

# Successful closing in Algeria

A&I conference call  
January 30, 2015

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# Disclaimer

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# A transformational value accretive transaction for GTH and VIP

## Total cash proceeds of USD 3.8 billion net of taxes and fines

- Sale of 51% in Djezzy to Algerian National Investment Fund, FNI, for ~USD 2.6 billion, to be completed upon confirmation of proceeds
- ~USD 1.8 billion dividend to be paid by Djezzy to GTH (pre-closing)
- GTH to pay down USD 3.8 billion of shareholder loans from VimpelCom
- GTH and VimpelCom to maintain operational control and full consolidation of Djezzy
- Algeria is a very attractive market, where Djezzy is clear #1 operator
- Strong local partner, the Algerian National Investment Fund, FNI

## VimpelCom to use cash proceeds to pay down gross debt

Annual interest savings of ~USD 0.3 billion

# Attractive Algerian telecom market – Djezzy is market leader

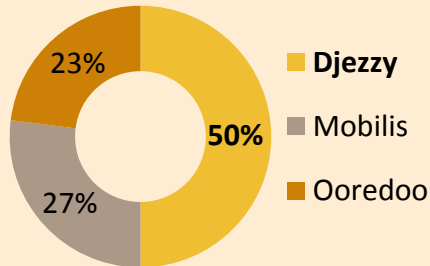


**Population<sup>1</sup>: 39.5 million**  
**GDP/capita PPP<sup>2</sup> USD 7,500**  
**Mobile penetration<sup>4</sup>: 96%**

## Macro environment

- GDP growth of ~3%
- Government and industrial sectors account for over 60% of GDP
- 37% of the population is under 20 years old

## Market shares<sup>3</sup>



## Competitive landscape

- **Djezzy:** high brand perception with solid market leadership with high control over distribution
- **Mobilis:** incumbent operator supported by the government; expected to be listed in Algiers
- **Ooredoo:** Through an earlier deployment of their 3G network and a commercial policy often at the limit of the ARPT rules, they have taken lead in the high end segment

<sup>1</sup> ONS ( office national des statistiques)

<sup>2</sup> CIA Factbook 2014

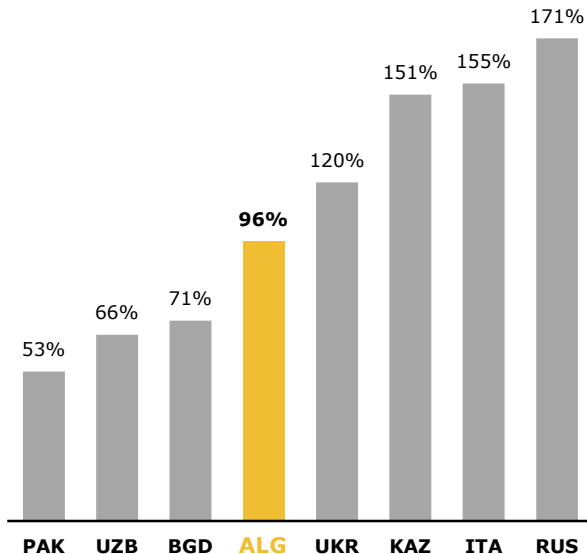
<sup>4</sup> Penetration figures are provided based on OTA closing base and our data warehouse (DWH) figures for competitors

<sup>3</sup> Customer market share as at December 2014

# Significant upside in terms of mobile penetration & data usage

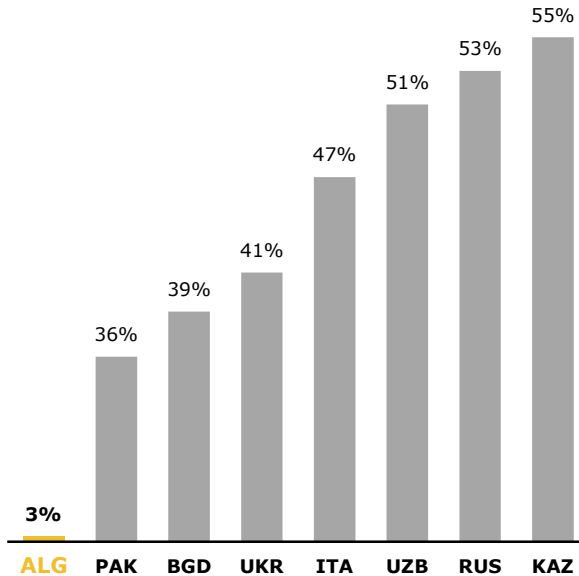
## Mobile Penetration<sup>1</sup> (%)

Western Europe  
Avg: 133%

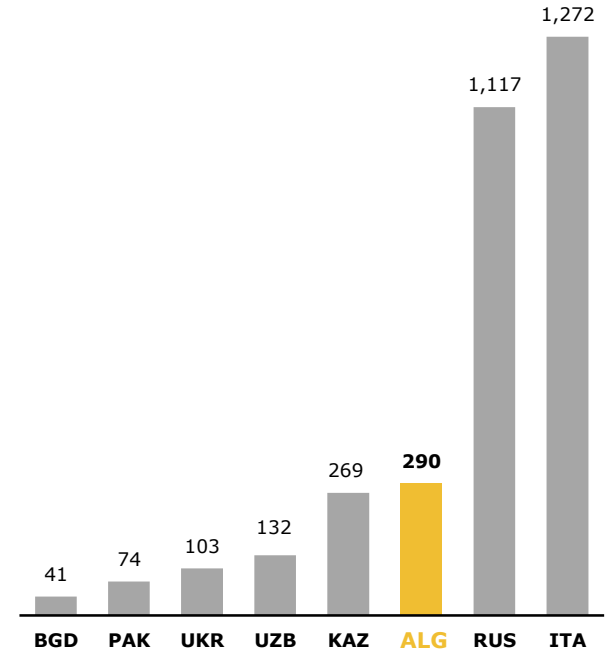


## Mobile Data Penetration<sup>2</sup> (%)

Western Europe  
Avg: 66%



## Data Usage<sup>2</sup> (MB / User)



### Notes

<sup>1</sup> Mobile penetration is for the market, based on sim cards number

<sup>2</sup> Based on Company estimates 3Q'14, where mobile data penetration = data users (number of sims with data subscribed tariff plans) / mobile customers

ALG Mobile Data Penetration is based on 3G data as 2G information for the market is not available

5 Source: Company data

# Strategic focus

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- Invest in high-speed 3G network, focusing on the latest technology
- Continued 3G roll out and launch of data services with attractive bundles
- Maintain leadership in customer experience and NPS
- Emphasize Djezzy as the preferred Algerian mobile brand

# Shareholders agreement

- VimpelCom/GTH to retain operational control over OTA
- VimpelCom/GTH to continue to consolidate the results of OTA
- OTA dividend policy
  - ▶ Target pay-out ratio of not less than 42.5% of consolidated net income
- Board composition
  - ▶ OTA: 4 by GTH (incl. Chairman with casting vote), 4 by FNI
  - ▶ Optimum Telecom: 6 by GTH (incl. Chairman with casting vote), 4 by FNI and 2 employee representatives
- No share transfers permitted during first 7 years
- Secured an attractive exit via put option

# Settlement of disputes

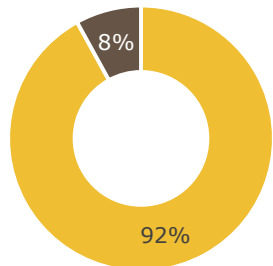
- Payment of the Bank of Algeria fine of ~USD 1.1 billion
  - ▶ Charge of USD 1.3 billion in the 2013 Financial Statements, revalued by USD 0.2 billion in the 2014 Financial Statements due to FOREX
- Discontinuation of tax disputes
  - ▶ Write-off of related tax receivables of USD 0.7 billion in the 2013 Financial Statements
- Bank of Algeria ban on international payments is lifted
- International arbitration definitely discontinued
- Cevital to stay as minority shareholder
  - ▶ Amended Framework Agreement
  - ▶ Settled all pending litigations for a payment of USD 50 million



# Omnium Telecom Algeria\* – financial overview

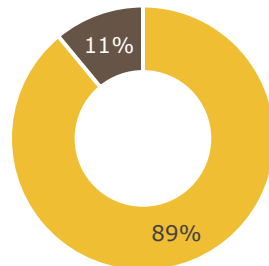
## VimpelCom 3Q'14 LTM

revenue of USD 20.8 billion



■ VimpelCom (excl. OTA)

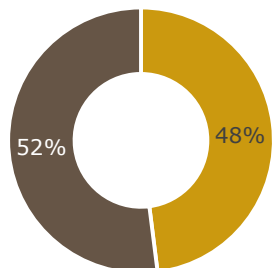
EBITDA of USD 8.7 billion



■ OTA

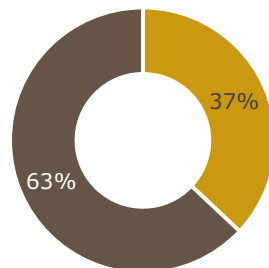
## GTH 3Q'14 LTM

revenue of USD 3.4 billion



■ GTH (excl. OTA)

EBITDA of USD 1.5 billion



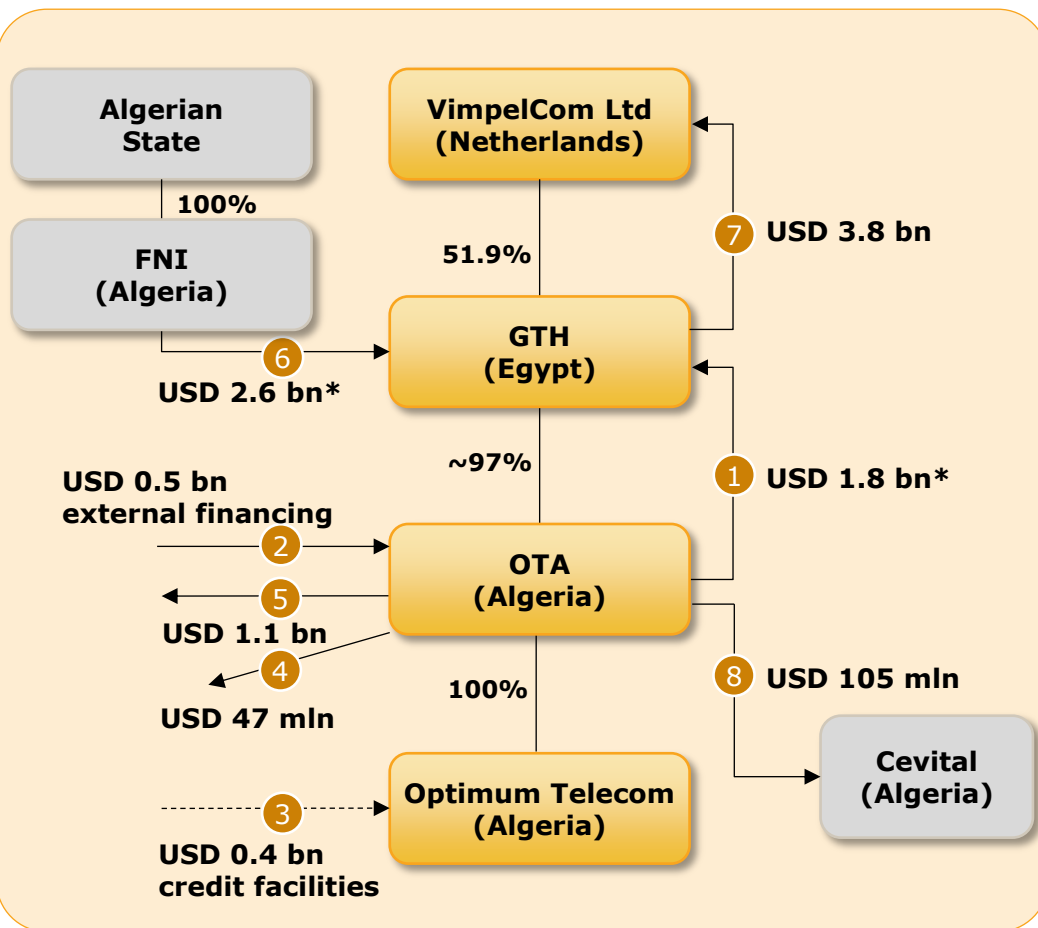
■ OTA

OTA	Unit	2012	2013	3Q'14 LTM
Customers	Mln	16.7	17.6	18.2
Customer market share		54%	53%	49%
Blended ARPU	DZD/month	707	693	648
<b>Total revenue</b>	<b>DZD bln</b>	<b>143</b>	<b>143</b>	<b>138</b>
<b>EBITDA</b>	<b>DZD bln</b>	<b>83</b>	<b>84</b>	<b>77</b>
EBITDA margin		58%	59%	56%
CAPEX	USD mln	47	122	395
<b>Operating cash flow<sup>1</sup></b>	<b>USD bln</b>	<b>1.0</b>	<b>0.9</b>	<b>0.6</b>
<b>Cash balance</b>	<b>USD bln</b>	<b>1.9</b>	<b>2.7</b>	<b>2.7</b>

Note: (1) EBITDA-CAPEX (excl. licenses)

\* Orascom Telecom Algérie was renamed to Omnium Telecom Algeria

# Cash flow structure

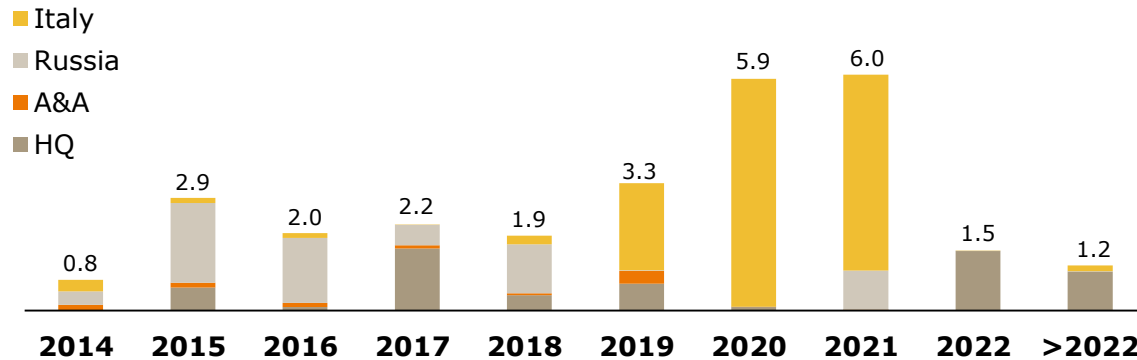


- 1 Pre-closing dividend payment of **USD 1.8 billion** to GTH
- 2 External funding of **DZD 50 billion (~USD 0.5 billion)** from banking consortium
- 3 Credit facilities of **DZD 32 billion (~USD 0.4 billion)**
- 4 Repayment of external loan of **USD 47 million**
- 5 Payment of Bank of Algeria fine of **DZD 99 billion (~USD 1.1 billion)**
- 6 Sale by GTH of a 51% interest in OTA to FNI for **USD 2.6 billion**
- 7 Repayment by GTH **~USD 3.8 billion** of outstanding shareholder loans from VimpelCom
- 8 Dividend and settlement payment to Cevital of **USD 105 million**

# Significantly enhanced capital structure

As at 30 September 2014, in USD billion

## Group debt maturity schedule by unit



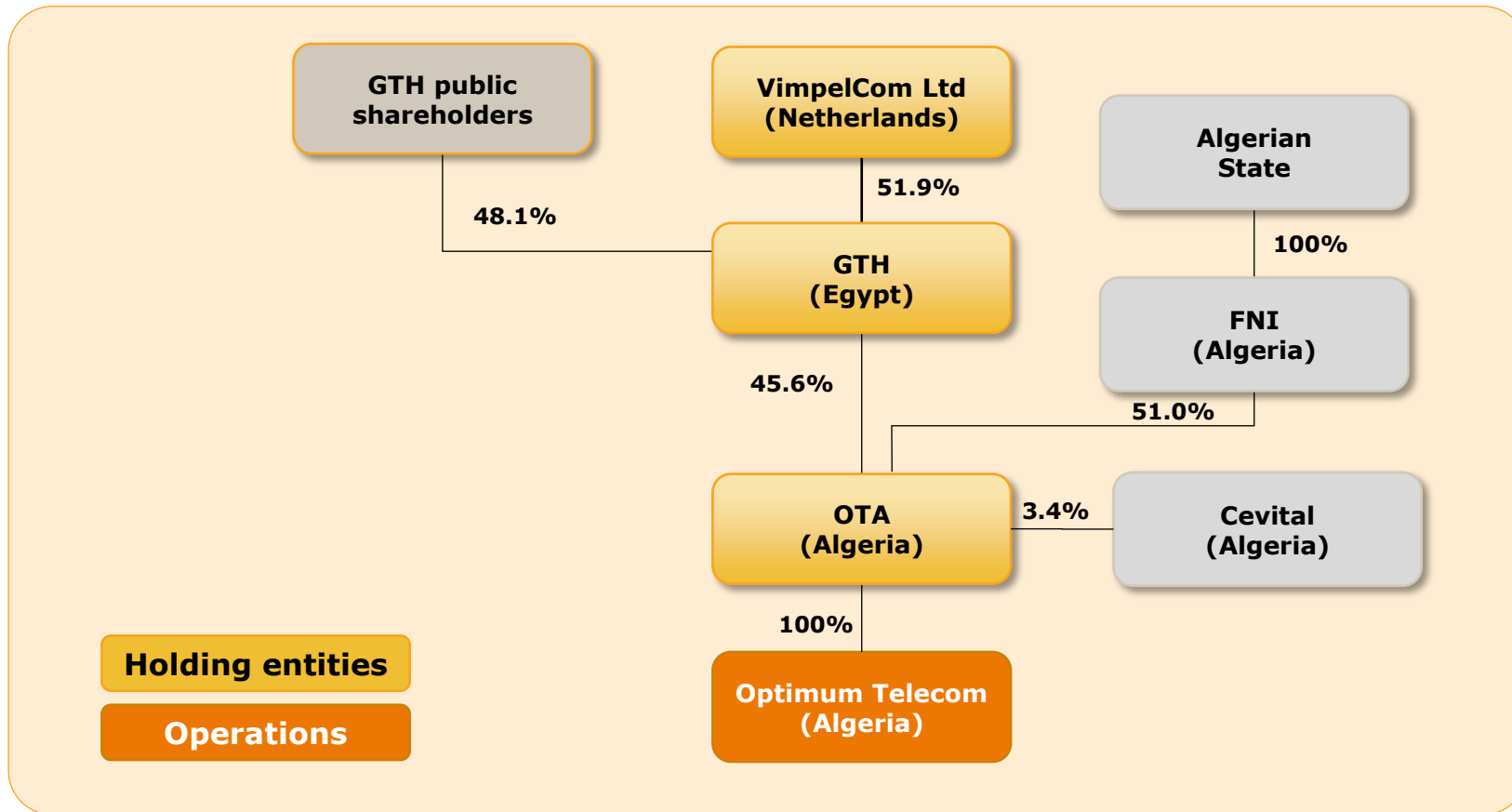
## Improved leverage

	3Q14			Pro Forma <sup>1</sup> 3Q14		
	Italy	VIP excl. Italy	Total	Italy	VIP excl. Italy	Total
Gross debt (USD bln)	14.0	13.7	27.7	14.0	10.4	24.4
Gross debt / EBITDA	5.6x	2.2x	3.2x	5.6x	1.7x	2.8x
Net debt / EBITDA	5.5x	1.3x	2.5x	5.5x	1.2x	2.4x

<sup>1</sup>Pro Forma assumes an 1 on 1 debt repayment from Algeria proceeds

**With a strong cash position, additional financial facilities, no major refinancing obligation until 2020 and solid cash flow generation, VimpelCom is well funded**

# New ownership structure after closing



# Delivering successful results for all stakeholders

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- USD 3.8 billion cash proceeds to be used to pay down gross debt
- Expected Group annual interest savings of ~USD 0.3 billion
- Retain operational control and ability to consolidate Djezzy
- Partnership and co-operation with Algerian Government
- Develop Algerian business capitalizing on market leading position to generate sustainable profitable growth

# Q&A

# VimpelCom 4Q14 and FY14 results announcement

**February 25, 2015**

Live presentation  
in London

Webcast  
via [vimpelcom.com](http://vimpelcom.com)



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Thank you!