

CIS

Key facts

Summary financial

USD mln	2012	2011	YoY
Revenue	1,755	1,589	10%
EBITDA	813	703	16%
EBITDA margin	46.3%	44.3%	
Mobile subscribers ('000)	24,167	19,703	23%
Fixed broadband subscribers ('000)	326	212	54%

Business Unit Strategy

CIS has a large and growing addressable market with mobile service penetration still growing in most countries of operation and low data usage, which creates promising prospects for VimpelCom's future growth in CIS. In leveraging this opportunity, the Business Unit is focused on increasing net cash from operating activities as part of the Group Value Agenda. Each CIS country is focused on efficient management of CAPEX and OPEX to ensure sustainable cash flow generation.

Priorities

- Further growth in revenue and usage in core mobile business
- Strengthening market positions in all markets
- Boosting high margin data services
- 3G and 2G network expansion



Dmitry Kromsky
Head of the CIS Business Unit

"CIS markets have high potential for mobile data growth due to low penetration of fixed Internet. This potential provides VimpelCom a significant opportunity to bring added value to our customers, while making our operations even more profitable."

Strong Growth Expected in Mobile and Fixed Data

13% CAGR

Mobile Data Revenue +25% and Fixed Data Revenue +13% CAGR 2012-2015.

The year in review

The CIS Business Unit continued to perform strongly, delivering profitable double digit revenue and EBITDA growth in 2012. Results for the second half of the year benefited meaningfully from the network closure of a competitor by the Uzbek authorities.

Total revenues increased 10% to USD 1.8 billion and EBITDA grew 16% to USD 813 million, resulting in a strong EBITDA margin of 46.3%. Mobile revenue increased 13%, primarily driven by the strong subscriber growth in Uzbekistan during the second half of the year. The increase was also supported by strong growth in mobile data revenues in all CIS markets as a result of the Company's focus on increasing data usage for small and medium screens.

Kazakhstan, VimpelCom's largest and most developed CIS market, faced strong competition in 2012. However, the Company strategically increased its focus on market positioning by starting to transition its subscriber base to bundled tariff plans and, for the year, Kazakhstan reported revenue growth of 2% and an EBITDA margin of 47.6%. Mobile service revenues were supported by strong growth in mobile data revenue as a result of the Company's focus on increasing data usage for small screens.

In Uzbekistan, the subscriber base grew by 60% in 2012 and revenues increased by 67%, primarily as a result of the aforementioned network closure of a competitor by the Uzbek authorities. This exceptional revenue growth, combined with control of structural OPEX, resulted in EBITDA growth of 107%. VimpelCom's primary focus in Uzbekistan is to sustain quality of service, while further improving network capacity.

Going forward, VimpelCom remains focused on achieving optimal balance between increasing market share and maintaining margins in order to deliver sustainable profitable growth and cash flow.

Focus on ensuring sustainable revenue growth

VimpelCom's core strategic objective in CIS is to achieve sustainable profitable growth, while efficiently managing OPEX and CAPEX. To that end, the Company is focused on increasing fixed and mobile data usage to stimulate revenue growth. To address these objectives, VimpelCom continues to implement the following strategy:

- Further growth of revenue and usage through a segmented approach in its B2C and B2B offerings;
- Focus on healthy margin and cash flow;
- Existing subscriber development and retention through targeted marketing and customer loyalty programs; and
- Bundled offering of fixed broadband, mobile broadband and voice to capture increased share of wallet.

To drive revenue growth, the CIS Business Unit continues to target market share gains through:

- Driving market growth, with leadership in data targeted in most markets;
- Enhancing the customer experience through the partnership with OTT players and offering branded devices; and
- Focusing on machine-to-machine products (devices and services) in the B2B segment.

Opportunities for the future

The Value Agenda for 2013-2015 in CIS is based on four pillars targeted at increasing net cash flow from operations:

Profitable Growth

The Company's initiatives to enhance profitability are primarily focused on providing high margin data services in all CIS countries in which VimpelCom operates. In terms of devices, our strategy is divided between large screens, which target subscriber acquisition through broadband expansion, 3G network development and technology innovations, and small and medium screens, which primarily target revenue and margin expansion.

Customer Excellence

The Company implemented a new approach to pricing and distribution in CIS and is currently working on best bundle offers to improve customer value, and switching on revenue sharing model with distribution partners. This new approach is focused on increasing customer satisfaction levels, while improving the quality of the subscriber base and reducing churn.

Operational Excellence

VimpelCom has implemented a number of initiatives in CIS designed to drive continuous improvement in operational efficiency. These initiatives are primarily focused on supporting on-going development of innovative operational approaches, identifying potential areas for improvement and applying best practices among operating companies.

Capital Efficiency

The key areas of investment to achieve capital efficiency in CIS include increasing network utilization in both 2G and 3G technologies to improve efficiency and increasing new data technology implementation and piloting to win leadership in customer perception and in data revenue. Going forward, VimpelCom plans to focus on cost effective 2G and 3G solutions and benefit from the synergies of the larger VimpelCom Group.