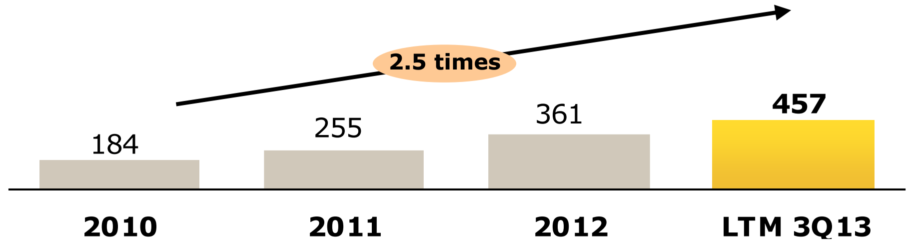
Profitable Growth
Win in mobile data



Mobile internet customer base[1]
(thousands)



WIND mobile internet revenues
(EUR million)



- Continued to outperform the market on mobile data growth
- Mobile broadband growth driven by increasing data users penetration via “All Inclusive” bundles
- Market leader in Android device penetration
- Continued focus on convergence through shared data availability between fixed and mobile
- Data centric pricing with QoS upselling

[1] *Mobile internet includes consumer customers that have performed at least one mobile Internet event in the previous month*

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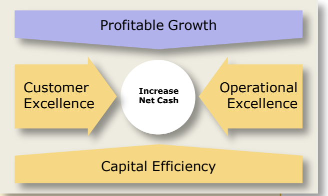
Profitable Growth

WIND Digital: initiatives to grow beyond the core



- Launch of innovative end-to-end digital services with focus on Mobile Financial Services
- Identify partnerships to build stronger value proposition and identify new revenue streams
- Leverage all digital touch-points to improve customer experience and streamline operational costs:
  - eCare and My WIND App to reduce call center contacts
  - Digital Top Up and SIM on-line to reduce commissions
- Future proof in addressing "digitally native" generation
- Leveraging on global contracts with OTT players: e.g. strong partnership with Google for carrier billing integration

My WIND App for smart-phones and tablets downloaded more than **3 million times**: allows WIND's customers to manage both mobile and fixed services

WIND Digital "ad hoc" business unit created to exploit new business opportunity and digital innovative services

Revenue share model with **Google play**; over 1.1 million downloads within first eight months

Mobile ticketing available on main cities' public transportation, planned to be extended in Rome and Milan

Purchase of «digital goods» charged with direct billing on customers' mobile account, key driver of market growth

MOBILE PAY

NFC Technology continued trial: Short-range wireless technology that enables the communication between devices

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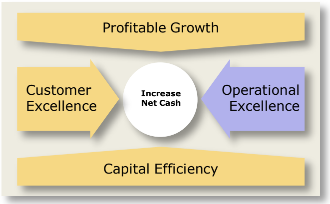
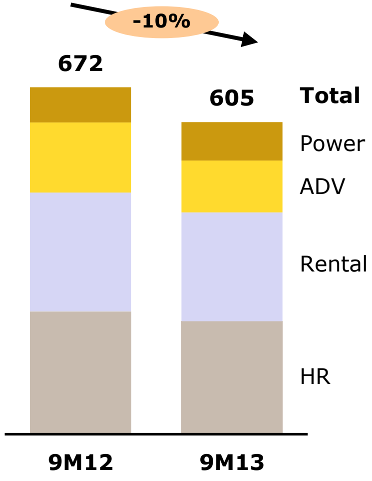
Operational Excellence

Drive cost efficiency

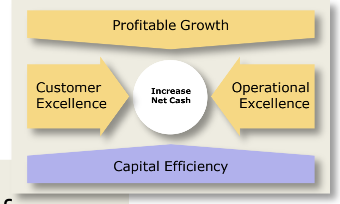


Initiative	Description
Cost efficiency program	• Recurring waves in order to optimize all P&L's OPEX cost lines
Advertising optimization	• Advertising optimization: Same format and same testimonial for the entire product portfolio and across all segments, without impacting on communication efficiency
Rental & Power	• Established dedicated organization to optimize rental and power costs through BTS modernization, supplier renegotiations and data center consolidation • Site rental optimization through launch of new sites negotiation model and focus on site sharing
Technology	• Re-design and simplify IT systems to improve time to market, accelerate product development and enable 360° customer response • In-sourcing activities and maintenance optimization in order to maximize productivity
Network	• "Build The Network" project implemented in 2013 enabling WIND to achieve approximately €40-45 mln saving on CAPEX vs. 2012 with the same amount of equipment installed



EUR million

Capital Efficiency
Network



Current status

Balanced mix of investments between HSPA+ and LTE aiming to provide a seamless "surfing" experience

- **HSPA+ at 42 Mbps** deployed in largest Italian cities, to be extended to more than 100 main cities by the end of 2014 with **21 Mbps already available in all cities**
- **LTE available in 17 largest Italian cities** by the end of 2014 utilizing 800 MHz spectrum; Rome, Milan and main airports hotspots already active

Launch in 2014 of the **MVNO service** with Poste Mobile

Poste mobile
Powered by WIND Più vicini.

Future opportunities

Explore fixed **fiber common network** opportunities in addition to the agreement signed with Metroweb

Exploit **joint network build-out** with OLOs

WIND Più vicini. · vodafone · TIM · 3

Tower sale

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WIND’s focus in 2014

- WIND to continue outperforming its competitors and strengthening its position in the Italian market
- Solid free cash flow generating machine enhanced by lean cost structure
- Continue to focus on market segments where current share is lower than fair share
- Continue to monetize mobile data through both HSPA+ and LTE
- Strong and passionate management team

Delivering on our objectives

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