

# Strengthening our leadership position in Pakistan

A&I conference call  
November 26, 2015

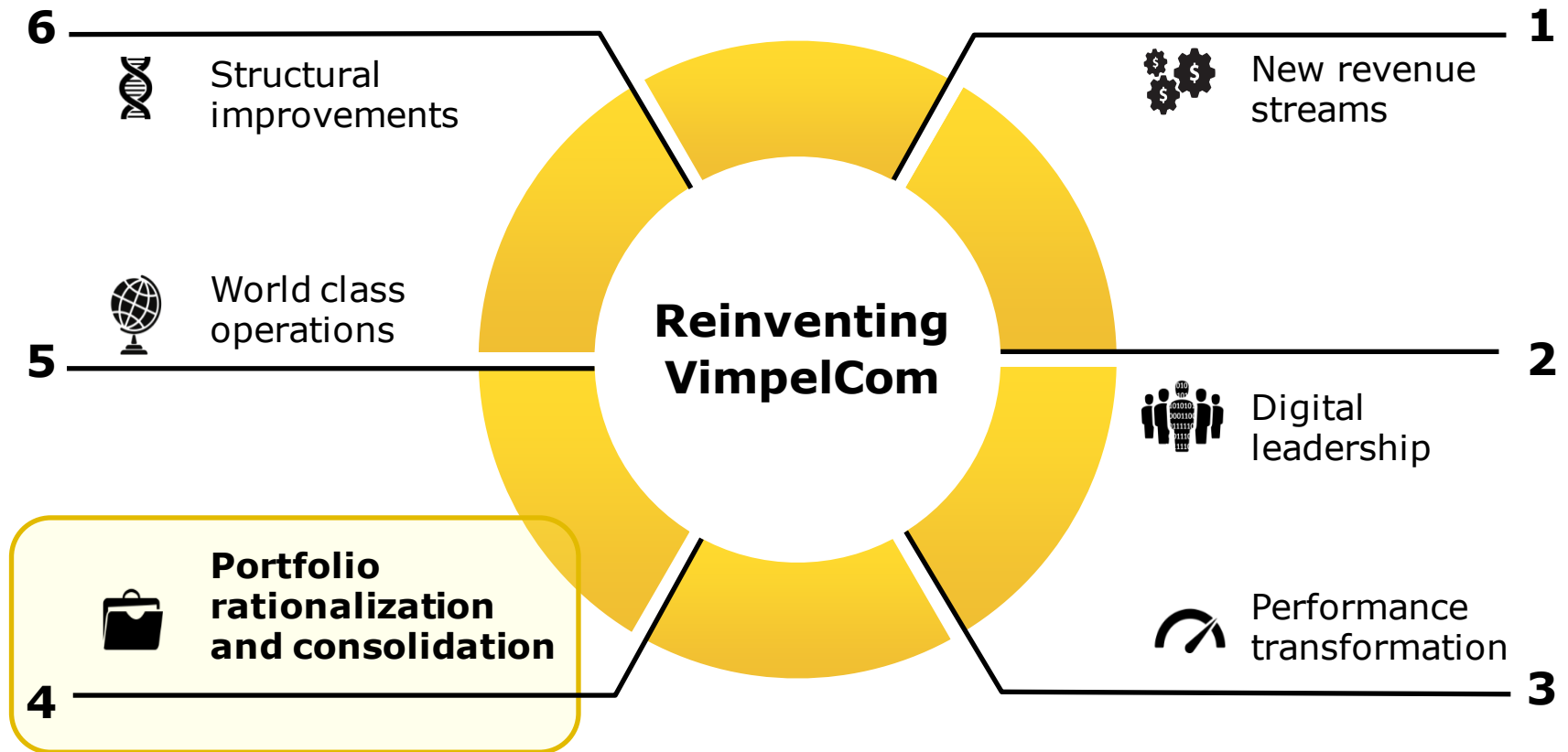
**Jean-Yves Charlier – VimpelCom CEO**  
**Andrew Davies – VimpelCom CFO**  
**Gerbrand Nijman – GTH CFO**

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# In-market consolidation in Pakistan – executing on strategy



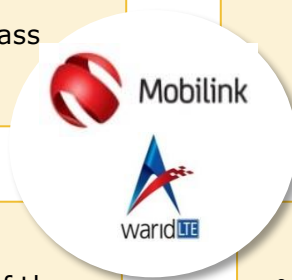
# Mobilink and Warid to merge, strengthening leadership position in Pakistan

## Strengthening leadership position in Pakistan

- Largest combined footprint and customer base of 45 million
- Largest network, with best quality and leading in high-speed data with almost 5,000 3G and 4G/LTE sites
- Delivering innovative, best-in-class mobile financial services to consumer, SME and corporate customers
- A superior customer experience through best-in-class service quality and focus on digital innovation

## Investment and innovation

- Enlarged and improved mobile network with over 80% population coverage (2G)
- Accelerated roll-out of 3G and 4G/LTE services
- Digital & MFS leader: Providing Warid customers with Mobilink MFS products



## Clear corporate governance

- VIP/GTH, through PMCL Mobilink, acquires 100% of the shares of Warid Telecom in exchange for the Dhahi Group shareholders receiving approximately 15% of the shares of PMCL Mobilink
- Substantive shareholder agreement to govern relationship between parties
- MergeCo management team led by Jeffrey Hedberg (CEO of Mobilink) and Andrew Kemp (CFO of Mobilink)
- Board consisting of 7 directors (6 nominated by VIP/GTH, 1 by the Dhahi Group shareholders)
- 4-year lock-in period, after which VIP/GTH has a right to acquire 100%

## Value creation

- USD 115 million annual run-rate cost synergies, 90% expected by third year post-closing; in excess of USD 500 million NPV cost synergies expected, net of integration costs
- Distributions projected within the first two years post-closing
- Leverage: Mobilink 1.8x Net debt/EBITDA at signing
- Pro forma revenue and EBITDA margin of USD 1.4 billion and above 40% respectively

# Transaction rationale

## A leading operator in Pakistan telecom market



**Superior**  
customer  
experience



New revenue  
**opportunities**



**Best-in-class**  
mobile  
network

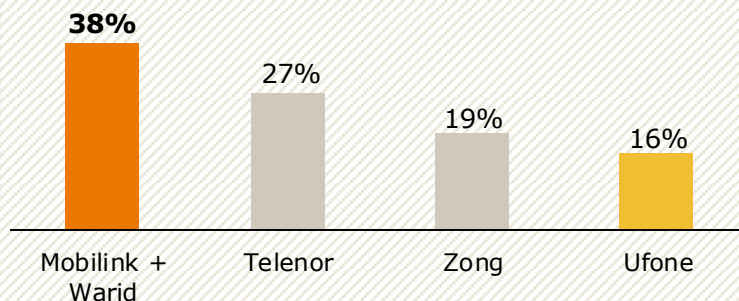


Cost  
**synergies**

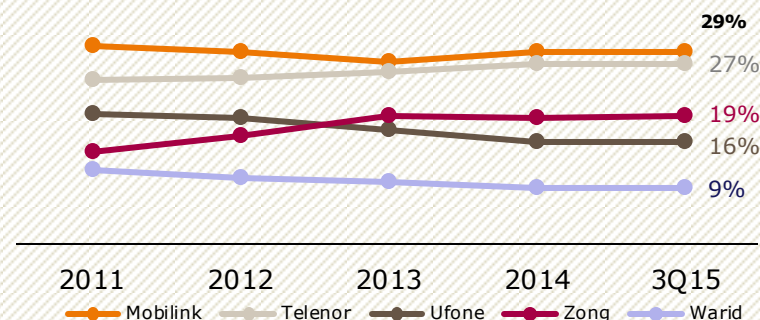
# A leading operator in the Pakistan telecoms market

## Market position

### A leading mobile operator (Mobile customer market share<sup>1</sup>)



### Mobilink holds the number 1 market position (Market share<sup>1</sup> based on customers)

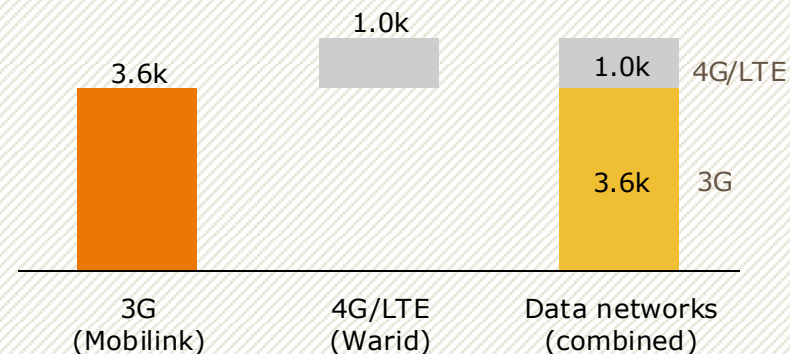


## Network Scale

### Largest tower portfolio # of towers



### Wide high-speed data networks # of high-speed stations



Notes:

<sup>1</sup> As of September 2015

<sup>2</sup> after decommissioning

# Superior customer experience



- **Best coverage** of over 80% population by 2G
- **High quality** of customer services
- **Simple and transparent** pricing
- Enhanced service delivery through **digital platform**



- To become **#1 in NPS** ranking, leveraging from the current solid position:
  - ▶ Mobilink #2
  - ▶ Warid #1

# New revenue opportunities



Owning and winning in the **High Value** and the **B2B segments**:

- Leading position in high-value and postpaid customers
- Serve corporates with full enterprise solution and M2M



**mobicash**

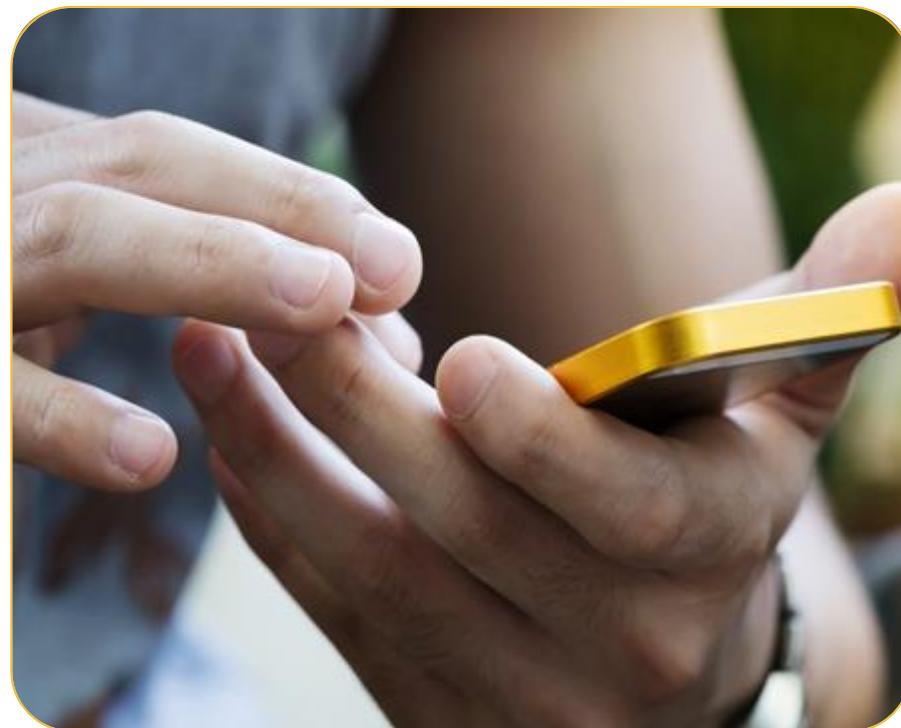
**Digital & MFS** leader:

- Mobilink the fastest growing MFS player in the market
  - ▶ Mobilink MFS revenue 2.7% of total
  - ▶ 2.5 million Mobilink MFS customers
- Providing Warid customers with access to our full range of MFS services including Mobicash
- Expanded MFS portfolio including:
  - ▶ Money transfer
  - ▶ Bill and loan payments
  - ▶ Mobicash ATM Card
  - ▶ Corporate solutions, etc.

# Best-in-class mobile network



- Our plan is **to enhance network capacity and quality** of service
- Targeted network investments in quality and coverage
- Network consolidation through migration of customers and integration of network elements
- Decommissioning of overlapping sites within two years of closing
- Accelerated expansion of 4G/LTE services



# Identified cost synergies - total run-rate of USD 115 mln<sup>1</sup>

## Market facing & customer operations

- Integrated customer service
- Efficient channel and distribution model

## Network & IT

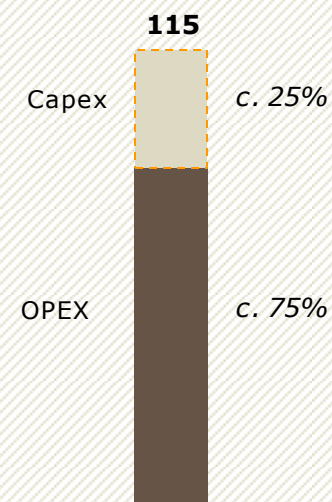
- Site decommissioning
- Common IT platforms

## SG&A

- Scale impact
- Optimized organizational structure



## Synergies run rate (USD million)



**More than USD 500 million NPV from synergies<sup>1</sup>, 90% expected by third year post-closing  
EPS accretive from the third year post-closing<sup>2</sup>**

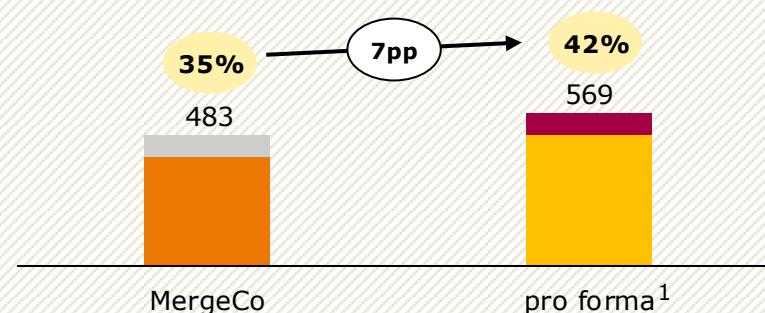
# Enhanced profitability and cash generation

## Revenue and EBITDA

**An operator with USD 1.4bn revenue**  
(USD mln, LTM Sept 2015)



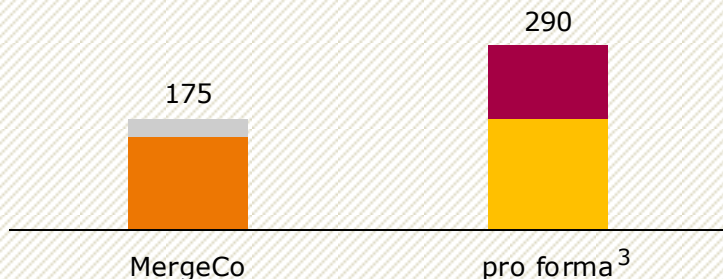
**EBITDA margin of 42%**  
(USD mln, LTM Sept 2015 and % margin)



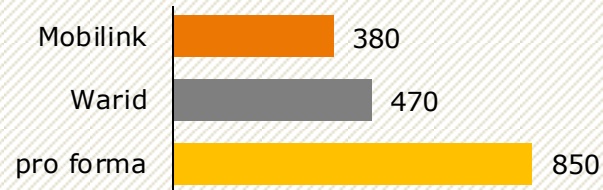
Mobilink Warid Run-rate synergies

## OpCF<sup>2</sup> and Debt

**Operating Cash Flows**  
(USD mln, LTM Sept 2015)



**Net Debt position**  
(USD mln, Sept 2015)



**Limited impact on VIP Group leverage (+0.1x)  
acceptable impact on GTH Group leverage  
(+0.3x)**

Notes:

<sup>1</sup> Including run-rate Opex synergies only

<sup>2</sup> Defined as EBITDA – Capex (excl. licenses)

<sup>3</sup> Including run-rate Opex and Capex synergies

# Key transaction terms

## Key terms

- VIP/GTH, through PMCL Mobilink, acquires 100% of the shares of Warid Telecom in exchange for the Dhahi Group shareholders receiving approximately 15% of the shares of PMCL Mobilink
- No cash contributions expected from VimpelCom/GTH or the Dhahi Group shareholders
- Conditional on fulfilment of various conditions; no break up fees
- VimpelCom/GTH will consolidate MergeCo
- Distribution policy will be at the discretion of VimpelCom/GTH; distributions expected within the first two years post-closing
- If the MergeCo's tower assets are sold within four years post closing, the Dhahi Group shareholders will get an additional stake based on a pre-agreed formula

## Governance

- The Board of MergeCo will be composed of 7 directors of which 6 will be nominated by VimpelCom/GTH; resolutions of the Board shall in general be decided by majority, except for certain limited reserved matters
- MergeCo is managed by:
  - ▶ Jeffrey Hedberg – Mobilink CEO
  - ▶ Andrew Kemp – Mobilink CFO

## Termination and Exit

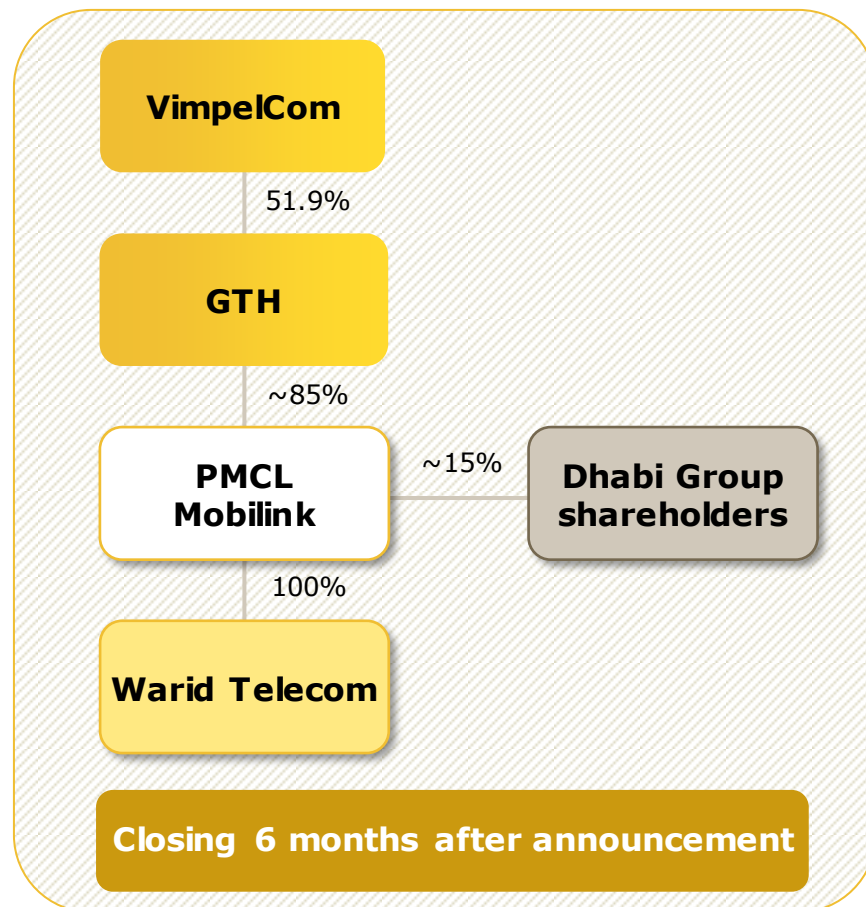
- 4-year lock-in period, after which VimpelCom/GTH secured possibility to acquire 100%:
  - ▶ The Dhahi Group shareholders can put shares of MergeCo to VimpelCom/GTH at fair market value
  - ▶ VimpelCom/GTH can call shares of MergeCo at fair market value

## Key dates and approvals

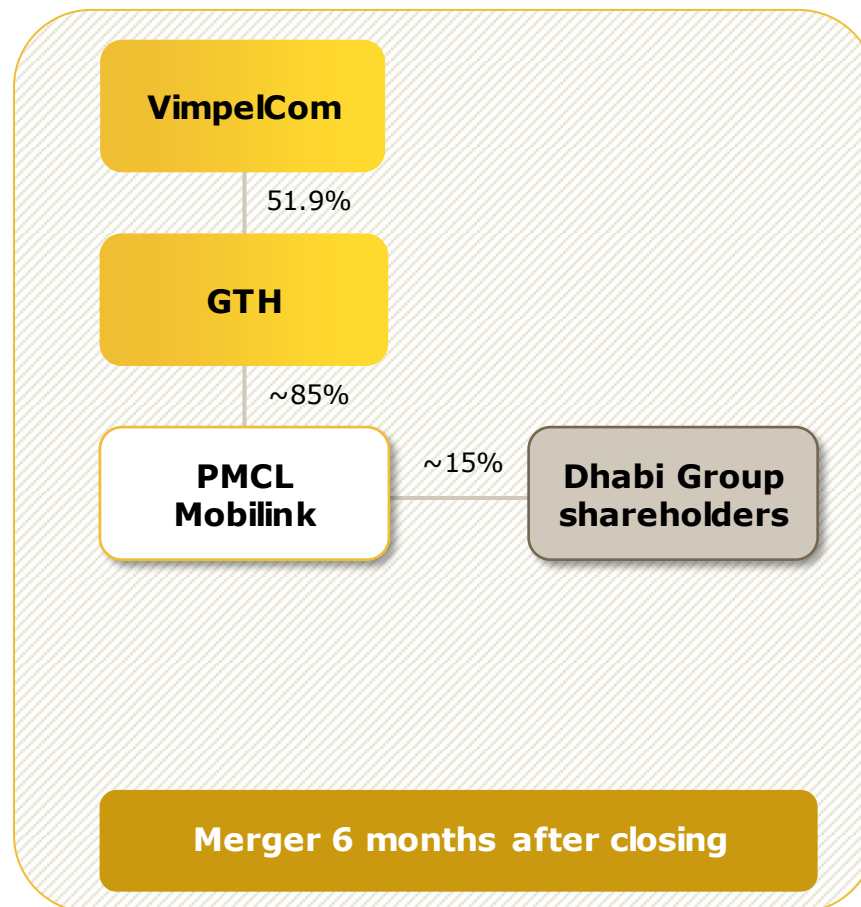
- Expected closing of the share acquisition within next 6 months, subject to receiving required approvals
- The transaction is subject to approvals of Competition Commission of Pakistan, the Pakistan Telecommunication Authority, the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan

# Transaction structure

## Step 1 – share acquisition



## Step 2 – legal merger



# Summary

## In-market optimization

Algeria transaction

Italy JV

**Pakistan transaction**

September 2014

October 2014

January 2015

March 2015

August 2015

November 2015

WIND Canada disposal

Telecel Globe Limited CAR and Burundi disposal

Italy tower sale

Zimbabwe disposal

## Portfolio rationalization

**Pakistan transaction: yet another step in strategy execution**

# Q&A

# VimpelCom/GTH accounting implications

## *Upon **closing of the share acquisition***

- The acquisition of Warid will be accounted for as a business combination under IFRS
- The fair value of Warid's assets and liabilities will be taken over into the VimpelCom/GTH consolidated balance sheet as of the date of closing
- The difference between the fair valued net asset of Warid taken up in the VimpelCom/GTH consolidated balance sheet and the fair value of consideration paid for Warid (including contingent consideration) will result in goodwill
  - ▶ Goodwill is not amortized but an annual impairment test is performed
  - ▶ Contingent consideration (i.e. tower earn-out) will be recorded as a liability at fair value on the closing date with any subsequent value changes recorded directly in the consolidated income statement
- The put option granted to the seller will be accounted for as a liability on the VimpelCom/GTH consolidated balance sheet at the net present value of the future expected cash outflow to buy out the minority shares in Mobilink