

2Q 2014 Presentation

Amsterdam - August 6, 2014

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Andrew Davies – CFO

Disclaimer

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, among other things, the Company's anticipated performance, its expectation to close and derive benefits from the Algeria transaction, anticipated interest cost savings, its 2014 annual targets, operational and network development and anticipated benefits from network investment, 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, 2013 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.

VimpelCom reports 2Q14 results

Service revenue

(USD billion)

4.9

Mobile customers

(million)

221

EBITDA

(USD billion)

2.1

EBITDA margin¹

(%)

41.0

- Service revenue organic decline 5% YoY
- Mobile customers increased by 5.2 million YoY
- EBITDA organic decline 9% YoY
- Solid EBITDA margin, down 1.4 p.p. YoY
- Resilient cash flow² of USD 1.1 billion

Key recent developments

- ▶ Resolution in Algeria, on track for closing by end of 2014
- ▶ Successful WIND refinancing
- ▶ 3G launched in Algeria and Pakistan
- ▶ Strengthened management team
- ▶ VimpelCom's Annual General Meeting elected new Supervisory Board
- ▶ 2014 targets confirmed



Algeria resolution and WIND refinancing enhance earnings

- Refinanced EUR 8.0 billion of WIND's debt, annual interest savings of ~USD 0.4 billion
 - ▶ Funded by:
 - EUR 0.5 billion cash injection by VimpelCom
 - EUR 3.8 billion new Senior Notes
 - EUR 4.1 billion new Senior Secured Notes
- USD 4.0 billion net proceeds from Algeria resolution targeted for debt repayment, annual interest savings of ~USD 0.3 billion

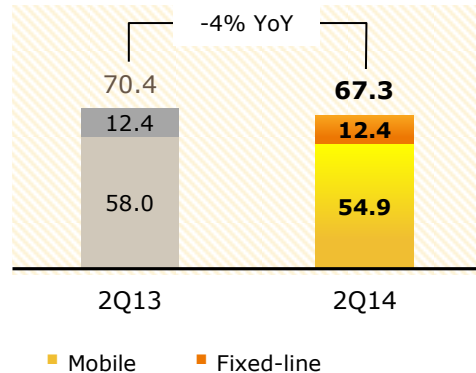
Total annual net income improvement of ~USD 0.5 billion

Business Units Performance

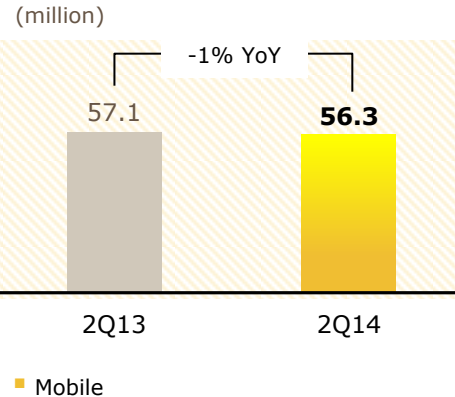
Russia: Expected YoY pressure on results, while investing in high-speed data network and distribution

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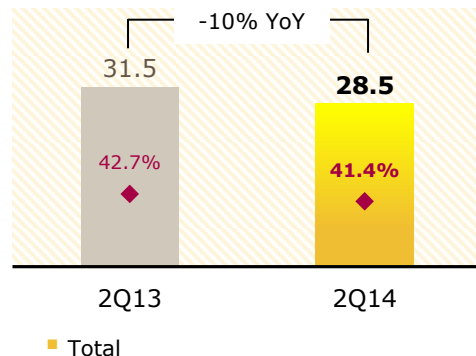
Service revenue



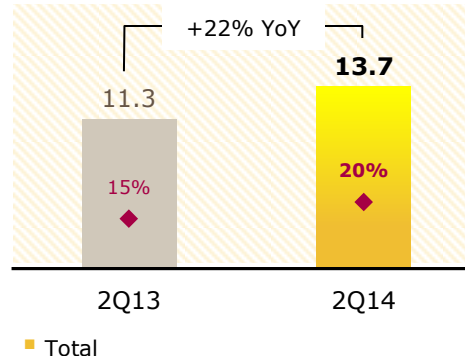
Mobile customers



EBITDA and EBITDA margin



CAPEX and CAPEX/revenue



- Mobile data revenue grew 17% YoY
- Mobile service revenue decreased 5% YoY, driven by measures taken to improve Customer Experience
- EBITDA margin decreased 1.3 pp due to lower revenue and investments in network and owned monobrand stores
- CAPEX increased due to investments in 3G and 4G/LTE networks

Russia: Improved network quality and customer experience



Continued investments in high-speed data networks

- Demand driven investments
- Offering 4G/LTE in 22 regions
- Avg. download speed 3.5 Mb/s¹ in Moscow & Moscow Oblast, 2.8 Mb/s¹ in Russia
- Moscow: #1 in voice quality & #2 in mobile data speed
- #1 or #2 in 75% of regions¹ in mobile data speed



4G/LTE co-branded smartphone

- Best value for money 4G/LTE smartphone in the market RUB 7,990
- Co-branded Alcatel handset
- In combination with bundled tariff plans only



Shared data service

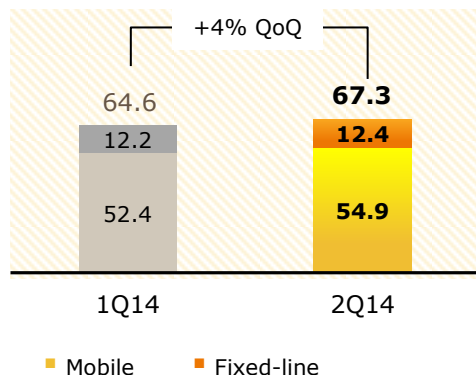
- Offering the option of multiple SIM cards for one account, making it convenient for customers to manage their data account across multiple devices

Positive QoQ developments in Russia

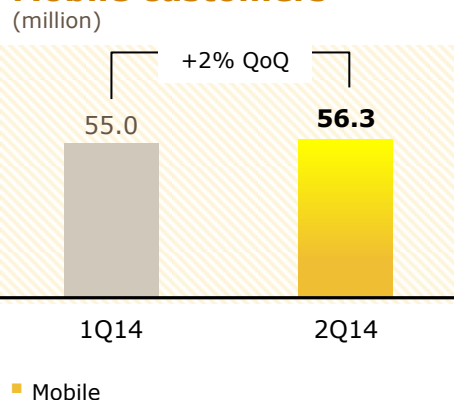
Results of actions taken to improve customer experience

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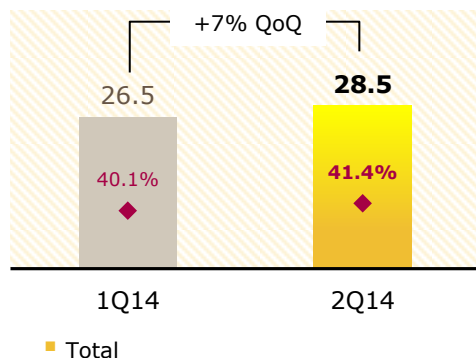
Service revenue



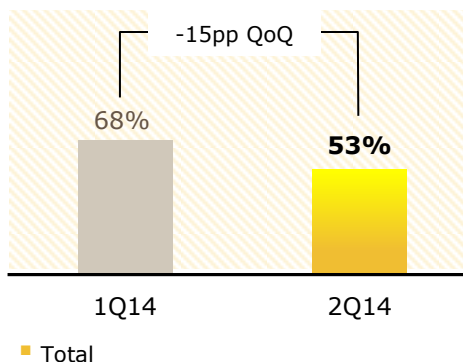
Mobile customers



EBITDA and EBITDA margin



Annualized Churn

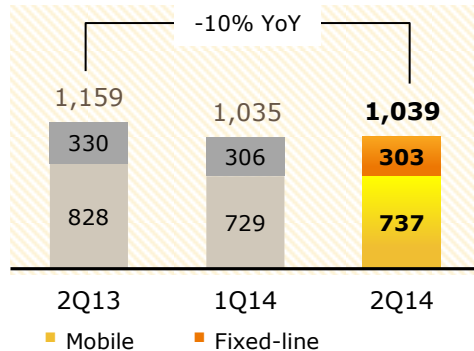


- Relative outperformance QoQ versus competition
- 1.3 million new mobile customers QoQ
- Annualized churn decreased to 53%, the lowest level in 3 years
- Net Promoter Score improved relative to competitors
- Improving market position QoQ in mobile data customers
- YoY pressure on results expected to continue for remainder of 2014, but with improving trend by 4Q14

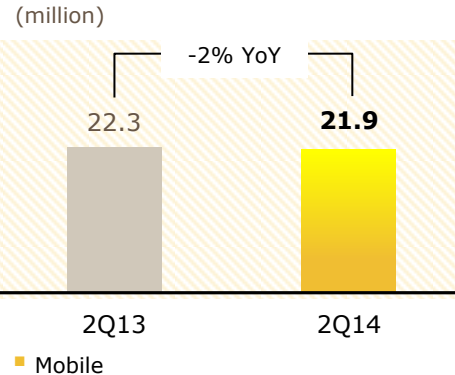
Italy: Continued market outperformance

EUR MILLION, UNLESS STATED OTHERWISE

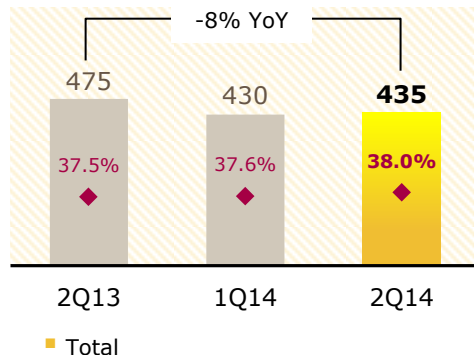
Service revenue



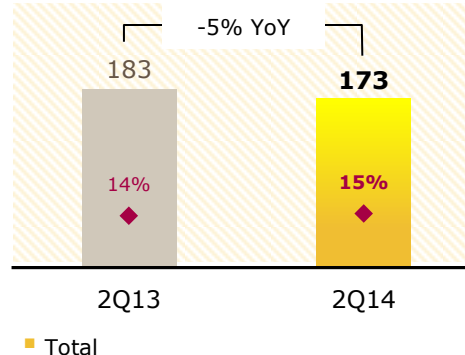
Mobile customers



EBITDA and EBITDA margin



CAPEX and CAPEX/revenue

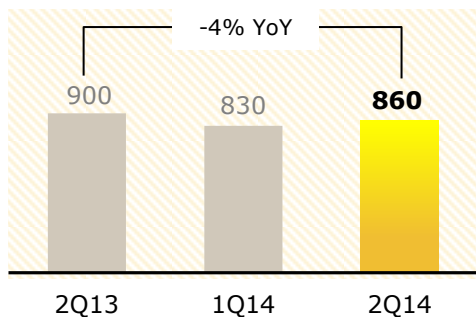


- Increased mobile market share, without aggressive pricing
- Best in class Net Promoter Score
- Annualized churn reduced to 30%, the lowest in more than 2 years
- Strong mobile data revenue growth of 18% YoY
- Mobile data customers up 27% YoY to 9.7 million
- EBITDA margin improved due to strong cost management
- Market expected to remain challenging in 2014 but with improving trend in 2H14

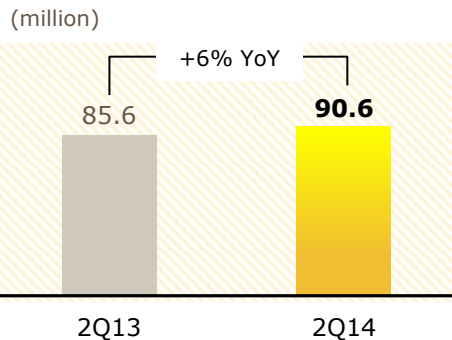
Africa & Asia: Investments in 3G networks to drive future revenue growth

USD MILLION, UNLESS STATED OTHERWISE

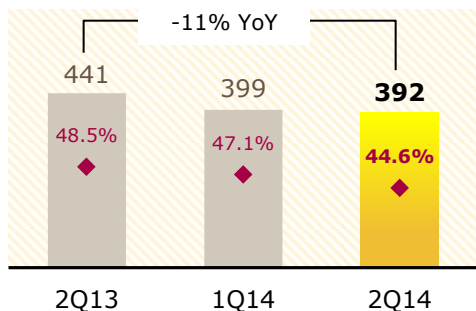
Service revenue



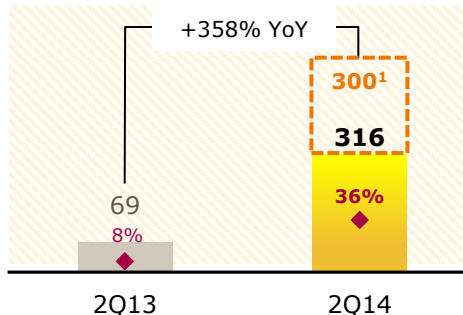
Mobile customers



EBITDA and EBITDA margin



CAPEX and CAPEX/revenue



- Revenue and EBITDA organically declined, mainly due to Algeria and Pakistan
- Mobile customer growth of 5.0 million YoY supported by strong additions in Bangladesh and solid growth in Algeria and Pakistan
- Investments in high-speed data:
 - ▶ 3G network roll-out in Algeria and Bangladesh
 - ▶ 3G license and network roll-out as well as network modernization in Pakistan
- Commercial launch of 3G services in Algeria and Pakistan in July 2014

Note: Africa & Asia business unit includes our operations in Algeria, Pakistan, Bangladesh, Sub-Saharan Africa and Laos
1. Amount related to the 3G license in Pakistan

Algeria: Successful 3G launch, supporting the return to growth and market share stabilization in 2H14

Resolution in Algeria:

VimpelCom maintains management control with a strong and committed local partner



Successful 3G launch

- 3G services in the seven main provinces, including the capital, 40% coverage of revenue market
- EoY14: 19 provinces coverage
- EoY15: national coverage



3G offers for high-value customers

- High-end postpaid bundle (voice& data), packaged with a smartphone
- More than 100K customers in the first month of launch



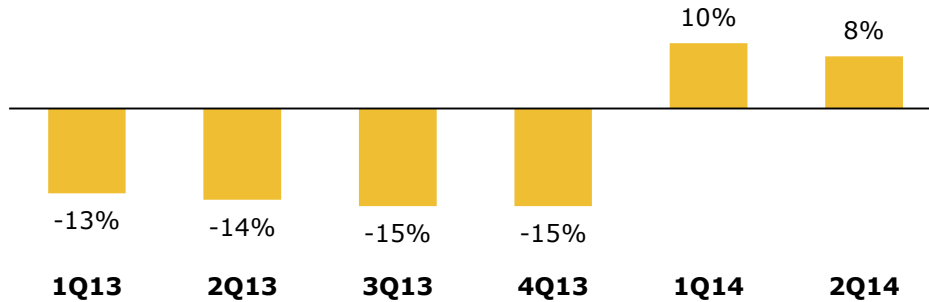
Other Unique 3G offer

- Amigo: weekly data pack, 200 Mb for DZD 150, including unlimited access to social networks

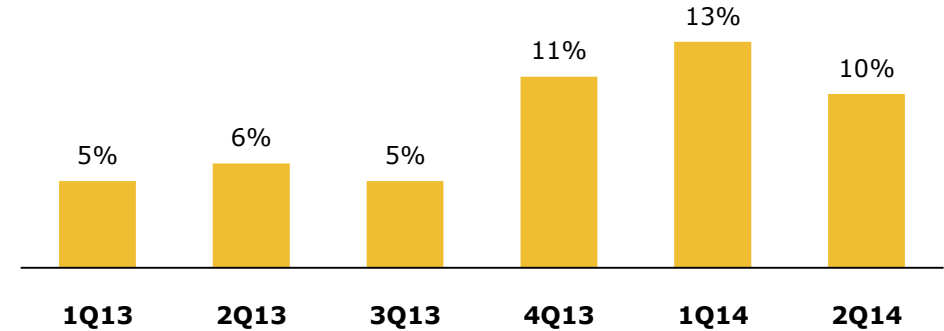
Djezzy proven to be the preferred choice of Algerians with its superior network quality, best customer service and unique commercial offers

Bangladesh: Successful turnaround and 3G launched

Mobile service revenue growth YoY (%)



Customer growth YoY (%)



3G Coverage in all 64 regions



3G handsets with bundle

- High growth potential as smartphone penetration currently only 2%



MFS growth opportunities

- Ticketing
- Payments
- Remittance
- Mobile money transfer

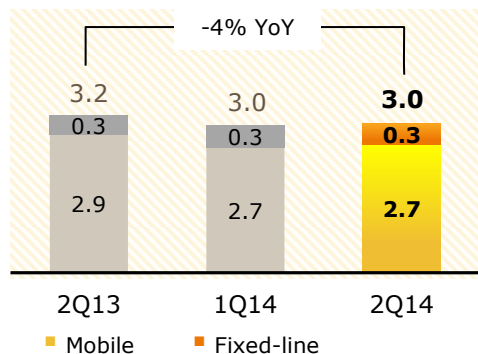
Pakistan: Addressing the underperformance

- Issues:
 - ▶ Challenging political and macro-economic environment
 - ▶ Aggressive competition on pricing of bundles and on-net offers
 - ▶ Network congestion limiting our pricing flexibility
 - ▶ Delay of network modernization
- Actions:
 - ▶ Jeffrey Hedberg appointed as CEO
 - ▶ 3G launched in 11 cities
 - ▶ Network modernization to be completed by 1Q15
 - ▶ Enhancing bundles to reduce price premium
 - ▶ New promotions and retention campaigns
 - ▶ Aggressive retail footprint rollout to fuel MFS revenue growth

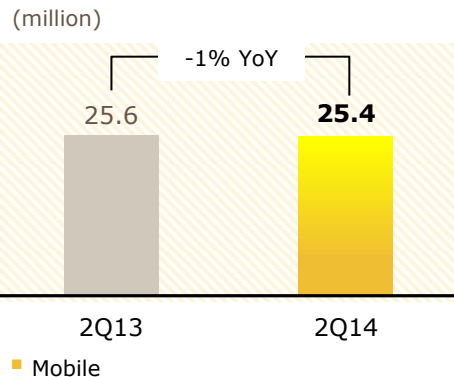
Ukraine: Transformation on track in a difficult environment

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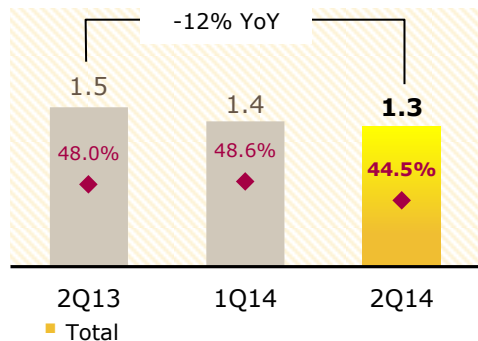
Service revenue



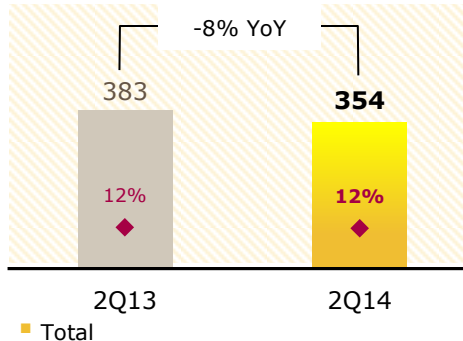
Mobile customers



EBITDA and EBITDA margin



CAPEX and CAPEX/revenue

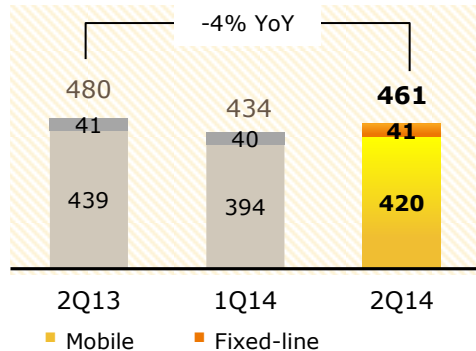


- Transformation program on track, showing improving NPS and declining churn
- Financial results negatively impacted by customer's more conservative spending
- Mobile data revenue growth 11% YoY
- EBITDA declined due to doubling of frequency fees and higher utility costs
- Resilient cash flow, facilitating regular dividend upstreams, with cash flow margin of 33%
- Environment expected to remain challenging in 2014

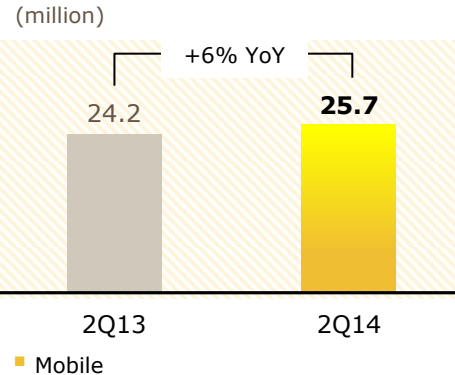
CIS: Continued organic growth

USD MILLION, UNLESS STATED OTHERWISE

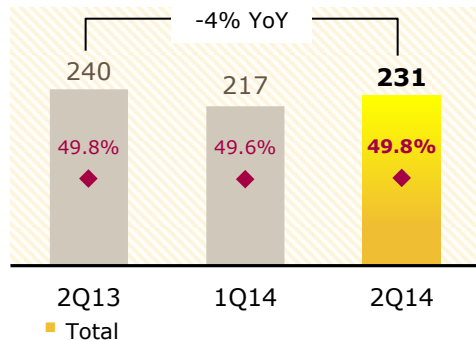
Service revenue



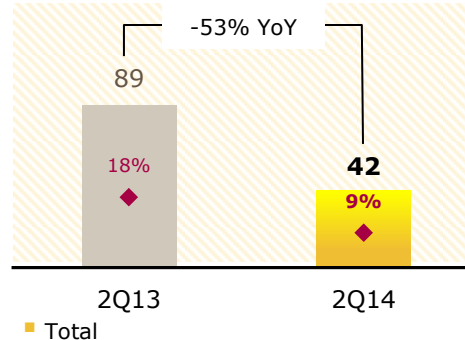
Mobile customers



EBITDA and EBITDA margin



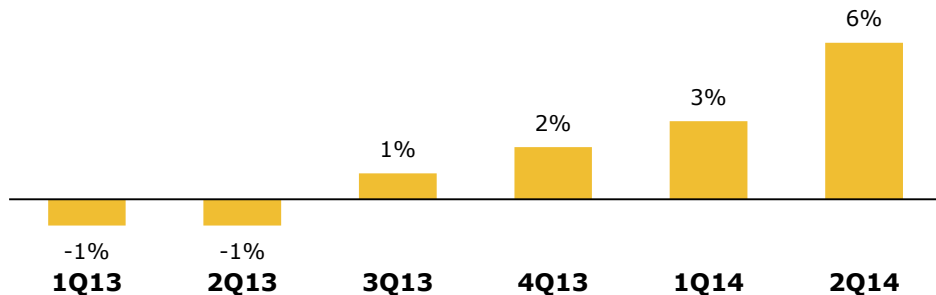
CAPEX and CAPEX/revenue



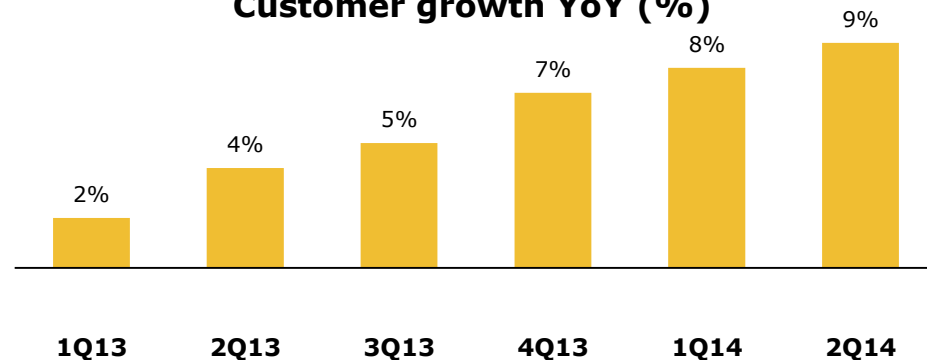
- Mobile service revenue increased organically 5% YoY
- Mobile data revenue growth of 24% YoY
- Mobile customers increased by 1.5 million YoY, primarily due to the growth in Kazakhstan
- EBITDA increased 5% organically YoY, mainly due to Kazakhstan and Uzbekistan
- CAPEX decline due to phasing of investments in Kazakhstan and Uzbekistan and high CAPEX for capacity in Uzbekistan in prior year

Successful turnaround in Kazakhstan

Mobile service revenue growth YoY (%)



Customer growth YoY (%)



3G Coverage

- 3G coverage
- 2G coverage

- 3G download speed 2 Mb/s
- >220 cities covered by 3G: ~60% population ~3% territory
- 92% 2G pop. coverage

Best value proposition

- New data portfolio launch and core bundle "Gigabyte+" promotion
- FreeStyle Lite price plan value extension

New products or initiatives

- Samsung Galaxy S in combination with bundled tariff plan only
- Auto payments via credit card

Financial Highlights

Financial performance negatively impacted by FX

USD million	2Q14	2Q13	YoY	
Revenue	5,067	5,718	(11%)	<ul style="list-style-type: none"> Revenue declined organically 6% YoY, mainly due to continued market weakness in Italy, underperformance and market slowdown in Russia, Ukraine and Pakistan and 3G delay in Algeria
<i>of which service revenue</i>	4,861	5,440	(11%)	
EBITDA	2,076	2,425	(14%)	<ul style="list-style-type: none"> EBITDA declined organically 9% YoY, due to higher infrastructure and distribution costs in Russia, increasing frequency and utility costs in Ukraine and 3G investments in the Africa & Asia BU
EBITDA Margin	41.0%	42.4%	(1.4 p.p.)	
D&A/Other	(1,138)	(1,201)	(5%)	<ul style="list-style-type: none"> Declining amortization of intangible assets associated with the Wind Telecom acquisition
EBIT	938	1,224	(23%)	
Financial expenses	(533)	(521)	2%	
FOREX and Other	74	59	25%	
Profit before tax	479	762	(37%)	
Tax	(421)	(204)	n.m.	<ul style="list-style-type: none"> Mainly due to non-cash charges related to the refinancing of WIND and non-deductible interest expenses in Italy
Non-controlling interest	42	15	n.m.	
Net income¹	100	573	n.m.	

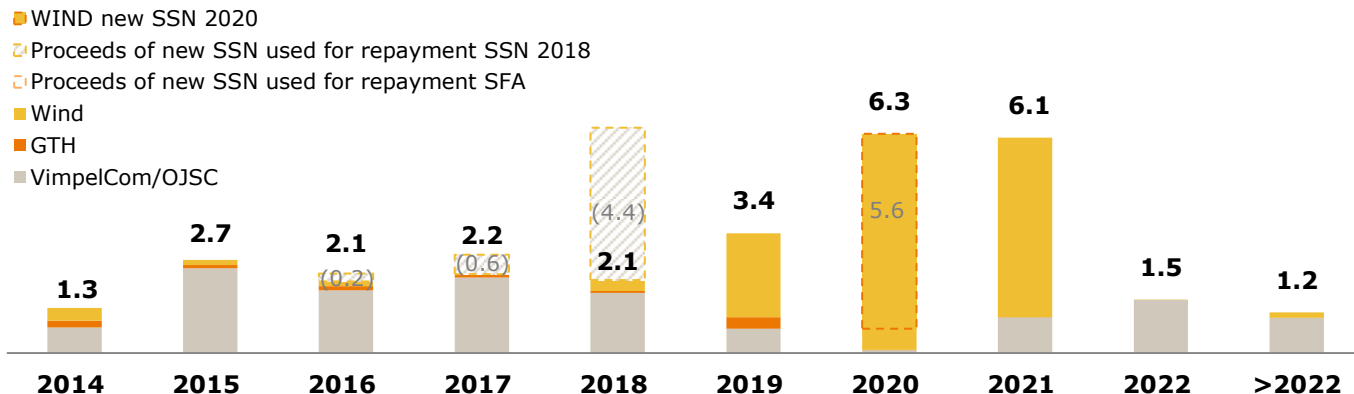
Resilient cash flow

USD million	2Q14	2Q13	YoY	
EBITDA	2,076	2,425	(349)	
Changes in working capital and other	(160)	(243)	83	• Mainly due to improvements in trade working capital
Net interest paid	(549)	(443)	(106)	• Accelerated interest payment related to bonds repaid with WIND refinancing
Income tax paid	(265)	(347)	82	
Net cash from operating activities	1,102	1,392	(290)	
Net cash used in investing activities	(1,060)	(677)	(383)	• Investments in high-speed data networks and 3G license in Pakistan
Net proceeds from borrowings	960	(1,106)	2,066	• WIND refinancing and drawdowns under credit facilities in 2Q14; repayment of Eurobond by OJSC VimpelCom for USD 801 million in 2Q13
Dividends paid to equity holders net of share capital issued and paid	-	(621)	621	• USD 2.0 billion in dividend payments in 2Q13, partly offset by the receipt of USD 1.4 billion for the conversion by Altimo of 128 million preferred shares
Net cash from financing activities	960	(1,727)	2,687	
Net increase in cash and cash equivalents	1,002	(1,012)	2,014	

Improved maturity profile

Pro-forma group debt maturity schedule as at 30 June 2014¹

USD billion



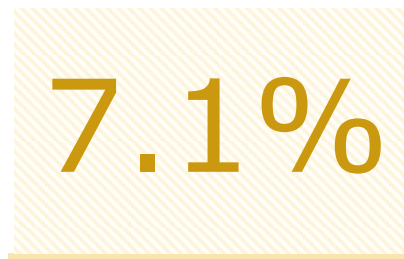
Net Debt/ EBITDA³



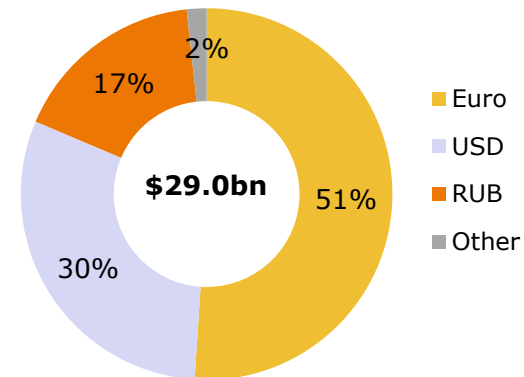
Gross Debt/ EBITDA³



Average Cost of Debt 2Q14



Debt composition by currency²



EBITDA³ / Financial income and expenses



1. The WIND Group refinancing in July 2014 has been reflected as a pro-forma adjustment in the graph
2. After effect of cross currency swaps. Gross debt excluding effect of cross currency swaps is \$29.0bn but composition per currency will be different
3. Normalized LTM EBITDA excluding one-off charges related to the Algeria resolution

2014 targets confirmed

	Targets¹ 2014	
Revenue	Low to mid single digit decline YoY	✓
EBITDA	Low to mid single digit decline YoY	✓
Leverage (Net Debt / EBITDA)	~2.4x	✓
CAPEX excl. licenses / Revenue	~21%	✓

Conclusion

Conclusion

- ▶ Results impacted by operational performance and macro economics in Russia, Ukraine and Pakistan, market weakness in Italy and 3G delay in Algeria
- ▶ Focus on investments in quality networks and customer experience demonstrating clear results
- ▶ Transformation in Russia and Ukraine on track
- ▶ Strengthening position in Italy, Bangladesh and CIS
- ▶ Net income improvement of USD 0.5 billion per annum from expected favorable resolution in Algeria and successful refinancing of WIND
- ▶ Successfully launched 3G in Algeria
- ▶ Strong cash flow generation, used to invest in high-speed data networks
- ▶ Strengthened management team

Q&A

Further information

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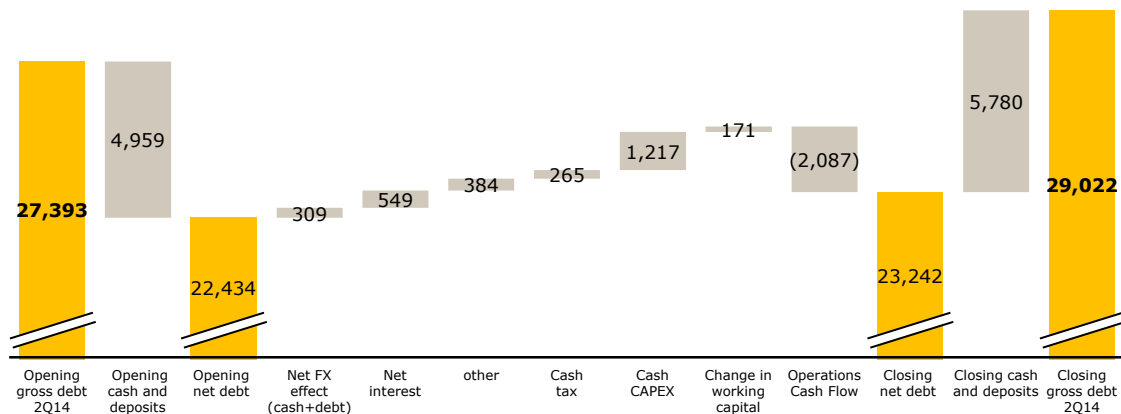
Thank you!

Appendices

Debt and cash

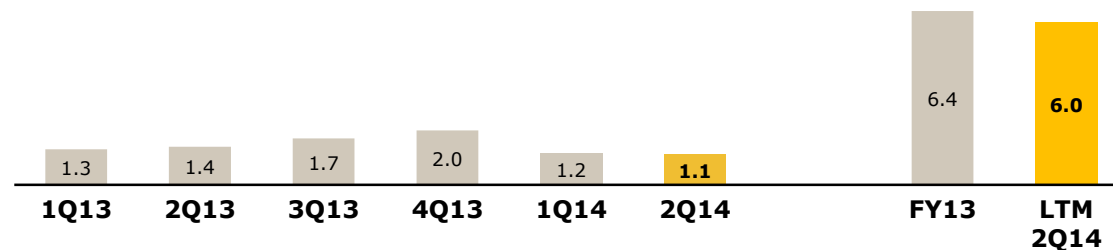
Consolidated cash and net debt development

Actual 2Q14 (USD million)



Net cash flow from operating activities

(USD billion)

















During 2Q14:

- VimpelCom: Alfa Bank loans USD 1.0 billion
- VimpelCom: repayment bond USD 0.2 billion
- Wind: refinancing (new senior notes USD 5.2 billion; repayment senior notes and PIK notes USD 5.0 billion)
- PMCL: new funding for license USD 0.2 billion

Available headroom under committed revolving credit facilities as at the end of June 2014:

- VimpelCom: USD 1.65 billion
- OJSC: RUB 15 billion (USD 446 million)
- Wind: EUR 200 million (USD 274 million)

FOREX rates used in annual targets for 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
 Ukraine	UAH	9.5
 Zimbabwe	ZWD	325

Revenue and EBITDA development in 2Q14

2Q14

	Revenue YoY		EBITDA YoY	
	Organic	Reported	Organic	Reported
Russia	(7%)	(16%)	(10%)	(18%)
Italy	(9%)	(5%)	(8%)	(4%)
Africa & Asia	(4%)	(3%)	(11%)	(11%)
Ukraine	(5%)	(35%)	(12%)	(40%)
CIS	5%	(4%)	5%	(4%)
Consolidated	(6%)	(11%)	(9%)	(14%)

FOREX development

RATES OF FUNCTIONAL CURRENCY TO USD

	Average rates			Closing rates		
	2Q14	2Q13	YoY	2Q14	1Q14	YoY
Russian Ruble	35.00	31.62	(9.7%)	33.63	35.69	6.1%
Euro	0.73	0.77	5.0%	0.73	0.73	(0.1%)
Algerian Dinar	78.95	79.14	0.2%	79.25	78.54	(0.9%)
Pakistan Rupee	98.29	98.49	0.2%	98.72	98.19	(0.5%)
Bangladeshi Taka	77.57	77.88	0.4%	77.60	77.60	-
Ukrainian Hryvnia	11.70	7.99	(31.7%)	11.82	10.95	(7.4%)
Kazakh Tenge	182.63	151.14	(17.2%)	183.51	182.04	(0.8%)
Armenian Dram	412.87	414.74	0.5%	407.28	413.31	1.5%
Kyrgyz Som	53.07	48.30	(9.0%)	52.06	54.48	4.6%

Reconciliation of EBITDA

USD mln	2Q14	2Q13	1H14	1H13
Unaudited				
EBITDA	2,076	2,425	4,164	4,773
Depreciation	(742)	(748)	(1,500)	(1,514)
Amortization	(379)	(438)	(773)	(892)
Impairment loss	(2)	(4)	(2)	(22)
Loss on disposals of non-current assets	(15)	(11)	(26)	(14)
EBIT	938	1,224	1,863	2,331
Financial Income and Expenses	(491)	(521)	(1,004)	(1,022)
- including finance income	63	27	77	49
- including finance costs	(554)	(548)	(1,081)	(1,071)
Net foreign exchange gain / (loss) and others	32	59	(134)	(4)
- including Other non-operating gains / (losses)	17	43	(20)	17
- including Shares of loss of associates and joint ventures accounted for using the equity method	(6)	(18)	(43)	(83)
- including Net foreign exchange gain / (losses)	21	34	(71)	62
EBT	479	762	725	1,305
Income tax expense	(421)	(204)	(594)	(417)
Profit for the year	58	558	131	888
Profit/(loss) for the year attributable to non-controlling interest	(42)	(15)	(8)	(93)
Profit for the year attributable to the owners of the parent	100	573	139	981

Reconciliation of consolidated net debt

USD mln	2Q13	1Q14	2Q14
Net debt	22,622	22,434	23,242
Cash and cash equivalents	4,551	4,540	5,505
Long-term and short-term deposits	213	419	275
Gross debt	27,386	27,393	29,022
Interest accrued related to financial liabilities	574	434	432
Unamortised fair value adjustment under acquisition method of accounting	718	625	111
Other unamortised adjustments to financial liabilities (fees, discounts etc.)	38	17	(139)
Derivatives not designated as hedges	474	238	265
Derivatives designated as hedges	172	271	319
Total other financial liabilities	29,362	28,978	30,010