

OUR STRATEGY ENABLES US TO CREATE VALUE FOR OUR STAKEHOLDERS

VimpelCom's strategy focuses on customer excellence, capital efficiency, operating excellence and profitable growth. Our businesses combine mature, strong cash-generating companies with emerging growth opportunities in a number of regions.

We combine strong positions in mobile businesses with a selective presence in fixed-line, which we expect will further support our growth strategy as mobile services continue to expand across our markets.

We seek to capture profitable growth especially in mobile data, but also in fixed-line data and mobile voice, by tailoring our strategy in each individual market according to its local characteristics.

We believe that customers will increasingly rely on mobile broadband as the primary means of accessing the Internet and other data services and, in the medium term, the principal technology for such access will be 4G/LTE in Russia, Italy and Georgia, and 3G in other markets in which we operate. As such, our strategy is primarily mobile-based and we seek to prioritize resources and investment allocation to mobile broadband capacity and coverage. In particular, our focus will be on capturing growth in mobile data services by moving away from unlimited plans to tiered pricing, rationally managing traffic and differentiating our services through more sophisticated offerings.

This broader view of the business provides the basis for our strategy, which is based on local empowerment and starts with the Company's 222 million mobile customers and 56 thousand employees as of December 31, 2014. Our focus remains on delivering excellence to our customers. We have created a passionate, performance-oriented culture with a key focus on operations and execution at the Business Unit level. At the Group level, we remain a lean organization focused on value creation through performance management, portfolio management, financial structure optimization, and shared services, such as roaming and procurement.

Strategy

Our strategy has the following main pillars supported by clear operational strategies executed within each of our Business Units.

- **Customer Excellence.** We are committed to creating a superior customer experience, optimizing distribution and developing superior pricing capabilities, while continuously modernizing our networks. We undertake a systematic effort involving dedicated analytics and research to continuously optimize the customer experience and drive superior pricing through integrated mobile bundles that combine traditional voice with SMS and, most importantly, data. This will provide value to the customer while at the same time protecting our revenue stream from cannibalization among various services, such as SMS and instant messaging ('IM'). In order to optimize our distribution, we focus on the most efficient channels in each market. We expect these actions to reduce churn and limit our retention and commercial costs. We see improvements in our customer loyalty as measured by the Net Promoter Score ('NPS').
- **Profitable Growth.** We aim to drive revenue growth that leads to higher profitability by focusing on gaining share in mobile data revenue and capitalizing on areas such as mobile financial services and partnerships with over-the-top players, while limiting cost of traffic. We seek to increase mobile data revenue by driving smartphone and tablet penetration through strong local distribution. We will also continue to introduce value-based commissioning, promoting tiered pricing for speed and time of data, partnering with Internet players and improving network quality. We believe effective deployment of integrated bundles will allow us to monetize the strong growth in mobile data.
- **Operational Excellence.** Operational excellence and cost management represents a Group-wide strategy, and we seek to implement this strategy at all levels of the organization with a continuous improvement culture across our businesses.
- **Capital Efficiency.** Our goal is to ultimately reduce the ratio of our capital expenditure to revenue over time by deploying capital more efficiently through increased network sharing, continued business portfolio optimization and capital structure optimization. An important element of this strategy is network outsourcing and sharing in order to improve network utilization and quality. We also have a centrally led procurement model that provides advantages both at the Group and local level. Further, we have implemented a systematic approach to optimizing our capital structure.

Types of businesses

Our business broadly comprises three types of businesses grouped according to their stages of development:

- Our emerging markets: Russia, Ukraine, CIS, Bangladesh, Pakistan and Algeria. These markets each have significant growth potential for mobile data and in Bangladesh, Pakistan, Algeria and CIS have a large potential for customer base growth and high revenue growth from relatively low penetration. In these markets, we will seek to leverage our Group knowledge and experience to capture this growth.
- Our mature market: Italy. In this market we are focused on sustaining strong cash flow generation and on deleveraging. The market is highly penetrated, but has potential for broadband growth in mobile. Our Italian business is strong and fully self-financing, with debt being non-recourse to the rest of the VimpelCom Group.
- Our remaining asset portfolio: In 2014, we sold our interest in WIND Canada and our interest in Telecel Globe Limited, which owned 100% of each of U-COM in Burundi and Telecel CAR in Central African Republic.

Our objectives

Within our Group's priorities, we pursue the following specific objectives:

- Drive value in the mature voice business in our core markets.
 - We recognize that in our industry prices of the traditional products and services that we provide are generally falling over time, despite price elasticity being significantly below one. In contrast, the costs of delivering these products and services experience significant inflationary pressure. To address this imbalance, we continuously focus on cost efficiency, especially on optimizing business support costs. We also strive to design our go-to-market actions thoughtfully, with the dual ambition of ensuring that we remain a highly attractive choice for consumers at all times, while at the same time promoting responsible industry conduct.
 - We also see that the telecommunications market is highly heterogeneous, consisting of a significant number of sub-segments with partially unique needs. Therefore, we selectively seek to capture opportunities in the B2C (consumer) and B2B (business) sub-segments, especially in those areas where we can leverage the fact that we have both fixed-line and mobile assets, or where our international footprint can be a source of competitive advantage.
 - We believe that the shift away from the traditional mobile voice- and SMS-centric world and towards a data-centric world is fundamental. We therefore carefully scrutinize any investment in legacy infrastructure that does not also support our data business, while ensuring that we remain able to deliver a set of core traditional telephone services that fully meet customer expectations.
- Emerge as leader from the transition to a mobile data-centric world.
 - We believe that the move towards a data-centric world is the single biggest industry change that our core mobile business has experienced so far. We also see that a key success factor over the coming few years for any telecommunications operator with a significant mobile business will be to manage pricing of mobile data well and to be able to monetize the growth in mobile data traffic. We therefore spend considerable time and effort to ensure that we offer a proactive and customer-centric transition from legacy voice pricing to data-centric pricing with bundled tariff plans, with the ambition to retain and ultimately grow ARPU.
 - We see that mobile data offerings are already becoming a significant operator decision parameter for certain customer segments, and we expect this trend to broaden further. To ensure that we are the natural consumer choice in the data-centric world, we aim to provide the best "value-for-money" data product portfolio while staying highly price-competitive at all times.
 - We recognize that a mobile data network is more complex to manage than a voice network and that the optimization potential in a data network is significant. We therefore pursue cost efficiency in technology investments, including traffic management and offloading of traffic as well as content compression.
 - At the same time, we will invest in digital distribution and services anticipating increased demand for such services as mobile financial services or smart home.
- Efficiently invest and grow high quality networks to support increasing demand for mobile data.
 - In 2014, we spent USD 3.9 billion, or 20% of revenue, on investments in our infrastructure across all our regions resulting in an improved market position in mobile data. Our strategy is focused on continued investments in 3G and 4G/LTE to capture growth in mobile data traffic. We plan to continue to invest in all our high-speed data networks in 2015.
 - We entered into an agreement with MTS for joint planning, development and operation of 4G/LTE networks in 36 regions of Russia. Under the terms of the agreement, between 2014 and 2016 MTS will build and operate 4G/LTE base stations in 19 regions and VimpelCom will build and operate 4G/LTE base stations in 17 regions of Russia. Within the first seven years of the project, VimpelCom Russia and MTS plan to share base stations, platforms, infrastructure and resources of the transportation network, with each operator maintaining its own core network.

The VimpelCom way

Passionate

We are passionate to achieve by being committed to delivering exceptional VimpelCom results

Professional

We are admired for the way we delight our customers and for our reputation in operational excellence

Leadership

We lead by example with a focus on execution and empowering our people to perform to the highest level