

Africa & Asia

Business Unit Strategy

VimpelCom's Africa & Asia markets are characterized by low penetration levels, thereby affording it the greatest growth potential within the VimpelCom Group. The Company's key strategic focus in Africa & Asia is growth in mobile data, while, at the same time, the Company will continue to focus on capturing voice revenues with high organic growth potential going forward.

VimpelCom maintains strong leadership positions in its respective Africa & Asia markets which, in turn, provide a solid platform for profitable growth. As a result, the Africa & Asia business unit is able to manage its value strategy and implement mechanisms to improve efficiency in its businesses. Additionally, by leveraging VimpelCom Group's size, the Africa & Asia business unit is able to realize CAPEX efficiencies within its cost-optimization strategy.

Priorities

- Focus on mobile data opportunities with the deployment of 3G services
- Continuous focus on profitable top line growth and cost saving initiatives
- Defend market leadership in Algeria and Pakistan
- Tapping into new revenue sources in light of relatively low ARPU and purchasing power
- Expanding non-voice revenues, particularly in data and value added services
- Increasing network CAPEX and OPEX efficiency by modernizing networks



Ahmed Abou Doma

Head of the Africa & Asia Business Unit

"It was another exciting year for the Africa & Asia business unit, with our operations achieving profitable growth for 2012. Growth in subscribers in most of our markets were also very solid, with the business unit now serving over 85 million customers, an increase of 4% over 2011. Additionally, organic EBITDA grew an impressive 15%, surpassing revenue growth in most operations as a result of our focus on driving profitable growth, as well as our focus on operational excellence."

The year in review

VimpelCom's Africa & Asia business unit delivered significant profitable growth in 2012 driven by strong subscriber growth, mobile data, Value Added Services (VAS), increase in market penetration and a continued focus on operational efficiency.

Revenues in the Africa & Asia business unit achieved an organic growth of 9% for 2012, partially offsetting local currency devaluation against the US dollar primarily in the main operating countries of Algeria and Pakistan, which led to stable revenues in USD terms. EBITDA increased 15% organically, and it also increased by 11% in USD terms. EBITDA growth surpassed revenue growth in most operations, reflecting the success of ongoing operational excellence and cost saving initiatives.

In Algeria, the subscriber base increased 8% as Djezzy maintained its leadership market share position of 55%. Revenues increased 6% mainly driven by growth in the subscriber base, while EBITDA increased at a similar rate. Djezzy also celebrated its 10th anniversary in 2012.

In Pakistan, the subscriber base grew 6% mainly due to Mobilink's focus on voice, data and VAS offerings, as well as churn management. Revenues increased by 8% for the year primarily due to the increase in subscribers and churn management. EBITDA increased 14%, reflecting the impact of operational excellence initiatives coupled with the revenue growth.

In Bangladesh, the subscriber base increased 9%, while revenues grew 20% in 2012 driven by a higher level of VAS and data adoption, as well as targeted start-up and reactivation promotions. EBITDA increased by 26% for the year, primarily as a result of savings on commercial OPEX (SIM tax subsidy) during the fourth quarter of 2012, resulting from lower gross additions, following the implementation of a recently imposed post-sales activation process by the regulator (BTRC), while in the same period last year banglalink recorded high customer acquisition costs.

Telecel Globe subscribers increased 42% primarily driven by a surge in the subscriber bases in Burundi and Zimbabwe as a result of increased penetration into rural areas, as well as improved sales and distribution channel performance.

In the South East Asian cluster, the subscriber base exceeded 900 thousand at the end of 2012. In Laos, Beeline continued to offer SMS and voice, while data bundles and value added services were launched in the second half of the year.

Focus on ensuring sustainable profitable revenue growth

One of the pillars of VimpelCom's strategy in Africa & Asia business unit is focused on driving sustainable profitable revenue growth by leveraging the leadership positions that its brands enjoy in their respective and relatively underpenetrated markets. While the Company is established in voice and VAS revenues, it intends to capture the most of the exciting opportunity for non-voice revenue streams in markets where Internet access is primarily based on mobile technology. At the same time, the Africa & Asia business unit remains focused on optimizing its network expenditure and other costs to drive improved profitability.

Opportunities for the future

The Value Agenda for 2013 – 2015 in Africa & Asia is based on four pillars targeted at increasing net cash flow from operations.

Profitable Growth

The business unit will continue to focus on mobile data growth and value driven pricing, as well as furthering market penetration and subscriber growth. Our core objective is to pursue 3G opportunities while continuing to capture market share. Market share in our Africa & Asia operations is largely concentrated in mobile voice and messaging, making subscriber growth of utmost importance, along with operating a low cost model strategy. Mobile data and value added services are a central part of our platform in Pakistan and Bangladesh. To support growth of this platform, the Company launched Mobicash Mobile Financial Services in Pakistan in 2012, adding another stream of revenue. We also redesigned our network to be more optimized, with better equipment that requires lower OPEX and making the network 3G ready ahead of the award of 3G

licensing. In Bangladesh, we continue to enhance our Mobile Financial Services and value added services offerings with increased rollout of point of sale applications for our customers.

Operational Excellence

The business unit continues to focus on cost efficiency measures and enhancing revenue, primarily through subscriber growth and increasing APPM. To that end, we are driving margin improvement through a dual market strategy and also continue to manage technical OPEX through site sharing, OPEX optimization and network modernization. At the same, we continue to manage commercial OPEX by enhancing and consolidating Djezzy's brand leadership, call center outsourcing model, enhancement of the brand in Laos and launching Flexy code in Algeria and Bangladesh. Looking forward, initiatives to drive further cost efficiency will include increasing the scale of promotions and applying efficiency measures on marketing expenses. Additionally, we are launching a network modernization program to facilitate energy savings and will continue with OPEX optimization initiatives by converting BTS sites from indoor to outdoor sites and deploying hybrid power solutions.

Customer Excellence

The business unit is focused on initiatives designed to create a superior customer experience, optimize distribution and develop superior pricing capabilities. Specific initiatives in the area of creating a superior customer experience include implementation of touch point Net Promoter Score to measure and improve customer satisfaction and also revisiting all content portals. In optimizing distribution, the Company is working to improve customer acquisition costs through dealer optimization and focusing on quality of sales to mitigate churn. In terms of developing superior pricing capabilities, initiatives include innovation in value added services and data services and bundling, development of innovative pricing and initiatives and new capabilities developed in Pakistan, Bangladesh, Zimbabwe and Cambodia.

Capital Efficiency

By leveraging VimpelCom's broader size and scale, the business unit is realizing CAPEX efficiencies within its cost-optimization strategy. In this regard, focusing on the areas of technology and procurement has led to greater capital efficiency. Improvements to technology include network modernization and increasing infrastructure sharing and outsourcing to improve network CAPEX and OPEX.