

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 20-F**

Registration Statement Pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934

OR

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2013

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

OR

Shell Company Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 1-34694

**VIMPELCOM LTD.**

(Exact name of registrant as specified in its charter)

**Bermuda**

(Jurisdiction of incorporation or organization)

**Claude Debussylaan 88, 1082 MD, Amsterdam, the Netherlands**

(Address of principal executive offices)

**Jeffrey D. McGhie**

**Group General Counsel & Chief Corporate Affairs Officer**

**Claude Debussylaan 88, 1082 MD, Amsterdam, the Netherlands**

**Tel: +31 20 797 7200**

**Fax: +31 20 797 7201**

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

**Securities registered or to be registered pursuant to Section 12(b) of the Act:**

Title of Each Class	Name of Each Exchange on Which Registered
American Depositary Shares, or ADSs, each representing one common share	NASDAQ Global Stock Market
Common shares, US\$0.001 nominal value.	NASDAQ Global Stock Market*

\* Listed, not for trading or quotation purposes, but only in connection with the registration of ADSs pursuant to the requirements of the Securities and Exchange Commission.

**Securities registered or to be registered pursuant to Section 12(g) of the Act:**

None

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:**

None

**Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:**

1,756,731,135 common shares, US\$0.001 nominal value.

**Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No**

**If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No**

**Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required**

to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board   
Other

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

## TABLE OF CONTENTS

ITEM 1.*	<a href="#"><u>Identity of Directors, Senior Management and Advisors</u></a>	8
ITEM 2.*	<a href="#"><u>Offer Statistics and Expected Timetable</u></a>	8
ITEM 3.	<a href="#"><u>Key Information</u></a>	8
ITEM 4.	<a href="#"><u>Information on the Company</u></a>	38
ITEM 4A.	<a href="#"><u>Unresolved Staff Comments</u></a>	109
ITEM 5.	<a href="#"><u>Operating and Financial Review and Prospects</u></a>	109
ITEM 6.	<a href="#"><u>Directors, Senior Management and Employees</u></a>	154
ITEM 7.	<a href="#"><u>Major Shareholders and Related Party Transactions</u></a>	164
ITEM 8.	<a href="#"><u>Financial Information</u></a>	168
ITEM 9.	<a href="#"><u>The Offer and Listing</u></a>	170
ITEM 10.	<a href="#"><u>Additional Information</u></a>	171
ITEM 11.	<a href="#"><u>Quantitative and Qualitative Disclosures About Market Risk</u></a>	183
ITEM 12.	<a href="#"><u>Description of Securities other than Equity Securities</u></a>	184
ITEM 13.	<a href="#"><u>Defaults, Dividend Arrearages and Delinquencies</u></a>	185
ITEM 14.	<a href="#"><u>Material Modifications to the Rights of Security Holders and Use of Proceeds</u></a>	185
ITEM 15.	<a href="#"><u>Controls and Procedures</u></a>	186
ITEM 16A.	<a href="#"><u>Audit Committee Financial Expert</u></a>	190
ITEM 16B.	<a href="#"><u>Code of Ethics</u></a>	190
ITEM 16C.	<a href="#"><u>Principal Accountant Fees and Services</u></a>	190
ITEM 16D.	<a href="#"><u>Exemptions from the Listing Standards for Audit Committees</u></a>	191
ITEM 16E.	<a href="#"><u>Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u></a>	191
ITEM 16F.	<a href="#"><u>Change in Registrant's Certifying Accountant</u></a>	191
ITEM 16G.	<a href="#"><u>Corporate Governance</u></a>	191
ITEM 17.**	<a href="#"><u>Financial Statements</u></a>	193
ITEM 18.	<a href="#"><u>Financial Statements</u></a>	193
ITEM 19.	<a href="#"><u>Exhibits</u></a>	194

\* Omitted because the item is not required.

\*\* We have responded to Item 18 in lieu of this item.

## EXPLANATORY NOTE

References in this Annual Report on Form 20-F to “VimpelCom” and the “VimpelCom Group,” as well as references to “our company,” “the company,” “our group,” “we,” “us,” “our” and similar pronouns, are references to VimpelCom Ltd., an exempted company limited by shares registered in Bermuda, and its consolidated subsidiaries. All section references appearing in this Annual Report on Form 20-F are to sections of this Annual Report on Form 20-F, unless otherwise indicated. This Annual Report on Form 20-F includes audited consolidated financial statements as of and for the years ended December 31, 2013, 2012 and 2011 prepared in accordance with International Financial Reporting Standards, or “IFRS,” as issued by the International Accounting Standards Board, or “IASB,” and presented in U.S. dollars. The company adopted IFRS as of January 1, 2009.

On April 15, 2011, we completed our acquisition of 100% of Wind Telecom S.p.A., or “Wind Telecom” (or together with its consolidated subsidiaries, the “Wind Telecom Group”) and its interests in Global Telecom Holding S.A.E., or “GTH,” and WIND Telecomunicazioni S.p.A., or “WIND Italy.” The Wind Telecom Group is an international provider of mobile and fixed-line telecommunications and Internet services with operations in Europe, North America, Africa and Asia. We refer to the acquisition of Wind Telecom in this Annual Report on Form 20-F as the “Wind Telecom Transaction.” As we did not consolidate Wind Telecom into our financial statements until the effective acquisition date, the historical financial and operating data of VimpelCom set forth in this Annual Report on Form 20-F do not reflect Wind Telecom’s results prior to April 15, 2011, unless otherwise indicated.

In October 2009, Telenor ASA, the parent company of the Telenor Group, and Altimio Holdings & Investments Ltd., or “Altimio Holdings” (or together with its consolidated subsidiaries, “Altimio”), a member of the Alfa Group Consortium, or the “Alfa Group,” announced that they agreed to combine their ownership of OJSC “Vimpel-Communications,” or “OJSC VimpelCom,” and Private Joint Stock Company “Kyivstar,” or “Kyivstar,” under a new company called VimpelCom Ltd. We refer to the combination in this Annual Report on Form 20-F as the “VimpelCom Ltd. Transaction.” The VimpelCom Ltd. Transaction involved a series of transactions, including exchange offers by VimpelCom Ltd. to holders of OJSC VimpelCom shares, including shares represented by ADSs. On April 21, 2010, all conditions of the exchange offers were satisfied, and VimpelCom Ltd. acquired approximately 98.0% of OJSC VimpelCom’s outstanding shares, including shares represented by ADSs. Immediately following completion of the exchange offers, subsidiaries of Telenor and Altimio caused their direct and indirect interests in Kyivstar to be transferred to VimpelCom Holdings B.V., or “VimpelCom Holdings.” On May 14, 2010, OJSC VimpelCom’s ADSs were delisted from the NYSE, and on June 2, 2010, OJSC VimpelCom’s shares were excluded from the list of traded securities at the Open Joint Stock Company Russian Trading System Stock Exchange. On August 6, 2010, VimpelCom Ltd. completed the acquisition of all of OJSC VimpelCom’s shares, including those represented by ADSs, from OJSC VimpelCom’s remaining minority shareholders by way of a squeeze-out process under Russian law commenced on May 25, 2010.

As a result of the VimpelCom Ltd. Transaction, VimpelCom Ltd. is, as of April 21, 2010, the accounting successor to OJSC VimpelCom, and accordingly, historical financial and operating data for periods prior to April 21, 2010 in this Annual Report on Form 20-F represent selected financial and operating data of OJSC VimpelCom except for equity, which was restated to reflect the capital structure of VimpelCom Ltd.

In this Annual Report on Form 20-F, references to “€,” “EUR,” or “Euro” are to the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty of Rome which established the European Community, as amended, references to “Russian rubles” or “rubles” or “RUB” are to the lawful currency of the Russian Federation and references to “US\$” or “\$” or “USD” or “U.S. dollars” are to the lawful currency of the United States of America. References to “LIBOR” are to the London Interbank Offered Rate, reference to “EURIBOR” are to the Euro Interbank Offered Rate, references to “MosPRIME” are to the Moscow Prime Offered Rate, references to “KIBOR” are to the Karachi Interbank Offered Rate, references to “AB SEK” are to AB Svensk Exportkredit, reference to “Bangladeshi T-Bill” are to Bangladeshi Treasury Bill and references to “Rendistato” are to the weighted average yield on a basket of Italian government securities produced and published by Bank of Italy.

In addition, the discussion of our business and the telecommunications industry in this Annual Report on Form 20-F contains references to certain terms specific to our business, including numerous technical and industry terms. Such terms are defined below:

- References to “ADSL” are to asymmetric digital subscriber line.
- References to “ANOs” are to alternative network operators.
- References to “ARPU” are to the monthly average revenue per mobile customer.

- References to “BU-LRIC” are to bottom-up long-run incremental cost.
- References to “CAMEL” are to a customized application for mobile network enhanced logic, an intranetwork prepaid roaming service.
- References to “DLD” are to domestic long distance.
- References to “DWDM” are to dense wavelength division multiplexing.
- References to “FTN” are to a Federal Transit Network.
- References to “FTTB” are to fiber to the building.
- References to “GSM” are Global System for Mobile Communications standard.
- References to “GSM-900” are to networks that provide mobile telephone services using GSM in the 900MHz frequency range.
- References to “GSM-900/1800” are to dual band networks that provide mobile telephone services using the GSM standard in the 900 MHz and 1800 MHz frequency ranges.
- References to “GSM-1800” are to networks that provide mobile telephone services using GSM in the 1800 MHz frequency range.
- References to “HD” are to high definition.
- References to “HSDPA” are to High Speed Downlink Packet Accesses, which is a 3G mobile telephony communications protocol in the High-Speed Packet Access or “HSPA” family.
- References to “ILD” are to international long distance.
- References to “IP” are to Internet Protocol.
- References to “IP VPN” are to IP virtual private network.
- References to “ISDN” are to integrated services digital network.
- References to “ISP” are Internet service provider.
- References to “LAN” are to local area network.
- References to “LLU” are to local loop unbundling. In Italy, this is the regulatory process of allowing multiple telecommunications operators to use connections from Telecom Italia’s local exchanges to the customer’s premises.
- References to “LTE” are to long term evolution, a mobile access technology.
- References to “MEN” are to metropolitan Ethernet technology.
- References to “MMS” are to multimedia messaging service.
- References to “mobile services” are to our wireless voice and data transmission services but excluding WiFi.
- References to “MNP” are to mobile number portability.
- References to “MOU” are to the monthly average minutes of use per mobile customer.
- References to “MPLS” are to multiprotocol label switching.
- References to “MTR” are to mobile termination rates.
- References to “MVNOs” are to mobile virtual network operators.
- References to “NGAN” are to next generation access network.
- References to “PBX” are to private branch exchange.
- References to “PSTN” are to public switched telephone network.
- References to “REDS” are to radio electronic devices.
- References to “RBT” are to ringback tones, which are customized ringtones.
- References to “SaaS” are to software as a service.
- References to “SLA” are to service level agreement.
- References to “SDH” are to synchronous digital hierarchy technology.
- References to “SMS” are to short messaging service.
- References to “STBs” are to set-top boxes.
- References to “TDM” are to time division multiplexing.

- References to “TFO” are to tandem free operation.
- References to “TrFO” are to transcoder free operation.
- References to “UMTS” are to Universal Mobile Telecommunications System.
- References to “USB” are to Universal Serial Bus.
- References to “USO” are to universal service obligations.
- References to “UTN” are to telephone urban set.
- References to “VoIP” are to voice over Internet protocol.
- References to “VPN” are to virtual private network.
- References to “VSAT” are to very small aperture terminal.
- References to “WAN” are to wide area network.
- References to “WiMax” are to the worldwide interoperability for microwave access communication standard.
- References to “WLL” are to wireless local loop.
- References to “WLR” are to wholesale line rental.
- References to “3G” technologies are to third generation mobile technologies, including UMTS.
- References to “4G” technologies are to fourth generation mobile technologies, including LTE and WiMax.

Certain amounts and percentages that appear in this Annual Report on Form 20-F have been subject to rounding adjustments. As a result, certain numerical figures shown as totals, including in tables, may not be exact arithmetic aggregations of the figures that precede or follow them.

#### **Non-GAAP Financial Measures**

*Adjusted EBITDA and Adjusted EBITDA Margin.* Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP financial measures. VimpelCom calculates Adjusted EBITDA as profit for the year before depreciation, amortization, impairment loss, finance costs, income tax expense and the other line items reflected in the reconciliation table in “Item 3—Key Information—A. Selected Financial Data” below. Our consolidated Adjusted EBITDA includes certain reconciliation adjustments necessary because our Russia Business Unit excludes certain expenses from its Adjusted EBITDA. As a result of reconciliations, our consolidated Adjusted EBITDA differs from the aggregation of Adjusted EBITDA of each of our business units. Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by total operating revenue. Adjusted EBITDA and Adjusted EBITDA Margin should not be considered in isolation or as a substitute for analyses of the results as reported under IFRS. Our management uses Adjusted EBITDA and Adjusted EBITDA margin as supplemental performance measures and believes that Adjusted EBITDA and Adjusted EBITDA Margin provide useful information to investors because they are indicators of the strength and performance of the company’s business operations, including its ability to fund discretionary spending, such as capital expenditures, acquisitions and other investments, as well as indicating its ability to incur and service debt. In addition, the components of Adjusted EBITDA and Adjusted EBITDA Margin include the key revenue and expense items for which the company’s operating managers are responsible and upon which their performance is evaluated. Adjusted EBITDA and Adjusted EBITDA Margin also assist management and investors by increasing the comparability of the company’s performance against the performance of other telecommunications companies that provide EBITDA (earnings before interest, taxes, depreciation and amortization) or OIBDA (operating income before depreciation and amortization) information. This increased comparability is achieved by excluding the potentially inconsistent effects between periods or companies of depreciation, amortization and impairment losses, which items may significantly affect operating profit between periods. However, our Adjusted EBITDA results may not be directly comparable to other companies’ reported EBITDA or OIBDA results due to variances and adjustments in the components of EBITDA (including our calculation of Adjusted EBITDA) or calculation measures. Additionally, a limitation of EBITDA’s or Adjusted EBITDA’s use as a performance measure is that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenue or the need to replace capital equipment over time. Reconciliation of Adjusted EBITDA to profit for the year, the most directly comparable IFRS financial measure, is presented in “Item 3—Key Information—A. Selected Financial Data” below.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 20-F contains “forward-looking statements,” as this phrase is defined in Section 27A of the U.S. Securities Act of 1933, as amended, or the “Securities Act,” and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, or the “Exchange Act.” Forward-looking statements are not historical facts and can often be identified by the use of terms like “estimates,” “projects,” “anticipates,” “expects,” “intends,” “believes,” “will,” “may,” “should” or the negative of these terms. All forward-looking statements, including discussions of strategy, plans, objectives, goals and future events or performance, involve risks and uncertainties. Examples of forward-looking statements include:

- our strategy to generate sufficient net cash flow in order to meet our debt service obligations;
- our plans to develop and provide integrated telecommunications services to our customers, increase fixed-line and mobile telephone use and expand our operations;
- our ability to execute our Value Agenda and business strategy successfully and achieve the expected benefits from our existing and future acquisitions;
- our ability to extract anticipated synergies or to integrate an acquired business into our group in a timely and cost-effective manner;
- our expectations as to pricing for our products and services in the future, improving the total average monthly service revenue per customer and our future operating results;
- our ability to meet our projected capital requirements;
- our ability to meet license requirements and to obtain, maintain, renew or extend licenses, frequency allocations and frequency channels and obtain related regulatory approvals, as well as the development and roll-out of our networks for new standards, such as a LTE in Russia and other markets in which we hold LTE licenses;
- our expectations regarding future developments in the markets in which we operate;
- our ability to obtain and maintain interconnect agreements;
- our ability to close the transaction and settlement respecting our operations in Algeria;
- possible developments in, outcome of and/or consequences of investigations by the U.S. Securities and Exchange Commission (“SEC”), the U.S. Department of Justice (“DOJ”), and the Dutch public prosecutor’s office, or other bodies which may carry out investigations, as well as our internal investigations, and any litigation related to or arising out of any of the foregoing, and the costs we may incur in connection with the foregoing, as well as any potential disruption or adverse consequences to us resulting from such investigations and any such litigation; and
- other statements regarding matters that are not historical facts.

While these statements are based on sources believed to be reliable and on our management’s current knowledge and best belief, they are merely estimates or predictions and cannot be relied upon. We cannot assure you that future results will be achieved. The risks and uncertainties that may cause our actual results to differ materially from the results indicated, expressed or implied in the forward-looking statements used in this Annual Report on Form 20-F include:

- risks relating to changes in political, economic and social conditions in each of the countries in which we operate;
- in each of the countries in which we operate, risks relating to legislation, regulation and taxation, including laws, regulations, decrees and decisions governing the telecommunications industry, currency and exchange controls and taxation legislation, economic sanctions, and their official interpretation by governmental and other regulatory bodies and courts;
- risks that various courts or regulatory agencies in which we are involved in legal challenges or appeals may not find in our favor;
- risks relating to our company, including demand for and market acceptance of our products and services, regulatory uncertainty regarding our licenses, frequency allocations and numbering capacity, constraints on our spectrum capacity, availability of line capacity and competitive product and pricing pressures;
- risks associated with discrepancies in customer numbers and penetration rates caused by differences in the churn policies of mobile operators;
- risks associated with our failure to close our transaction and settlement respecting our operations in Algeria;

- risks associated with developments in, the outcome of and/or consequences of investigations of our business which are ongoing or may be initiated, and any litigation related to or arising out of any of the foregoing, and the costs associated therewith, including relating to remediation efforts and enhancements to our compliance programs; and
- other risks and uncertainties.

These factors and the other risk factors described in “Item 3—Key Information—D. Risk Factors” are not necessarily all of the factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could harm our future results. Under no circumstances should the inclusion of such forward-looking statements in this Annual Report on Form 20-F be regarded as a representation or warranty by us or any other person with respect to the achievement of results set out in such statements or that the underlying assumptions used will in fact be the case. The forward-looking statements included in this Annual Report on Form 20-F are made only as of the date of this Annual Report on Form 20-F. We cannot assure you that projected results or events will be achieved. Except to the extent required by law, we disclaim any obligation to update or revise any of these forward-looking statements, whether as a result of new information, future events or otherwise.

## PART I

### ITEM 1. Identity of Directors, Senior Management and Advisors

Not required.

### ITEM 2. Offer Statistics and Expected Timetable

Not required.

### ITEM 3. Key Information

#### A. Selected Financial Data

The following selected consolidated financial data for the five years ended December 31, 2013 are derived from our historical consolidated financial statements which have been audited by Ernst & Young Accountants LLP, an independent registered public accounting firm, for the years ended December 31, 2013, 2012, 2011 and 2010 and by Ernst & Young LLC, an independent registered public accounting firm, for the year ended December 31, 2009. The data should be read in conjunction with our audited consolidated financial statements and related notes included elsewhere in this Annual Report on Form 20-F and the financial information in “Item 5—Operating and Financial Review and Prospects.” See also “Explanatory Note” above.

	Years ended December 31,				
	2013	2012 <sup>(1)</sup>	2011	2010	2009
	(In millions of US dollars, except per share amounts)				
Service revenue	21,529	22,122	19,579	10,291	8,691
Sale of equipment and accessories	725	677	516	194	110
Other revenue	292	262	167	37	12
<b>Total operating revenue</b>	<b>22,546</b>	<b>23,061</b>	<b>20,262</b>	<b>10,522</b>	<b>8,813</b>
<b>Operating expenses</b>					
Service costs	5,133	5,439	4,962	2,251	1,895
Cost of equipment and accessories	780	693	663	217	111
Selling, general and administrative expenses	8,373	7,161	6,381	3,198	2,482
Depreciation	3,050	2,926	2,726	1,403	1,190
Amortization	1,791	2,080	2,059	610	440
Impairment loss	2,973	386	527	—	—
Loss on disposals of non-current assets	100	205	90	49	77



	Years ended December 31,				
	2013	2012 <sup>(1)</sup>	2011	2010	2009
	(In millions of US dollars, except per share amounts)				
<b>Total operating expenses</b>	<b>22,200</b>	<b>18,890</b>	<b>17,408</b>	<b>7,728</b>	<b>6,195</b>
<b>Operating profit</b>	346	4,171	2,854	2,794	2,618
Finance costs	2,150	2,029	1,587	536	603
Finance income	(91)	(154)	(120)	(69)	(58)
Other non-operating losses/(gains)	172	75	308	(35)	69
Shares of loss/(profit) of associates and joint ventures accounted for using the equity method	159	9	35	(90)	(3)
Net foreign exchange (gain)/ loss	(20)	(70)	190	5	404
<b>(Loss)/profit before tax</b>	<b>(2,024)</b>	<b>2,282</b>	<b>854</b>	<b>2,447</b>	<b>1,603</b>
Income tax expense	2,064	906	585	574	431
<b>(Loss)/profit for the year</b>	<b>(4,088)</b>	<b>1,376</b>	<b>269</b>	<b>1,873</b>	<b>1,172</b>
<b>Attributable to:</b>					
The owners of the parent	(2,625)	1,539	543	1,806	1,142
Non-controlling interest	(1,463)	(163)	(274)	67	30
	<b>(4,088)</b>	<b>1,376</b>	<b>269</b>	<b>1,873</b>	<b>1,172</b>
<b>Earnings per share</b>					
Basic, (loss)/profit for the year attributable to ordinary equity holders of the parent	\$ (1.53)	\$ 0.95	\$ 0.36	\$ 1.50	\$ 1.13
Diluted, (loss)/profit for the year attributable to ordinary equity holders of the parent	\$ (1.53)	\$ 0.95	\$ 0.36	\$ 1.50	\$ 1.13
Weighted average number of common shares (millions)	1,711	1,618	1,524	1,207	1,013
Dividends declared per share	\$ 1.24	\$ 0.80	\$ 0.80	\$ 0.80	\$ 0.30

(1) Figures for the year ended December 31, 2012 have been adjusted to reflect the adoption of IFRS 11 Joint Arrangements on January 1, 2013, as described in Note 3 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F. These adjustments would not have impacted 2011 or other years presented, which remain comparable.

	At December 31,				
	2013	2012 <sup>(2)</sup>	2011	2010	2009
	(In millions of US dollars)				
<b>Consolidated balance sheets data:</b>					
Cash and cash equivalents	4,454	4,949	2,325	885	1,451
Working capital (deficit) <sup>(1)</sup>	(2,815)	(2,421)	(3,074)	(1,023)	(562)
Property and equipment, net	15,493	15,666	15,165	7,299	5,861
Intangible assets and goodwill	24,546	27,565	28,601	9,217	4,843
Total assets	49,747	54,737	54,039	19,505	14,618
Total liabilities	40,669	39,988	39,137	9,093	10,416
Total equity	9,078	14,749	14,902	10,412	4,202

(1) Working capital is calculated as current assets less current liabilities.

(2) Figures for the year ended December 31, 2012 have been adjusted to reflect the adoption of IFRS 11 Joint Arrangements on January 1, 2013, as described in Note 3 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F. These adjustments would not have impacted 2011 or other years presented, which remain comparable.

Years ended December 31,				
2013	2012 <sup>(1)</sup>	2011	2010	2009
(In millions of US dollars)				

**Other data:**

Adjusted EBITDA *	8,260	9,768	8,298	4,906	4,334
-------------------	-------	-------	-------	-------	-------

\* Adjusted EBITDA is a non-GAAP financial measure. Please see “Explanatory Note—Non-GAAP Financial Measures” for more information on how we calculate Adjusted EBITDA. Reconciliation of Adjusted EBITDA to profit for the year, the most directly comparable IFRS financial measure, is presented below.

## Reconciliation of Adjusted EBITDA to profit for the year

(Unaudited, in millions of US dollars)

	Years ended December 31,				
	2013	2012 <sup>(1)</sup>	2011	2010	2009
<b>Adjusted EBITDA</b>	8,260	9,768	8,298	4,906	4,334
Reconciliation adjustments	—	—	(42)	(50)	(9)
Depreciation	(3,050)	(2,926)	(2,726)	(1,403)	(1,190)
Amortization	(1,791)	(2,080)	(2,059)	(610)	(440)
Impairment loss	(2,973)	(386)	(527)	—	—
Loss on disposals of non-current assets	(100)	(205)	(90)	(49)	(77)
Finance costs	(2,150)	(2,029)	(1,587)	(536)	(603)
Finance income	91	154	120	69	58
Other non-operating (gains)/losses	(172)	(75)	(308)	35	(69)
Shares of (loss)/profit of associates and joint ventures accounted for using the equity method	(159)	(9)	(35)	90	3
Net foreign exchange loss	20	70	(190)	(5)	(404)
Income tax expense	(2,064)	(906)	(585)	(574)	(431)
<b>(Loss)/profit for the year</b>	<b>(4,088)</b>	<b>1,376</b>	<b>269</b>	<b>1,873</b>	<b>1,172</b>

(1) Figures for the year ended December 31, 2012 have been adjusted to reflect the adoption of IFRS 11 Joint Arrangements on 1 January 2013, as described in Note 3 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F. These adjustments would not have impacted 2011 or the other years presented, which remain comparable.

## SELECTED OPERATING DATA

The following selected operating data as of and for the years ended December 31, 2013, 2012, 2011, 2010 and 2009 has been derived from internal company sources. The selected operating data set forth below should be read in conjunction with our consolidated financial statements and their related notes included elsewhere in this Annual Report on Form 20-F and the section of this Annual Report on Form 20-F entitled “Item 5—Operating and Financial Review and Prospects.” See also “Explanatory Note” above.

	As of December 31,				
	2013	2012	2011	2010	2009
<b>Selected company operating data<sup>(1)</sup>:</b>					
End of period mobile customers (in millions):					
Russia	56.5	56.1	57.2	52.0	50.9
Italy	22.3	21.6	21.0	—	—
Africa & Asia <sup>(4)</sup>	88.9	83.5	77.7	0.7	0.4
Ukraine <sup>(4)</sup>	25.8	25.1	23.2	24.2	2.0
CIS	25.4	24.2	19.7	15.6	13.2
Canada	0.6	0.6	0.4		
Total mobile customers	219.6	210.5	205.2	92.7	66.5
Mobile MOU <sup>(2)</sup>					
Russia	291	276	243	219	211
Italy	237	207	197	—	—
Africa & Asia					
Algeria <sup>(4)</sup>	216	274	289	—	—
Pakistan	226	214	206	—	—
Bangladesh	184	216	209	—	—

	As of December 31,				
	2013	2012	2011	2010	2009
CAR	59	49	47	—	—
Burundi	25	37	37	—	—
Laos	106	97	233	—	—
Ukraine <sup>(4)</sup>	501	513	483	383	209
CIS					
Kazakhstan	290	213	148	120	93
Tajikistan	270	241	229	179	173
Uzbekistan	471	474	425	386	314
Armenia	339	269	257	294	238
Georgia	244	237	207	137	138
Kyrgyzstan	265	272	303	258	164
Mobile ARPU <sup>(2)</sup>					
Russia	US\$ 10.6	US\$ 10.8	US\$ 11.0	US\$ 10.8	US\$ 10.1
Italy	US\$ 16.3	US\$ 18.5	US\$ 21.7	—	—
Africa & Asia					
Algeria <sup>(4)</sup>	US\$ 8.4	US\$ 9.0	US\$ 9.8	—	—
Pakistan	US\$ 2.3	US\$ 2.6	US\$ 2.7	—	—
Bangladesh	US\$ 1.5	US\$ 1.8	US\$ 1.8	—	—
CAR	US\$ 5.5	US\$ 5.9	US\$ 6.4	—	—
Burundi	US\$ 3.1	US\$ 3.3	US\$ 3.6	—	—
Laos	US\$ 6.0	US\$ 5.6	US\$ 5.1	—	—
Ukraine <sup>(4)</sup>	US\$ 4.7	US\$ 5.2	US\$ 5.2	US\$ 4.8	US\$ 4.7
CIS					
Kazakhstan	US\$ 7.1	US\$ 7.6	US\$ 8.3	US\$ 9.2	US\$ 8.1
Tajikistan	US\$ 10.0	US\$ 8.6	US\$ 8.8	US\$ 6.5	US\$ 7.1
Uzbekistan	US\$ 5.3	US\$ 4.6	US\$ 4.1	US\$ 4.1	US\$ 4.7
Armenia	US\$ 7.1	US\$ 6.8	US\$ 8.1	US\$ 10.3	US\$ 13.2
Georgia	US\$ 6.3	US\$ 6.7	US\$ 6.8	US\$ 7.5	US\$ 8.9
Kyrgyzstan	US\$ 6.6	US\$ 5.5	US\$ 5.5	US\$ 5.3	—
Churn (as a percentage) <sup>(2)</sup>					
Russia	63.9	63.2	62.8	50.8	42.8
Italy	36.6	35.2	28.3	—	—
Africa & Asia					
Algeria <sup>(4)</sup>	31.6	29.5	23.4	—	—
Pakistan	23.0	25.2	29.5	—	—
Bangladesh	22.3	25.2	18.5	—	—
CAR	63.2	60.0	102.0	—	—
Burundi	56	54.0	59.9	—	—
Laos	102.6	141.0	258.0	—	—
Ukraine <sup>(4)</sup>	35.3	29.8	28.9	29.5	81.0
CIS					
Kazakhstan	48.6	55.8	47.4	43.5	46.3
Tajikistan	77.9	72.7	67.4	82.8	52.9
Uzbekistan	53.5	55.1	59.7	54.2	63.7
Armenia	62.6	83.9	87.6	67.6	58.6
Georgia	74.0	79.1	70.1	94.1	46.6
Kyrgyzstan	65.6	66.1	52.3	61.9	60.5
End of period broadband customers (in millions):					
Russia	5.4	5.0	4.6	3.3	2.1
Italy	10.5	7.8	6.6	—	—
Africa & Asia	—	—	—	—	—
Ukraine	0.8	0.6	0.4	0.2	0.1
CIS <sup>(3)</sup>	13.7	12.3	9.5	6.7	5.5
Total broadband customers	30.3	25.6	12.3	3.7	2.2

- (1) For information on how we calculate mobile customer data, mobile MOU, mobile ARPU, mobile churn rates and broadband customer data, please refer to the section of this Annual Report on Form 20-F entitled “Item 5—Operating and Financial Review and Prospects—Certain Performance Indicators.” The number of mobile customers for Africa & Asia includes customers of Telecel Zimbabwe (1.5 million for 2011, 2.6 million for 2012 and 2.6 million for 2013), in which we have an equity investment and is accounted at cost.
- (2) For Wind Telecom Group companies acquired on April 15, 2011, mobile MOU, ARPU and churn are calculated based on the full year.
- (3) CIS mobile broadband customers are those who have performed at least one mobile Internet event in the three-month period prior to the measurement date, as well as fixed Internet access using FTTB, xDSL and WiFi technologies.
- (4) The customer numbers for 2012, 2011 and 2010 have been adjusted to remove customers in operations that have been sold and to reflect revised customer numbers in Algeria and Ukraine where the definition of customers has been aligned to the group definition. MOU, Mobile ARPU and Churn have been adjusted accordingly.

## **B. Capitalization and Indebtedness**

Not required.

## **C. Reasons for the Offer and Use of Proceeds**

Not required.

## **D. Risk Factors**

*The risk factors below are associated with our company and our ADSs. Before purchasing our ADSs, you should carefully consider all of the information set forth in this Annual Report on Form 20-F and, in particular, the risks described below. If any of the following risks actually occur, our business, financial condition, results of operations or prospects could be harmed. In that case, the trading price of our ADSs could decline and you could lose all or part of your investment.*

*The risks and uncertainties below are not the only ones we face, but represent the risks that we believe are material. However, there may be additional risks that we currently consider not to be material or of which we are not currently aware and these risks could have the effects set forth above.*

### **Risks Related to Our Business**

#### **Substantial leverage and debt service obligations may materially adversely affect our cash flow.**

We have substantial amounts of indebtedness. As of December 31, 2013, the principal amount of our external debt for bank loans, bonds, equipment financing, and loans from others amounted to approximately US\$27.5 billion.

In connection with the acquisition of Wind Telecom in April 2011, we incurred significant additional indebtedness to pay for the acquisition of Wind Telecom and to refinance debt of Wind Telecom entities that had to be refinanced because we acquired control. We refer to the acquisition of Wind Telecom in this Annual Report on Form 20-F as the “Wind Telecom Transaction.” For more information on the Wind Telecom Transaction, see “Item 4—Information on the Company—History and Development.”

In addition to our debt existing before the Wind Telecom Transaction and the debt we incurred in connection with the Wind Telecom Transaction, in acquiring Wind Telecom we acquired entities with substantial debt that we did not refinance at the time, and most of this acquired debt either remains outstanding or has been refinanced (but not reduced in principal amount). Since the Wind Telecom Transaction, we have also incurred additional external debt through bank loans, bonds and equipment financing. As a result the leverage of the VimpelCom Group is substantial.

Proceeds from debt obligations we have incurred or may incur are frequently loaned to our subsidiaries, including subsidiaries acquired in the Wind Telecom Transaction, and may be loaned by the borrowing subsidiaries to their subsidiaries. As a result, amounts we have received in incurring debt may not be available to us, or may not be repaid when needed, for support of our operations and payment of our debt service obligations. There can be no assurance that we will recover any amounts we lend to our subsidiaries. Furthermore, in the short to medium term we will not derive additional sources of cash flow or revenue from the Wind Telecom entities and will have to satisfy our debt service obligations from our operations in OJSC VimpelCom and Kyivstar. For more information regarding our outstanding indebtedness and the outstanding indebtedness of Wind Telecom entities, see “Item 5—Operating and Financial Review and Prospects—Liquidity and Capital Resources—Financing Activities.”

Our substantial leverage, our lending to and refinancing of debt of our subsidiaries, including subsidiaries acquired in the Wind Telecom Transaction, and limits imposed by our debt obligations, including limits on subsidiaries we acquired in the Wind Telecom Transaction, could have significant negative consequences for our business. These factors could require us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing funds available for dividends, working capital, capital expenditures, acquisitions, joint ventures and other purposes necessary for us to maintain our competitive position and placing us at a disadvantage in relation to competitors with less leverage and greater access to financial resources. These factors could also increase our vulnerability to, and limit our ability to respond to, general adverse economic and industry conditions, limit our ability to obtain additional financing, and increase the cost of such financing.

We must generate sufficient net cash flow in order to meet the substantial debt service obligations which we have and may incur in the future, and we cannot assure you that we will be able to meet those obligations. If we are unable to generate sufficient cash flow or otherwise obtain funds necessary to make required payments on a particular debt obligation, we would be in default under the terms of that debt, and the holders of that debt would be able to accelerate the maturity of that debt, which in turn could cause defaults under cross default provisions in our other debt obligations. Such defaults could also result in loss of any assets that secure defaulted debt. If we do not generate sufficient cash flow from operations in attempting to meet our obligations, we may have to undertake alternative financing plans to alleviate liquidity constraints, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital expenditures or seeking additional capital. We cannot assure you that any refinancing or additional financing would be available on acceptable terms, or that assets could be sold, or if sold, that such sales would be on satisfactory terms, or that the proceeds realized from those sales or refinancing would be sufficient to meet our obligations or that such sales or refinancing could be effected in time to alleviate financial constraints. Our inability to generate sufficient cash flow to satisfy our debt service obligations, or to refinance debt on commercially reasonable terms, could materially adversely affect our business, financial condition, results of operations and prospects.

**Covenants in our debt agreements could impair our liquidity and our ability to expand or finance our future operations.**

Agreements under which we borrow funds (as set forth in further detail in “Item 5—Operating and Financial Review and Prospects—Liquidity and Capital Resources—Financing Activities”) contain a number of different covenants that impose on us certain operating and financial restrictions. Some of these covenants relate to our financial performance, such as the level of earnings, debt and assets and may have the effect of preventing us or our subsidiaries from incurring additional debt. Other covenants limit our ability, and that of certain of our subsidiaries, to create liens on assets, make acquisitions, dispose of assets, enter into business combinations or engage in certain activities with companies within our group. A failure to comply with these covenants would constitute a default under the relevant agreements, which could result in acceleration of debt under a relevant agreement, and such an acceleration could, in turn, trigger cross-acceleration defaults that would cause some or all of our debt to be in default, depending on which legal entity within our group experiences the default. This could also lead to secured creditors taking enforcement actions against pledged assets securing our debt. Such a default and acceleration of the debtor’s obligations under one or more of these agreements could have a material adverse effect on our business, financial condition, results of operations and prospects, and in particular on our liquidity and our shareholders’ equity.

**We may not be able to raise additional capital.**

We may need to raise additional capital in the future, including through debt financing. The actual amount of debt financing that we will need to raise will be influenced by the variety of factors that influence our revenues, profits and expenditures. These factors include the actual pace of customer growth and growth in usage over the period, the pace of technological development and consequent capital expenditures necessary to keep up with technological development, our acquisition plans, our plans for disposals and our ability to continue to generate sufficient amounts of revenue and ARPU growth. If we incur additional indebtedness, the related risks of leverage that we now face could increase. Specifically, we may not be able to generate enough cash to pay the principal, interest and other amounts due under our indebtedness. In addition, we may not be able to borrow money within the local or international capital markets on acceptable terms or at all. The sanctions recently imposed by the United States, European Union and other countries in connection with recent developments in Ukraine and Russia’s annexation of Crimea may also negatively affect our ability to raise external financing, particularly if the sanctions are broadened. As a result, we may be unable to make necessary or desired capital expenditures, to take advantage of investment opportunities, to refinance existing indebtedness or to meet unexpected financial requirements, and our growth strategy and liquidity may be negatively affected. This could cause us to be unable to repay indebtedness as it comes due, to delay or abandon anticipated expenditures and investments or otherwise limit operations, which could materially adversely affect our business, financial condition, results of operations and prospects.

Furthermore, if credit ratings within our Group are downgraded, placed under surveillance or revised by rating agencies, our borrowing costs could increase and the access to the capital we need could be limited. Our credit ratings are based in part on factors over which we have no control, including conditions affecting the telecommunications industry in general or conditions affecting certain countries or regions in which we operate. Our credit ratings can change as a result of changing economic and market conditions, a deterioration in our results or performance or the ratings agencies' perception of these or different factors. Any credit downgrade could therefore have a material adverse effect on our business, financial condition, results of operations and prospects.

**We are exposed to foreign currency exchange loss and convertibility risks.**

A significant amount of our costs, expenditures and liabilities are denominated in U.S. dollars and Euros, including capital expenditures and borrowings, while a significant amount of our revenue is in currencies other than the U.S. dollar and Euro. As a result, we are exposed to foreign currency exchange loss risks related to the varying exchange rates of our local currencies against the U.S. dollar or Euro. Declining values of local currencies against the U.S. dollar or the Euro could make it more difficult for us to repay or refinance our U.S. dollar or Euro-denominated indebtedness or to purchase equipment and services. In Ukraine, for example, the recent political unrest and economic crisis, including international ratings agencies' downgrading of Ukraine's sovereign credit rating and significant capital outflows, have led to the weakening of the hryvnia since December 31, 2013. The Russian ruble has also fluctuated greatly since December 31, 2013, and may continue to be subject to volatility, potentially resulting in significant depreciation. Unless effectively hedged, foreign currency exchange risks could have a material adverse effect on our business, financial condition, results of operations and prospects. There can be no assurance that we will be able to effectively hedge currency fluctuations due to the cost or availability of hedging instruments.

In addition, the existence or imposition of exchange controls or other similar restrictions on currency convertibility, including possible economic sanctions, in any of our geographic areas of operation could limit our ability to convert currencies in a timely manner or at all, which could have a material adverse effect on our business, financial condition and results of operations and prospects. For more information about the market risks we are exposed to as a result of foreign currency exchange rate fluctuations, see "Item 11—Quantitative and Qualitative Disclosures About Market Risk" and Notes 5 and 17 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F.

**We may not realize the anticipated benefits from past, and any future, acquisitions, we may assume unexpected or unforeseen liabilities and obligations or incur greater than expected liabilities in connection with acquisitions and we may not be able to divest some of our activities as planned, in a timely manner or on terms and conditions acceptable to us.**

The actual outcome of our past, and any future, acquisitions and their effect on our company and its subsidiaries and the results of our operations may differ materially from our expectations as a result of the following factors, among others:

- past and future compliance with the terms of the telecommunications licenses and permissions of the acquired companies, and their ability to obtain and maintain frequencies and numbering capacity;
- past and future compliance with applicable laws, rules and regulations (including, without limitation, tax, currency control, economic sanctions, anti-corruption and customs legislation);
- unexpected or unforeseen liabilities or obligations or greater than expected liabilities incurred prior to or after the acquisition, including tax, customs, indebtedness and other liabilities;
- the acquired company's inability to comply with the terms of its debt and other contractual obligations;
- the acquired company's ability to obtain or maintain favorable interconnect terms;
- our inability to extract anticipated synergies or to integrate an acquired business into our group in a timely and cost-effective manner;
- changes to the incumbent management personnel of our acquired companies or the possible deterioration of relationships with employees and customers as a result of integration;
- exposure to foreign exchange risks that are difficult or expensive to hedge;
- the acquired company's inability to protect its trademarks and intellectual property and to register trademarks and other intellectual property used by such company in the past;

- developments in competition within each jurisdiction, including the entry of new competitors or an increase in aggressive competitive measures by our competitors;
- governmental regulation of the telecommunications industry in each jurisdiction, ambiguity in regulation and changing treatment of certain license conditions;
- political, economic, social, legal and regulatory developments and uncertainties in each jurisdiction; and
- claims by third parties challenging our ownership or otherwise.

For information about our acquisitions, please see “Item 5—Operating and Financial Review and Prospects—Liquidity and Capital Resources—Investing Activities.”

Furthermore, these acquisitions may result in additional financing needs which could adversely affect our financial leverage and our debt-to-equity ratio. Acquisitions may also lead to substantial increases in intangible assets, including goodwill. Our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F reflect significant intangible assets, including goodwill. If we were to encounter continuing adverse business developments, including negative effects on our revenue, profits or cash or from foreign exchange rate developments, or if we were otherwise to perform worse than expected at the moment of an acquisition, then these intangible assets, including goodwill, might have to be written off, which could have a material adverse effect on our business, financial condition, results of operations and prospects. The likelihood of such adverse business developments increases in times of difficult or uncertain macroeconomic conditions. Risk of goodwill write-downs is also discussed below under “—Risks Related to Our Markets—The international economic environment could have a material adverse effect on our business.”

We may continue to pursue a strategy that includes additional expansion. Any future acquisitions or investments could be significant and in any case could involve risks inherent in assessing the value, strengths and weaknesses of such opportunities. Such acquisitions or investments may divert our resources and management time. We cannot assure you that any acquisition or investment could be made in a timely manner or on terms and conditions acceptable to us, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, our strategy contemplates improving operational excellence and cost management and reducing the ratio of our capital expenditure to revenue over time. This strategy includes network outsourcing and sharing, centrally led procurement, and a systematic approach to managing working capital and optimizing our capital structure. However, there can be no assurance that the full extent of the anticipated benefits will be realized within the envisaged timeline or at all.

With respect to dispositions, we may not be able to divest some of our activities as planned, in a timely manner or on terms and conditions acceptable to us and the divestitures we do carry out could have a negative impact on our business, financial condition, results of operations and, potentially, our reputation. For example, we have announced our intention to divest our activities in the Central African Republic and Burundi but, as of the date this Annual Report on Form 20-F, have not been able to complete the sale of these operations.

**VimpelCom is a holding company and depends on the performance of its subsidiaries and their ability to make distributions to it.**

VimpelCom is a holding company and does not conduct any revenue-generating business operations of its own. Its principal assets are the equity interests it owns in its operating subsidiaries, either directly or indirectly. As a result, it is dependent upon cash dividends, distributions, loans or other transfers it receives from its subsidiaries in order to make dividend payments to its shareholders (including holders of ADSs), to repay any debt it may incur, and to meet its other obligations. In some instances, VimpelCom needs guarantees from its subsidiaries to incur debt.

VimpelCom’s subsidiaries are separate and distinct legal entities. Any right that VimpelCom has to receive any assets of or distributions from any subsidiary upon its bankruptcy, dissolution, liquidation or reorganization, or to realize proceeds from the sale of the assets of any subsidiary, will be junior to the claims of that subsidiary’s creditors, including trade creditors.

The ability of VimpelCom’s subsidiaries to pay dividends and make payments or loans to VimpelCom, and to guarantee VimpelCom’s debt, will depend on their operating results and may be restricted by, among other things, applicable covenants in debt agreements and corporate, tax and other laws and regulations. These covenants, laws and regulations include restrictions on dividends or limitations on repatriation of earnings under applicable local law, monetary transfer restrictions and foreign currency exchange restrictions in the jurisdictions in which VimpelCom’s subsidiaries operate.



VimpelCom has experienced significant examples of these limitations in its Italian and Algerian operations.

In addition, VimpelCom's subsidiaries operating under WIND Italy are restricted from paying dividends or making certain other payments to VimpelCom by existing covenants of the Wind Telecom Group, including in the senior facilities agreement entered into by WIND Italy and the senior notes and senior secured notes issued by Wind Acquisition Finance S.A. and guaranteed by WIND Italy. For more detail on the WIND Italy financings, see "Item 5—Operating and Financial Review and Prospects—Liquidity and Capital Resources—Financing Activities."

Furthermore, our subsidiary in Algeria, Orascom Telecom Algérie S.p.A., or "OTA," has been unable to repatriate certain dividends to foreign investors, including its parent company, during the pendency of the disputed tax assessment by the Algerian Directions des Grandes Entreprises (Tax Department for Large-Scale Companies, or "DGE"). In 2010, the Bank of Algeria effected an injunction that restricts all Algerian banks from engaging in foreign banking transactions on behalf of OTA, preventing OTA from transferring funds outside of Algeria, including by way of dividends or other distributions to GTH. For more information, see "—Legal and Regulatory Risks—The Algerian Government has made substantial tax and other claims against OTA which have harmed OTA's business, and the Algerian Government has announced its intention to unilaterally acquire OTA from GTH" below. On April 18, 2014, we together with our subsidiary GTH entered into a share purchase agreement to settle our disputes with the Algerian Government and sell a non-controlling 51% interest in OTA to the Algerian National Investment Fund, subject to the satisfaction or waiver of certain conditions precedent. One such condition precedent is the lifting of the Bank of Algeria injunction restricting all Algerian banks from engaging in foreign banking transactions on behalf of OTA. Although we expect the transaction to close by the end of 2014, there can be no certainty that the closing conditions will be satisfied or waived and that the transaction will be completed. For more information, see Note 28 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F.

We have a global strategy which is set by group leadership in our Amsterdam headquarters. For more information on our strategy, see "Item 4—Information on the Company—Strategy." Management at our local operations is responsible for executing many aspects of our strategy. This can be made more challenging given the broad geographic span of our operations and great cultural diversity among our local operations, which can make it more difficult to implement and maintain effective internal communication and reporting across the group. Local management's failure to execute our group strategy effectively or to comply with our policies, including internal controls over financial reporting, could have a material adverse effect on our business, financial condition, results of operations and prospects.

**Our majority stake in an Egyptian public company may expose us to legal, regulatory and political risk and reputational harm.**

GTH, our subsidiary in Egypt, is a public company whose shares are listed on the Egyptian Stock Exchange and is therefore subject to Egyptian laws and regulations applicable to public companies and to enforcement actions by Egyptian authorities. Following the 2011 revolution, the election and inauguration of a new government in Egypt and the ouster and replacement of that government with another new government, there are significant uncertainties about the future political, economic and regulatory environment and stability in Egypt. As a result, we are exposed to the risk of unpredictable and adverse government action and severe delays in obtaining (or denials of) necessary approvals from government bodies. We may not be able to effectively challenge such actions through legal proceedings. Furthermore, Egyptian tax law could be changed significantly or become subject to new interpretation, which could expose GTH to increased tax liability. For more information on tax claims of the Egyptian authorities please see Note 27 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F. In addition, authorities and GTH's minority shareholders may bring claims against GTH or its officers and directors, some of whom are officers of VimpelCom. The risks relating to our majority stake in GTH could have a material adverse effect on our business, financial condition, results of operations and prospects.

**If we are unable to maintain our favorable brand image, we may be unable to attract new customers and retain existing customers, leading to loss of market share and revenue.**

We have expended significant time and resources building our "Beeline," "Kyivstar," "Wind," "Infostrada," "Mobilink," "Leo," "banglalink," "Telecel," and "Djezzy" brand images. Our ability to attract new customers and retain existing customers depends in part on our ability to maintain what we believe to be our favorable brand image. Negative rumors or other claims by governmental authorities, individual customers and third parties against us could materially adversely affect this brand image. In addition, consumer preferences change and our failure to anticipate, identify or react to these changes by providing attractive services at competitive prices could negatively affect our market share. We cannot assure you that we will continue to maintain a favorable brand image in the future. Any loss of market share resulting from any or all of these factors could negatively affect our business, financial condition, results of operations and prospects.

## **Our strategic partnerships and relationships to develop our business are accompanied by inherent business risks.**

We are in, and may enter into additional, strategic partnerships and joint ventures with other companies to develop our business and expand our operations. We currently participate in strategic partnerships and joint ventures in a number of countries where we operate, including Russia (Euroset), Kazakhstan (KaR-Tel, TNS-Plus, 2Day Telecom, S&G, KAZEUROMOBILE LLP), Uzbekistan (Buzton), Kyrgyzstan (Sky Mobile, Terra), Georgia (Mobitel), Tajikistan (Tacom), Laos (VimpelCom Lao Co., Ltd), and Zimbabwe (Telecel).

Our participation in each of our subsidiaries and affiliated companies varies from market to market, and we do not always have a majority interest in our affiliated companies. Our business, financial condition, results of operations and prospects may be materially and adversely affected if disagreements develop with our partners.

Our ability to withdraw funds, including dividends, from our participation in, subsidiaries and investments may depend on the consent of partners. Further, failure to resolve any disputes with our partners in certain of our operating subsidiaries could restrict payments made by these operating subsidiaries to us and have an adverse effect on our business, financial condition, results of operations and prospects. In addition, agreements governing these arrangements contain, in some cases, change of control and similar provisions, which, if triggered under certain circumstances could give other participants in these investments the ability to purchase our interests or enact other penalties.

Emerging market strategic partnerships and joint ventures are often accompanied by risks, including in relation to:

- the possibility that a strategic or joint venture partner or partners will default in connection with their obligations;
- the possibility that a strategic or joint venture partner will hinder development by blocking capital increases and other decisions if that partner runs out of money, disagrees with our views on developing the business, or loses interest in pursuing the partnership or joint projects;
- risk inherent in the business of the partnership or joint venture itself, such as funding and liquidity;
- diversion of resources and management time;
- potential joint and several or secondary liability for transactions and liabilities of the partnership or joint venture entity;
- the possibility that our relationship with a strategic or joint venture partner will deteriorate;
- the difficulty of maintaining uniform standards, controls, procedures and policies; and
- the loss of a strategic or joint venture partner and the associated benefits, such as insight into operating a business in an economic, social and political environment that is unfamiliar to us.

Although we perform due diligence on our strategic or joint venture partners, and put in place contractual arrangements in an effort to secure that these partners comply with applicable law, we can nonetheless be subject to investigation, liability, and enforcement risk if they engage in conduct in violation of applicable law, including anti-corruption legislation. Moreover, it is possible that such an investigation or liability or enforcement action could constitute a default under relevant debt agreements, which might, in turn, cause the relevant debt to be accelerated and trigger cross defaults under other debt agreements.

## **We are subject to investigations by the SEC, DOJ and the Dutch public prosecutor, and are conducting an internal investigation, and we are unable to predict the duration, scope or results of these investigations or their impact on us.**

As we previously disclosed, the SEC, DOJ and Dutch public prosecutor's office are conducting investigations related to VimpelCom; these investigations appear to be concerned with our operations in Uzbekistan, including relations with Takilant Ltd. ("Takilant"). In June 2007, Takilant purchased from us a 7% interest in our business in Uzbekistan for US\$20.0 million and entered into a shareholders agreement with us. In September 2009, Takilant exercised its option to put its 7% interest to us for US\$57.5 million, an amount specified in the shareholders agreement. In addition, we had agreements with Takilant relating to the acquisition of frequency spectrum (including with respect to 3G and LTE) and channels in Uzbekistan pursuant to which we paid Takilant an aggregate of US\$57.0 million.

It has been reported in the press that Takilant is currently being investigated in Sweden and Switzerland on allegations that it and certain persons associated with it have committed acts of bribery and money-laundering connected with their activities in Uzbekistan, and also that Takilant is being investigated in the Netherlands and perhaps other jurisdictions. These investigations may, in part, involve us.

As a result of concerns arising from press reports regarding Takilant, we commenced a review with respect to our operations in Uzbekistan, including our relations with Takilant, and in 2013 we retained external counsel with expertise relating to the U.S. Foreign Corrupt Practices Act ("FCPA") and other anti-corruption laws and regulations to conduct such review.

Following notice of the investigations by the SEC, the DOJ and the Dutch public prosecutor's office, we established a special committee of the supervisory board in March 2014, consisting of all outside directors, to oversee the internal investigation being conducted by the Company's external counsel and our response to the inquiries by various authorities. While the initial focus of the investigation being conducted by the Company's external counsel has been related to our Uzbek operations, including our relations with Takilant, and whether there was any conduct in our operations in Uzbekistan that may have violated the anti-bribery provisions of the FCPA, the FCPA's books and records and internal controls provisions, applicable local laws and/or our own internal policies, the investigation is also reviewing our operations in additional countries.

We expect to incur costs in responding to requests for information, testimony and other information in connection with the investigations and in conducting the internal investigation, and we cannot predict at this time the ultimate amount of all such costs. These matters may require the involvement of certain members of our senior management that could impinge on the time they have available to devote to other matters relating to the business. We may also see ongoing media and governmental interest in these matters that could impact the perception of us.

The SEC, DOJ and Dutch investigations, as well as our own investigations, are continuing, and we are presently unable to predict the duration, scope or results of these investigations or how the results of these investigations may impact our internal controls, business, and the results of operations or financial condition. Further, there can be no assurance that such investigations will not be broader in scope than they currently appear, or that new investigations will not be commenced in these or other jurisdictions, or that there will not be litigation commenced against us.

One or more enforcement actions could be instituted in respect of the matters that are the subject of some or all of the investigations. The DOJ and SEC have a broad range of civil and criminal sanctions under the FCPA and other laws and regulations including, but not limited to, judgments, settlements, injunctive relief, debarment or other relief, disgorgement, fines, penalties, modifications to business practices, including the termination or modification of existing business relationships, the imposition of compliance programs and the retention of a monitor to oversee compliance with the FCPA, and criminal convictions and/or penalties. The Dutch public prosecutor's office and enforcement authorities in other jurisdictions also have a range of sanctions under the relevant laws and regulations. There can be no assurance that any investigation will not conclude that a violation of applicable law has occurred. The imposition of any of these sanctions or remedial measures could have a material adverse effect on our business or financial condition.

For more information on the risks associated with anti-corruption laws, see “—Legal and Regulatory Risks—We are subject to anti-corruption laws in the jurisdictions in which we operate” below.

**Our strategic shareholders may pursue different development strategies from us and from one another in the regions in which we operate, and this may hinder our ability to expand and/or compete in such regions and may lead to a deterioration in the relationship among our strategic shareholders.**

Our company's largest shareholders, Altimo (a member of the Alfa group) and Telenor, and their respective affiliates, beneficially own, in the aggregate, approximately 90.9% of our outstanding voting shares. As a result, these shareholders, if acting together, have the ability to determine the outcome of matters submitted to our shareholders for approval, including the acquisition of assets by us. In addition, our largest shareholders have sufficient voting rights to jointly elect a majority of our supervisory board, and they may in the future enter into a shareholders agreement or similar arrangements which may impact the composition of our Supervisory board.

Under our group's corporate governance structure, significant corporate action on behalf of VimpelCom and/or its subsidiaries requires the prior approval of our supervisory board. Acting jointly, our largest shareholders can elect a majority of our supervisory board and as a result could cause us to take corporate actions or block corporate decisions by VimpelCom or its subsidiaries, including with respect to our capital structure, financings and acquisitions, which may not be in the best interest of our minority shareholders, or other security holders.

In the past, Telenor and Alfa Group have had different strategies from us and from one another. In addition, in Pakistan and Bangladesh our subsidiaries directly compete with subsidiaries of Telenor and it is possible that we will compete with Telenor and/or Alfa Group in other markets in the future.

We cannot assure you that we, the Telenor Group and the Alfa Group will not choose to pursue different strategies, including in markets or countries where the Telenor Group and the Alfa Group have a presence. Furthermore, if and to the extent that our strategic shareholders have different expansion strategies, it could lead to deterioration of their relationship which could have a material adverse effect on our business, financial condition, results of operations and prospects.

**Litigation involving Altimo and Telenor, two of our largest shareholders, could lead to deterioration in their relationship and could have a material adverse effect on our business, financial condition, results of operations and prospects.**

During the past eight years two of our largest shareholders, Altimo and Telenor, have been involved in various disputes and litigation regarding their ownership of and control over OJSC VimpelCom and Kyivstar. In October 2009, Telenor and Altimo entered into agreements under which, among other things, they agreed to dismiss or withdraw or to cause the dismissal or withdrawal of outstanding legal proceedings between, or involving, them and their respective affiliates, and reportedly they did so. In 2011 and 2012, Telenor and Altimo were again involved in litigation regarding their ownership of and control over our company. On January 28, 2011, Telenor commenced arbitration proceedings against each of Altimo Holdings, Altimo Coöperatief U.A. or “Altimo Coöperatief” (a subsidiary of Altimo Holdings), and VimpelCom Ltd. for the stated purpose of enforcing its alleged pre-emptive rights under the October 4, 2009 shareholders agreement among Altimo, Telenor and us in relation to our company (the “VimpelCom Shareholders Agreement”) with respect to VimpelCom shares issued in the Wind Telecom Transaction. In this Annual Report on Form 20-F, we refer to these proceedings as the “Arbitration Proceedings.”

On February 15, 2012, Telenor notified the tribunal in the Arbitration Proceedings that it was withdrawing all of its claims against Altimo Holdings, Altimo Coöperatief and us. According to Telenor’s February 15, 2012 press release, Telenor withdrew its claims because it purchased 234,000,000 of Weather II’s VimpelCom convertible preferred shares, thus raising Telenor’s share of VimpelCom’s outstanding voting shares at the time to 36.4%. On March 8, 2012, the tribunal dismissed all claims in the Arbitration Proceedings with prejudice. For more information on our largest shareholders, see “Item 7—Major Shareholders and Related Party Transactions—A. Major Shareholders.”

In addition, as a result of Altimo’s sale of 123,600,000 convertible preferred shares in June 2011, which reduced its voting rights in our company at the time to below 25%, the VimpelCom Shareholders Agreement terminated on December 10, 2011. The termination of the VimpelCom Shareholders Agreement could result in further disputes between Telenor and Altimo.

Future legal proceedings between Altimo and Telenor and the termination of the VimpelCom Shareholders Agreement could cause the relationship between Altimo and Telenor to deteriorate. As a result of the disputes among two of our largest shareholders and claims made against us, we could suffer material adverse effects on our business, financial condition, results of operations and prospects.

**A disposition by our strategic shareholders of their respective stakes in VimpelCom or a change in control of VimpelCom could harm our business.**

Certain of our debt agreements have “change of control” provisions that may require us to make a prepayment if certain parties acquire beneficial or legal ownership of or control over more than 50.0% of our shares, which could occur if certain parties acquired more than 50.0% of our company. Generally, this change of control provision is not triggered as long as a combination of the Alfa Group or Telenor own more than 50.0% of our company. If a change of control is triggered and we fail to make any required prepayment, this could lead to an event of default, and could trigger cross default/cross acceleration provisions under our other debt agreements. In such an event, our obligations under one or more of these agreements could become immediately due and payable, which could have a material adverse effect on our business, financial condition and results of operations.

We derive benefits and resources from the participation of Telenor and Altimo in our company. If Telenor or Altimo were to dispose of its stake in our company, either voluntarily or involuntarily, we may be deprived of the benefits and resources that we derive from it which could have a material adverse effect on our business, financial condition, results of operations and prospects.

## Risks Related to Our Industry

### **Our business is highly capital intensive and requires substantial and ongoing expenditures of capital, which, in the future, we may not be able to obtain on favorable terms or at all.**

Our industry is highly capital intensive, and our success depends to a significant degree on our ability to keep pace with new developments in technology, to develop and market innovative products and to update our facilities and process technology. All of our operations have extensive capital expenditure programs that require substantial outlays. We may require additional capital in the future to finance our future growth and development, implement further marketing and sales activities, fund our ongoing research and development activities, implement new technological advances and meet our general working capital needs. The amount and timing of our capital requirements will depend on many factors, including acceptance of and demand for our products and services, the extent to which we invest in new technology and research and development projects, and the status and timing of competitive developments. We may require greater capital investments in shorter time frames than we have anticipated, and we or our operations may not have the resources to make such investments. If we do not have the resources for necessary capital expenditures, we may be required to raise additional debt or equity financing, which may not be available when needed on terms favorable to us or at all. If we are unable to obtain adequate funds on acceptable terms, we may be unable to develop or enhance our products, take advantage of future opportunities or respond to competitive pressures, which could adversely affect our business, financial condition, results of operations and prospects. For more information on future liquidity needs, see “Item 5—Operating and Financial Review and Prospects—Liquidity and Capital Resources—Future Liquidity and Capital Requirements.”

### **Our revenue is often unpredictable, and our revenue sources are short-term in nature.**

Future revenue from our prepaid mobile customers, our primary source of revenue, and our contract mobile customers is unpredictable. We do not require our prepaid mobile customers to enter into long-term service contracts and cannot be certain that they will continue to use our services in the future. We require our contract mobile customers to enter into service contracts; however, many of these service contracts can be canceled by the customer with limited advance notice and without significant penalty. Consumption of mobile telephone services is driven by the level of consumer discretionary income. Deterioration in the economic situation could cause customers to have less discretionary income, thus affecting their spending on our services. The loss of a larger number of customers than anticipated could result in a loss of a significant amount of expected revenue. Because we incur costs based on our expectations of future revenue, our failure to accurately predict revenue could adversely affect our business, financial condition, results of operations and prospects.

### **We are in competitive industries, and we may face greater competition as a result of market and regulatory developments.**

The markets in which we operate are competitive in nature, and we expect that competition, especially in the least developed markets, will continue to increase. If we are unsuccessful in our marketing campaigns or the services we introduce are not well received by consumers, or in the event of any delays in developing our networks, we will not generate the revenue anticipated and our ARPU may decline, which may materially adversely affect our business, financial condition and results of operations. We cannot assure you that our revenue will grow in the future, as competition puts pressure on prices.

In addition, as the customer penetration rates increase and the markets in which we operate mature, mobile services providers, including us, may be forced to utilize more aggressive marketing schemes to retain existing customers and attract new ones. If this were to occur, we may choose to adopt lower tariffs, offer handset subsidies or increase dealer commissions, any or all of which could materially adversely affect our business, financial condition, results of operations and prospects.

Some of the markets in which we operate, including Russia and Italy, are already mature or approaching saturation and are characterized by high levels of competition. For more information on our markets and the competition we face, see “Item 4—Information on the Company—Description of Operations of the Russia Business Unit,” “—Description of Operations of the Italy Business Unit,” “—Description of Operations of the Africa & Asia Business Unit,” “—Description of Operations of the Ukraine Business Unit,” and “—Description of Operations of the CIS Business Unit.” In such mature markets, there are limits on the extent to which we can continue to grow our customer base. Competition for customers has in the past, and may in the future, create additional pricing pressure for operators, which could have a material adverse impact on our margins and profitability, as occurred during the summer in 2013 when all operators in Italy reduced pricing in order to gain market share. In our mature markets, the continued growth in our business and results of operations will depend, in part, on our ability to extract greater revenue from our existing customers, in addition to attracting customers of other operators, including through expansion of data services and introduction of next generation technologies. We may fail to develop and offer data services or technologies that are attractive to our existing or future customers or for which our existing or future customers are not willing or able to pay. We also may not be able to develop other platforms, products and services to attract and retain customers, or make strategic acquisitions in order to expand our business. Even if successful in making such developments or acquisitions, they may not result in an increased customer base or we may not be able to effectively monetize the use of such products and services to generate profits for us. If we fail to extract additional revenue from our existing customers or continue to expand our customer base, our business, financial condition, results of operations and prospects will be materially adversely affected.

In addition, as we expand the scope of our services, such as fixed-line residential and commercial broadband services, we may encounter a greater number of competitors who provide similar services. In the event we fail to successfully address challenges from our competition in new services, our business financial condition, results of operations and prospects could be materially and adversely affected.

The liberalization of the regulations in areas in which we operate could also greatly increase competition and put pressure on our pricing. If competitors are able to operate telecommunications networks that are more cost effective than ours, then they may have competitive advantages over us, which could harm our business.

Providers of traditional fixed-line telephone services and mobile operators that have obtained fixed-line licenses may compete more effectively with us. Former state-controlled telecommunications service providers have dominated the fixed-line market in many of the countries in which we operate. These companies have some competitive advantages over our fixed-line operations, including:

- significant resources and greater market presence and network coverage;
- brand name recognition, customer loyalty and goodwill; and
- control over domestic transmission lines and over access to these lines by other participants.

Our competitors, particularly former state-controlled telecommunications service providers, may receive preferential treatment from the regulatory authorities and benefit from the resources of their shareholders, potentially giving them a substantial competitive advantage over us. Additionally, current or future relationships among our competitors and third parties may restrict our access to critical systems and resources. New competitors or alliances among competitors could rapidly acquire significant market share. We cannot assure you that we will be able to forge similar relationships or successfully compete against them.

**We could experience customer database piracy or other database security breaches, which may materially adversely affect our reputation, lead to customer lawsuits, loss of customers or hinder our ability to gain new customers and thereby materially adversely affect our business.**

We may be exposed to database piracy or other database security breaches which could result in the leakage and unauthorized dissemination of information about our customers, including their names, addresses, home phone numbers, passport details and individual tax numbers. In addition, the breach of security of our database and illegal sale or other unauthorized release of our customers' personal information could materially adversely impact our reputation, prompt lawsuits against us by individual and corporate customers, lead to violations of data protection laws and adverse actions by the telecommunications regulators and other authorities, lead to a loss in customers and hinder our ability to attract new customers. If severe customer data security breaches are detected, the regulatory authority can sanction our company, and such sanction can include suspension of operations for some time period. In addition, we may be exposed to cyber-attacks, which could result in equipment failures or disruptions in our operations. Our inability to operate our fixed-line or wireless networks as a result of such events may result in significant expense or loss of market shares. These factors, individually or in the aggregate, could have a material adverse effect on our business, financial condition, results of operations and prospects.

**Our failure to keep pace with technological changes and evolving industry standards could harm our competitive position and, in turn, materially adversely affect our business.**

The telecommunications industry is characterized by rapidly evolving technology, industry standards and service demands. We experience new customer demand for more sophisticated telecommunications and Internet services in the markets in which we operate. Accordingly, our future success will depend on our ability to adapt to the changing technological landscape and the regulation of standards utilizing these technologies. In addition, market demand for new technologies in which we invest may not increase or may decrease over time, limiting our ability to recoup the costs of our investments in such new technologies. The rapid technological advances in the telecommunications industry make it difficult to predict the extent of future competition. It is possible that the technologies we utilize today will become obsolete or subject to competition from new technologies in the future for which we may be unable to obtain the appropriate license. We may not be able to meet all of these challenges in a timely and cost-effective manner. We operate third generation mobile technologies, or "3G," networks in some of our markets, and we will need to develop 3G networks in additional markets in which we operate. In some areas, we operate in a 4G network, and we are exploring options for developing a 4G network in other markets. New network development requires significant financial investments and there can be no assurance that we will be able to develop 3G or 4G networks on commercially reasonable terms, that we will not experience delays in developing our networks or that we will be able to meet all of the license terms and conditions or that we will be granted such licenses at all. In addition, penetration rates for 4G compatible devices may not currently support the cost of 4G development in certain

markets, such as Russia, and such rates will need to increase to be commercially viable. Therefore, we may be unable to successfully compete in the future. If we experience substantial problems with our 3G or 4G services, or if we fail to introduce new services on a timely basis relative to our competitors, it may impair the success of such services, delay or decrease revenue and profits and therefore may hinder recovery of our significant capital investments in 3G or 4G services as well as our growth.

The next step in telecommunications in Ukraine is the deployment of 3G networks. The 3G auction was announced and subsequently canceled by government authorities in 2009, and no auction has been held yet. The only operator in Ukraine holding a 3G license is Limited Liability Company “Trimob,” a subsidiary of Ukrtelecom. If Kyivstar is unable to obtain a 3G license or if a 3G license is awarded to one of Kyivstar’s competitors, Kyivstar would face increased competition in the provision of mobile services in Ukraine. Similarly, if Kyivstar ultimately acquires a 3G license later than its competitors or is required to pay a significantly higher price to obtain a 3G license than its competitors, it could be at a significant competitive disadvantage and face increased costs in implementing its 3G network roll-out.

The next step in the development of telecommunications in Russia is the deployment of 4G/LTE networks. The cost of 4G/LTE network development and the quality of services (including data speed and quality of coverage) depend on the band and the width of frequency range given to an operator. In July 2012, OJSC VimpelCom was awarded one of four nationwide LTE licenses granted in Russia. The other three licenses were granted to MTS, MegaFon and Rostelecom. The license allows OJSC VimpelCom to provide services using radio-electronic devices in Russia via networks that use the LTE standard within certain designated frequency bands. Our license is subject to several conditions, including that we invest a certain amount in our network in each year in which it is being constructed. By the end of 2013, we launched LTE networks in seven regions, including Moscow. For more information regarding the terms of our LTE license, please see the section of this Annual Report on Form 20-F entitled “Item 4—Information on the Company—Description of Operations of the Russia Business Unit—Mobile Business in Russia—Mobile Telecommunications Licenses in Russia.”

Additionally, the State Radio Frequencies Commission gave Scartel (Yota brand) two ranges of LTE frequencies, 30 MHz each, in the 2.5-2.7 GHz band for use in the whole territory of Russia in exchange for 4G frequencies held by Scartel for WiMax technology bandwidth of 70MHz (the exchange was completed on a non-auction basis). Initially it was planned that all operators would receive equal access to the Scartel infrastructure, which would allow each operator to reduce its 4G/LTE network development costs.

However, according to public reports, shareholders of MegaFon and shareholders of Scartel established a joint venture, Garsdale Services Investment Ltd., through which shareholders of MegaFon indirectly hold an 82% equity interest in Scartel and MegaFon entered into a MVNO agreement with Scartel for the joint development and provision of 4G technology networks under the LTE standard in Russia. In the last quarter of 2013, MegaFon acquired LLC Scartel and LLC Yota from Garsdale Services Investments Ltd, MegaFon’s controlling shareholder. As a result, MegaFon obtained a competitive advantage both in terms of frequency resources and LTE network development using Scartel’s network.

WIND Italy has made significant investments in obtaining its UMTS licenses related frequencies and has continued to significantly invest in the development of its network, in addition to the planned investments in its LTE network during the next several years. On the fixed-line network in Italy, our competitor, Telecom Italia, announced a plan to introduce a progressive roll-out of a “next generation network.” The “next generation network,” if introduced, would replace partially Telecom Italia’s legacy copper network with fiber. Although there is uncertainty around implementing the roll-out of such next generation network, including the timing, it is possible that as Telecom Italia upgrades its network, the local exchanges WIND Italy uses to provide LLU services could be closed over time. As a result, WIND Italy may be forced to co-locate at a different location where the cost of unbundling is likely to be more expensive and space for co-location is likely to be more limited, or adopt a different approach to its business or build its own fiber network at a material cost, which could have a material adverse effect on WIND Italy’s business or results of operations.

**Our ability to provide telecommunications services would be severely hampered if our access to local and long distance line capacity were limited or if the commercial terms of our interconnect agreements were significantly altered.**

Our ability to secure and maintain interconnect agreements with other wireless and local, domestic and international fixed-line operators on cost-effective terms is critical to the economic viability of our operations. Interconnection is required to complete calls that originate on our respective networks but terminate outside of our respective networks, or that originate from outside our networks and terminate on our respective networks. A significant increase in our interconnection costs as a result of new regulations,

commercial decisions by other fixed-line operators, increased inflation rates in the countries in which we operate or a lack of available line capacity for interconnection could have a material adverse effect on our ability to provide services, which could in turn have a material adverse effect on our business, financial condition, results of operations and prospects.

**Our existing equipment, technological and management systems may be subject to disruption and failure, which could cause us to lose customers, limit our growth and violate our licenses.**

The successful build-out and operation of our networks depends heavily on obtaining adequate supplies of switching equipment, radio access network solutions, base stations and other equipment on a timely basis. We currently purchase our equipment from a small number of suppliers, principally Alcatel-Lucent, Cisco Systems, Comverse, Ericsson, Huawei and Nokia Solutions and Networks, although some of the equipment that we use is available from other suppliers. From time to time, we have experienced delays in receiving equipment. Our business could be materially adversely affected if we are unable to obtain adequate supplies or equipment from our suppliers in a timely manner and on reasonable terms.

Our business depends on providing customers with reliability, capacity and security. As telecommunications increases in technological capacity, it may become increasingly subject to computer viruses, software bugs and other disruptions. We cannot be sure that our network system will not be the target of a virus or, if it is, that we will be able to maintain the integrity of the data of our corporate customers or of that in individual handsets of our mobile customers or that a virus will not overload our network, causing significant harm to our operations. In addition to computer viruses, the services we provide may be subject to disruptions resulting from numerous other factors, including human error, security breaches, equipment defects, and natural disasters, which could have a material adverse effect on our business.

Our technological infrastructure is vulnerable to damage or disruptions from numerous events, including fire, flood, windstorms or other natural disasters, power outages, terrorist acts, government shutdown orders, equipment or system failures, human error or intentional wrongdoings, including breaches of our network or information technology security. Problems with our backbone, switches, controllers, fiber optic network or network nodes at one or more of our base stations, whether or not within our control, could result in service interruptions or significant damage to our networks. All of our equipment for provision of mobile services in Moscow is located primarily in two buildings in Moscow. Disruption to the operation of these buildings, or buildings where our equipment is held in other jurisdictions where we operate, such as from electricity outages or damage to these buildings could result in disruption of our mobile services in those jurisdictions.

Although we have back-up capacity for our network management operations and maintenance systems, automatic transfer to our back-up capacity may not be seamless, and may cause network service interruptions. In recent years, we have experienced network service interruptions, which occur from time to time during installations of new software. Interruptions of services could harm our business reputation and reduce the confidence of our customers and consequently impair our ability to obtain and retain customers and could lead to a violation of the terms of our licenses, each of which could materially adversely affect our business. In some of the markets in which we operate, we do not carry business interruption insurance to prevent against network disruptions.

Our ability to manage our business successfully is contingent upon our ability to implement sufficient operational resources systems and processes to support our rapid growth. We may face risks in connection with the correct use of the newly introduced systems and processes in the regions where our group operates or integrating new technologies into existing systems. For example, if our billing systems develop unexpected limitations or problems, customer bills may not be generated promptly and/or correctly. This could materially adversely impact our business since we would not be able to collect promptly on customer balances and could impact our reputation if customers are billed incorrectly.

**We depend on third parties for certain services and products important to our business.**

There is inherent risk in relying on third parties for services and products important for our operations. For example, we may outsource our networks in certain markets in which we operate, and our networks are important to our business. In addition, we rely on roaming partners to provide services to our customers while they are outside the countries in which we operate. To the extent that we are unable to find and engage appropriate third party providers on acceptable terms or the third parties on which we rely fail to provide the required services or products, it could have a materially adverse impact on our business, financial condition, results of operations and prospects.

We expect that the sales of handsets, including iPhones and other smartphones, will contribute to our customer growth, and such sales are therefore critical for our overall growth strategy. In the event we are unable to extend our existing agreements with, or fail to agree on acceptable terms or lose exclusivity in our agreements with, handset providers, we could experience a negative impact on our ARPU and our churn rate, which could have a material adverse effect on our business, financial condition and results of operations.



Many of our mobile products and services are sold to customers through retail channels. The third party retailers and dealers that we use to distribute and sell products are not under our control and may stop distributing or selling our products at any time. Should this occur with particularly important retailers or dealers, we may face difficulty in finding new retailers or sales dealers that can generate the same level of revenue. In addition, retailers and dealers that also distribute or sell competing products and services may more actively promote the products and services of our competitors. Such developments with our third party retailers and dealers could materially adversely affect our business, financial condition, results of operation and prospects.

**Allegations of health risks related to the use of mobile telecommunication devices and base stations could have a material adverse effect on us.**

There have been allegations that the use of certain mobile telecommunication devices may cause serious health risks. The actual or perceived health risks of mobile devices could diminish customer growth, reduce network usage per customer, spark product liability lawsuits or limit available financing. Each of these possibilities has the potential to cause material adverse consequences for us and for the entire mobile industry.

**Our intellectual property rights are costly and difficult to protect, and we cannot guarantee that the steps we have taken to protect our intellectual property rights will be adequate.**

We regard our copyrights, trademarks, trade dress, trade secrets and similar intellectual property, including our rights to certain domain names, as important to our continued success. We rely upon trademark and copyright law, trade secret protection and confidentiality or license agreements with our employees, customers, partners and others to protect our proprietary rights. However, intellectual property rights are especially difficult to protect in the markets in which we operate. In these markets, the regulatory agencies charged to protect intellectual property rights are inadequately funded, legislation is underdeveloped, piracy is commonplace and enforcement of court decisions is difficult.

In addition, litigation may be necessary to enforce our intellectual property rights, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement. As the number of convergent product offerings and overlapping product functions increase, the possibility of intellectual property infringement claims against us may increase. Any such litigation may result in substantial costs and diversion of resources, and, if decided unfavorably to us, could have a material adverse effect on our business, financial condition or results of operations. We also may incur substantial acquisition or settlement costs where doing so would strengthen or expand our intellectual property rights or limit our exposure to intellectual property claims of third parties. While we have successfully enforced our intellectual property rights in courts in the past, we cannot assure you that we will be able to successfully protect our property rights in the future.

**Our competitive position and future prospects depend on our senior management and other key personnel and our inability to attract, retain and motivate qualified key personnel could have a material adverse effect on our business, financial condition and results of operations.**

Our ability to maintain our competitive position and to implement our business strategy is dependent to a large degree on our senior management team and other key personnel. In the markets in which we operate, competition for personnel with relevant expertise is intense. The loss of members of our businesses' senior management teams or an inability to attract, retain and motivate qualified key personnel could have a material adverse effect on our business, financial condition, results of operations and prospects.

### **Legal and Regulatory Risks**

**We operate in a highly regulated industry and are subject to a large variety of laws and extensive regulatory requirements.**

As a multinational telecommunications company that operates in regulated markets, we are subject to different laws and regulations in each of the jurisdictions in which we provide services. Mobile, Internet, fixed-line, voice and data markets are all generally subject to extensive regulatory requirements, including strict licensing regimes, as well as anti-monopoly and consumer protection regulations, in the countries in which we operate. Regulations may be especially strict in the markets of those countries in which we are considered to hold a significant or dominant market position. Furthermore, regulations could require us to reduce

roaming prices and termination rates in mobile and/or fixed-line networks, require us to offer access to our network to other operators, and result in the imposition of fines if we fail to fulfill our service commitments. Such regulations and regulatory actions could place significant competitive and pricing pressure on our operations and could have a material adverse effect on our business, financial condition, results of operations and cash flow. For more information on the regulatory environment in which we operate, see “Item 4—Information on the Company—Regulation of Telecommunications.”

Anti-monopoly regulations in the countries in which we operate may require us to obtain anti-monopoly approvals for certain acquisitions, reorganizations or other transactions as may be provided for in applicable law. The applicable rules are generally subject to different interpretations and the competent authorities may challenge the positions that we take. We may also be unable to comply with anti-monopoly approvals due to administrative delays in the review process or for other reasons. Failure to obtain such approvals or the activities of the relevant anti-monopoly bodies may impede or adversely affect our business and ability to expand our operations.

Anti-monopoly and consumer protection regulators in countries where we operate have oversight over consumer affairs and advertising and are authorized to regulate companies deemed to be a dominant force in, or a monopolist of, a market. In some countries in which we operate, including Russia, Italy, Ukraine, Kazakhstan, Tajikistan, Armenia, Uzbekistan, Kyrgyzstan and Pakistan, we have been identified by the regulators as having a significant or dominant market position. In such markets, regulations could require us to reduce roaming prices, retail mobile prices and/or termination rates in mobile and/or fixed networks, require us to grant access to our network to other operators and result in the imposition of fines if we fail to fulfill our service commitments. In addition, because of our identification as holding a dominant or significant market position, we are subject to stricter controls on our operations and higher scrutiny in achieving anti-monopoly approvals in such markets, potentially making us less flexible in terms of pricing our services and causing us to incur additional obligations when completing acquisitions.

Regulatory measures taken in response to competition violations may include inter alia the requirement to discontinue certain activities, the imposition of fines, confiscation of revenue derived from monopolistic activities, restrictions on increase of tariffs on acquisitions or on other activities, such as contractual obligations. Any successful challenge by an anti-monopoly regulator or other competent authority may expose us or certain of our officers, directors, or shareholders to fines or penalties and may result in the invalidation of certain agreements or arrangements. This may materially adversely affect the manner in which we manage and operate certain aspects of our business. In addition, the potential fines imposed on us by a regulatory authority in relation to competition violations may be substantial and could have a material adverse effect on our business, financial condition or results of operations.

In connection with the approval of the Russian Federal Anti-Monopoly Service, or “FAS,” of our acquisition of an additional 0.1% stake in Euroset Holding N.V., or “Euroset,” in December 2012 (which increased our stake to 50.0%), the FAS issued orders that prohibit us from setting discriminatory terms while selling our services through Euroset and require that we instruct those entities controlled by us with regard to the orders. Since Euroset is 50.0% owned by us and 50.0% by Lefbord, our company does not control Euroset and we cannot assure you that we will be able to comply with the FAS orders. If we fail to comply with the FAS orders, the FAS may impose a fine on us and may apply to a court to invalidate the acquisition of our entire stake in Euroset.

For more information about the competition proceedings in which our subsidiaries are involved, see Note 27 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F.

#### **New or proposed changes to laws in Russia and other markets in which we operate may adversely affect our business.**

In December 2012 legislation was adopted in Russia, which permitted mobile customers to use the mobile number portability service, or “MNP,” for a fee determined by the operator (which must not exceed 100 rubles) from December 1, 2013. MNP was implemented during 2013 only at the regional level, allowing customers to retain their mobile phone numbers only after switching their mobile operator within the same region without obtaining the approval of the Federal Communications Agency. The number database for customers who would like to use MNP has been set up by the Russian government. We spent US\$17 million on MNP launch and support in 2013. Although we expect that, until the end of the first quarter of 2014 (as discussed below), the launch of MNP will not affect the market shares of operators, we cannot be certain that this will not negatively impact our market share over a longer term, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

In November 2013, the Russian Government approved a transitional period for MNP up to April 7, 2014, during which the receiving operator (recipient) has a right to appoint the terms of number portability, but no later than April 15, 2014. From April 8, 2014, all operators will be obliged to transfer customer numbers to a new operator within eight days after conclusion of a new

operator contract with consumers or 29 days for corporate customers. Operators (donors) who do not comply with these terms will have to serve these customers free of charge until the end of the MNP time limits. We currently anticipate that we will be able to complete MNP requests within these time limits. However, if, after we receive a warning from the relevant regulator, we are still unable to comply with the time limits for MNP, the relevant license under which we provide the services to the transferring customer could be revoked. Accordingly, these MNP regulations or other similar regulations in other markets in which we operate could have a material adverse effect on our business, financial condition, results of operations and prospects.

Certain draft laws are under discussion in Russia which, if adopted as currently drafted, could cause our revenue from the provision of roaming services and international roaming retail services to decline. This and other potential regulatory changes that may be enacted in the future could have a material adverse effect on our business, financial condition, results of operations and prospects.

For a discussion of developments in the regulation of mobile termination rates affecting our business in Italy, see “Item 4—Information on the Company—Regulation of Telecommunications—Regulation of Telecommunications in Italy.” These developments have in the past and can in the future adversely affect our business in Italy.

In Bangladesh, the new regulations set by the local regulator, the Bangladesh Telecommunications Regulatory Commission, or “BTRC,” regarding VoIP usage forced our subsidiary in Bangladesh to disconnect suspected VoIP users with high ARPU. This negatively affected revenue and had a significant negative impact during 2013. These or similar regulations in other markets in which we operate could adversely affect our business, financial condition, results of operations and prospects.

In Ukraine, new legislation came into effect in 2012, which, among other things, implements a national roaming service giving customers the ability to transfer their mobile numbers from one telecommunication network to another. In 2013, the procedure for the provision of MNP services was approved by the Ukrainian regulator with a starting date of MNP service from July 1, 2014. The implementation of MNP may result in changes to the current market shares of the Ukrainian mobile telecommunications operators.

In December 2012, the National Regulator of Armenia adopted the principles and timetable for the Implementation of MNP services in Armenia. The porting time may not exceed three working days with gradual reduction to one working day and shall be free of charge. Since December 2012 the National Regulator of Armenia adopted further rules and took further actions to implement the various decisions. MNP was implemented on April 1, 2014. The implementation of MNP may result in changes to the current market shares of the Armenian telecommunications operators.

#### **Our licenses may be suspended or revoked and we may be fined or penalized for alleged violations of law or regulations.**

We are required to meet certain terms and conditions under our licenses, including meeting certain conditions established by the legislation regulating the communications industry. For more information on our licenses and their related requirements, please see the sections of this Annual Report on Form 20-F entitled “Item 4—Information on the Company—Description of Operations of the Russia Business Unit,” “—Description of Operations of the Italy Business Unit,” “—Description of Operations of the Africa & Asia Business Unit,” “—Description of Operations of the Ukraine Business Unit,” and “—Description of Operations of the CIS Business Unit.” If we fail to comply with the conditions of our licenses or with the requirements established by the legislation regulating the communications industry, or if we do not obtain or comply with permits for the operation of our equipment, use of frequencies or additional licenses for broadcasting directly or through agreements with broadcasting companies, we anticipate that we would have an opportunity to cure any non-compliance. However, we cannot assure you that we will receive a grace period, and we cannot assure you that any grace period afforded to us would be sufficient to allow us to cure any remaining non-compliance. In the event that we do not cure any non-compliance, the applicable regulator could decide to suspend and seek termination of the license or permit. The occurrence of any of these events could materially adversely affect our ability to build out our networks in accordance with our plans and to retain and attract customers, could harm our reputation and could have a material adverse effect on our business, financial condition or results of operations.

We may from time to time receive notices with respect to violations of our licenses. To the extent possible, we take measures to comply with the requirements of the notices. To the extent the alleged violations in these notices are not resolved within the required period, including due to delay of the authorities, we may suffer significant interruptions to our operations, which could have a material adverse effect on our business, financial condition or results of operations.

If a government regulator finds that we have failed to fulfill the specific terms of any of our licenses, frequency permissions or other governmental permissions or permits or that we have provided services in a manner that violates applicable legislation, government regulators may levy fines, suspend or terminate our licenses, frequency permissions, or other governmental permissions or permits or refuse to renew licenses, frequency permissions or other governmental permissions or permits that are up for renewal.

A suspension and/or the subsequent termination of licenses or refusal to renew our licenses, frequency permissions and/or other governmental permissions or permits could materially adversely affect our business, financial condition and results of operations.

**Our licenses are granted for specified periods and they may not be extended or replaced upon expiration.**

Most of our licenses are granted for specified terms, and we can give you no assurance that any license will be renewed upon expiration. If renewed, our licenses may contain additional obligations, including payment obligations (which may involve a substantial renewal or extension fee), or may cover reduced service areas or scope of service.

As a rule, the expiration date of frequency permissions for most of our mobile communications and radio-relay line base stations exceeds the validity period of communications service licenses. We cannot predict whether, upon the renewal or extension of a license, we will be able to obtain extensions of our frequency permissions and whether these extensions will be formalized and granted by the regulatory agency in a timely manner and without any significant additional costs. It is possible that upon expiration of frequency permissions the frequency bands currently in use by us will be wholly or partly reallocated in favor of other communications technologies or other communications operators, requiring that we coordinate the use of our frequencies with the other license holders or experience a loss of quality in our network.

If our licenses for provision of telecommunications services or frequency allocations are not renewed, our business could be materially adversely affected. For more information our licenses, please see the section of this Annual Report on Form 20-F entitled “Item 4—Information on the Company—Description of Our Business.”

**We face uncertainty regarding our frequency allocations, equipment permits and network registration, and we may experience limited spectrum capacity for providing wireless services.**

To establish and commercially launch a mobile telecommunications network, we are required to receive, among other things, frequency allocations for bandwidths within the frequency spectrums in the regions in which we operate. There is a limited number of frequencies available for mobile operators in each of the regions in which we operate or hold licenses to operate. We are dependent on access to adequate frequency allocation in each such market in order to maintain and expand our customer base. If frequencies are not allocated to us in the future in the quantities, with the geographic span and for time periods that would allow us to provide mobile services on a commercially feasible basis throughout all of our license areas, our business, financial condition, results of operations and prospects may be materially adversely affected. In addition, a failure to make payments for frequency allocations could result in the suspension or revocation of our frequency allocations. A loss of allocated frequency that is not replaced by other adequate allocations also could have a substantial adverse impact on our network capacity and our ability to provide mobile services. In addition, frequency allocations may be issued for periods that are shorter than the terms of our licenses, and such allocations may not be renewed in a timely manner or at all. For instance, we have in the past been unable to obtain frequency allocations necessary to test or expand our networks in Russia. If our frequencies are revoked or we are unable to renew our frequency allocations, or obtain additional ones, our network capacity and our ability to provide mobile services would be constrained and our ability to expand would be limited, which could have a material adverse effect on our business, financial conditions, results of operations and prospects.

In addition, 3G and advanced spectrum auctions are expected to be held in a number of jurisdictions in which we operate, and failure to obtain sufficient spectrum at acceptable prices in these markets, or other markets in which 3G and advanced spectrum are introduced, may materially adversely affect our business, financial performance and results of operations. In Algeria, OTA was officially notified of the award of its 3G license on December 3, 2013 and in Bangladesh, banglalink was awarded a 3G license on September 8, 2013. In Pakistan, Mobilink, was awarded a 3G license on April 23, 2014.

We may encounter difficulties in building our networks, and we may face other factors beyond our control that could affect our ability to operate our networks, decrease the quality of our services, increase the cost of construction or operation of our networks or delay the introduction of services. As a result, we could experience difficulty in increasing our customer base or could fail to meet license requirements, either of which may have a material adverse effect on our business.

In addition, we could face significant increased costs if the laws or authorities in the countries in which we operate change the requirements for our equipment or networks, including, but not limited to, prohibiting the use of equipment from certain manufactures due to national security concerns or imposing important bans on certain types of equipment. This or similar measures in other jurisdictions in which we operate could result in a material adverse effect on our business, financial condition or results of operations.

The laws of the countries in which we operate generally prohibit the operation of telecommunications equipment without a relevant permit from the appropriate regulatory body. Due to complex regulatory procedures, it is frequently not possible for us to procure in a timely manner the permissions and registrations required for our base stations, including registration of our title to land plots underlying our base stations and construction permits, or other aspects of our network before we put the base stations into operation or to amend or maintain the permissions in a timely manner when it is necessary to change the location or technical specifications of our base stations. At times, there can be a number of base stations or other communications facilities and other aspects of our networks for which we are awaiting final permission to operate for indeterminate periods. This problem may be exacerbated if there are delays in issuing necessary permits.

We also regularly receive notices from regulatory authorities in countries in which we operate warning us that we are not in compliance with aspects of our licenses and permits and requiring us to cure the violations within a certain time period. We have closed base stations on several occasions in order to comply with regulations and notices from regulatory authorities. Any failure by our company to cure such violations could result in the applicable license being suspended and subsequently revoked through court action. Although we generally take all necessary steps to comply with any license violations within the stated time periods by switching off base stations that do not have all necessary permits until such permits are obtained, we cannot assure you that our licenses will not be suspended and not subsequently be revoked in the future. If we are found to operate telecommunications equipment without an applicable permit, we could experience a significant disruption in our service or network operation and this would have a material adverse effect on our business, financial condition, results of operations and prospects.

**We may be subject to increases in payments for frequency allocations under the terms of some of our licenses.**

Legislation in many countries in which we operate, including Russia, require that we make payments for frequency spectrum usage. As a whole, the fees for all available frequency assignments have been significant. Any significant increase in the fees payable for the frequencies that we use or for additional frequencies that we need could have a negative effect on our financial results. We cannot assure you that the fees we pay for radio-frequency spectrum use will not increase, and such an increase could have a material adverse effect on our business, financial condition and results of operations. For more information on the payment requirements relating to frequency allocation, see “Item 4—Information on the Company—Regulation of Telecommunications.”

**We are involved in disputes and litigation with regulators, competitors and third parties.**

We are party to lawsuits and other legal, regulatory and antitrust proceedings, the final outcome of which is uncertain. Litigation and regulatory proceedings are inherently unpredictable. For more information on these disputes, see Note 27 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F. An adverse outcome in, or any settlement of, these or other proceedings (including any that may be asserted in the future) may have a material adverse effect on our business, financial condition, results of operations and prospects.

**We could be subject to tax claims that could have a material adverse effect on our business.**

Tax audits in the countries in which we operate are conducted regularly. We have been subject to substantial claims by tax authorities in Russia, Italy, Algeria, Egypt, Pakistan, Bangladesh, Ukraine, Kazakhstan, Armenia, Georgia, Uzbekistan and Tajikistan. These claims have resulted in additional payments, including fines and penalties, to the tax authorities. For more information regarding tax claims and their effects on our financial statements, see Note 27 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F. Risks relating to tax claims of the Algerian tax authorities are described in greater detail below in “—The Algerian Government has made substantial tax and other claims against OTA which have harmed OTA’s business, and the Algerian Government has announced its intention to unilaterally acquire OTA from GTH.”

Although we are permitted to challenge in court the decisions of tax inspectorates, there can be no assurance that we will prevail in our litigation with tax inspectorates. In addition, there can be no assurance that the tax authorities will not claim on the basis of the same asserted tax principles they have claimed against us for prior tax years or different tax principles that additional taxes are owed by us for prior or future tax years or that the relevant governmental authorities will not decide to initiate a criminal investigation in connection with claims by tax inspectorates for prior tax years. The adverse resolution of these or other tax matters that may arise could have a material adverse effect on our business, financial condition and results of operations.

**The Algerian Government has made substantial tax and other claims against OTA which have harmed OTA's business, and the Algerian Government has announced its intention to unilaterally acquire OTA from GTH.**

GTH's subsidiary OTA accounts for a significant proportion of GTH's consolidated revenue. For the past several years, OTA has suffered from various ongoing measures taken by the Algerian Government and its various regulatory agencies. The Algerian tax authority has made substantial tax claims against OTA for the tax years 2004 to 2009. OTA continues to challenge these claims but has prepaid, under protest, claimed amounts and penalties totaling approximately DZD71.9 billion (equal to approximately US\$955 million using the average annual exchange rates according to the years in which amounts were prepaid) during the pendency of its legal challenges.

On April 15, 2010, an injunction by the Bank of Algeria came into effect that restricts all Algerian banks from engaging in foreign banking transactions on behalf of OTA. OTA has challenged this injunction in the Algerian courts but the case is still pending. As a result of the injunction OTA is prevented from importing equipment from foreign suppliers, save for a recent limited exemption allowing the importation of 3G equipment, and is prevented from transferring funds outside of Algeria. The Algerian authorities alleged breaches of foreign exchange regulations by OTA and a member of its senior management. On March 28, 2012, the Algerian Court of First Instance handed down a judgment against OTA and a member of OTA's senior executive team. The judgment consists of fines of DZD99.0 billion (approximately US\$1.3 billion at the exchange rate as of March 28, 2012) including a criminal sentence against a member of OTA's senior executive team. On April 5, 2012, OTA and its senior executive appealed the Criminal Court's judgment and on May 27, 2012, the Algerian Criminal Court of Appeal handed down judgment on the day of the hearing, confirming the judgment against OTA, suspending the criminal custodial sentence previously ordered against OTA's senior executive and transferring the burden of payment of the DZD6 billion fine ordered against the senior executive to OTA. On May 31, 2012, OTA lodged a final appeal against the May 27, 2012 judgment before the Algerian Supreme Court, which is still pending.

On April 12, 2012, GTH submitted a formal Notice of Arbitration against the Algeria State in respect of actions taken by the Algerian State against OTA. The claim in the Notice of Arbitration is being made under the arbitration rules of the United Nations Commission on International Trade Law. In its Notice of Arbitration, GTH asserts that since 2008 its rights under the Agreement on the Promotion and Reciprocal Protection of Investments between Egypt and Algeria have been violated by actions taken by the Algerian State against OTA, including the Algerian Court of First Instance's March 28, 2012 judgment against OTA and a member of its senior executive team and the Tax Reassessments.

Furthermore, the Algerian Government has announced its intention to unilaterally purchase OTA, alleging that it has the right to do so under the pre-emption right contained in the 2009 Finance Act and the 2010 Supplemental Finance Act. For more information, see Note 27 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F. The 2010 Supplement Finance Act also introduced a new penalty for failing to identify SIM card users and a future tax on certain profit, each of which could result in additional costs to the company.

On April 18, 2014, we together with our subsidiary GTH entered into a share purchase agreement to settle our disputes with the Algerian Government and sell a 51% interest in OTA to the Algerian National Investment Fund, subject to the satisfaction or waiver of certain conditions precedent. Specifically, as part of the settlement: (1) at closing of the transaction, OTA will definitively discontinue, with no admission of wrongdoing or liability, all pending proceedings relating to the disputes with the Algerian tax administration relating to tax reassessments for the years 2004 to 2009, (2) the foreign exchange and import restrictions put in place by the Bank of Algeria against OTA on April 15, 2010 will be lifted on closing of the transaction, following the payment by OTA to the Algerian Treasury of the fine of DZD99.0 billion (approximately US\$1.266 billion), (3) at closing of the transaction, OTA will definitively discontinue (with no admission of wrongdoing or liability) all pending related proceedings, and (4) upon signing of the share purchase agreement on April 18, 2014, GTH suspended its current arbitration against the Algerian State initiated on April 12, 2012 and, upon closing of the transaction, the parties to the arbitration will terminate the arbitration and all claims relating thereto.

Although we expect the transaction to close by the end of 2014, there can be no certainty that the closing conditions will be satisfied or waived and that the sale transaction will be completed. If the sale transaction is not completed, then the aforementioned settlements will not be effected. In such case, there can be no certainty that the Algerian tax authority will not make further tax assessments against OTA or other GTH companies in the future or that we would be successful in challenging any assessment or successful in recovering amounts that we have prepaid against these claims. Payment of, or lack of recovery of, claimed tax amounts may have an adverse effect on GTH's business, prospects, financial condition and results of operations. Furthermore, although OTA maintains that it has, and its senior executive has, acted in compliance with the law, if the sale transaction is not completed there is no guarantee that OTA will not become liable to pay some or all of the Bank of Algeria fines and become liable to further penalties and levies. This case may also interfere with the ability of members of the senior management of OTA to perform their functions and manage the company. If the sale transaction is not completed, GTH's ability to repatriate profits from Algeria in the future and to continue to own and control its operations in Algeria may be impacted by the ongoing court cases, arbitration and disputes. In addition, a number of laws have been enacted in Algeria which have an impact on OTA and GTH's investments in Algeria, and there can be no assurance that there will not be further new laws and changes to existing laws that will

have a negative impact on OTA and GTH. These and other measures taken by the Algerian Government and its agencies against OTA have adversely impacted the business, financial condition and results of operations of OTA and may continue into the future. The tax and other regulatory laws and regulations in Algeria, are subject to change or interpretation by the local authorities, including changes or interpretations that may subject OTA to material penalties, both monetary and statutory, which could adversely affect the conduct of its business.

For more information, see Notes 27 and 28 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F.

**Unpredictable tax systems give rise to significant uncertainties and risks that could complicate our tax planning and business decisions.**

The tax systems in the markets in which we operate may be unpredictable and give rise to significant uncertainties, which could complicate our tax planning and business decisions, especially in emerging markets in which we operate. Tax laws in many of the emerging markets in which we operate have been in force for a relatively short period of time as compared to tax laws in more developed markets. Tax authorities in our markets are often arbitrary in their interpretation of tax laws, as well as in their enforcement and tax collection activities which may increase the likelihood that tax authorities will impose arbitrary or onerous taxes and penalties in the future or require us to resort to court proceedings to defend our position against the tax authorities. Any additional tax liability imposed on us by tax authorities in this manner, as well as any unforeseen changes in applicable tax laws or changes in the tax authorities' interpretations of the respective double tax treaties in effect could have a material adverse effect on our future results of operations, cash flows or the amounts of dividends available for distribution to shareholders in a particular period. We may be required to accrue substantial amounts for contingent tax liabilities and the amounts accrued for tax contingencies may not be sufficient to meet any liability we may ultimately face. From time to time, we may also identify tax contingencies for which we have not recorded an accrual. Such unaccrued tax contingencies could materialize and require us to pay additional amounts of tax.

Introduction of the new tax laws or the amendment of existing tax laws, including, but not limited to those relating to transfer pricing rules or the deduction of interest expenses in the markets in which we operate may increase the risk of adjustments being made by the tax authorities and, as a result, could have a material impact on our business, financial performance and results of operations.

However no assurance can be currently given as to whether and when these amendments will be enacted, their exact nature, and the possible impact on our business.

For more information on risks relating to the Italian tax system, see “—Italian CFC legislation has been extended to EU companies.” For more information on risks relating to Algerian tax claims, see “—The Algerian Government has made substantial tax and other claims against OTA which have harmed OTA's business, and the Algerian Government has announced its intention to unilaterally acquire OTA from GTH.” above.

**Repeated tax audits and extension of liability beyond the limitation period may result in additional tax assessments.**

Tax declarations together with related documentation are subject to review and investigation by a number of authorities, which are empowered to impose fines and penalties on taxpayers.

In Russia, for example, tax returns remain open and subject to inspection by tax and/or customs authorities for three calendar years immediately preceding the year in which the decision to conduct an audit is taken. However, the fact that a particular year has been reviewed by tax authorities does not preclude that year from further review or audit during the eligible three-year limitation period by a superior tax authority. On July 14, 2005, the Russian Constitutional Court issued a decision allowing the statute of limitations for tax liabilities to be extended beyond the three-year term set forth in the tax laws if a court determines that the taxpayer has obstructed or hindered a tax inspection. Moreover, amendments to the first part of the Russian Tax Code, effective January 1, 2007, provide for the extension of the three-year statute of limitations if the actions of the taxpayer created insurmountable obstacles for the tax audit. Because none of the relevant terms is defined, tax authorities may have broad discretion to argue that a taxpayer has “obstructed,” “hindered” or “created insurmountable obstacles” in respect of an inspection and to ultimately seek review and possibly apply penalties beyond the three-year term, and there is no guarantee that the tax authorities will not review our compliance with applicable tax law beyond the three-year limitation period. Therefore, the statute of limitation is not entirely effective. Other jurisdictions in which we operate provide, or in the future may provide, similar powers to their taxing authorities.

Tax audits may result in additional costs to our group if the relevant tax authorities conclude that entities of the group did not satisfy their tax obligations in any given year. Such audits may also impose additional burdens on our group by diverting the attention of management resources. The outcome of these audits could have a material adverse effect on our business, financial condition, results of operations and prospects. Under such review the relevant tax authorities may conclude that we had significantly underpaid taxes relating to earlier periods, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, in recent years, the Russian tax authorities have aggressively brought tax evasion claims relating to Russian companies' use of tax-optimization schemes, and press reports have speculated that these enforcement actions have been selective and politically motivated.

#### **Italian CFC legislation has been extended to EU companies.**

As a result of Italian legislation enacted in 2009 and 2010, which provides for taxation of foreign companies located in certain countries and territories with a privileged tax regime that are directly or indirectly controlled by Italian resident individuals, companies and entities, certain WIND Italy group companies located within the EU, may be subject to additional taxation. However, there is still significant uncertainty regarding the application of these rules. Accordingly, WIND Italy continues to analyze the possible application developments and interpretations of this legislation.

#### **WIND Italy may be subject to a deferral or to a limitation of the deduction of interest expenses in Italy.**

For taxpayers like WIND Italy, Article 96 of Decree No. 917, as amended and restated, provides for the Italian regime of interest expenses deduction, aimed at rationalizing and simplifying the interest expenses deduction for Italian corporate income tax, or "IRES," purposes. Specifically, the rules allow for the full tax deductibility of interest expense incurred by a company in each fiscal year up to the amount of the interest income of the same fiscal year, as evidenced by the relevant annual financial statements. A further deduction of interest expense in excess of this amount is allowed up to a threshold of 30% of the EBITDA of a company (i.e., "risultato operativo lordo della gestione caratteristica," or "ROL" calculated as the difference between (i) the value of production -item A of the profit and loss account scheme contained in Article 2425 of Italian Civil Code- and (ii) the costs of production -item B of the profit and loss accounts scheme contained in Article 2425 of Italian Civil Code-, excluding depreciation, amortization and financial leasing installments relating to business assets) as recorded in such company's profit net loss account. The law provides that the amount of ROL (i) produced as from the third fiscal year following the fiscal year 2007 (i.e., 2010) and (ii) not used for the deduction of the amount of interest expense that exceeds interest income, can be carried forward, increasing the amount of ROL for the following fiscal years. Interest expense not deducted in a relevant fiscal year can be carried forward to the following fiscal years, provided that, in such fiscal years, the amount of interest expense that exceeds interest income is lower than 30% of ROL. Special rules apply to companies participating in the same tax group, allowing, to a certain extent and with certain limitations, to offset the excess interest expenses incurred by an Italian company in the tax group with 30% of ROL of other companies in the same tax group. Subject to certain limitations, the 30% of the foreign controlled entities' ROL may be used to offset any excess interest expenses of Italian companies participating to the tax group. Based on the above rules, WIND Italy currently is not able to deduct all of its interest expenses, though it is able to carry forward accrued and unused deductions to future fiscal years. Furthermore, any future changes in current Italian tax laws or in their interpretation and/or any future limitation on the use of the foreign controlled entities ROL may have an adverse impact on the deductibility of interest expenses for Wind Italy which, in turn, could adversely affect VimpelCom's and WIND Italy's financial condition and results of operations.

#### **We operate in an uncertain regulatory environment, which could cause compliance to become more complicated, burdensome and expensive and could result in our operating without all of the required permissions.**

The application of the laws of any particular country is not always clear or consistent. This is particularly true in many of the emerging market countries in which we operate where legislative drafting has not always kept pace with the demands of the marketplace. For more information on the risks associated with emerging markets, see "—Risks Related to Our Markets—Investors in emerging markets, where most of our operations are located, are subject to greater risks than investors in more developed markets, including significant political, legal and economic risks and risks related to fluctuations in the global economy" below. As a result, it is often difficult to ensure that we are in compliance with changing legal requirements. As an example, authorities in the Russian Federation are discussing the possible introduction of substantial fines for violation of the laws relating to customers' personal data processing. The amount of a fine might run up to US\$8,600 for each violation.

In addition, in 2010, the Algerian government issued a new finance law, where in case of failure to identify the SIM card user, a penalty amounting to DZD100,000 (equivalent to US\$1,267) for each unidentified SIM is paid for the first year and increase to DZD150,000 (equivalent to US\$1,901) for the second year. This law also specifies that the details of implementation of this provision



will be clarified by further legislation that has not been published. Following the measures that are currently being introduced in order to modernize the Algerian administrative system, in some regions the competent bodies have started to refuse legalizing IDs. The Ministry of Home Affairs is expected to clarify the approach to be taken by mobile operators. If we are found to be involved in practices that do not comply with local laws or regulations, we may be exposed, among other things, to significant fines, the risk of prosecution or the suspension or loss of our licenses, frequency allocations, authorizations or various permissions, any of which could have a material adverse effect on our business, financial condition and results of operations.

The regulators responsible for the control and supervision of communications services in each country in which we operate frequently check our compliance with the requirements of the applicable legislation and our telecommunications licenses and permits. We intend to make all necessary efforts to comply with all such requirements. However, we cannot assure you that in the course of future inspections, we will not be found to be in violation of the applicable legislation, licenses and/or permits. Any such finding could have a material adverse effect on business, financial condition or results of our operations.

In addition, it may be difficult and/or prohibitively expensive for us to comply with applicable telecommunications regulations related to state surveillance of communications traffic. Full compliance with regulations that allow the state to monitor voice and data traffic may be overly burdensome and expensive and lead to a drop in quality of service. Non-compliance with such regulations may lead to the imposition of fines or penalties on us, or the revocation of our operating licenses. Further, some customers may refuse to utilize the services of a telecommunications operator whose networks facilitate state surveillance of communications traffic.

As a result of the uncertainty in the regulatory environment we have experienced and could experience in the future:

- restrictions or delays in obtaining additional numbering capacity, receiving new licenses and frequencies, receiving regulatory approvals for rolling out our networks in the regions for which we have licenses, receiving regulatory approvals for changing our frequency plans and importing and certifying our equipment;
- difficulty in complying with applicable legislation and the terms of any notices or warnings received from the regulatory authorities in a timely manner;
- significant additional costs;
- delays in implementing our operating or business plans; and
- a more competitive operating environment.

**Arbitrary action by the authorities may have a material adverse effect on our business.**

In countries where we operate, governmental, regulatory and tax authorities have a high degree of discretion and at times exercise their discretion arbitrarily, without a hearing or prior notice, and sometimes in a manner that is contrary to law. Arbitrary, inconsistent or unlawful actions by authorities could have a material adverse effect on our business, financial condition and results of operations.

**Developing legal systems in the countries in which we operate create a number of uncertainties for our business.**

Many aspects of the legal systems in our countries of operation create uncertainties with respect to many of the legal and business decisions that we make, many of which do not exist in countries with more developed legal systems. The uncertainties we face include, among others, potential for negative changes in laws, gaps and inconsistencies between the laws and regulatory structure, difficulties in enforcement and inconsistency in the judicial interpretation of legislation in similar cases due to an underdeveloped judicial system.

**Lack of independence and experience of the judiciary, difficulty of enforcing court decisions, the unpredictable acknowledgement and enforcement of foreign court judgments or arbitral awards in a number of the countries in which we operate and governmental discretion in enforcing claims give rise to significant uncertainties.**

In a number of the countries in which we operate, the independence of the judicial system and its immunity from political, economic and nationalistic influences remains largely untested. Additional factors, such as lack of formal binding effect of judicial precedents, poor availability and organization of legislation and court decisions, slow pace of judicial processes and difficulty in enforcement of court orders, make judicial decisions in many of the countries in which we operate difficult to predict and make effective redress uncertain. Additionally, court claims are often used in furtherance of political aims. We may be subject to such claims and may not be able to receive a fair hearing. Additionally, court orders are not always enforced or followed by law enforcement agencies.

In addition, many of the countries in which we operate are not parties to any multilateral or bilateral treaties with most Western jurisdictions, including the United States and the United Kingdom, for the mutual enforcement of judgments of state courts. Consequently, should a judgment be obtained from a court in any of such jurisdictions, it is highly unlikely to be given direct effect in the courts of such countries. There is also a risk that new legislation in such countries will introduce further grounds for preventing foreign court judgments and arbitral awards from being recognized and enforced.

#### **Laws restricting foreign investment could materially adversely affect our business.**

We could be materially adversely affected by existing laws restricting foreign investment or the adoption of new laws or regulations restricting foreign investment, including foreign investment in the telecommunications industry in Russia or other markets in which we operate.

Russian legislation, named "Russian Foreign Investment Law," limits foreign investment in companies that are deemed to be strategic. Under the Russian Foreign Investment Law, a company operating in the telecommunications sector may be deemed strategic if it holds a dominant position in the Russian communications market (except for the Internet services market) or, in the case of fixed-line telecommunications, if the particular company's market covers five or more Russian regions or covers Russian cities of federal importance. In connection with the adoption of the Russian Foreign Investment Law, amendments were adopted to certain provisions of the Russian Communications Law which provide that with respect to mobile telecommunications, a company will be deemed to have a dominant position for purposes of application of the Russian Foreign Investment Law if its share of the Russian mobile telecommunications market exceeds 25.0%. The FAS has previously determined that a group of persons consisting of OJSC VimpelCom and two of its Russian subsidiaries, one of which subsequently merged with and into OJSC VimpelCom, has a dominant position, because their share of the Russian mobile telecommunications market exceeds 25.0%. As a result, OJSC VimpelCom is deemed to be a strategic enterprise and, among other things, any acquisition by a foreign investor of direct or indirect control over more than 50.0% of its voting shares, or 25.0% in the case of a company controlled by a foreign government, requires the prior approval of the Russian authorities pursuant to the Russian Foreign Investment Law. In the event of any future transactions resulting in the acquisition by a foreign investor of direct or indirect control over OJSC VimpelCom, such a transaction will require prior approval in accordance with the Russian Foreign Investment Law. Additionally, companies controlled by foreign governments are prohibited from acquiring control over strategic enterprises. For example, the FAS claim filed in April 2012 sought to invalidate acquisitions by Telenor of VimpelCom Ltd. shares on grounds that Telenor is majority owned by the Norwegian government, a foreign government and such acquisitions were in violation of the Foreign Investment Law. The FAS claim was terminated without a determination of the issue. As a result, our ability to obtain financing from foreign investors may be limited, should prior approval be refused, delayed or require foreign investors to comply with certain conditions imposed by the Government Commission on Control of Foreign Investments in the Russian Federation or the FAS, which could materially and adversely affect our business, financial condition, results of operations and prospects.

#### **We are subject to anti-corruption laws.**

We are subject to a number of anti-corruption laws, including the FCPA and various other anti-corruption laws. Our failure to comply with anti-corruption laws applicable to us could result in penalties which could harm our reputation and have a material adverse effect on our business, financial condition, results of operations and prospects. The FCPA generally prohibits companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or keeping business and/or other benefits. The FCPA also requires public companies to maintain accurate books and records and devise a system of sufficient internal accounting controls. We regularly review and update our policies and procedures and internal controls designed to provide reasonable assurance that we, our employees, distributors and other intermediaries comply with the anti-corruption laws to which we are subject. However, there are inherent limitations to the effectiveness of any policies, procedures and internal controls, including the possibility of human error and the circumvention or overriding of the policies, procedures and internal controls. There can be no assurance that such policies or procedures or internal controls will work effectively at all times or protect us against liability under these or other laws for actions taken by our employees, distributors and other intermediaries with respect to our business or any businesses that we may acquire.

We operate in Africa, Russia and other countries of the former Soviet Union, as well as other countries which pose elevated risks of corruption violations. If we are not in compliance with anti-corruption laws and other laws governing the conduct of business with government entities and/or officials (including local laws), we may be subject to criminal and civil penalties and other remedial measures, which could have an adverse impact on our business, financial condition, results of operations and prospects. Any investigation of any actual or alleged violations of such laws or policies by us or any governmental body could also have an adverse impact on our business, financial condition, results of operations and prospects.

## Risks Related to Our Markets

### **The international economic environment could have a material adverse effect on our business.**

After late 2008, the economies in our markets were adversely affected by the international economic crisis, and economies in markets in which we operate continue to suffer. Among other things, the crisis led to a slowdown in gross domestic product growth, increase of inflation, devaluations of the currencies in Russia and the other markets in which we operate and a decrease in commodity prices. Although in certain markets in which we operate economic conditions have been improving, the timing of a return to sustained economic growth and consistently positive economic trends is difficult to predict. The recessionary effects, debt crisis and Euro crisis in Europe continue to pose potentially significant macroeconomic risks to our group. The economic climate is further strained by high energy costs, in large part due to conflicts or social unrest in the Middle East and Northern Africa, which can increase various costs including some of our operations' costs, while at the same time discouraging spending by customers. In addition, because Russia and Kazakhstan, currently two of our larger markets, produce and export large amounts of oil, their economies are particularly vulnerable to fluctuations in the price of oil on the world market and those fluctuations can adversely affect such economies and those of other markets in which we operate. The current difficult economic environment and any future downturns in the economies of markets in which we operate or may operate in the future could diminish demand for our services, increase our costs, constrain our ability to retain existing customers and collect payments from them and prevent us from executing our growth strategy. Adverse economic conditions could also hurt our liquidity and prevent us from obtaining financing needed to fund our development strategy, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

When we purchase a company, we record the difference between the sum of the purchase price plus the fair value of non-controlling interest and the fair value of the net assets acquired as goodwill. VimpelCom has recognized substantial amounts of goodwill in connection with its acquisitions, in particular the acquisitions of Golden Telecom in 2008, Kyivstar in 2010 and Wind Telecom in 2011. At December 31, 2013 the gross value of goodwill was US\$14,709 million. In 2013 we recorded impairment of goodwill in Ukraine of US\$ 2,085 million, the investment in Canada of US\$ 764 million and other assets in various countries of US\$ 124 million.

On at least an annual basis, we perform an impairment test for each cash generating unit ("CGU") as required by IFRS. Estimating recoverable amounts of CGUs must, in part, be based on management's evaluations, including the determination of the appropriate CGUs, the discount rate, estimates of future performance, the revenue generating capacity of the assets, timing and amount of future purchases of property and equipment, assumptions of the future market conditions and the long-term growth rate into perpetuity (terminal value). A deterioration in macroeconomic conditions in the countries in which we operate and/or a significant difference between the performance of an acquired company and the business case assumed at the time of acquisition could require us to further write down the value of the goodwill. In addition, the different possible developments as a result of a financial and economic crisis, in particular related to customer behavior, competition reaction in this environment in terms of offers and pricing or in response to new entrants, regulatory adjustments in relation to reductions in consumer prices and our ability to adjust costs and investments in keeping with possible changes in revenue may adversely affect our forecasts and lead to a write-down in tangible and intangible assets.

A write-down in tangible and intangible assets could impact any covenants under our debt agreements and could lead to a material adverse effect on our business, financial condition, results of operations and prospects. For further information on the impairment of tangible and intangible assets and recoverable amounts (particularly key assumptions and sensitivity), see Note 10 to the consolidated financial statements included elsewhere in this Annual Report on Form 20-F.

### **Investors in emerging markets, where most of our operations are located, are subject to greater risks than investors in more developed markets, including significant political, legal and economic risks and risks related to fluctuations in the global economy.**

Most of our operations are in emerging markets. Investors in emerging markets should be aware that these markets are subject to greater risks than more developed markets, including in some cases significant political, legal and economic risks. Emerging market governments and judiciaries often exercise broad, unchecked discretion and are susceptible to abuse and corruption and rapid reversal of political and economic policies on which we depend. Political and economic relations among the countries in which we operate are often complex and have in the past resulted in, and may in the future result in conflicts, which may materially adversely affect our business, financial condition and results of operation. In addition, emerging economies are subject to rapid change and the information set out in this Annual Report on Form 20-F may become outdated relatively quickly. The economies of emerging markets

are vulnerable to market downturns and economic slowdowns elsewhere in the world. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in these markets and materially adversely affect their economies. These developments could severely limit our access to capital and could materially adversely affect the purchasing power of our customers and, consequently, our business.

Some of the jurisdictions in which we operate have experienced significant social unrest. For example, GTH is an Egyptian company listed on the Egyptian Stock Exchange. Since 2011, there have been widespread protests against the government, resulting in a negative impact on the share prices of companies listed on the Egyptian Stock Exchange and resulted in extensive disruption and damage throughout the country to public and private property and infrastructure. In addition, in 2012 and 2013, there was significant social unrest in Bangladesh and Pakistan. These events and similar events in other jurisdictions where we operate could adversely affect our business, prospects, financial condition and results of operations. In addition, a number of the jurisdictions in which we operate may present security risks to our local businesses, management and employees, and this may make it more difficult to attract and retain effective management personnel.

Ukraine has experienced significant social and political unrest in recent months, including large-scale political protests resulting in the death of numbers of Ukrainians and the removal of Viktor F. Yanukovich as president of Ukraine in February 2014. Further deterioration of conditions in Ukraine could materially adversely affect our business, financial condition, results of operations and prospects. Due to recent developments in Ukraine and Russia's annexation of Crimea, the United States, the European Union, Australia, Canada, and a number of other countries have imposed sanctions on certain individuals and financial institutions in Russia and have proposed the use of broader economic sanctions. In response, Russia has imposed entry bans on certain U.S. and E.U. officials, and some Russian officials have indicated that Russia would impose sanctions in response to sanctions imposed on Russia by other countries. If the United States and the European Union were to impose further sanctions, including sanctions on additional Russian businesses or additional Russian financial institutions, or if there were an increase in hostilities in Ukraine or in the region, it could result in instability or worsening of the overall economic situation in Ukraine, Russia, Europe or in the global capital markets generally, which could impact our group. In particular, we could be materially adversely impacted by a decline of the Ruble against the U.S. Dollar or the Euro exchange rates and the general economic performance of Russia. The annexation of the Crimea by Russia and unrest in Eastern Ukraine may result in significant damage or loss of assets and may also present some regulatory issues, the resolution of which may adversely impact our group. As a result, the instability in the region and economic sanctions and other geopolitical developments could materially adversely affect our business, financial condition, results of operations and prospects.

For more information about the market risks we are exposed to as a result of foreign currency exchange rate fluctuations, see “—Risks Related to Our Business—We are exposed to foreign currency exchange loss and convertibility risks.” In case of significant social unrest in some of the countries in which we operate, the local authorities may order our subsidiaries to temporarily shut down their entire network or our networks may be shut down due to nationwide strikes. For example, in 2013, our subsidiary in Pakistan was ordered to shut down parts of its mobile network and services on a regular basis. Also, our subsidiary in Bangladesh was forced to shut down its network on a number of occasions due to nationwide strikes. In addition, local governments or other factions could make inappropriate use of our network and force us to broadcast propaganda or illegal instructions to our customers. Forced shutdowns or inappropriate use of our network in the countries where we have operations could materially adversely affect our business, financial condition, results of operations and prospects.

Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved and investors are urged to consult with their own legal, financial and tax advisors.

#### **Sustained periods of high inflation may materially adversely affect our business.**

The countries in which we operate have experienced periods of high levels of inflation, including certain cases of hyperinflation.

Our profit margins could be adversely affected if we are unable to sufficiently increase our prices to offset any significant future increase in the inflation rate, which may become more difficult as we attract more mass market customers and our customer base becomes more price sensitive. Inflationary pressure in the countries where we have operations could materially adversely affect our business, financial condition, results of operations and prospects.

**Social instability in the countries where we operate could lead to increased support for centralized authority and a rise in nationalism, which could harm our business.**

Social instability in the countries in which we operate, coupled with difficult economic conditions, could lead to increased support for centralized authority and a rise in nationalism. These sentiments could lead to restrictions on foreign ownership of companies in the telecommunications industry or large-scale nationalization or expropriation of foreign-owned assets or businesses. In most of the countries in which we operate, there is relatively little experience in enforcing legislation enacted to protect private property against nationalization or expropriation. As a result, we may not be able to obtain proper redress in the courts, and we may not receive adequate compensation if in the future the governments decide to nationalize or expropriate some or all of our assets. If this occurs, our business could be harmed.

In addition, ethnic, religious, historical and other divisions have, on occasion, given rise to tensions and, in certain cases, military conflict. The spread of violence, or its intensification, could have significant political consequences, including the imposition of a state of emergency, which could materially adversely affect the investment environment in the countries in which we operate.

**The physical infrastructure in many countries in which we operate is in poor condition and further deterioration in the physical infrastructure could have a material adverse effect on our business.**

In many countries in which we operate, the physical infrastructure, including transportation networks, power generation and transmission and communications systems, is in poor condition. In some of the countries in which we operate, including Russia, the public switched telephone networks have reached capacity limits and need modernization, which may inconvenience our customers and will require us to make additional capital expenditures. In addition, continued growth in local, long-distance and international traffic, including that generated by our customers, and development in the types of services provided may require substantial investment in public switched telephone networks. Any efforts to modernize infrastructure may result in increased charges and tariffs, potentially adding costs to our business. The deterioration of the physical infrastructure harms the economies of these countries, disrupts the transportation of goods and supplies, adds costs to doing business and can interrupt business operations. Further deterioration in the physical infrastructure in many of the countries in which we operate could have a material adverse effect on our business.

**The banking systems in many countries in which we operate remain underdeveloped, there are a limited number of creditworthy banks in these countries with which our company can conduct business and currency control requirements restrict activities in certain markets in which we have operations.**

The banking and other financial systems in many countries in which we operate are not well developed or regulated, and laws relating to banks and bank accounts are subject to varying interpretations and inconsistent applications. We have attempted to mitigate our banking risk by receiving and holding funds with the most creditworthy banks available in each country. However, in the event of a banking crisis in any of these countries or the bankruptcy or insolvency of the banks from which we receive, or with which we hold, our funds could result in the loss of our deposits or negatively affect our ability to complete banking transactions in these countries, which could have a material adverse effect on our business, financial conditions and results of operations.

In addition, central banks and governments in the markets in which we operate may restrict or prevent international transfers or impose (foreign) currency restrictions which could prevent us from making payments, including the repatriation of dividends. This could result in a material adverse effect on the business condition of our local operations.

### **Risks Related to the Ownership of our ADSs**

**The issuance of a significant number of our shares in the Wind Telecom Transaction and a resulting “market overhang” could adversely affect the market price of our ADSs.**

There are currently 305,000,000 VimpelCom convertible preferred shares outstanding which may be converted into VimpelCom common shares at the option of the shareholder (presently Telenor) any time between October 15, 2013 and April 15, 2016 at a price based on the NASDAQ price of VimpelCom ADSs, subject to certain limitations under U.S. securities laws. If convertible preferred shares are converted into common shares they will also become available for trading in the public market. The sale of any of the VimpelCom shares on the public markets or the perception that such sales may occur (commonly referred to as “market overhang”), may adversely affect the market for, and the market price of, VimpelCom’s ADSs.

## **Various factors may hinder the declaration and payment of dividends.**

The payment of dividends is subject to the discretion of VimpelCom's supervisory board and VimpelCom's assets consist primarily of investments in its operating subsidiaries. Various factors may cause the supervisory board to determine not to pay dividends. Such factors include VimpelCom's financial condition, its earnings and cash flows, its leverage, its capital requirements, contractual restrictions, legal proceedings and such other factors as VimpelCom's supervisory board may consider relevant. For more information on our policy regarding dividends, see "Item 8. Financial Information—Policy on Dividend Distributions."

## **VimpelCom is a Bermuda company governed by Bermuda law, which may affect your rights as a shareholder or holder of ADSs.**

VimpelCom is a Bermuda exempted company. As a result, the rights of VimpelCom's shareholders are governed by Bermuda law and by VimpelCom's bye-laws. The rights of shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions. In addition, holders of ADSs do not have the same rights under Bermuda law and VimpelCom's bye-laws as registered holders of VimpelCom's shares. Substantially all of our assets are located outside the United States. It may be difficult for investors to enforce in the United States judgments obtained in U.S. courts against VimpelCom or its directors and executive officers based on civil liability provisions of the U.S. securities laws. Uncertainty exists as to whether courts in Bermuda will enforce judgments obtained in other jurisdictions, including the United States, under the securities laws of those jurisdictions, or entertain actions in Bermuda under the securities laws of other jurisdictions.

## **We are not subject to certain corporate governance requirements under the NASDAQ rules.**

Our ADSs are listed on the NASDAQ Global Select Market; however, as a Bermuda company, we are permitted to follow "home country practice" in lieu of certain corporate governance provisions under the NASDAQ listing rules that are applicable to a U.S. company. The primary difference between our corporate governance practices and the NASDAQ rules relates to NASDAQ listing rule 5605(b)(1), which provides that each U.S. company listed on NASDAQ must have a majority of independent directors, as defined in the NASDAQ rules. Bermuda corporate law does not require that we have a majority of independent directors. We do not have a majority of independent directors, as defined in the NASDAQ rules. Accordingly, you will not have the same protections as are afforded to shareholders of companies that are subject to all of the NASDAQ corporate governance requirements. For more information on the significant differences between our corporate governance practices and those followed by U.S. companies under the NASDAQ listing rules, see the section of this Annual Report on Form 20-F entitled "Item 16G—Corporate Governance."

## **ITEM 4. Information on the Company**

### **Overview**

VimpelCom is one of the world's largest telecommunications service operators, providing voice and data services through a range of traditional and broadband mobile and fixed-line technologies. The VimpelCom Group includes companies operating in Russia, Italy, Ukraine, Kazakhstan, Uzbekistan, Tajikistan, Armenia, Georgia, Kyrgyzstan, Laos, Algeria, Bangladesh, Pakistan, Burundi and the Central African Republic. We also hold equity shareholdings in companies operating in Canada and Zimbabwe. The operations of these companies cover a territory with a total population of approximately 753 million as of December 31, 2013. We provide services under the "Beeline," "Kyivstar," "banglalink," "Mobilink," "Telecel," "Leo," "Djezzy," "WIND" and "Infostrada" brands. As of December 31, 2013, we had 220 million mobile customers. For a breakdown of total revenue by category of activity and geographic segments for each of the last three financial years, see "Item 5—Operating and Financial Review and Prospects."

VimpelCom Ltd. is an exempted company limited by shares registered under the Companies Act 1981 of Bermuda on June 5, 2009, and our registered office is located at Victoria Place, 31 Victoria Street, Hamilton HM 10, Bermuda. The VimpelCom Group's headquarters are located at Claude Debussylaan 88, 1082 MD, Amsterdam, the Netherlands. Our telephone number is +31 20 797 7200. VimpelCom Ltd. is registered with the Dutch Trade Register (registration number 34374835) as a company formally registered abroad (*formeel buitenlandse kapitaalvennootschap*), as this term is referred to in the Dutch Companies Formally Registered Abroad Act (*Wet op de formeel buitenlandse vennootschappen*), which means that we are deemed a Dutch resident company for tax purposes in accordance with applicable Dutch tax regulations.

### **History and Development**

Our predecessor OJSC VimpelCom was founded in 1992. Our rich history includes our development and expansion throughout Russia and the CIS, then into Asia, Europe, Africa and North America through a combination of organic growth and acquisitions.

The most significant events in the development of our business include the following:

- In November 1996, our predecessor OJSC VimpelCom became the first Russian company since 1903 to list shares on the NYSE.
- Telenor, Norway’s leading telecommunications company became a strategic partner in OJSC VimpelCom in December 1998 and the Alfa Group acquired strategic ownership interests in 2001.
- VimpelCom began its expansion into the CIS by acquiring local operators or entering into joint ventures with local partners in Kazakhstan (2004), Ukraine (2005), Tajikistan (2005), Uzbekistan (2006), Georgia and Armenia (2006). The Southeast Asian markets followed with Cambodia (2008) and the Lao PDR (2011).
- In 2009 and 2010, Telenor ASA, the parent company of the Telenor Group, and Altimo Holdings, a member of the Alfa Group, combined their ownership of OJSC VimpelCom and Ukrainian mobile operator Kyivstar under a new company called VimpelCom Ltd. This transaction involved a series of transactions which included, among others, the delisting of OJCS VimpelCom shares on the Moscow stock exchange, the delisting of OJSC VimpelCom ADSs on the NYSE and the listing of VimpelCom Ltd. shares on the NYSE.
- In 2011, VimpelCom completed the acquisition of Wind Telecom S.p.A., an international provider of mobile and fixed-line telecommunications and Internet services with operations in Algeria, Bangladesh, Pakistan, Burundi, Central African Republic and Italy, and equity shareholdings in Canadian and Zimbabwean operations.
- On September 10, 2013, VimpelCom switched the listing of its ADSs to the NASDAQ Global Stock Market from the NYSE. On October 29, 2013, VimpelCom achieved another major milestone with its inclusion in the NASDAQ-100® Index.

For more information on our acquisitions, see “Item 5—Operating and Financial Review and Prospects—Liquidity and Capital Resources—Investing Activities” below.

Our capital expenditures include purchases of licenses, new equipment, new construction, upgrades, software, other long-lived assets and related reasonable costs incurred prior to intended use of the non-current assets, accounted at the earliest event of advance payment or delivery. Long-lived assets acquired in business combinations are not included in capital expenditures. For more information on our principal capital investments and investing activities, including acquisitions and divestitures of interests in other companies, and method of financing, see the sections entitled “Item 5—Operating and Financial Review and Prospects—Liquidity and Capital Resources—Investing Activities” and “Item 5—Operating and Financial Review and Prospects—Liquidity and Capital Resources—Future Liquidity and Capital Requirements.”

## Organizational Structure

VimpelCom Ltd. is the holding company for a number of operating subsidiaries and holding companies in various jurisdictions. Our reporting structure in 2013 is divided into the five following business units, all of which report to our headquarters in Amsterdam:

- Russia;
- Italy;
- Africa & Asia;
- Ukraine; and
- the Commonwealth of Independent States (or “CIS”).

The table below sets forth our operating companies and significant subsidiaries, including those subsidiaries that hold our principal telecommunications licenses, and our percentage ownership interest, direct and indirect, in each subsidiary as of April 30, 2014. Our percentage ownership interest is identical to our voting power in each of the subsidiaries.

<u>Subsidiary</u>	<u>Country of Incorporation</u>	<u>Percentage Ownership Interest (Direct and Indirect)</u>
VimpelCom Amsterdam BV	Netherlands	100%
Wind Telecom S.p.A.	Italy	100% <sup>(1)</sup>
WIND Acquisition Holdings Finance S.p.A.	Italy	100% <sup>(2)</sup>
WIND Telecomunicazioni S.p.A.	Italy	100%
WIND Retail S.r.l.	Italy	100%
VimpelCom Holdings BV	Netherlands	100%
OJSC VimpelCom	Russia	100%
“Kyivstar” PJSC	Ukraine	100% <sup>(3)</sup>

<u>Subsidiary</u>	<u>Country of Incorporation</u>	<u>Percentage Ownership Interest (Direct and Indirect)</u>
Limnotex Developments Limited	Cyprus	71.5% <sup>(4)</sup>
LLP “KaR-Tel”	Kazakhstan	71.5% <sup>(5)</sup>
LLP “TNS-Plus”	Kazakhstan	49% <sup>(6)</sup>
LLC “Tacom”	Tajikistan	98.0% <sup>(7)</sup>
LLC “Golden Telecom”	Ukraine	100% <sup>(9)</sup>
LLC “Unitel”	Uzbekistan	100% <sup>(10)</sup>
LLC “Mobitel”	Georgia	80.0% <sup>(11)</sup>
CJSC “ArmenTel”	Armenia	100%
LLC “Sky Mobile”	Kyrgyzstan	71.5% <sup>(12)</sup>
VimpelCom Lao Co. Ltd.	Lao PDR	78.0% <sup>(13)</sup>
Weather Capital S.à r.l.	Luxembourg	100%
Weather Capital Special Purpose 1 S.A.	Luxembourg	100%
Global Telecom Holding S.A.E.	Egypt	51.9% <sup>(14)</sup>
Orascom Telecom Algérie S.p.A.	Algeria	50.3% <sup>(15)</sup>
Pakistan Mobile Communications Limited	Pakistan	51.9% <sup>(16)</sup>
Global Telecom Bangladesh Limited	Bangladesh	51.9% <sup>(17)</sup>
U-com Burundi S.A	Burundi	51.9% <sup>(18)</sup>
Telecel Centrafrique S.A.	C.A.R.	51.9% <sup>(19)</sup>

- (1) 92.23936% of the share capital of Wind Telecom S.p.A. is owned by VimpelCom Amsterdam B.V., and the remainder 7.760636% is owned by WIND Acquisition Holdings Finance S.p.A.
- (2) 0.0025% is owned by managers of WIND Telecomunicazioni SpA.
- (3) VimpelCom Ltd. hold 99.9961% of the outstanding shares in Kyivstar, through its direct ownership of 0.0039% and indirect ownership of 73.8038%. Kyivstar holds 26.1922% of its own shares as a result of its merger with its former shareholder Storm LLC, with Kyivstar as the surviving company. Although the shares in Kyivstar held by Kyivstar are accounted for in the calculation of the aggregate ownership percentage by the Ukrainian securities depositary, these shares are not taken into account for the purposes of paying dividends and determining quorum or voting at Kyivstar shareholders’ meetings. By law, Kyivstar is required to either sell or cancel its shares that it owns. As of the date of this Annual Report on Form 20-F, Kyivstar has not yet made a decision whether it will sell or cancel such shares, because certain regulatory procedures related to cancellation of shares acquired by issuers in corporate reorganizations have not been adopted. There are no financial penalties or explicit liability associated with Kyivstar’s failure to sell or cancel the shares.
- (4) OJSC VimpelCom holds 71.5% indirectly through a wholly owned holding company.
- (5) Limnotex Developments Limited holds 100% directly.
- (6) VimpelCom Holdings B.V. holds 49% indirectly through a wholly owned Dutch and Kazakh holding companies.
- (7) VimpelCom Holdings BV holds 98.0% indirectly through a wholly owned BVI holding company.
- (8) Kyivstar holds 100% directly.
- (9) OJSC VimpelCom holds 100% indirectly through a number of its wholly owned subsidiaries.
- (10) OJSC VimpelCom holds 100% indirectly through wholly owned Dutch and BVI holding companies.
- (11) VimpelCom Holdings B.V. holds 80.0% indirectly through a number of wholly owned subsidiaries.
- (12) Limnotex Developments Limited holds 100% through its wholly owned Cypriot subsidiary.
- (13) OJSC VimpelCom holds 78.0% indirectly through two wholly owned Dutch holding companies.
- (14) Weather Capital S.à r.l. holds 1.92% directly and Weather Capital Special Purpose 1 S.A. holds 50.00% plus one share directly.
- (15) GTH holds 57.5% directly and 39.3% indirectly through two wholly owned Maltese subsidiaries.
- (16) GTH holds 100% indirectly through two wholly owned Maltese subsidiaries.
- (17) GTH holds 99.9% indirectly through a Maltese subsidiary.
- (18) GTH holds 100% indirectly through a Maltese subsidiary.
- (19) GTH holds 100% indirectly through a Maltese subsidiary.

## Description of Our Business

### *Our Mobile Telecommunications Business*

We generally offer the following mobile telecommunications services to our customers:

- mobile telecommunications services under contract and prepaid plans for both corporate and consumer segments;
- value added and call completion services;
- our value added services include messaging services, content/infotainment services, data access services, financial value added services (which help customers manage their credit balances), location based services (which monitor customer locations), media, content delivery channels and mobile financial services (such as mobile bill payment);



- access to both national and international roaming services which allow our customers and customers of other mobile operators to receive and make international, local and long distance calls while outside of their home network;
- wireless Internet access; and
- other services.

### ***Our Fixed-line Telecommunications and Our Fixed-line Internet Business***

We offer voice, data and Internet services to corporations, operators and consumers using a metropolitan overlay network in major cities throughout Russia, Italy, Ukraine and the CIS. In Italy, we also use LLU, which allows us to use connections from Telecom Italia's local exchanges to the customer's premises.

In our fixed-line/mobile integrated business structure in Russia, Ukraine and the CIS, fixed-line telecommunications use inter-city fiber optic and satellite-based networks. Our fixed-line business in Russia, Ukraine and the CIS is organized into three categories:

- Business and Corporate Services, providing a wide range of telecommunications and information technology and data center services to companies and high-end residential buildings;
- Carrier and Operator Services, which provide consolidated management of our relationship with other carriers and operators. The two main areas of focus in this line of business are:
  - generating revenue by provisioning a specific range of telecommunications services to other mobile and fixed-line operators and ISPs in Russia and worldwide; and
  - optimizing costs and ensuring the quality of our long distance voice, Internet and data services to and from customers of other telecommunications operators and service providers worldwide by means of interconnection agreements; and
- Consumer Internet Services, which provide fixed-line telephony, Internet access and home phone services (on a VoIP and copper wire basis) to customers in Russia, Ukraine, Uzbekistan, Armenia and Kazakhstan.

In Italy, our fixed-line business uses an integrated network infrastructure with 21,647 kilometers of fiber optic cable backbone and 1,458 LLU sites for direct customer connections. Our fixed-line business in Italy is organized by the following services:

- Consumer Voice Offerings;
- Corporate Voice Offerings, which provide fixed-line voice services, data services, value added services and connectivity services to corporate customers, including large corporate customers, SMEs and SOHOs; and
- Internet and Data Services, which provide Internet and data transmission services to both consumer and corporate customers;

For a description of our operations in each of our five business units, see the sections entitled “—Description of Operations of the Russia Business Unit,” “—Description of Operations of the Italy Business Unit,” “—Description of Operations of the Africa & Asia Business Unit,” “—Description of Operations of the Ukraine Business Unit” and “—Description of Operations of the CIS Business Unit.”

### **Strategy**

VimpelCom's strategy focuses on optimizing cash flows, and 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 and services continue to expand across our markets.

We have a fundamental belief in a decentralized business model. 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 LTE especially in Russia and Italy, 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, or “Value Agenda.” Our Value Agenda is based on local empowerment and starts with the company’s 220 million customers as of December 31, 2013. Our focus remains on delivering excellence to our customers. We have implemented 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.

Our Value Agenda, which is focused on increasing Net Cash from Operating Activities, has the following four key pillars supported by clear operational strategies executed within each of our business units.

- *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.
- *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.
- *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 by taking a holistic approach at both our group and business unit levels and implementing 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. As part of our finance function, we have implemented a systematic approach to managing working capital and optimizing our capital structure.

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

- We consider our emerging markets Russia, Ukraine, CIS, Bangladesh, Pakistan and Algeria. These markets each have a large potential customer base, high revenue growth from relatively low penetration, with the exception of Russia, and significant growth potential for mobile data. In these markets, we will seek to leverage our knowledge and experience across our emerging markets footprint and in our more mature market in Italy to capture this growth. In most of these emerging markets, we plan to deploy capital to modernize the networks to capture the growth potential from increased penetration and mobile data growth.
- In Italy, a large and mature market, we are focused on increasing profitability and sustaining the strong cash flow generation. We are also focused in deleveraging the business. The market is highly penetrated, but has potential for broadband growth in fixed-line and in mobile. Here, we will remain focused on reinforcing our solid market positions and continue to invest in our mobile data network.
- Finally, we have early stage operations, such as in some Asian and African markets, which would require further investment to reach their full potential. We are performing a strategic contribution analysis of these operations.

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.

## Competitive Strengths

We believe that we are well positioned to capitalize on opportunities in all of our traditional and broadband mobile and fixed-line telecommunications markets. We seek to differentiate ourselves from our competitors by high-quality service offerings, specialized customer care and strong and recognized brand names.

- *Recognized local brand names.* We market our mobile services under local brand names in each of our markets. Our “Beeline” brand name is very well established in a number of countries, including Russia (where we introduced the brand in 1993), Kazakhstan, Uzbekistan, Armenia, Tajikistan, Georgia, Laos and Kyrgyzstan. Primarily as a result of our innovative marketing and brand licensing efforts, our “Beeline” brand name is among the most recognized brand names in Russia and the CIS. In Ukraine, we market our mobile services primarily under the “Kyivstar” and “Kyivstar Business” brands. In Italy, our “WIND” brand is well established and enjoys high recognition. We also have powerful brands for our operations in Africa & Asia, including “Djezzy,” “banglalink,” “Mobilink,” “Telecel,” and “Leo.” Our brands are generally very well known in the local markets and enjoy “top of mind” brand awareness.
- *Product and service innovation.* In our mobile business, we continue to seek out new products and services to provide our customers with faster access and easier usage to be competitive in the markets in which we operate. We continue to develop services for our prepaid consumer segment.
- *Pricing.* Acknowledging differences in competitive situations and consumer behavior across markets, we undertake a systematic effort involving dedicated analytics and research to develop an optimal pricing structure. This pricing approach ensures that we maximize value from all segments and lets us offer different tariffs and solutions to all market segments and types of companies, including special tariff options and mobile bundles for voice, messaging and data services.
- *Data services.* We believe mobile data services are driving market growth, and we are focusing our efforts at winning this segment. We are actively developing data services in all markets as part of our prepaid and postpaid tariff proposals. We focus our efforts on small and medium screens.

We offer a broad portfolio of competitive services in both the fixed-line and mobile corporate data markets that are designed to match the needs of our customers. For our business and corporate clients, we offer a wide range of data services, including wireless office Internet solutions and high bandwidth corporate Internet access.

- *Specialized customer care.* We provide specialized customer service to our different customer segments. We believe that our ability to provide specialized customer service has helped us maintain a high level of customer satisfaction with our products and services and control churn. We also believe that we have provided particularly strong customer service to our corporate customers.
- *Broad distribution network.* We have large distribution networks for mobile and fixed-line services in markets of our operations. The network is used both for sale purpose as well as for the purpose of customer care, thus providing higher standards of customer service. Our network consists of our own branded shops as well as a franchise network, simple retail agreements with local retail players and networks of our strategic retail partners. Proper mix of these channels secures our position in the market.

## **Description of Operations of the Russia Business Unit**

### ***Mobile Business in Russia***

#### *Description of Mobile Services in Russia*

In Russia, we primarily offer our mobile telecommunications services to our customers under two types of payment plans: postpaid plans and prepaid plans. As of December 31, 2013, approximately 8% of our customers in Russia were on postpaid plans and approximately 92% of our customers in Russia were on prepaid plans.

#### *Voice Services*

We provide all of our customers with voice services that include airtime charges from mobile postpaid and prepaid customers, including monthly contract fees for a predefined number of voice traffic and roaming fees for airtime charges when customers travel abroad. Among others the other, voice services include a group of services “Possibilities with zero”, which allow us to increase voice traffic and revenue without causing average price per minute to decrease. Our “Possibilities with zero” group of services helps our prepaid customers stay connected even in the event that they have a zero balance in their account with services that include, among others, “Receiving Party Pays,” “Call Me Back” and “Fill Up My Balance.”

For a description MTR and MNP, please refer to the section of this Annual Report on Form 20-F entitled “Item 4—Information on the Company— Regulation of Telecommunications – Regulation of Telecommunications in Russia.”

#### *Roaming*

As of December 31, 2013, our operations in Russia had active roaming agreements with 560 GSM networks in 212 countries, respectively, in Europe, Asia, North America, South America, Australia and Africa. In addition, as of December 31, 2013, we provided to our Russian customers GPRS roaming with 403 networks, in 171 countries. Roaming agreements for our operations in Russia now cover all major roaming destinations, and we continue developing roaming services for our Russian customers.

Generally, each agreement with roaming partners provides that the operator hosting the roaming call sends us a bill for the roaming services used by our customer while on the host’s network. We pay the host operator for the roaming services and then bill the amount due for the provision of roaming services on our customer’s monthly bill.

OJSC VimpelCom offers customized application for mobile network enhanced logic (“CAMEL”), an intranetwork prepaid roaming service. This service allows prepaid customers to automatically receive access to roaming services provided they have a positive account balance. The CAMEL service allows us to implement real time cost control, provide more dynamic service to our clients and reduce the number of delinquent customer accounts caused by roaming. As of December 31, 2013, we provided our Russian customers CAMEL roaming through 237 operators in 128 countries.

As of December 31, 2013, we also had domestic roaming agreements with five regional GSM providers in Russia, which provide roaming for customers in more than nine cities across Russia.

#### *Value Added Services including Data Revenue*

Our value added services include messaging services, content/infotainment services, data access services (on 2G, 3G and 4G basis), financial value added services (which help customers manage their credit balances), location based services (which monitor customer locations) media and content delivery channels.

### *Valued Added Service*

We provide all of our customers with a variety of VAS services mainly included in “Basic VAS” package. Our “Basic VAS” services include, among others, caller-ID, voicemail, call forwarding, conference calling, call blocking and call waiting.

Our messaging portfolio includes SMS, MMS and voice messaging. Different price offers for messaging services are offered to different segments of our customers.

We offer our customers various types of content/infotainment services, including:

- SMS services (including information services such as news, weather, entertainment chats and friend finder);
- voice services (including referral services);
- Content downloadable to telephone (including music, pictures, games and video); and
- customized ringtones (RBT).

### *Wireless Internet Access*

We provide our customers with wireless Internet access through GPRS/EDGE, 3G/HSPA and 4G/LTE. We launched 3G Internet services commercially in September 2008 in Russia, and we launched 4G in Moscow in May 2013.

We currently offer Internet access through USB modems in every region of Russia, and our customers benefit from 3G speeds in every region in Russia as of December 31, 2013. We offer special wireless Plug&Play-USB modems, which provide our customers with a convenient tool for Internet access.

Our data access services are offered on a GPRS and 3G basis and include access to the Internet, our tiered data-plans provide smartphone customers with data, voice and SMS packages. In 2013 we launched tiered data-plans differentiated by customers’ needs and made unified data-plans offers for any device type and any data consumption.

Our media and content delivery channels include the following:

- RBT, Chameleon (service based on CellBroadcast technology providing free information content such as news, weather and sports), dating services and location-based services (such as the ability to locate customers or nearby facilities), information and content services (such as weather forecasts or horoscopes), mobile television and video streaming, Google Play Carrier Billing (offering certain Google products and payment through a customer’s mobile account), unstructured supplementary services data (“USSD”) menu (a self-help and entertainment portal), Dynamic SIM Toolkit (DSTK) portal (a self-help and entertainment portal), Interactive Voice Response (IVR) portal (information and content services portal), SMS services, Bee Number requests (information and content services provider) and mobile portal (browsing, entertainment and information services provider); and
- SMS, voice and USSD technology through which third party content is provided.

### *Other Data Services*

For our business and corporate clients, we offer a wide range of data services, including wireless office Internet solutions and high bandwidth corporate Internet access. The following examples describe some of the services that we provide:

*M2M.* Machine-to-machine, or “M2M,” refers to technologies that allow both wireless and wired systems to communicate with other devices of the same technology and includes technologies that allow data transmission between remote equipment. M2M technologies are used in areas such as consumer electronics, banking, metering, security and others. The M2M market in Russia is in the early stages of development with penetration rate of M2M SIM cards at less than 3.0%. Experts estimate the annual Russian market growth potential for M2M will be between 25.0 and 30.0% until 2015. We have launched, “M2M Control Center,” together with Jasper Wireless Inc. This product is unique to the Russian market and its launch made us the first to provide this service for corporate clients in Russia.

In January 2013, we introduced a fleet management program which provides customers with the possibility of monitoring cars and employees from one web-interface. In April 2013, we launched “Pay-me” in certain regions which provides customers with a mobile terminal to pay using their smartphone.

In September 2013, we initiated an internal project “M2M Alliance: SIM profile management” the key goal of which is to launch a technical solution in line with M2M World Alliance joint requirements and roadmap which we expect to introduce to the market by July 2014.

*Corporate SMS services.* –We provide direct connections for SMS centers of large companies and aggregators. In November 2013, we launched project Anti-SPAM. This project has the goal of reducing spam SMS messages received by our customer. In the first stage an automatic anti-spam filter was introduced followed in the second stage by a “black&white list” option for our customers. On December 2, 2013 we also launched short number 1888 for the cancellation of SMS broadcast messages to customers. This is a joint project of Beeline and the eight biggest SMS aggregators of Russia.

*Fixed Mobile Convergence.* Based on our fixed and mobile networks, Beeline Business offers fixed-mobile convergence services to corporate clients providing use of their mobile phone as an extension of their private branch exchange, or “PBX”. During 2013 we continued the expansion of our fixed mobile convergence services into 17 new cities in Russia, increasing the total number of cities in which we provide these services to 91. In February 2014, we plan to provide these services to an additional 48 cities.

*Mobile cloud solutions.* In November 2013, we launched an MDM project as a part of the BYOD (bring your own device) concept. We were the first operator in the Russian market who launched MDM. In December 2013, we were the first operator in the Russian market to launch Google Apps for business. We are continuing to develop our product portfolio for the BYOD concept.

*Interconnect Revenue.* We have several interconnection agreements with mobile and fixed-line operators in Russia under which we provide traffic termination services. These services represent termination of incoming voice and data traffic from network of our competitors when their customers call or send data to our customers.

*Revenue from Sales of Equipment and Accessories and Other Revenue.* During 2013 the Beeline retail chain demonstrated significant growth. As of December 31, 2013 the number of owned retail stores exceeded 1,238 compared to 401 owned retail stores as of December 31, 2012 and, the number of owned modules exceeded 78 compared to 6 owned modules as of December 31, 2013. At the same time there was a focus on operational efficiency. In order to promote Beeline’s retail chain and increase smartphone penetration a campaign was launched in August 2013 with Samsung. As a result a large number of Samsung Pocket Neo devices have been sold.

VimpelCom was the first operator in Russia to sign a contract with Apple. Since October 2013 all new iPhones have been available in Beeline retail stores and Apple has a large share in Beeline retail chain t as a result. In addition, during 2013 Beeline customers with new iPhones were able to use our LTE network.

*Specialized customer care.* We provide specialized customer service to our different customer segments. We believe that our ability to provide specialized customer service has helped us maintain a high level of customer satisfaction with our products and services and control churn.

#### *Mobile Telecommunications Licenses in Russia*

##### *GSM Licenses*

We hold super-regional GSM licenses for seven out of the eight Russian super-regions. In total, our super-regional GSM licenses cover approximately 96.0% of Russia’s population and permit us to operate a unified dual band GSM-900/1800 network. The following tables summarize the principal terms of our GSM licenses, including the license areas and expiration dates. We have filed or will file applications for renewal for all of our licenses. See also “Item 3—Key Information—D. Risk Factors—Legal and Regulatory Risks—Our licenses are granted for specified periods and they may not be extended or replaced upon expiration.”

	<u>Expiration Date</u>
Moscow	April 28, 2018
Central and Central Black Earth	April 28, 2018
North Caucasus	April 28, 2018
North-West <sup>(1)</sup>	September 12, 2017
Siberian	April 28, 2018
Ural <sup>(2)</sup>	November 14, 2017
Volga	April 28, 2018

- (1) Our GSM license for the North-West super-region stipulates which GSM standard applies to the territories covered by the license. The GSM-900/1800 standard applies to the following territories: the city of Saint Petersburg and Leningrad region. The GSM-1800 standard applies to the following territories: Kareliya Republic, Nenetskiy Autonomous Region, Arkhangelsk region, Vologda region, Kaliningrad region, Murmansk region, Novgorod region and Pskov region.
- (2) Our GSM license for the Ural super-region stipulates which GSM standard applies to the territories covered by the license. The GSM-900/1800 standard applies to the following territories: Komi Republic, Udmurtskaya Republic, Kirov region, Kurgan region, Sverdlovsk region, Yamal Nenets autonomous district, the city of Kudymkar, Kudymkar metropolitan region, Yus'vinsky metropolitan region, Yurlinsky metropolitan region, Kochevsky metropolitan region, Kossinsky metropolitan region and Gaynsky metropolitan region of Permskiy Krai. The GSM-1800 standard applies to the following territories: Tyumen region, Chelyabinsk region, Hanty-Mansiysky autonomous district—Yugra and Permskiy Krai (not including the city of Kudymkar, Kudymkar metropolitan region, Yus'vinsky metropolitan region, Yurlinsky metropolitan region, Kochevsky metropolitan region, Kossinsky metropolitan region and Gaynsky metropolitan region).

We do not currently hold a GSM super-regional license for the Far East super-region of Russia. We currently hold GSM licenses in the following regions of the Far East super-region: Amur region (GSM-900/1800), Kamchatka Krai (excluding Koryakskiy Autonomous Region) (GSM-1800), Khabarovsk Krai (GSM-1800), Sakhalin region (GSM-1800), Irkutsk region (GSM-900/1800) (excluding Ust-Ordynskiy Buryatskiy autonomous region, an administrative-territorial unit of special status), Koryakskiy Okrug of Kamchatka Krai (GSM-1800), Chukotskiy autonomous region (GSM-1800), Ust'-Ordynskiy Okrug of Irkutsk region (GSM-900/1800), Evreyskaya autonomous region (GSM-900/1800), Sakha Republic-Yakutiya (GSM-1800), Magadan region (GSM-1800), Primorskiy Krai (GSM-900/1800) and Zabaykalskiy Krai (GSM-900). These licenses expire on various dates between 2016 and 2021 and we plan to file applications for renewal of all of our licenses prior to expiration.

In addition to the seven super-regional GSM licenses, we hold GSM licenses for the Kaliningrad region (GSM-900), which is located within the North-West super-region, and the Orenburg region (GSM-900/1800), which is located within the Ural super-region.

### *3G Licenses*

On April 20, 2007, the Federal Communications Agency announced that OJSC VimpelCom was awarded one of three UMTS licenses in Russia. The license was issued on May 21, 2007. We have met the license condition for installing at least 6,096 3G base stations throughout Russia by the end of the fifth year from the date of issuance of the license. The license expires on May 21, 2017.

For additional information relating to the risks relating to the 3G license award, see “Item 3—Key Information—D. Risk Factors—Risks Related to Our Industry—Our failure to keep pace with technological changes and evolving industry standards could harm our competitive position and, in turn, materially adversely affect our business.”

### *LTE License*

In July 2012, OJSC VimpelCom was awarded a mobile license, a data transmission license, a voice transmission license and a telematic license for the provision of LTE services in Russia. For information regarding the other operators holding LTE licenses with whom we compete, see “—Description of Operations of the Russia Business Unit—Mobile Business in Russia.” LTE is the next step in wireless technology and is expected to be the mobile broadband platform for new services and innovation for the future, which in practice will provide customers with significantly faster data rates for both uploading and downloading content, a greater number of mobile TV channels and better image quality. These licenses will allow OJSC VimpelCom to provide services using radio-electronic devices in Russia via networks that use LTE standard equipment within any of the following frequency bands: 735-742.5/776-783.5 MHz; 813.5-821/854.5-862 MHz; 2550-2560/2670-2680 MHz. The three channels (one channel (10 MHz) in frequency duplex in 2500-2690 MHz and two channels (7.5 MHz) in frequency duplex for 720-862 MHz), allocated to us in accordance with the licenses, have restrictions on their use. To remove restrictions we have to perform certain organizational technical measures including, among others, radio frequency bands releasing spectrum conversion, refarming and reallocation between operators. The roll-out of the LTE network will occur using a phased approach based on a pre-defined schedule pursuant to the requirements of the license. Under the phased approach, OJSC VimpelCom launched LTE services as of June 1, 2013. OJSC VimpelCom was required to extend services to six regions in Russia by the end of 2013. OJSC VimpelCom is then required to extend services to a specified number of additional regions in each year until December 1, 2019 when services must cover all of Russia. OJSC VimpelCom is required to comply with the following conditions among others under the terms of the license: (i) invest at least RUB15 billion in each calendar year (including the period from July 12, 2012 to December 1, 2013) in the construction of its federal LTE network until the network is completed, which must occur before December 1, 2019; (ii) provide certain data transmission services in all secondary and higher educational institutions in specified areas; and (iii) provide interconnection capability to telecommunications operators that provide mobile services using virtual networks in any five regions in Russia not later than July 25, 2016.

### Competition—Mobile Business in Russia

The Russian mobile telecommunications industry has grown rapidly over the past decade as a result of increased demand by individuals and newly created private businesses. Increased demand for mobile telecommunications services is largely due to the expansion of the Russian economy and a corresponding increase in disposable income; declining tariffs and costs of handsets and accessories, which have made mobile telecommunications services more affordable to the mass market customer segment; advertising, marketing and distribution activities, which have led to increased public awareness of, and access to, the mobile telecommunications market; and improved service quality and coverage.

The table below indicates the estimated number of mobile customers, mobile penetration rates and annual customer growth rates in Russia.

<u>Period</u>	<u>Customers (in millions)</u>	<u>Penetration Rate</u>	<u>Annual Customer Growth<sup>(1)</sup></u>
As of December 31, 2013	247.4	173.5%	5.7%
As of December 31, 2012	234.2	163.8%	2.0%
As of December 31, 2011	229.5	160.2%	4.0%
As of December 31, 2010	220.4	154.3%	5.5%
As of December 31, 2009	209.0	146.1%	10.8%

(1) Growth rate as compared to year end 2011.

Source: For customers, customer growth and penetration rates, Informa Telecoms & Media. © 2013 Informa Telecoms & Media. All rights reserved.

The Russian mobile telecommunications market is highly competitive. Informa Telecoms & Media estimates that the top three mobile operators, MTS, MegaFon and OJSC VimpelCom, collectively held approximately 80.9% of the mobile market in Russia as of December 31, 2013. As a result of competition, mobile providers are utilizing new marketing efforts, including price promotions, to retain existing customers and attract new ones. Competition for customers in Russia is intense as a result of greater market penetration, consolidation in the industry, the growth of current operators and new technologies, products and services.

Prior to July 2012, LTE services had been launched in Russia using USB modems only because LTE technology in the frequencies offered in Russia was not supported by smartphones. Scartel was granted a license to provide LTE services in the 2.5 to 2.7 MHz range, the same frequencies in which it had provided WiMax services before. As of December 31, 2013, according to publicly available information, Scartel provides commercial services for private customers in 26 regions of Russia. MTS had also launched LTE services using frequencies from previously provided WiMax services and TDD technology. MegaFon had launched services on Scartel's LTE network under an MVNO agreement.

As described above under “—Mobile Telecommunications Licenses in Russia—LTE License,” in July 2012, the Russian government issued new LTE licenses to operators, including OJSC VimpelCom and MTS, MegaFon and Rostelecom, with which OJSC VimpelCom competes. These and other operators are developing LTE networks to provide services using 4G technology, which can be utilized on smartphones and other mobile devices.

We compete with at least one other mobile operator in each of our license areas, and in many license areas we compete with two or more mobile operators. Competition is based primarily on local pricing plans, network coverage, quality of service, the level of customer service provided, brand identity and the range of value-added and other customer services offered.

The following table shows our and our primary mobile competitors' respective customer numbers in Russia as of December 31, 2013:

<u>Operator</u>	<u>Customers in Russia (in millions)</u>
MTS	75.3
MegaFon	68.1
VimpelCom	56.5
Tele2	23.7

Source: For all companies except OJSC VimpelCom, Informa Telecoms & Media. © 2013 Informa Telecoms & Media. All rights reserved.



*MTS.* One of our primary competitors in Russia is MTS. According to Informa Telecoms & Media, as of December 31, 2013, MTS had approximately 75.3 million customers in Russia, representing a market share of 30.5%. It has a greater share of the high value customer market and more frequency allocations than we do, which provides MTS with a potential advantage in the quality of its GSM, UMTS and HSPA services. MTS reports that it holds licenses to operate mobile networks in almost all of the regions in Russia. MTS holds a LTE FDD license identical to ours, which it received after a beauty contest in July 2012. In addition, MTS holds an LTE TDD license for the Moscow region which provides MTS with a potential advantage in quality of its LTE services in the Moscow region.

*MegaFon.* In addition to MTS, we also compete with MegaFon, the second largest mobile operator in Russia in terms of the number of mobile customers. In 2012, Altimo sold its entire 25.1% stake in MegaFon to a private investor. According to Informa Telecoms & Media, as of December 31, 2013, MegaFon had approximately 68.1 million customers, representing a market share of 27.5%. MegaFon holds GSM-900/1800, UMTS licenses to operate in all regions of Russia. MegaFon holds an LTE FDD license identical to ours which it received after a beauty contest in July 2012. In addition, MegaFon has an LTE TDD license for the Moscow region which provides MegaFon with a potential advantage in quality of its LTE services in the Moscow region. Furthermore, MegaFon has the same controlling shareholder as Scartel. Scartel holds an LTE FDD license for the entire Russian Federation with more frequency allocations than VimpelCom has obtained. MegaFon operates on Scartel's network using an MVNO model which gives it a potential advantage in the quality of its LTE services.

*Tele2.* Tele2 has been operating in Russia since 2003 and is now considered to be a significant player in some of the telecommunications market in Russia. Tele2 had approximately 23.7 million customers in Russia, representing a market share of 9.6%. It currently provides GSM mobile services in 42 regions of Russia, including St. Petersburg, Leningradskaya Oblast, Arkhangelsk, Belgorod, Bryansk, Vladimir, Vologda, Voronezh, Kaliningrad, Kaluga, Kemerovo, Kirov, Kostroma, Kursk, Lipetsk, Murmansk, Nizhny Novgorod, Novgorod, Novosibirsk, Omsk, Orel, Pskov, Rostov, Ryazan, Smolensk, Tambov, Tver, Tomsk, Tula, and Chelyabinsk, as well as the Krasnodar Territory and the republics of Adygei, Komi, Udmurtia, Karelia, Sakhalin, Nenets AO, Evenkiysky District of Krasnoyarsk Krai, Evreyskaya AO, Kamchatka, Chukotka (as of the date hereof commercial operations have not started yet) and Magadan. At the moment Tele2 does not have a LTE license.

*Rostelecom.* In 2011, the Russian government completed the first phase of the reorganization of the state-controlled telecommunications companies Svyazinvest and Rostelecom, by transferring to Rostelecom the fixed-line subsidiaries of Svyazinvest. As a result of, amongst others, these transactions, Rostelecom is currently the largest fixed-line operator and fifth largest mobile operator in Russia.

In December 2013, Rostelecom shareholders voted to approve the spin-off of its mobile assets (including telecommunications equipment and intellectual property rights), into its subsidiary company, CJSC RT-Mobile. According to public reports, Rostelecom intends to contribute its mobile assets in a joint venture with Tele2 Russia. We compete with Rostelecom in all regions where it provides services. Rostelecom holds an LTE FDD license identical to ours which it received after a contest in July 2012. In addition, it has an LTE TDD license in approximately 40 regions in Russia which gives Rostelecom a potential advantage in its LTE services in these regions.

*Other Competitors in Russia.* In addition to MTS and MegaFon, which operate in all of the regions in which we operate, and Tele2 and Rostelecom, we compete with a number of local telecommunications companies. We also compete with Closed Joint Stock Company "Middle Volga Interregional Association of Radio and Telecommunication Systems," a company that holds licenses, either directly or indirectly through joint ventures, for GSM-900 or GSM-1800 networks in the Volga License area and with telecommunications group "MOTIV" in the Ural super-region.

#### *Marketing and Distribution—Mobile Business in Russia*

In Russia, we offer our customers several national prepaid and contract tariff plans, each offering a different benefit and targeting a certain type of customer.

We divide our primary target customers in Russia into four groups:

- key/national accounts, for which monthly revenue from mobile and fixed-line services exceeds US\$20,000;
- large accounts, for which monthly revenue from mobile and fixed-line services exceeds US\$2,000 or companies having high revenue potential;
- SME customers, for which monthly revenue from mobile and fixed-line services is less than US\$2,000; and
- mass market customers.

We also offer regular telecommunication services and specific value added services and tariff plans with discounts and special pricing for our key/national accounts, which include all multi-regional companies and government institutions. The typical corporate customer pays on a contract basis for our fixed-line and mobile services. We provide our corporate customers with a range of additional value added services, including specialized customer service, tailored pricing arrangements and access to sophisticated technological options, such as individual corporate wireless networks.

We currently offer Internet access through USB modems in every region of Russia, and our customers benefit from 3G speeds in every region in Russia as of December 31, 2013. We offer special wireless Plug&Play-USB modems, which provide our customers with a convenient tool for Internet access.

#### *Customer Loyalty Programs*

We recognize the need to continuously build and increase the loyalty of our customers. In July 2013, we launched a new national loyalty program “Happy Time” for all prepaid B2C customers. The program is focused on increasing customer lifetime and has simple and attractive conditions. A participant receives bonuses for every top-up which depends on the customer’s lifetime with Beeline. Bonuses can be spent on Beeline’s services. In December 2013, “Happy Time” also became available for postpaid B2C customers — they receive a discount on their monthly bill. As of December 31, 2013, we had more than 1.42 million customers participating in the program.

We implemented long-term and short-term initiatives that focus on improving the quality of our main products and services and increasing customer satisfaction. We continuously invest in network optimization, the roll-out of our own branded stores, competence of our staff and motivation to deliver the best customer experience for customers. We also develop product offerings tailored to different customer needs based on the comprehensive analysis of our customer segments that we completed last year. We actively use targeted marketing to increase customer loyalty and ARPU in all segments of mobile and FTTB mass marketing services. We apply data mining analysis to predict the propensity of churn for each customer, which allows us to increase the efficiency of our churn reduction programs by means of targeted marketing campaigns.

In Russia, our loyalty programs are designed to retain our existing customers, thereby reducing churn, and increasing customer spending, both in B2C and B2B.

#### ***Fixed-line Business in Russia***

##### *Description of Fixed-line Services in Russia*

###### *Business Operations in Russia*

In Russia, we provide a wide range of telecommunication and information technology and data center services, such as network access and hardware and software solutions, including configuration and maintenance, software as a service (“SaaS”) and an integrated managed service. We operate a number of competitive local exchange carriers that own and operate fully digital overlay networks in a number of major Russian cities. Our services cover all major population centers in Russia.

Our customers range from large multinational and Russian corporate groups to Russian small and medium enterprises and high-end residential buildings in major cities throughout Russia.

*Local Access Services.* We provide business customers with local access services by connecting the customers’ premises to its fiber network, which interconnects to the local public switched telephone network in major metropolitan areas in Russia.

*International and Domestic Long Distance Services.* We offer international long distance services to our customers via our FTN, which covers the entire territory of Russia and also includes eight international communications transit nodes across Russia.

We provide DLD services primarily through our FTN, proprietary and leased capacity between major Russian cities and through interconnection with zonal networks and incumbent networks. We also offer very small aperture terminal satellite services to customers located in remote areas.

*Dedicated Internet and Data Services.* We provide our business customers with dedicated access to the Internet through our access and backbone networks. We also offer traditional and high-speed data communications services to business customers who require wide area networks (“WANs”) to link geographically dispersed computer networks. In addition, our company provides private

line channels that can be used for both voice and data applications. We offer an IP virtual private network (“IP VPN”) service (based on multiprotocol label switching (“MPLS”) which is one of the most popular data services on the corporate market. Within the bounds of VPN service we also provide the ability to connect remote offices to a corporate IP VPN network via wireless GPRS/EDGE/3G networks. We are currently planning to use LTE wireless network in the near future. We also offer customers the ability to enter into service level agreements, which ensure the quality of our service.

*Leased Channels.* We provide corporate clients with the ability to rent channels with different high speed capacities. These “leased channels” are dedicated lines of data transmission.

*Intellectual and Value Added Services.* Our company offers an increasing range of value added services, including toll free (800) numbers, virtual PSTN number, SIP-connection, data center services, such as co-location, web hosting, audio conference, service level agreement (“SLA”), domain registration and corporate mail services. We also offer access to a variety of financial information services, including access to S.W.I.F.T., Bloomberg and all Russian stock exchanges.

*Fixed Corporate and Cloud Services.* We also offer to our corporate customers IPTV services, certain Microsoft Office packages (including SaaS), videoconferencing services (incl. Cisco WebEx) and sale, rental and technical support for telecommunications equipment. Our company is the first telecom operator in Russia, authorized by Microsoft to resell cloud service MS Office 365.

*Managed Services.* We offer our corporate clients packages of integrated services that include fixed-line telephony and Internet access, along with the additional services such as virtual PBX, and security services, such as firewall, distributed denial of service protection and local area network. This product allows customers to access their systems from various locations.

*Equipment Sales.* We offer and sell equipment manufactured by Cisco Systems, Alcatel-Lucent, Avaya, Panasonic, Huawei and other manufacturers. As part of our turnkey approach, we also offer custom solutions and services for the life cycle of the equipment, including its design, configuration, installation, consulting and maintenance.

*Mobile VPN.* We offer to our corporate clients secure remote access to corporate information, databases and corporate applications. Remote access is available from different mobile devices, including USB modems, tablets and smartphones.

*IP Addresses.* We provide to our corporate customers IP address services, which help to identify devices connected to mobile Internet or corporate network.

#### *Wholesale Operations in Russia*

Our carrier and operator services division in Russia provides a range of carrier and operator services, including voice, Internet and data transmission over our own networks.

There are three types of fixed-line voice services operators (local, zonal and long distance), which are determined in accordance with licenses held by an operator. According to regulations, every long distance voice call originating from a fixed-line customer in Russia and/or terminating with a fixed-line customer in Russia should be transmitted via all three levels of voice network. Every long distance call that originates or terminates with a mobile user must be transmitted on at least two levels of voice network. As a universal carrier and service provider, we combine all three levels of licenses and voice networks within Russia. We have a number of our own zonal networks and our own local networks in the most populated regions of Russia.

Our carrier and operator services division also provides domestic and international IP transit services to ISPs in Russia, Ukraine, the CIS and Baltic states. A smaller ISP can connect to our IP backbone and then use its network to access the Internet. Our IP backbone is an IP/MPLS network with more than 130 access points in Russia. Large Russian content providers such as “Mail.ru” have facilities which are located in our data centers and have Internet access via our IP backbone. More than 450 ISPs have an IP exchange with our network as full IP transit customers. We have global traffic exchange points in London, Frankfurt, Amsterdam, Stockholm and New York. These factors allow us to provide ISPs with high-level bandwidth and connectivity to both Russian and global Internet segments.

Our carrier and operator services customers include foreign and Russian telecommunications operators and carriers.

*Voice Services.* For international operators, including traditional incumbents, mobile and VoIP operators, we provide call termination to fixed-line and mobile destinations in Russia, Ukraine, and the CIS and Baltic states. For Ukrainian and CIS operators, we provide call termination to Russian and international fixed-line and mobile destinations. For Russian operators we provide international, domestic, zonal and local voice call transmission services.

*Internet Services.* Our carrier and operator services division provides IP transit service to operators throughout the world. International operators require connectivity to the Russian Internet segment. In addition, our carrier and operator services division provides data center services to content providers.

*Data Services.* We offer three types of data services: private networks, local access, and domestic and international channels.

We have our own local network nodes in the majority of business and trade centers in the largest cities of Russia. Other operators access those business and trade centers by ordering from our local channels that connect to their network nodes.

We have interconnection agreements with international global data network operators who provide one-stop shopping for worldwide data network services for multinational companies. Under these interconnection agreements we provide MPLS-based IP VPN, local, domestic and international private lines, equipment and equipment maintenance in Russia.

We also provide high-speed domestic and international channels to international and Russian operators to sell excess backbone network capacity.

*Residential and FTTB Operations in Russia.* In Russia, we offer fixed-line broadband and wireless Internet access. One of our strategic goals is to develop broadband services based on the most up-to-date engineering solutions.

*Additional FTTB Services*

*FTTB IPTV.* Currently the Beeline TV product is run in 37 regions. In 112 cities of the 37 regions, we provide IPTV service. As of December 31, 2013, we had more than 900,000 IPTV customers. Our service has two unique market features: first, all set-top boxes (“STBs”) are high definition (“HD”) technology compatible which allows us to broadcast HD content to every one of our customers. Second, we provide STBs with digital video recorder (“DVR”) functions, which allow users to watch TV content on-demand and to pause and rewind live television.

*Wireless Broadband Internet Access.* According to iKS Consulting, Beeline WiFi is the world’s largest metropolitan wireless network and includes the greater part of Moscow’s city center and many other areas of the city. As of December 31, 2013, our company had installed more than 12,000 WiFi access nodes in Moscow. Our most recognized partners in providing WiFi services are Domodedovo and Sheremetyevo Airports, McDonalds, Starbucks, Coffee-House, MEGA and IKEA trade centers.

*Licenses for Fixed-line Business in Russia*

The table below sets forth the principal terms of the fixed-line, data and long distance licenses which are important to our fixed business in Russia. We have filed or will file applications for renewal for all of our licenses that expire in 2014.

<u>License Type</u>	<u>Region</u>	<u>Expiration Dates (Earliest/Latest)</u>
<b>Local Communications Services excluding local communications services using payphones and multiple access facilities</b>	Moscow	August 30, 2016/March 9, 2017
	St. Petersburg	March 9, 2017/May 23, 2018
	Ekaterinburg	February 16, 2016
	Nizhny Novgorod	March 9, 2017
	Khabarovsk	October 31, 2015
	Novosibirsk	March 9, 2017
	Rostov-on-Don	March 9, 2017
	Krasnodar	December 31, 2014/March 9, 2017
<b>Local Communications Services using multiple access facilities</b>	Moscow	September 21, 2016
	St. Petersburg	September 21, 2016
	Novosibirsk	March 9, 2017
	Nizhny Novgorod	March 9, 2017
	Khabarovsk	March 9, 2017
	Ekaterinburg	July 20, 2015
	Rostov-on-Don	March 26, 2018
	Krasnodar	April 28, 2016/April 18, 2018

<b>License Type</b>	<b>Region</b>	<b>Expiration Dates (Earliest/Latest)</b>
<b>Leased Communications Circuits Services</b>	Moscow	July 5, 2016/August 28, 2018
	St. Petersburg	June 8, 2015/October 4, 2017
	Novosibirsk	July 5, 2016/November 12, 2018
	Nizhny Novgorod	July 5, 2016/November 12, 2018
	Rostov-on-Don	July 5, 2016/November 12, 2018
	Khabarovsk	August 25, 2015/July 5, 2016
	Ekaterinburg	November 12, 2018
	Krasnodar	July 5 2016/November 12, 2018
<b>Voice Communications Services in Data Transmission Networks</b>	Moscow	March 15, 2016/May 25, 2016
	St. Petersburg	August 1, 2017
	Novosibirsk	August 1, 2017
	Ekaterinburg	September 5, 2018
	Nizhny Novgorod	August 1, 2017
	Rostov-on-Don	August 1, 2017
	Khabarovsk	April 18, 2018
	Krasnodar	August 1, 2017/April 18, 2018
<b>International and National Communications Services</b>		
	Russian Federation	December 13, 2019
<b>Telematic Services</b>	Moscow	November 21, 2015/July 5, 2016
	St. Petersburg	November 21, 2015/August 1, 2017
	Novosibirsk	August 1, 2017
	Nizhny Novgorod	August 1, 2017
	Rostov-on-Don	August 1, 2017
	Khabarovsk	June 26, 2017
	Ekaterinburg	September 5, 2018
	Krasnodar	September 14, 2015/August 1, 2017
<b>Intra-zonal Communications Services</b>	Moscow	October 24, 2016
	St. Petersburg	October 24, 2016
	Novosibirsk	February 16, 2016
	Ekaterinburg	February 16, 2016
	Rostov-on-Don	February 16, 2016
	Khabarovsk	February 16, 2016
	Krasnodar	December 12, 2015/February 16, 2016
<b>Data Transmission Services</b>	Moscow	July 5, 2016/April 17, 2019
	St. Petersburg	August 1, 2017/April 17, 2019
	Ekaterinburg	September 5, 2018
	Novosibirsk	August 1, 2017
	Nizhny Novgorod	August 1, 2017
	Rostov-on-Don	August 1, 2017

License Type	Region	Expiration Dates (Earliest/Latest)
<b>Communications Services for the Purposes of Cable Broadcasting</b>	Khabarovsk	September 14, 2015
	Krasnodar	September 14, 2015/April 17, 2018
	Moscow	December 6, 2017
	St. Petersburg	December 6, 2017
	Novosibirsk	December 6, 2017
	Ekaterinburg	December 6, 2017
	Nizhny Novgorod	December 6, 2017
	Rostov-on-Don	December 6, 2017
	Khabarovsk	December 6, 2017
	Krasnodar	August 27, 2016/December 6, 2017

#### *Competition—Fixed-Line Business in Russia*

##### *Business Operations*

Our fixed-line telecommunications business marketed as “Beeline Business” competes principally on the basis of unique convergent services and bundles, installation time, network quality, geographical network reach, customer service, range of services offered and price. We face significant competition from other service providers, including:

- Rostelecom, a subsidiary of Svyazinvest, the state-controlled telecommunications company, for services in St. Petersburg and all of Russian regional cities;
- MTS, for services to corporate customers and the SME market;
- TransTelecom, owned by Russian Railways, for corporate data networking services across Russia;
- Orange Business – for corporate data network services, convergent mobile and fixed services;
- MegaFon, which provides convergent mobile and fixed-line services.

##### *Wholesale Operations*

For voice services, our main competitors are the long distance carriers Rostelecom, TransTelecom and OJSC “Multiregional TransitTelecom.” For IP transit and capacity services, our main competitors are Rostelecom, TransTelecom and MegaFon. In wholesale data networking we also compete with Orange.

##### *Residential and FTTB Operations*

In terms of end-user Internet penetration, the consumer Internet access business in Russia is already saturated and end-user Internet penetration is high.

The basic technologies of Internet access in Russia include: fixed-line broadband Internet access (comprising asymmetric digital subscriber line (“ADSL”), Ethernet, FTTB/FTTH, GPON/EPON, Docsis and other regional home networks) and wireless broadband Internet access (including WiFi, WiMax, 3G, 4G and CDMA).

Competition for customers in Russia is intense and we expect it to increase in the future as a result of wider market penetration, consolidation of the industry, the growth of current operators and the appearance of new technologies, products and services. As a result of increasing competition, Internet providers are utilizing new marketing efforts (for example, aggressive price promotions) in order to retain existing customers and attract new ones.

Our main competitors in the fixed-line broadband market in Russia are Rostelecom, MTS and its subsidiaries, Acado, Er-Telecom and various local home network providers. Competition is based primarily on network coverage, pricing plans, Internet connection speed, services quality, customer service level, brand identity and a range of value added and other customer services offered.

#### *Marketing and Distribution—Fixed-Line Business in Russia*

##### *Business Operations*

We utilize a direct sales force in Moscow, operating both with fixed-line and mobile corporate customers and supported by specialists in technical sales support, marketing, customer service and end-user training. In addition, we employ a team of regional sales managers and a dedicated sales force in each of our regional branch offices, in addition to having sales incentive plans with our regional partners.

We train our employees to provide a high level of customer service. We typically aim to offer our services at competitive prices in comparison with incumbent local and national operators and other alternative operators in the market. We base our pricing on research results, market price level, competition in all regions and customer expectations learned through direct feedback from our new and existing clients. Additionally, we monitor price levels for similar services in other countries around the world. Our large customers may be eligible for volume discounts at defined revenue thresholds. We also apply a discount policy within cross-sales (selling convergent fixed-line and mobile services to the same client).

While pricing competition remains a factor, especially for voice and Internet access services, many corporate data networking customers place more value on network coverage, reliability and the ability to design, install and maintain LANs and WANs. These customers often require integrated solutions, including connections to offices located in different cities. To meet these requests, we currently offer a range of services aimed at providing installation and maintenance of customers' equipment and local networks in Moscow and other regions. We currently provide full network support for a number of key clients, and we are actively working on new products, which we believe will allow us to provide a whole range of managed services, including managed IP VPN, managed PBX, managed customer premises equipment, managed security, cloud services (including IaaS, SaaS, PaaS, virtual machines, dedicated servers, disaster recovery and virtual data center services) and virtual desktop infrastructure (a type of managed workplace), managed storage and other value added services.

#### *Residential and FTTB Operations*

*Fixed-line Broadband Internet Access.* We offer a wide range of FTTB services tariffs targeted at different customer segments. There are four unlimited tariff plans with monthly fees but differing speeds for active Internet users. There is also a special tariff for mobile customers with certain preferences. We also provide a range of value added services such as static IP address, trusted payment, antiviruses (Kaspersky and Dr.WEB) and WiFi routers.

*FTTB IPTV.* TV service is provided on a monthly fee basis. STBs can be rented or bought by customers. We have launched the following value added services for TV: Video on Demand (with a library of more than 3,000 items), web-on-TV (together with Yandex, which is the largest Russian web portal), Facebook, Rutube and other services, such as a recommendation engine (a STB reminds a customer about the start of a customer's regularly viewed TV shows).

*xDSL Services.* For xDSL services, our company offers an unlimited tariff plan and tariff plans that depend on traffic volume and connection speed.

*Wireless Broadband Internet Access.* We offer WiFi tariff plans that include unlimited usage plans and plans that charge by usage. We also offer special prices for mobile and FTTB users.

*Pay TV (cable TV) Services.* We offer two tariff plans: "Social" for customers who need basic TV channels, which includes 10-12 TV channels and "Commercial," which includes 45-55 TV channels. As of December 31, 2013, we had more than 120,000 cable TV customers.

*Fixed-line Telephony.* We offer two telephony services for residential users: traditional time division multiplexing (also referred to as TDM) accessible in 39 Russian cities and VoIP-based services through FTTB technology in six Russian cities. All services offer fixed numbering and have competitive prices for local, zonal, international long distance and domestic long distance calls. As of December 31, 2013, we had approximately 160,000 fixed-line telephony customers.

### **Description of Operations of the Italy Business Unit**

Our Italy Business Unit consists of our operations in Italy under our wholly owned subsidiary WIND Italy.

#### ***Mobile Business in Italy***

##### *Description of Mobile Services in Italy*

###### *Mobile Telecommunications Services*

In Italy, we primarily offer our mobile telecommunications services under two types of payment plans: postpaid and prepaid. As of December 31, 2013, approximately 7.3% of our customers in Italy were on postpaid plans and approximately 92.7% were on prepaid plans.

*Consumer Voice Offerings.* In Italy, we provide a variety of consumer voice offerings tailored to specific market segments. Our voice offerings can be upgraded with a variety of option plans and value added services. Prepaid consumer customers can choose from tariff plans in which their prepaid credit is deducted on a per second basis at a billing rate per minute, or on a monthly basis at a flat rate per month choosing amongst one of the several available options. In addition to tariff plans similar to those offered to prepaid customers, we offer a number of all-inclusive flat rate monthly tariff plans to contract and prepaid consumer customers that include a set amount of calling minutes, SMSs and gigabytes of mobile Internet access for a fixed monthly fee.

For a description MTR and MNP, please refer to the section of this Annual Report on Form 20-F entitled “Item 4—Information on the Company— Regulation of Telecommunications – Regulation of Telecommunications in Italy.”

*Corporate Voice Offerings.* In Italy, we provide corporate voice services to large corporate customers, small and medium enterprises, or “SMEs,” and small office/home offices, or “SOHOs,” with our corporate voice offerings. For large corporate customers, who often solicit tenders for their mobile telephone requirements on a competitive basis, we offer customized services tailored to their specific requirements. For SME and SOHO customers, we offer more standardized products, such as all-inclusive tariff plans that offer customers a set amount of calling minutes, SMSs and gigabytes of mobile Internet access for a fixed monthly fee. We also offer a variety of add-on options to its standard corporate voice offerings. As interest for mobile applications (APPS) is growing, with the aim of bringing greater mobility to business processes, WIND Italy has also launched the Enterprise Mobility Services through strategic partnerships and vertical System Integrator agreements.

*Consumer and Corporate Data and Value Added Service Offerings.* In Italy, we provide a variety of mobile data services and value added services for telephone and computer to our consumer and corporate customers. WIND Italy has continued its growth in the Mobile Internet services due to an increase in the number of smartphones and improvements of its own offerings plans with bundle options, suited for both prepaid and postpaid customers, which include minutes of voice traffic, SMS, and mobile Internet browsing for a fixed monthly fee.

In Italy, we offer the following data services and value added services:

- *Mobile Internet.* Our mobile customers can connect their mobile phones to the Internet using GSM, GPRS, LTE or UMTS technologies.
- *PC Mobile Internet.* Our mobile customers can connect their mobile phones to a computer to be used as a modem to browse the Internet using GSM, GPRS or UMTS technologies. In addition, our customers can directly connect their PC to the Internet utilizing a dongle with a Wind SIM card.
- *BlackBerry.* We offer our BlackBerry services to corporate, SME and consumer customers.
- *SMS and MMS.* SMS offerings provide users with information such as news, sports, weather forecasts, horoscopes, finance and TV programming information, as well as a selection of games, ringtones, a chat service for customers as well as services specifically targeted at students. MMS provides multimedia (photo, video and sound) content, such as sports events, news, gossip, music and a chat service.
- *Content and Innovative Services:* In 2013 WIND Italy had a strong focus on innovative services based on the mobile phone for payments with the aim of simplifying the customer’s life by improving the user experience; in addition WIND improved its MyWIND App, signed a partnership with Google for carrier billing and started roll-out in thirteen cities for mobile ticketing.
- *NFC:* during 2013, WIND Italy implemented different initiatives to test NFC services.

*International Roaming.* Our mobile customers in Italy can use our mobile services, including SMS, MMS and data services where available, while roaming in other countries. Roaming coverage outside Italy is provided through our roaming agreements with approximately 479 international operators in 214 countries as of December 31, 2013.

*Handset Offerings.* We offer our customers in Italy a broad selection of handsets and Internet devices, which we source from a number of suppliers, including Nokia, Samsung, RIM, Sony Ericsson, LG, Huawei and Alcatel. The Italian market is a predominantly prepaid market and, as a result, mobile operators generally have provided limited handset subsidies, only to higher value customers.

#### *Mobile Telecommunications Licenses in Italy*

WIND Italy has a license to provide mobile telephone services in Italy using digital GSM 1800 and GSM 900 technology. This license expires in 2018 and thereafter may be renewed by the relevant authorities considering the technological evolution from GSM to UMTS. WIND Italy acquired a UMTS license in 2001. WIND Italy’s UMTS license was expected to expire on December 31,



2021, but during September 2009, WIND Italy obtained an eight-year extension, and accordingly its UMTS license is now expected to expire in 2029, and thereafter may be renewed for an additional seven years by the relevant authorities. Pursuant to the terms of the UMTS license, WIND Italy has coverage in all Italian regional capitals.

WIND Italy was awarded a 5 MHz block of UMTS spectrum for approximately €89.0 million in June 2009 for a term corresponding to the term of the original UMTS license.

In 2011, WIND Italy obtained 2 blocks at 800 MHz and 4 blocks at the 2600 MHz band. All other Italy's main telecom operators Telecom Italia, Vodafone and H3G also obtained frequencies.

Recently the National Regulatory Authority (*Autorità per le Garanzie nelle Comunicazioni*, or "AGCOM") started a public consultation on the guidelines to assign the 700 MHz frequencies to the television services. Part of the frequencies under evaluation will be assigned for five years, in order to be freed by 2018 for broadband services in accordance with the evolution of the European and ITU framework. In July 2013, AGCOM reviewed the plan of allocation of frequencies for digital terrestrial television network service. The lots of frequencies inside 700 MHz previously assignable for five years to TV have been cleared from the assignment procedures. In this plan revision, AGCOM sets out a gradual liberation of TV channel 57-60 (corresponding to the band 758-790 MHz) by 2016 and the liberation of the remaining portion of 700 MHz band by 2020. Subsequently, AGCOM resolution had been refined in October and December 2013. In January and March 2014 AGCOM issued two resolutions to handle some interference matters between Italian digital terrestrial television and the neighboring countries.

In 2013, AGCOM also started public consultation on the use of 3.6-3.8 GHz frequencies in order to understand the interest of the market in potential future assignment thereof as this range of frequencies could be suitable for international mobile telecommunication services. The consultation resulted in no assignment procedure being decided by the Authority. In 2013 AGCOM updated the assignment rules for frequencies in the band 26-28 GHz (suitable only for wireless local loop and short distance backhauling).

#### *Competition—Mobile Business in Italy*

The mobile telecommunication market in Italy in which WIND Italy operates is characterized by high levels of competition among service providers. WIND Italy expects this market to remain competitive in the near term, and competition may be exacerbated by further consolidation and globalization of the telecommunications industry.

In the Italian mobile telecommunications market, Telecom Italia, operating under the "TIM" brand name, Vodafone Italy, operating under the "Vodafone" brand name, and Hutchison 3G, operating under the "3" brand name, are our principal competitors. Telecom Italia and Vodafone have well established positions in the Italian mobile market and each has a greater market share than WIND Italy. Hutchison 3G has been aggressively seeking new customers through the use of handset subsidies, which are not customarily offered in the Italian market and heavily discounting its offering compared to WIND Italy. Following the intense competitive environment witnessed in the summer of 2013, some aggressive promotions of certain operators were discontinued in the fall of 2013.

Telecom Italia, as the incumbent in the market, has the advantage of longstanding relationships with Italian customers. Vodafone Italy is well positioned in the market and is perceived as having a technologically advanced and reliable network in the market. Certain of our competitors also benefit from greater levels of global advertising.

According to Informa Telecoms & Media, the four network operators in Italy offer mobile telecommunications services to approximately 87.0 million registered customers as of December 31, 2013, representing a penetration rate of approximately 142.8% of the Italian population. As of December 31, 2013 there were 17 MVNO/ESPs providing services in the Italian market, with an aggregate market share of approximately 6%. Penetration is distorted by the widespread use of multiple SIM cards by individual users. The market is mostly prepaid.

According to Informa Telecoms & Media, as of December 31, 2013, excluding MVNOs, Telecom Italia had a market share of 35.9%, followed by Vodafone with 29.1%, WIND Italy with 25.6% and Hutchison 3G with 9.4%.

Following the very intense competitive environment witnessed in the summer of 2013, some aggressive promotions of certain operators were discontinued in the fall of 2013.

### *Marketing and Distribution—Mobile Business in Italy*

In Italy, we market our mobile, Internet, fixed-line voice and data offerings by employing a multibrand strategy of the WIND and Infostrada brands in their respective markets. Each of the WIND and Infostrada brand logos incorporates the distinctive “W” WIND logo, enabling cross-product brand identification. We also advertise our mobile, fixed-line and Internet products to consumers as the “Smart Fun” choice, emphasizing the quality, convenience and price of our products. We have recently decided to advertise our fixed-line and mobile offerings with the same testimonials of Giorgio Panariello and Vanessa Incontrada. These testimonials emphasize our group identity as one single great company offering combined solutions for mobile and fixed-line services. On occasion, we also sponsor concerts, television programs and sporting events.

WIND Italy made strong developments on digital touch points (Web sites, Mobile sites, MyWIND App, Self-care areas, Social Network) to improve the customer experience.

WIND Italy confirms its commitment to innovative startups and upcoming businesses: Wind Business Factor is the platform of business coaching and networking addressed to startups and new entrepreneurs (managers/businessmen).

At the end of 2013 WIND Italy launched All Inclusive Solidarity – closer to Italy, an initiative that confirms its commitment to social issues. Customers who opt for All Inclusive Solidarity, contribute with a donation of 50 cents per month to support concrete projects of social support and WIND Italy doubles the amount donated by each customer.

In Italy, we utilize a wide range of media to advertise our consumer mobile and consumer fixed-line services. In advertising consumer mobile services, we use television, billboards, radio, print media (including newspapers and magazines) and third party websites (including Google and web affiliation programs). We market our broadband services using television, telemarketing and over the Internet. In advertising consumer fixed-line voice services, we focus on television, telemarketing and local press, and also advertise on the radio and other third party websites.

For our corporate customers in Italy, we use different marketing strategies depending on the nature and size of a customer’s business. For large corporate customers and SMEs, our marketing efforts are more customized and institutional in nature, and include one-on-one meetings and presentations, local presentations and presentations at exhibitions. We also advertise in the media. For the SOHO market, we advertise in the professional and general press and use airport billboards. For all corporate customers, we emphasize an integrated approach focusing on all three of our mobile, fixed-line voice and broadband capabilities.

In Italy, we sell consumer mobile products and services, including SIM cards, scratch cards, WIND branded and unbranded handsets through a significant number of points of sale. As of December 31, 2013, in Italy we had 167 WIND owned stores and approximately 532 exclusive franchised outlets operating under the WIND name. WIND Italy also utilizes 1,044 non-exclusive points of sale, 918 electronic chain store outlets and approximately 5,847 other points of sale in smaller towns throughout Italy managed by SPAL S.p.A., our largest distributor in Italy in terms of points of sale. We also sell a portion of our consumer services online through WIND Italy’s website.

Sales to large corporate customers in Italy are made by a dedicated in-house corporate sales team, whereas sales to SMEs and SOHOs are undertaken by agents. In addition, we recently launched an online store aimed at business customers for the direct sale of mobile products and services known as “WIND Business Shop” on WIND Italy’s website.

Given the increasing importance of Customer Experience as a strategic element of differentiation in the market, WIND Italy has created a new function for the Customer Experience Development. This function’s objective is to ensure the continuous improvement of customer satisfaction, developing a customer experience model with the fundamental support of all business functions. The activity will be carried out using a methodology based on NPS (Net Promoter Score). This indicator is able to correlate the level of loyalty and growth and it is now used worldwide to assess the quality of customer experience. NPS is becoming increasingly central to the WIND Italy’s strategy; in addition to being measured periodically through market research, NPS will be used as a tool for continuous monitoring of customer perception when interacting with WIND Italy. In this way, it will be possible to better assess the level of customer satisfaction and implement improvement actions. Top management will have a continuous alignment on the results and it will guarantee the necessary level of commitment.

### ***Fixed-line Business in Italy***

#### *Description of Fixed-line Services in Italy*

In Italy, we offer a wide range of fixed-line voice and Internet broadband services. We offer these services to both consumer and corporate customers.

Our fixed-line voice customer base in Italy consisted of approximately 3.0 million customers as of December 31, 2013. Our direct customers mainly comprise LLU customers.

WIND Italy offers voice and broadband Internet services to direct customers, renting from Telecom Italia the “last mile” of the access network, which is disconnected from Telecom Italia equipment and connected to the WIND equipment in telephone exchanges. In the areas where WIND Italy does not have direct access to the network via LLU, customers can request wholesale services, though WIND Italy no longer actively markets such wholesale services.

In 2013 we launched services in fiber FTTH (Fiber To The Home) in Milan in partnership with Metroweb.

#### *Internet and Data Services*

In the broadband access market in Italy, we mainly offer our products directly through LLU. We offer broadband to both direct and indirect customers, so long as the line is ADSL or ADSL 2+ capable.

We also offer fixed-line voice and broadband services in Italy through bundled offerings such as “All Inclusive” and “Absolute ADSL” packages which, for a fixed monthly fee, provide customers with a fixed-line voice service and unlimited connectivity to broadband. In addition, we offer a bundled offering with a fixed-line voice service, unlimited connectivity to broadband and a mobile SIM with All Inclusive postpaid and prepaid offer.

#### *Consumer Voice Offerings*

Throughout Italy, we provide traditional analog voice telephone service, or “PSTN access,” digital fixed-line telephone service, or “ISDN access,” and value added services, such as caller ID, voicemail, conference calls, call restriction, information services and call forwarding. However, an increasing number of our customers in Italy subscribe to bundled fixed-line voice and Internet broadband offerings.

#### *Corporate Voice Offerings*

In Italy, we provide PSTN, ISDN and VoIP fixed-line voice services, data services, value added services and connectivity services to corporate customers, including large corporate customers, SMEs and SOHOs.

For larger corporate customers in Italy, we typically tailor our offerings to the needs of the customer and, where applicable, to competitive bidding requirements. We offer our large corporate customers direct access to our network through microwave links, direct fiber optic connections or, where we do not offer direct access, via LLU, dedicated lines leased from Telecom Italia. We also offer large corporate customers national toll free and shared toll. We typically offer its SME and SOHO off the shelf plans rather than bespoke offerings.

In Italy, our offerings tailored for SME and SOHO customers include “All Inclusive Business” providing unlimited calls to national fixed and mobile and unlimited Internet access; in addition, “Internet Pack” offer includes one Wi-Fi router, one Internet Key 3G along with a Data SIM contract. The “WIND Impresa” offer provides six to 60 simultaneous voice calls, on VoIP technology and a combined service for renting, running, and maintaining telephone switchboards. We offer customized services tailored to customers’ specific requirements based on the most advanced technologies.

#### *Licenses—Fixed-line Business in Italy*

In Italy, our fixed-line services are provided pursuant to a 20-year license obtained from the Italian Ministry of Economic Development in 1998. This license expires in 2018.

#### *Competition—Fixed-line Business in Italy*

In the Italian fixed-line voice market, the incumbent, Telecom Italia, maintains a dominant market position. Telecom Italia benefits from cost efficiencies inherent in its existing telecommunications infrastructure over which it provides its fixed-line coverage. As the main Italian telecommunications provider, Telecom Italia also benefits from corporate and public sector customers, coupled with recognition and familiarity. Swisscom and Vodafone have entered the fixed-line Internet, voice and data markets by buying out Fastweb S.p.A. and the Italian business of the Swedish carrier Tele2 (successively rebranded TeleTu), respectively. We expect that the fixed-line telecommunications market will remain competitive as a result of the presence of international competitors, the introduction and growth of new technologies, products and services, the declining number of fixed-line customers due to continued fixed-line to mobile substitution, continued migration from narrowband (dial-up) to broadband usage and regulatory changes (for example, in relation to LLU tariffs) in the Italian market, all of which may exert downward pressure on prices or otherwise cause our fixed-line customer base in Italy to contract, thereby impacting our revenue and profitability.

Four service providers, Telecom Italia, WIND Italy (with its brand Infostrada), Vodafone/TeleTu and Fastweb accounted for approximately 94% of the total broadband services actually accessed in the Italian market as of December 31, 2013.

Based on our internal estimates, as of December 31, 2013, Telecom Italia had approximately 6.8 million broadband customers in Italy, representing a market share of approximately 50.4% of broadband retail connections, followed by WIND Italy with approximately 2.2 million broadband customers, representing a market share of approximately 16.1% of broadband retail connections and by Vodafone/TeleTu, with approximately 1.7 million broadband customers representing a market share of approximately 12.9% of broadband retail connections. Fastweb had approximately 1.9 million active broadband customers, representing a market share of approximately 14.3% of broadband retail connections. All other operators had in the aggregate approximately 0.9 million broadband customers, representing a market share of approximately 6.3% of broadband retail connections.

#### *Marketing and Distribution—Fixed-line Business in Italy*

In Italy, we market our fixed-line voice, broadband and data services primarily through WIND Italy's "Infostrada" brand.

The main sales channels for fixed-line voice and broadband services are represented by the shops and the toll-free number 159. In the Internet access market for consumer customers, the "Infostrada" web portal is an important and growing distribution channel. In Italy, we utilize sales agencies, WIND Italy's call centers and a direct sales force to target sales of fixed-line voice and Internet services to corporate customers. However, in 2013, we have increasingly adopted pull sales channels which are more effective and efficient in order to increase the fixed business marginality.

We also offer bundled services in Italy that combine our mobile, Internet, fixed-line voice and data services with an integrated infrastructure and network coverage.

#### **Description of Operations of the Africa & Asia Business Unit**

Our Africa & Asia Business Unit covers our operations in Algeria, Burundi, Central African Republic, Pakistan, Bangladesh, and Laos and in Zimbabwe through our equity investment in Telecel Zimbabwe.

#### *Mobile Business in Africa & Asia*

##### *Description of Mobile Services in Africa & Asia*

In Africa & Asia, we generally offer our customers mobile telecommunications services under contract and prepaid plans. In Algeria, we also offer hybrid plans. As of December 31, 2013, we had the following percentages of contract and prepaid customers:

- In Pakistan, 1.7% of our customers were on postpaid plans and approximately 98.3% were on prepaid plans.
- In Bangladesh, 5.6% of our customers were on postpaid plans and approximately 94.4% were on prepaid plans.
- In Laos, 1.6% of our customers were on postpaid plans and approximately 98.4% were on prepaid plans.
- In Algeria, 2% of our customers were on postpaid plans, approximately 2% were on hybrid plans and approximately 96% were on prepaid plans.
- In Burundi, 0.01% of our customers were on postpaid plans and approximately 99.9% were on prepaid plans.
- In the Central African Republic, 0.2% of our customers were on postpaid plans and approximately 99.8% were on prepaid plans.
- In Zimbabwe, 0.4% of our customers were on postpaid plans and approximately 96.6% were on prepaid plans.

##### *Call Completion Services and Value Added Services*

In Africa & Asia, we provide all of our customers voice services that include airtime charges from mobile postpaid and prepaid customers, including monthly contract fees for predefined number of voice traffic and roaming fees for airtime charges when customers travel abroad.

In Africa & Asia, we generally provide our customers with a variety of value added services, including the following:

- basic value added services, including caller-ID, voicemail, call forwarding, conference calling, call blocking and call waiting;
- messaging services, including SMS, MMS (which allows customers to send pictures, audio and video to mobile phones and to e-mail) and mobile instant messaging;
- content/chat/infotainment services, which vary depending on the country of the customer;
- data access services (on GPRS and EDGE, and in certain countries, 3G); and
- RBT.

#### *Roaming*

In Africa & Asia, our operations generally have active roaming agreements covering a number of countries in Europe, Asia, North America, South America, Australia and Africa. Our roaming arrangements vary according to the countries in which we operate, but generally cover all major roaming destinations.

- In Pakistan, as of December 31, 2013 we had active roaming agreements with 270 GSM networks in 144 countries. In addition, as of December 31, 2013 we provided GPRS roaming with 144 networks in 88 countries. As of December 31, 2013, we provided our customers with CAMEL roaming through 48 operators in 39 countries.
- In Bangladesh, as of December 31, 2013 we had active roaming agreements with 380 GSM networks in 141 countries. In addition, as of December 31, 2013 we had GPRS roaming facilities in 271 networks in 93 countries. We also offer in-flight and maritime roaming with Emirates Airlines and Malaysian Airlines.
- In Laos, as of December 31, 2013 we had active roaming agreements with 268 networks in 128 countries. We provide data roaming cover to 124 networks in 59 countries as of December 31, 2013. Inbound roaming has played a key role among our roaming operation in Laos. As of December 31, 2013, we had roaming agreements with 266 roaming partners, accommodating roamers from 128 countries with data roaming.
- In Algeria, as of December 31, 2013 we had active roaming agreements with 416 GSM networks in 155 countries and GPRS roaming with 178 networks in 90 countries. We also provided our customers in Algeria with CAMEL roaming through 133 operators in 78 countries as of December 31, 2013.
- In Burundi, as of December 31, 2013 we had roaming agreements with 207 networks in 104 countries. We provide our customers in Burundi with CAMEL roaming through 34 operators in 28 countries as of December 31, 2013.
- In the Central African Republic, as of December 31, 2013 we had active roaming agreements with 257 GSM networks in 138 countries. As of December 31, 2013 we provided our Central African customers with CAMEL roaming through eight operators in eight countries. We also had a national roaming agreement with Moov, which provided roaming for customers in three cities in the Central African Republic as of December 31, 2013.
- In Zimbabwe, as of December 31, 2013 we had active roaming agreements with 356 networks in 148 countries. We also had five agreements with Telecel as the VPMN via the Link 2 One hub and VRS hub and 17 agreements with Telecel as the HPMN via the Link 2 One hub and VRS hub. We opened up CAMEL unilaterally to our inbound roamers and we currently have four unilateral partners in Botswana, Egypt, India and Zambia.

Generally, each agreement with roaming partners provides that the operator hosting the roaming call sends us a bill for the roaming services used by our customer while on the host's network. We pay the host operator for the roaming services and then bill the amount due for the provision of roaming services on our customer's monthly bill.

#### *Interconnect Revenue*

We have several interconnection agreements with mobile and fixed-line operators in Africa and Asia under which we provide traffic termination services. These services represent termination of incoming voice and data traffic from a network of our competitors when their customers call or send data to our customers.

#### *Revenue from Sales of Equipment and Accessories and Other Revenue*

*Handset offerings.* We offer to our customers a broad selection of handsets and Internet devices, which we source from a number of suppliers.

*USB Modems.* In Africa & Asia, we generally offer our customers wireless Internet access through GPRS/EDGE networks using special Plug&Play-USB modems. In Burundi, Laos and Zimbabwe we offer 3G services. In addition to providing Internet access, USB modems generally provide other functionalities such as balance top-up, tariff changing and easy management of other services in USB modem interfaces. Our businesses in Pakistan do not offer USB modem services.

#### *Mobile Telecommunications Licenses in Africa & Asia*

In Africa & Asia, our mobile telecommunications services are provided pursuant to licenses in the countries in which we operate. The following is a summary of the key terms of our licenses in Africa & Asia:

- In Pakistan, we hold 2G, 3G WLL, Long Distance and International licenses for the entire territory of Pakistan and for Azad Jammu Kashmir and Gilgit Baltistan. The 2G licenses will expire in 2022 and the 3G license will expire 2029.
- In Bangladesh, we hold a 2G and 3G license for the entire territory of Bangladesh. The 2G license will expire in 2026. The 3G license will expire in September 18, 2028.
- In Laos, we hold 2G, 3G, WLL, ISP, WIMAX and IGW licenses for the entire territory of Laos. The 2G license will expire in 2022, while the 3G license was issued in November 14, 2012 (effective as of January 1, 2013) and is renewed on an annual basis.
- In Algeria, we hold 2G, 3G ISP and VSAT licenses for the entire territory of Algeria. The 2G license will expire in 2016. The 3G license will expire in December 2, 2028.
- In Burundi, we hold 2G, 3G, WLL and WIMAX licenses for the entire territory of Burundi. The 2G and 3G licenses will expire in 2014.
- In the Central African Republic, we hold 2G, 3G, WLL, WIMAX ISP and VoIP licenses for the entire territory of the Central African Republic. The 2G and 3G licenses will expire in 2038.
- In Zimbabwe, we hold 2G, 3G, International Gateway and Long Distance carrier licenses for the entire territory of Zimbabwe.

#### *Competition—Mobile Business in Africa & Asia*

##### *Pakistan*

The Pakistani telecommunications sector experienced significant growth over the past ten years due to a variety of reasons. The advent of several new operators to the market has increased the level of competition and resulted in an overall drop in prices making it more affordable for consumers to own mobile phones. Additionally, the continuous investment in network expansion carried on by operators provided a higher percentage of the Pakistani population with access to mobile services as compared to before. The availability, affordability and ease of use of handsets also contributed to the growth of the overall mobile industry.

According to the Pakistan Telecommunications Authority, there were approximately 132.3 million customers in Pakistan as of December 31, 2013, representing a penetration rate of approximately 73.5% (inclusive of Azad Jammu Kashmir and Northern Areas). The Pakistani mobile telecommunications market has five main operators: Mobilink, Telenor Pakistan, Ufone, Warid and Zong. Telenor Pakistan is a member of Telenor Group and has been operating commercially in the market since 2005. Ufone is a member of the Etisalat Group and started operations in 2001. Warid started its operations in 2004. Zong is fully owned by China Mobile and is the fastest growing mobile telecommunications provider in Pakistan.

The below table shows the number of customers per operator as of December 31, 2013:

<b>Operator</b>	<b>Customers in Pakistan (in millions)</b>
Mobilink (VimpelCom)	37.6
Telenor Pakistan	33.4
Ufone	25.0
Warid	12.8
Zong	24.0

Source: The Pakistan Telecommunications Authority

## Bangladesh

The mobile telecommunications industry was introduced late in Bangladesh. Since GrameenPhone (GP) launched its GSM technology in 1997, the industry has grown rapidly. In the last decade the penetration increased from 0.8% (in 2002) to 68.3% in 2013. Increased demand for mobile telecommunications services is largely due to the expansion of the economy of Bangladesh and a corresponding increase in disposable income; declining tariffs which have made mobile telecommunications services more affordable to the mass market customer segment; advertising, marketing and distribution activities, which have led to increased public awareness of, and access to, the mobile telecommunications market; and improved service quality and coverage.

According to the Bangladesh Telecommunications Regulatory Commission, there were approximately 113.8 million customers in Bangladesh as of December 31, 2013, representing a penetration rate of approximately 68.3%.

The mobile telecommunications market in Bangladesh is highly competitive. The top three mobile operators, Grameenphone, Banglalink and Robi, collectively held approximately 88.7% of the mobile market in Bangladesh as of December 31, 2013 (according to the Bangladesh Telecommunications Regulatory Commission). In addition to Grameenphone and Robi, we also compete with Airtel, Citycell and Teletalk. Grameenphone is a public limited company listed on the Dhaka and Chittagong Stock Exchanges. Grameenphone has two main shareholders, namely Telenor Mobile Communications AS (55.80%) and Grameen Telecom (34.20%). Robi Axiata Limited is a joint venture company between Axiata Group Berhad, Malaysia (91.6%) and NTT DOCOMO Inc, Japan (8.4%). Airtel Bangladesh Ltd. launched commercial operations in 2007. Warid Telecom International LLC, an Abu Dhabi based consortium, sold a majority 70.0% stake in the company to India's Bharti Airtel Limited In January 2010, Citycell (Pacific Bangladesh Telecom Limited) was the first mobile communications company of Bangladesh and is the only CDMA network operator in the country. Citycell is currently owned by Singtel with a 45.0% stake and the rest is 55.0% owned by Pacific Group and Far East Telecom. Teletalk Bangladesh Limited is a Public Limited Company of the Bangladesh Government, the state-owned telephone operator, which launched its operations in 2004.

The following table shows our and our primary mobile competitors' respective customer numbers in Bangladesh as of December 31, 2013:

<u>Operator</u>	<u>Customers in Bangladesh (in millions)</u>
Grameenphone	47.1
Banglalink (VimpelCom)	28.8
Robi	25.4
Airtel	8.3
Citycell	1.4
Teletalk	2.8

Source: The Bangladesh Telecommunications Regulatory Commission.

## Laos

The Lao telecommunications market is very competitive, with aggressive promotions, low per-minute prices and rotational churn. With a penetration rate of less than 71% as of December 31, 2013, the market is still rapidly expanding, as evidenced by the growth in customers year after year as tariffs decline and handsets become more affordable.

According to Informa Telecoms & Media, there were approximately 4.8 million customers in Laos as of December 31, 2013.

The Lao mobile telecommunications market has four operators: Unitel; VimpelCom, operating through our subsidiary VimpelCom Lao Co.; Lao Telecom; and ETL. Unitel is a joint venture between Viettel Global Joint Stock Company ("Viettel Global") and Lao Asia Telecom ("LAT"). Lao Telecom ("LTC") is jointly owned by the Lao Government (51.0%) and Shinawatra International Public Company Limited (49.0%). ETL is 100% controlled by the Lao Government (via the Ministry of Communication, Transport, Post and Construction).

The following table shows our and our primary mobile competitors' respective market shares in Laos as of December 31, 2013:

<u>Operator</u>	<u>Market Share</u>
Unitel	55.9%
LTC	26.7%
VimpelCom Lao Co. (VimpelCom)	6.7%
ETL	10.7%

Source: For all companies except VimpelCom Lao Co., Informa Telecoms & Media. © 2013 Informa Telecoms & Media. All rights reserved.

### *Algeria*

The mobile industry in Algeria has grown rapidly over the past ten years as a result of increased demand by individuals and newly created private businesses. Demand for mobile services is largely due to the expansion of the Algerian economy. Innovative services and declining tariffs have made mobile services more appealing to the mass-market-customer segment, while advertising, marketing and distribution activities, and improved service quality and coverage have led to increased public awareness of, and access to, the mobile telecommunications market.

According to Informa Telecoms & Media, there were approximately 40.1 million customers in Algeria as of December 31, 2013, representing a penetration rate of approximately 101.3%.

In Algeria, there are three mobile operators: Djezzy, operating through our subsidiary OTA; Mobilis, a subsidiary of Algeria's incumbent operator, Algérie Télécom; and Ooredoo. Algérie Télécom launched its Mobilis GSM network in April 1998 and was the only operator until the second GSM license was awarded to OTA in July 2001, for a period of 15 years. OTA launched under the Djezzy brand in February 2002. Wataniya Telecom Algeria was awarded the third GSM license in December 2003. In December 2013, a 3G license was granted to all three operators. Competition is based primarily on local and international tariff prices, network coverage, quality of service, the level of customer service provided, brand identity and the range of value-added and other customer services offered.

Customer growth in Algeria's mobile market is expected to slow down, and the attention is expected to shift to maintaining or improving the average revenue per user, which has continued to decline under intensifying price competition between the three networks.

Competition for customers in Algeria is intense and is expected to increase in the future as a result of greater market penetration and new technologies, products and services. As a result of increased competition, mobile providers are utilizing new marketing strategies, including aggressive price promotions, to retain existing customers and attract new ones.

The following table shows our and our competitors' respective customer numbers in Algeria as of December 31, 2013:

<u>Operator</u>	<u>Customers in Algeria (in millions)</u>
Djezzy (VimpelCom)	17.6
Mobilis (AMN)	13.0
Nedjma (WTA)	9.5

Source: For all companies except Djezzy., Informa Telecoms & Media. © 2013 Informa Telecoms & Media. All rights reserved.

### *Burundi*

The mobile industry in Burundi has grown rapidly in recent years. According to Informa Telecoms & Media, customer numbers have increased from 1.0 million at the end of 2009 to approximately 3.3 million at the end of 2013, representing a penetration rate of approximately 32%.

The mobile telecommunications market in Burundi has five main network operators: Leo Burundi, Econet Wireless, Africell Tempo, SMART Lacell, and Onatel. Leo Burundi is our subsidiary.



The following table shows our and our competitors' respective customer numbers in Burundi as of December 31, 2013:

<u>Operator</u>	<u>Customers in Burundi</u>
Leo Burundi (VimpelCom)	1,734,000
Econet Wireless	805,000
SMART Lacell	279,400
Onatel Burundi	372,100
Africell Tempo	306,300

Source: For all companies except Leo Burundi., Informa Telecoms & Media. © 2013 Informa Telecoms & Media. All rights reserved.

#### *Central African Republic*

The Central African Republic mobile telecommunications industry has grown quite rapidly over the past four years as a result of increased coverage and reduction of the price of handsets. While we see healthy demand in urban centers, increased growth in the usage of telecommunication services in rural areas has been largely hampered by the limited purchasing power of the population at large and the poor logistical infrastructure in the country. The rural zones of the Central African Republic lack roads, electricity, distributor networks and financial networks (banks) for the collection and safekeeping of cash. A large part of the country is considered insecure from a personal safety perspective. These issues directly affect our distribution, network roll-out and site maintenance activities in the provinces.

According to Informa Telecoms & Media, there were approximately 1.31 million customers in the Central African Republic as of December 31, 2013, representing a penetration rate of approximately 28%.

In the Central African Republic mobile telecommunications market we compete with three other operators: Orange; Moov and Azur. Orange is a member of the France Telecom group. Moov is a subsidiary of Atlantique Telecom, which is in turn a subsidiary of Etisalat (Emirates Telecommunications Corporation), the incumbent and leading provider of telecommunications in the UAE. Azur belongs to the Bintel Group, based in Lebanon.

The following table shows our and our primary mobile competitors' respective customer numbers in the Central African Republic as of December 31, 2013:

<u>Operator</u>	<u>Customers in CAR</u>
Telecel CAR (VimpelCom)	407,562
Orange	356,000
Azur	246,750
Moov	131,000

Source: For all companies except Telecel CAR., Informa Telecoms & Media. © 2013 Informa Telecoms & Media. All rights reserved.

#### *Zimbabwe*

The mobile industry in Zimbabwe has grown rapidly over the past couple of years. Customer numbers have increased from fewer than 1.8 million at the end of 2008 to approximately 13.7 million at the end of 2013. The main drivers behind the growth of mobile communications in Zimbabwe is initially related to voice and increased desire for data services given its relatively young and dynamic population. Advertising, marketing and distribution activities and improved coverage have led to increased public awareness of, and access to, the mobile telecommunications market in Zimbabwe.

According to Informa Telecoms & Media, there were approximately 13.7 million customers in Zimbabwe as of December 31, 2013, representing a penetration rate of approximately 94.7%.

The mobile telecommunications market in Zimbabwe has three licensed network operators: Econet Wireless Zimbabwe; Telecel Zimbabwe; and NetOne Zimbabwe. Telecel Zimbabwe is jointly owned by our subsidiary Telecel International Ltd. S.A. and the Empowerment Corporation. Econet Wireless Zimbabwe is a subsidiary of the Econet Wireless telecommunications group. NetOne Zimbabwe is a private company wholly owned by the Zimbabwean government.

The following table shows our and our competitors' respective customer numbers in Zimbabwe as of December 31, 2013:

<u>Operator</u>	<u>Customers in Zimbabwe (in millions)</u>
Econet	8.7
Telecel (VimpelCom)	2.6
NetOne	2.5

Source: For all companies except VimpelCom Lao Co., Informa Telecoms & Media. © 2013 Informa Telecoms & Media. All rights reserved.

#### *Marketing and Distribution—Mobile Business in Africa & Asia*

In Africa & Asia, we generally offer our customers contract and prepaid tariff plans, each offering different benefits and targeting a certain type of customer. We also generally offer our customers a wide range of value-added services to choose from and loyalty reward schemes. Below is a summary of our sales and distribution arrangements in the various countries in which we operate:

- In Pakistan, we offer a portfolio of tariffs and products designed to cater to the needs and requirements of specific market segments, including mass-market customers, youth customers, personal contract customers, SOHOs (with one to five employees), SMEs (with six to 50 employees) and enterprises (with more than 50 employees). We offer corporate customers several postpaid plan bundles, which include on-net minutes, variable discount for closed user groups or “CUG,” and follow-up minutes based on bundle commitment. As of December 31, 2013, our sales channels include 20 company stores, a direct sales force of 40 permanent employees and 319 contractual employees, 419 franchise stores, 73 contractual direct-selling representatives, and over 208,262 third party retailers.
- In Bangladesh, we offer our customers several national prepaid, contract and hybrid tariff plans, each offering a different benefit and targeting a specific type of customer. We divide our primary target customers into five categories: high-value customers (for the top 20% of our high-ARPU-generating customers); public call offices (a telephone facility in a public place providing calling-card-based domestic and international telecommunications services), enterprises (for companies with 15 or more employees), SME accounts (for companies with one to 15 employees) and mass customers. We also offer specific-business value-added services and special pricing based on volume and contractual commitment, which include Fleet Tracking and Bulk SMS. We provide our large enterprise accounts with specialized customer service and enterprise relationship management. We distribute our mobile services and products through our own shops, a direct sales force of 354 (317 permanent and 37 temporary) employees, telemarketing through 344 representatives and approximately 40,268 SIM retailers and over 167,652 airtime retailers, as of December 31, 2013.
- In Laos, we offer pricing plans for contract, prepaid and Internet services for residential and corporate customers. Local price plans include plans for heavy users, handset packages and closed user groups for families and communities. Most tariffs are quoted in the local currency. We distribute our mobile services and products through ten exclusive distributors, 33 retail sales officers and 176 promoters.
- In Algeria, we offer several contract and prepaid tariff plans, each offering a different benefit and targeting a certain type of customer. Our postpaid plans are targeted at our business customers and include “Djezzy Business” and “Business Control.” Our postpaid plans for residential customers include “Djezzy Classic” and “Djezzy Control.” Our prepaid plans for residential customers include “Djezzy Carte” and “Allo.” We also have a loyalty program called “Imtiyaz,” which gives customers bonus points depending on their usage. Bonus points can be exchanged for voice and messaging services or products. We also have an “Imtiyaz Elite” for our high-value customers, which offers additional benefits. We sell our mobile telecommunication services through indirect channels (distributors) and through our “Djezzy” branded shops, of which there were 89 as of December 31, 2013. Our nine exclusive national distributors cover all the 48 Wilayas and are distributing our products through 11,800 authorized points of sales. We also had a pool of more than 750 agents in a call center as of December 31, 2013. This pool of agents combines a series of insourced and outsourced agents that are directly managed by OTA management in three languages (Arabic, French and Amazigh).
- In Burundi, we have a channel partner network to distribute our products and services across the country including isolated rural areas. As of December 31, 2013, the network consists of six super distributors nationwide, eight branded company-owned and company-operated service centers nationwide, 120 sub-distributors and 11,500 non-specialized independent retail outlets.
- In the Central African Republic, we offer customers several national contract and prepaid plans, each offering a different benefit and targeting a specific type of customer. We divide our primary target customers into the following groups: contract accounts (for wealthier Central Africans and foreigners; NGOs; multilateral organizations and business people);

corporate floats (prepaid accounts created under one main corporate account) and prepaid or mass customers. We distribute our products and services through eight of our own shops, 5,787 registered dealers and numerous informal street resellers, as of December 31, 2013.

- In Zimbabwe, we focus on providing our customers with high-tech mobile phone products at affordable prices. We have an array of value-added products that reward customers in a higher ARPU tier. We run a non-exclusive national indirect distribution model using superdealers across the country (regionally controlled), and street resellers. As of December 31, 2013, we used superdealers and more than 2,500 street resellers. We have eight regional offices and own shops in seven regions and a booth in the international airport.

### *Fixed-line Business in Africa & Asia*

Our fixed-line business in Africa & Asia is limited to our operations in Pakistan, Laos, Burundi and the Central African Republic. We do not offer fixed services in other countries in which we operate in Africa & Asia. Our fixed-line business in Pakistan includes Internet, data and value added services over a wide range of access media, covering major cities of Pakistan. We also offer domestic and international long distance services, point-to-point leased lines, dedicated Internet services through our access network, virtual private network, or “VPN,” services, value added services, such as web hosting, email hosting and domain registration, DSL and xDSL services, WiMax services, VSAT services, Metro Fiber, which provides last mile access to the enterprise sectors in Karachi, Lahore and Islamabad and P2P radios for connecting to our network. In Laos, we offer WiMax covering few cities with low uptake. In Burundi, we offer WiMax 16d fixed broadband services using Alvarion equipment. In the Central African Republic, we offer limited fixed services, which include dedicated and shared Internet connections using WiMax.

### *Fixed-line Business Licenses in Africa & Asia*

We maintain the required licenses for our fixed-line operations in Africa & Asia. In Burundi, we have a WiMax license, which is valid until April 2016.

### *Competition—Fixed-line Business in Africa & Asia*

In Pakistan, our fixed-line business faces significant competition from other providers of fixed-line corporate services, carrier and operator services and consumer Internet services.

In Pakistan, our main competitors for fixed-line corporate services are Pakistan Telecommunication Corporation, or “PTCL,” Multinet, Wateen, Supernet, Cybernet, Nexlinx and Nayatel. Our main competitors for carrier and operator services are PTCL, Wateen, Worldcall, Wi-Tribe, and Telenor Pakistan. Our main competitors for consumer Internet services are PTCL, Wateen, World Call, Wi-Tribe and Qubee.

In Burundi, our main competitor for fixed-line services is CBINET.

In the Central African Republic, our main competitors for fixed-line services are Orange and Moov.

### *Marketing and Distribution—Fixed-line Business in Africa & Asia*

In Pakistan, our BCD utilizes a direct sales force for corporate customers. We employ a team of regional sales managers in three different regions (South, Central and North) supported by dedicated sales force and account managers. For consumer DSL, we use direct sales channels, indirect sales channels and telesales. Our telesales operate in Lahore in Central Region with a team of telesales executives led by a sales manager. BCD offers WiMax services to the consumer market only in Karachi, through direct and indirect sales channels and telesales led by a sales manager. Direct sales are supported by a dedicated sales force of business development officers. Indirect sales are supported by retail business development officers which offer services through our franchise network. Our telesales channel also offer WiMax services.

In Burundi, we have a small dedicated direct sales force for our fixed-line services. Most sales are made through our fully owned shops in the country’s capital city Bujumbura.

In the Central African Republic, we have a small dedicated direct sales force for our fixed-line services. Most sales are made through our fully owned shops in the country’s capital city, Bangui.

## **Description of Operations of the Ukraine Business Unit**

### ***Mobile Business in Ukraine***

#### *Kyivstar Transformation program*

Kyivstar experienced significant pressure on results in 2013, due to the transition to lower priced bundled tariff plans. Taking into account Kyivstar's strong network performance and capacity, Kyivstar, during 2013, implemented commercial measures to improve mobile service revenue trends, through its transformation program to refocus its commercial strategy from volume-based to value-based management with a customer centric approach and concentrating on customer excellence.

#### *Description of Mobile Services in Ukraine*

##### *Mobile Voice Services*

As of December 31, 2013, approximately 8.9% of our customers in Ukraine were on postpaid plans and approximately 90.9% of our customers in Ukraine were on prepaid plans.

##### *Call Completion and Value Added Services*

In Ukraine, we offer the same call completion and value added services as in Russia. For a description of these services, see "Item 4—Information on the Company—Description of Operations of the Russia Business Unit—Mobile Business in Russia—Description of Mobile Services in Russia—Value Added Services including Data Revenue."

##### *Roaming*

As of December 31, 2013, Kyivstar provided voice roaming on 420 partner networks in 195 countries, GPRS roaming on 313 networks in 157 countries and 3G roaming on 123 networks in 177 countries.

##### *Wireless Internet Access*

In Ukraine, we provide our customers with wireless Internet access through GPRS/EDGE networks. The service, which was commercially launched in 2008 offers customers special wireless USB modems, which provide a simple way to access the Internet throughout Ukraine without access to fixed-line broadband or a long-term contract. Customers receive a USB modem and SIM card with a pre-installed special Internet rate data plan.

##### *Interconnect Revenue*

We have several interconnection agreements with mobile and fixed-line operators in Ukraine under which we provide traffic termination services. These services represent termination of incoming voice and data traffic from a network of our competitors when their customers call or send data to our customers.

##### *Revenue from Sales of Equipment and Accessories and Other Revenue*

In October 2013 we canceled sales of handsets for B2C customers because of low margins for this business.

##### *Mobile Telecommunications Licenses in Ukraine*

In Ukraine, we hold 900 MHz GSM and 1,800 MHz GSM cellular licenses to provide telecommunications services throughout the territory of Ukraine. These licenses were received on October 5, 2011 for a term of 15 years each and will expire on October 4, 2026. We have also obtained a range of national and regional radio frequency licenses for use of radio frequency resource in the referred standards and in specified standards—RRL and WiMax. In addition, we provide local, long-distance and international fixed-line telecommunications services throughout Ukraine. Our network covers all large and small cities and areas outside of these cities, together, covering territory where approximately 99.97% of the Ukraine's population lives.

##### *Competition—Mobile Business in Ukraine*

Despite repeated requests from the leading Ukrainian operators, including Kyivstar, the launch of 3G services in Ukraine had been blocked by the Ukrainian regulators since 2005, when the Ukrainian government issued its first and only 3G license to Ukrtelecom, Ukraine's state-owned fixed-line operator.

In 2013 the SCM group acquired Ukrtelecom, including its subsidiary “TriMob” LLC, the only UMTS license holder in Ukraine. The implementation of mobile number portability was postponed by the state regulatory body NCCIR at the end of 2013 and is expected to become effective as of July 2014.

The Ukrainian government subsequently announced plans to hold a tender to auction a 3G license. However, the proposed auction has been postponed indefinitely.

According to Informa Telecoms & Media, as of December 31, 2013, there were approximately 60.8 million customers in Ukraine, representing a penetration rate of approximately 135%. There are currently three mobile operators with national coverage in Ukraine: Kyivstar, Mobile TeleSystems—Ukraine (“MTS Ukraine”) and LLC Astelit.

The following table shows our and our primary mobile competitors’ respective customers in Ukraine as of December 31, 2013:

<u>Operator</u>	<u>Customers (in millions)</u>
Kyivstar (VimpelCom)	25.8
MTS Ukraine	22.7
Astelit	9.2

Source: Informa Telecoms & Media for all companies except Kyivstar. © 2013 Informa Telecoms & Media. All rights reserved.

#### *Kyivstar and MTS Ukraine*

Kyivstar competes primarily with MTS Ukraine, which is 100.0% owned by MTS, operates a GSM-900/1800 network in Ukraine. MTS Ukraine also received a CDMA-450 license in 2006. Kyivstar also competes with Trimob, a company which was separated from Ukrtelecom to provide services under a 3G license, which, according to Informa Telecoms & Media, had approximately 1.2 million customers as of December 31, 2013, and with other small CDMA players.

#### *Other Competitors in Ukraine*

Kyivstar also competes with Astelit, which operates throughout Ukraine and which had approximately 9.2 million customers as of December 31, 2013 according to Informa Telecoms & Media.

#### *Marketing and Distribution—Mobile Business in Ukraine*

In Ukraine, we offer several prepaid and contract tariff plans, each one targeted at a different type of customer.

We divide our primary target customers into two large groups:

- B2B (subdivided into SME customers and LE customers); and
- B2C (mass market) customers.

The Ukrainian mobile market operates primarily on prepaid plans. However, contract customers tend to generate higher ARPU for our company than prepaid customers. To attract more contract customers, we have differentiated our service levels to provide higher customer service to our contract customers, such as direct access to customer service agents on a dedicated contract customer service line, in addition to our initiatives to increase the flexibility and accessibility of the payment methods offered to contract customers.

#### *Customer Loyalty Programs*

In Ukraine, to promote brand loyalty we use “Kyivstar club” program, to provide a monthly bonus, which is a percentage of the amount spent by the customer’s usage per month and the length of time the customer has been a Kyivstar customer.

## ***Fixed-line Business in Ukraine***

### *Description of Fixed-line Services in Ukraine*

#### *Business Operations*

We have constructed and own 24,375 kilometer fiber optic network (local FOL mobile, FTTB and fixed business), including 5,070 kilometers within cities, 2,991 kilometers (local FOL for mobile and fixed-line business) and 1,038 kilometers local FOL for FTTB in the Kyiv region, which is interconnected to the local PSTN in Kyiv, to other major metropolitan areas in Ukraine and to our gateway. We provide data and Internet access services in approximately 97 metropolitan cities in Ukraine.

Our fixed-line services include corporate Internet access, VPN services, data center, contact center, fixed-line telephony and number of value added services. Internet access services include connection to the Internet via ADSL, symmetrical and ethernet interfaces at speeds ranging from 256 kbps to 10 Gbps. We provide standard and advanced fixed-line telephony value added services, such as convergent fixed-mobile closed user groups. Fixed-line voice services are available in 28 major cities of Ukraine.

In order to reduce dependency on other fixed-line operators we build our own transmission capacity between the base station network and the mobile switching centers, consisting of fiber optic cable and radio links. Between our base stations and base station controllers, we use mini links operating at 8 and 23 GHz, where capacity of MW is not a constraint. We have built dedicated fiber optic networks in large cities, such as Kyiv, Kharkiv, Odessa, Dnipropetrovsk, Lviv, Donetsk, Vinnytsya, Khmelnytsky, Zaporizhzhya, Simferopol and Mykolaiv. As of December 31, 2013, we owned in total 45,980 kilometers of fiber optic cable (including Backbone and MAN) that reasonably satisfy our needs in terms of transmission network capabilities with a negligible level of leased capacity needed.

*Local Access Services.* We provide local access services to corporate customers by connecting their premises to our fiber optic network, which interconnects to the local PSTN in 28 major Ukrainian cities.

*International and Domestic Long Distance Services.* We provide outgoing international voice services to business customers through its international gateway and direct interconnections with major international carriers. DLD services are primarily provided through our own intercity transmission network and through interconnection with Ukrtelecom's and other operators' networks. We also hold an international license that enables it to provide international voice and data services to its business and corporate customers.

*Dedicated Internet and Data Services.* We provide a VPN service that has an integrated voice and data ISDN connection, frame relay, broadband digital customer line and dedicated Internet services.

*Information Services.* We provide telecommunications services to financial and banking companies, such as S.W.I.F.T., access to processing centers, news services to companies such as Reuters, as well as conduits to airline reservation systems in Ukraine. Our data center provides server co-location and hosting services for news agencies and financial and entertainment services providers.

*Call Center Services.* We launched our call center services in 2002 and are one of the main market players in providing hotline, telemarketing and other call center services for corporate clients in Ukraine. In 2013, we updated our call center platform and launched additional call center services, such as multimedia messaging.

*Mass Market Services.* We offer telephone and Internet broadband access services (through FTTB or ADSL) for mass market customers.

#### *Wholesale Operations*

Our joint carrier and operator services division in Ukraine provides local, international and intercity long distance voice traffic transmission services to Ukrainian fixed-line and mobile operators on the basis of our proprietary DLD/ILD network as well as IP transit and data transmission services through our own domestic and international fiber optic backbone and IP/MPLS data transmission network.

We derive most of our carrier and operator services revenue in Ukraine from voice call termination services to our own mobile network, and voice transit to other local and international destinations. We have more than 100 national interconnections in cities in Ukraine through which we terminate traffic of our customers and generate revenue from call termination on our transits. We have 43 international interconnections with international partners for voice call termination and transit and 20 interconnects for data services.

### *Residential and FTTB Operations*

In Ukraine, we offer the same spectrum of fixed-line and wireless Internet services. We began providing fixed-line broadband services in Ukraine in 2008 and as of December 31, 2013 provided services in 138 cities in Ukraine. In connection with this service, we have been engaged in project to install FTTB for fixed-line broadband services in approximately 47,200 residential buildings in 138 cities, providing over 64,000 access points.

### *Licenses for Fixed-line Business in Ukraine*

The table below sets forth the principal terms of the licenses which are important to our fixed-line business in Ukraine.

<u>License Type</u>	<u>Region</u>	<u>Expiration Date</u>
International communication	All of Ukraine	August 18, 2019
Long-distance communication	All of Ukraine	August 18, 2019
Local communication	All of Ukraine	August 29, 2015

### *Competition—Fixed-line Business in Ukraine*

#### *Business Operations*

In the voice services market for business customers, we compete with Ukrtelecom, Datagroup, Vega, and a number of other small operators. There is a high level of competition with more than 2,000 ISPs in Ukraine. Our main competitors in the corporate market for data services are Ukrtelecom, Volia, Vega and Datagroup. In 2013 SCM Group acquired Ukrtelecom, Ukraine's incumbent telecom operator.

In the fast growing residential broadband Internet market, we compete with Ukrtelecom and Volia as well as with strong local players across Ukraine.

#### *Wholesale Operations*

In Ukraine, carrier and operator services market competitors include Datagroup, Ukrtelecom, and Vega.

#### *Consumer Internet Services*

Our main competitors for provision of consumer Internet services in Ukraine are Volia and Ukrtelecom. From December 31, 2012 to December 31, 2013, we significantly increased the number of broadband customers in Ukraine by 24.3% from 612,665 to 761,532.

### *Marketing and Distribution—Fixed-line Business in Ukraine*

#### *Business Operations*

Our company emphasizes high customer service quality and reliability for its corporate large accounts while at the same time focusing on the development of its SME offerings. We sell to corporate customers through a direct sales force and various alternative distribution channels such as IT servicing organizations and business center owners, and to the SME through dealerships, direct sales, own retail and agent networks.

We use a customized pricing model for large accounts which includes, among other things, service or tariff discounts, volume discounts, progressive discount schemes and volume lock pricing. We use standardized and campaign-based pricing for SME customers.

Fixed services have significant potential considering positive difference in market share and brand preference for the B2B market. Fixed-line services are used as an effective tool to acquire, develop and retain corporate large accounts, especially in financial, agricultural and retail sectors. For customer acquisition we use a two-step approach: first, we acquire customers with fixed-line services, and then we promote our mobile service. For that purpose Fixed-Mobile convergent services and offers were developed.

M2M market is experiencing significant growth. Special M2M offers and a number of value added services are being used to benefit from this market growth.

### *Residential and FTTB Operations and operator services revenue in Ukraine*

Our marketing strategy is focused on attracting new customers. We offer several tariff plans, each one targeted at a different type of customer. In 2013 our consumer fixed-line Internet services business was supported by BTL activities, including a leaflets distribution, in areas where the service is provided. These efforts are supplemented by limited ATL as well as by direct sales conducted on a door-to-door basis in buildings in which broadband service is available.

*Fixed-line Broadband Internet Access.* We offer a wide range of FTTB services tariffs targeted at different customer segments. There are four unlimited tariff plans with monthly fees, which offer different speeds up to 100 Mbps for active Internet users.

### *xDSL Services*

Revenue generated from xDSL service is insignificant and shows a steady decrease as this technology is being replaced by newer technologies.

## **Description of Operations of the CIS Business Unit**

### ***Mobile Business in the CIS***

#### *Description of Mobile Services in the CIS*

##### *Mobile Voice Services*

As of December 31, 2013, approximately 2% of our customers in the CIS were on postpaid plans and approximately 98% of our customers in the CIS were on prepaid plans.

*Call Completion and Value Added Services.* In the CIS, we offer the same call completion and value added services as in Russia (except for location based services). For a description of these services, see “—Description of Operations of the Russia Business Unit—Mobile Business in Russia—Description of Mobile Services in Russia.”

*Roaming.* In the CIS, we have roaming arrangements with a number of other networks, which vary by country of our operations.

- In Kazakhstan, as of December 31, 2013 we provided voice roaming on 435 networks in 181 countries, GPRS roaming on 339 networks in 130 countries and CAMEL roaming on 163 networks in 88 countries.
- In Uzbekistan, as of December 31, 2013 we provided voice roaming on 462 partner networks in 182 countries, GPRS roaming on 298 networks in 131 countries and CAMEL roaming on 187 networks in 89 countries.
- In Armenia, as of December 31, 2013 we provided voice roaming on 389 partner networks in 171 countries, GPRS roaming on 273 networks in 124 countries and CAMEL roaming on 174 networks in 88 countries.
- In Tajikistan, as of December 31, 2013 we provided voice roaming on 182 networks in 86 countries, GPRS roaming on 152 networks in 79 and CAMEL roaming in 87 networks on 52 countries.
- In Georgia, as of December 31, 2013 Mobitel provided roaming on 143 partner networks in 90 countries, GPRS roaming on 101 networks in 81 countries and CAMEL roaming on 83 networks in 75 countries.
- In Kyrgyzstan, as of December 31, 2013 we provided roaming on 428 partner networks in 159 countries, GPRS roaming on 56 networks in 47 countries and CAMEL roaming on 48 networks in 37 countries.



### *USB Modems*

We have partnered with Opera Software to offer a “Beeline” branded version of the Opera Mini browser under a framework agreement that provides for the provision of such services in Kazakhstan, Armenia, Georgia, Kyrgyzstan and Tajikistan. Under this agreement, we have already begun to provide services in Tajikistan, Armenia and Georgia. In Kazakhstan, we provide customers with wireless Internet access over GPRS/EDGE/UMTS networks. Our UMTS/HSPA network was commercially launched in January 2011. The wireless Internet services that we offer include small screen Internet (data services and options in regular voice price plans) and large screen Internet (special Internet price plans bundled with USB modem or without a modem for PC and note/netbooks).

In Uzbekistan, we provide customers with wireless Internet access over GPRS/EDGE/UMTS networks. The UMTS/HSPA services were commercially launched in 2008 and the majority of the network was constructed in 2010. As of December 31, 2013, we provided UMTS services in 150 cities with a population of more than 50,000 each. We provide Internet services both for smartphones and feature phones as well as for USB dongles and tablet computers. We focus on small screen users and we have begun to integrate mobile services of popular social networks. Devices provided are locked for the Beeline network so that they only work within our network. We actively work on data pricing and 3G network optimization.

In Armenia, we provide customers with wireless Internet access over GSM/GPRS/EDGE/UMTS networks. UMTS services were commercially launched in 2009. For small screen customers, we launched data bundles for Internet access for a daily fee with unlimited data usage and a limit on speed only after a certain amount of usage per day and began to integrate mobile services of popular social networks, including, Odnoklassniki and Facebook. USB modems were commercially launched in July 2009. Customers receive a USB modem and SIM card with a pre-installed special Internet rate data plan.

In Tajikistan, USB modems were launched in January 2008. We provide our customers with wireless Internet access via GSM/EDGE and UMTS networks. We provide Internet services for smartphones and feature phones as well as for USB dongles. In 2013, the usage of non-voice services 3G/GPRS Internet megabytes increased due to new Internet tariffs that Tacom offered. In addition, we have offered a new Internet option without data volume limitations.

In Georgia, USB modems were commercially launched for prepaid customers in June 2009 and modem traffic exceeded 15 million megabytes during 2013.

In Kyrgyzstan, we provide our customers with wireless Internet access through GPRS/EDGE/UMTS/HSPA+ networks. Our UMTS/HSPA+ network in Kyrgyzstan was launched in December 2010. USB modems were commercially launched for prepaid and contract customers in November 2009. We launched Plug&Play technology, which we call “Hi-Link,” in Kyrgyzstan in July 2012. We were the first operator in the CIS countries to offer such a service.

### *Mobile Telecommunications Licenses in the CIS*

In Kazakhstan, we hold a national GSM-900/1800 and UMTS license for the entire territory of Kazakhstan, which has an unlimited term. The license can be terminated in certain circumstances, including voluntarily by the operator and in case of liquidation of the operator.

In Uzbekistan, we hold a national license for GSM-900/1800, UMTS and LTE covering the entire territory of Uzbekistan. This license expires on August 6, 2016. In 2013, we impaired our LTE license in Uzbekistan. For more information, see “Item 5. Operating and Financial Review and Prospects—Results of Operations—Year Ended December 31, 2013 Compared to Year Ended December 31, 2012—Impairment Loss.”

In Armenia, we hold a GSM-900/1800 and UMTS license for the entire territory of Armenia. The Armenian telecommunications regulator has issued a resolution, which came into force on March 3, 2013 which extend the term of the license from March 3, 2013 to March 3, 2028.

In Tajikistan, we hold national GSM-900/1800, UMTS and LTE licenses for the entire territory of Tajikistan. These licenses expire on June 18, 2014, July 13, 2015 and December 9, 2015, respectively.

In Georgia, we hold two GSM-1800 frequency licenses and one E-GSM frequency license for the entire territory of Georgia. These licenses expire on July 23, 2023, January 26, 2017 and January 25, 2018, respectively.

In Kyrgyzstan, we hold national GSM-900/1800 and UMTS licenses for the entire territory of Kyrgyzstan. These licenses expire on May 30, 2016 and October 23, 2015, respectively.

*Competition—Mobile Business in the CIS*

*Kazakhstan*

According to Informa Telecoms & Media, there were approximately 27.5 million customers in Kazakhstan as of December 31, 2013, representing a penetration rate of approximately 166.5%.

The following table shows our and our primary mobile competitors' respective customer numbers in Kazakhstan as of December 31, 2013:

<u>Operator</u>	<u>Customers (in millions)</u>
GSM Kazakhstan	14.3
KaR-Tel (VimpelCom)	9.2
Tele2 Kazakhstan	2.8
AITel	1.3

Source: Informa Telecoms & Media for all companies except KaR-Tel. © 2013 Informa Telecoms & Media. All rights reserved.

*Uzbekistan*

According to Informa Telecoms & Media, as of December 31, 2013, there were approximately 19.7 million customers in Uzbekistan, representing a penetration rate of approximately 67.7%.

The following table shows our and our primary mobile competitors' respective customers in Uzbekistan as of December 31, 2013:

<u>Operator</u>	<u>Customers (in millions)</u>
Unitel (VimpelCom)	10.5
Ucell	8.5
Others	0.7

Source: Informa Telecoms & Media for all companies except Unitel. © 2013 Informa Telecoms & Media. All rights reserved.

It is expected that a third mobile operator will join Unitel and Ucell in the market in the fourth quarter of 2014.

*Armenia*

According to Informa Telecoms & Media, as of December 31, 2013, there were approximately 3.8 million customers in Armenia, representing a penetration rate of approximately 125.9%.

The following table shows our and our primary mobile competitors' respective customers in Armenia as of December 31, 2013:

<u>Operator</u>	<u>Customers (in millions)</u>
K-Telecom	2.4
ArmenTel (VimpelCom)	0.7
Orange Armenia	0.6

Source: Informa Telecoms & Media for all companies except ArmenTel. © 2013 Informa Telecoms & Media. All rights reserved.

*Tajikistan*

According to Informa Telecoms & Media, as of December 31, 2013, there were approximately 11.7 million customers in Tajikistan, representing a penetration rate of approximately 140.8%.

The following table shows our and our primary mobile competitors' respective customers in Tajikistan as of December 31, 2013:

<u>Operator</u>	<u>Customers (in millions)</u>
TCell	3.3
Tacom (VimpelCom)	1.3
Babilon Mobile	3.5
MegaFon TJ	3.0
TK Mobile	0.6

Source: Informa Telecoms & Media for all companies except Tacom. © 2013 Informa Telecoms & Media. All rights reserved.

### *Georgia*

According to Informa Telecoms & Media, as of December 31, 2013, there were approximately 5.0 million customers in Georgia, representing a penetration rate of approximately 115.3%.

The following table shows our and our primary mobile competitors' respective customers in Georgia as of December 31, 2013:

<u>Operator</u>	<u>Customers (in millions)</u>
Geocell	1.8
Magticom	1.7
Mobitel (VimpelCom)	1.1
Aquafone	0.2
A-Mobile	0.2

Source: Informa Telecoms & Media for all companies except Mobitel. © 2013 Informa Telecoms & Media. All rights reserved.

### *Kyrgyzstan*

According to Informa Telecoms & Media, as of December 31, 2013, there were approximately 6.3 million customers in Kyrgyzstan, representing a penetration rate of approximately 113.1%.

The following table shows our and our primary mobile competitors' respective customers in Kyrgyzstan as of December 31, 2013:

<u>Operator</u>	<u>Customers (in millions)</u>
Sky Mobile (VimpelCom)	2.7
Alfa Telecom (Megacom)	2.5
Aktel	1.0

Source: Informa Telecoms & Media for all companies except Sky Mobile. © 2013 Informa Telecoms & Media. All rights reserved.

### *Marketing and Distribution—Mobile Business in the CIS*

All our mobile operations in CIS divide their primary target customers into five large groups:

- large account corporate customers (business market);
- SME customers (business market);
- high ARPU customers (consumer market);
- youth segment (consumer market); and
- mass market customers.

In Kazakhstan, we offer more than ten different regional and nationwide tariff plans for the consumer market and more than ten different tariff plans for our business segment, each targeted at a different type of customer. In order to promote further growth of our customer base, we seek to offer a number of advanced services to corporate and mass market customers with high ARPU, while at the same time providing lower priced services for the more cost-sensitive mass market customers.

In Uzbekistan, we offer different prepaid tariff plans in two currencies (U.S. dollars and Uzbek soms). We have developed a leading position across most segments on a platform of segment customized offers supported with strong product brands, having improved our position in the 'high value' segment following the network closure of a competitor by the Uzbek authorities and the launch of dedicated value proposition through "Status". Our branded service New O! appeals to the upper segment of the mass market. For B2B clients we develop individual offers.

In Armenia, we offer several dram-based prepaid and contract tariff plans, each one targeted at a different type of customer. As of December, 2013, 19.7% of the ArmenTel customer base use postpaid plans. In order to promote growth of our customer base, we have implemented a regional program and launched new straightforward and affordable price plans.

In Tajikistan, we offer several Tajik somoni-based prepaid and postpaid tariff plans, each one targeted at a different type of customer.

In Georgia, we offer 12 national lari-based prepaid tariff plans and 18 contract-based postpaid tariff plans for our SME and large account corporate customers.

In Kyrgyzstan, we offer 12 som-based price plans for our mass market customers and 27 price plans for SME and large account customers.

#### *Customer Loyalty Programs*

We have loyalty programs in each of the CIS countries in which we operate. These programs are based on various principles with one main target to increase the lifetime and ARPU of our customers. As of December 31, 2013, we had more than 6.1 million customers participating in these programs in the CIS.

We used target marketing campaigns in order to reduce churn. In the CIS countries in which we operate, around 1000 targeted marketing campaigns were launched in 2013.

Our distribution strategy is also targeted on churn prevention. We launched new trade terms for partners (dealers, distributors) based on customer ARPU in each of the CIS countries in which we operate. We also changed one of the main KPIs for all employees from Gross adds to Net adds.

### ***Fixed-line Business in the CIS***

#### *Description of Fixed-line Services in CIS*

##### *Business Operations*

*Kazakhstan.* We focus on small and medium businesses, offering services, including, high-quality, high-speed Internet, fixed-line voice and data transmission. We also offer specialized services for multi-national corporations and financial institutions. We provide the following services for corporate customers:

- hi-speed Internet access (including fiber optic lines, wireless technology, WiMax and satellite technology);
- local, long-distance, international fixed-line voice services (including traditional telephony, IP and session initiation protocol ("SIP") telephony);
- local, intercity and international channels (including leased lines and IP VPN through fiber optic, wireless, WiMax and satellite technologies); and
- organizational services for integrated corporate networks (including integrated network voice and data services).

*Uzbekistan.* Our company is an integrated provider of a large range of telecommunication services available on the Uzbek market, such as network access and hardware and software solutions, including configuration and maintenance. Our company has its own basic fiber-optical digital network in the cities of Tashkent, Samarkand, Bukhara, Zarafshan and Uchkuduk, which is longer than 200 kilometers, and copper cables, which are longer than 250 kilometers, that allow users to connect and to render services practically in any region of Uzbekistan. We provide the following services for corporate and individual customers:

- hi-speed Internet access (including fiber optic lines and xDSL), telephony, and long distance and international long distance telephony on prepaid cards;
- telephone communication services, based on copper wires and the modern digital fiber optic network;

- dedicated lines of data transmission; and
- dedicated line access and fixed-line mobile convergence.

*Armenia.* Our company is an integrated provider of a large range of telecommunication services available on the Armenian market, such as PSTN-fixed and IP telephony, Internet, data transmission and network access, as well as domestic and international voice termination, and TCP/IP (transmission control protocol/Internet protocol) international transit traffic services. We operate a national network. We provide the following services for corporate and individual customers:

- local telephony services;
- international and domestic long distance services;
- dedicated Internet and data services (including ADSL and fiber optic lines); and
- voice over data services.

#### *Wholesale Operations*

We have several interconnection agreements with mobile and fixed-line operators in Kazakhstan under which KaR-Tel provides traffic termination services. Our subsidiary, TNS-Plus, has international interconnection agreements with operators in Russia, Uzbekistan and Kyrgyzstan and provides international voice traffic transit and international line rental services for Kazakh and international operators.

*Uzbekistan.* We have interconnection agreements with Uzbektelecom, the incumbent fixed-line services provider in Uzbekistan, through which all national and international traffic is routed, and other operators in Uzbekistan.

*Armenia.* Our subsidiary ArmenTel is the Armenian incumbent mobile and fixed-line operator. ArmenTel operates a national network and local networks in every city of Armenia. In Armenia, we provide domestic and international voice termination, intercity and local leased channels and IP transit.

*Tajikistan.* In Tajikistan, we have interconnection agreements with 13 local operators. Under the interconnection agreements, we provide voice call termination to our own network. We also have a license to provide international communications in Tajikistan which allows our subsidiary there to interconnect with OJSC VimpelCom directly.

*Georgia.* In Georgia, our subsidiary Mobitel has interconnection agreements with ArmenTel and OJSC VimpelCom, and 22 agreements with local operators. Under these agreements Mobitel provides voice call termination to its own network.

#### *Residential and FTTB Operations*

In Kazakhstan, we offer the same spectrum of fixed-line broadband and wireless Internet access as in Russia. For more information, see “—Description of Operations of the Russia Business Unit—Fixed-line Business in Russia.” In Kazakhstan, we launched a co-branded version of Opera Software’s Opera Mini web browser and offer unlimited browsing services to our customers. We also launched various mobile Facebook services and have plans to launch others.

In Uzbekistan and Armenia, we offer the same spectrum of fixed-line broadband and wireless Internet access as in Russia. For more information, see “—Description of Operations of the Russia Business Unit—Fixed-line Business in Russia.” In Armenia, we offer PSTN-fixed and IP telephony services, as well as fixed-line broadband Internet access based on ADSL technology and dial-up services and wireless Internet access based on CDMA technology.

In Tajikistan, we launched a co-branded version of Opera Software’s Opera Mini web browser and offer unlimited browsing services to our customers. In Armenia, Georgia, Tajikistan and Uzbekistan, we launched various mobile Facebook services and have plans to launch others. We believe that our partnerships with Opera Software and Facebook give us competitive advantages and promote growth of small screen data users and their data ARPU.

#### *Licenses—Fixed-line Business in CIS*

The table below sets forth the principal terms of the fixed-line, data and long distance licenses that are important to our fixed-line business in the CIS.

<u>License Type</u>	<u>Countries, Companies</u>	<u>Expiration Date</u>
<b>Local Communication Services</b>	Uzbekistan, “Buzton”	July 5, 2016
	Kyrgyzstan, “Sky Mobile”	April 20, 2017
	Armenia, “Armentel”	March 3, 2028
<b>International and National Communications Services</b>	Armenia, “Armentel”	March 3, 2028
	Uzbekistan, “Buzton”	January 15, 2015
	Uzbekistan, “Unitel”	March 28, 2026
	Uzbekistan, “Unitel”	April 24, 2026
	Kyrgyzstan, “Sky Mobile”	May 30, 2016
	Tajikistan, “TAKOM”	August 11, 2016
<b>Telematic Services</b>	Tajikistan, “TAKOM”	July 24, 2017
	Kyrgyzstan, “Sky Mobile”	August 4, 2015
<b>Data Transmission Services</b>	Uzbekistan, “Buzton”	August 30, 2016
	Uzbekistan, “Unitel”	July 22, 2015
	Tajikistan, “TAKOM”	December 9, 2015
	Kyrgyzstan, “Sky Mobile”	May 30, 2016

#### *Competition—Fixed-line Business in the CIS*

##### *Business Operations*

*Kazakhstan.* We are a fast growing alternative Internet service provider in Kazakhstan, where we compete primarily with state-owned provider, Kazakhtelecom (whose group includes Nursat, Sygnum, Kepter Telecom, Online.kg, Radio Tell, and Vostok Telecom), KazTransCom owned by TeliaSonera, TransTelecom owned by the Kazakhstan Temir Zholy (a railway company), Astel (a leader in the provision of satellite services) and several other small operators in the regions.

*Uzbekistan.* We operate large independent fixed-line services in Uzbekistan, where we offer a full spectrum of integrated telecommunication services. In Uzbekistan, we compete with the state-owned provider, Uzbektelecom, East Telecom, Sarkor Telecom, Sharq Telecom and EVO. There is a high level of competition in the capital city of Tashkent. The fixed-line Internet market in the regions remains undeveloped.

*Armenia.* We are the largest fixed-line services operator in Armenia, where we offer a broad spectrum of fixed-line services to government, corporate and private customers across Armenia. There are more than 14 active operators in Armenia. The largest operators are U!Com, “Armenian Datacom Company” CJSC, GNC-Alfa and CrossNet. There has also been a consolidation of rival companies through strategic partnerships, mergers and acquisitions. For example, in 2011, the largest Russian fixed-line operator, Rostelecom, acquired telecommunication network services operator GNC-Alfa. U!Com acquired Icon communications and Netsys in 2011 and InteractiveTV in 2012. “Armenian Datacom Company” CJSC acquired FiberNet in 2010.

In 2009, the following 14 companies with which we compete were granted fixed-line technology licenses: (Internet service providers) iCON, Armenian Datacom Company, Cornet-AM, Bionet, Web, Hi-Tech Gateway Inc., Arminco, Softlink, Netsys, Xalt, Crossnet; (restaurant complexes) Complex Dzoraghbyur; AATVQ CJSC and Ardnet LLC. In 2010, the following three companies were also granted fixed-line technology licenses: Griar Telecom, U!Com and GNC-Alfa. In 2010, Crossnet and Arminco began providing fixed-line services.

##### *Residential and FTTB Operations*

The basic technologies of Internet access in the CIS include fixed-line broadband Internet access (comprising ADSL and Ethernet); wireless broadband Internet access (including 3G, CDMA, WiFi); and dial-up. Our main competitors in Uzbekistan are UzNet, Sarkor, TPS, SharqStream and EVO. Our main competitors in Armenia are U!Com, Orange, VivaCell and Armenian Datacom Company. Rostelecom has announced that it launched fixed-line broadband Internet and telephony services for consumers in Armenia in December 2012 and launched digital television services in Armenia in 2013. Competition in the CIS is based primarily on penetration, price, included traffic and speed of connection.

## *Marketing and Distribution—Fixed-line Business in CIS*

*Kazakhstan.* We are focusing our development in Kazakhstan on customer base and revenue growth, which we aim to promote by expanding our transport infrastructure, strengthening our position in the market, developing our sales efforts and data services.

*Uzbekistan.* In Uzbekistan, our strategy includes maintaining our current market position by retaining our large corporate clients customer base.

*Armenia.* In Armenia, our strategy includes focusing on customer retention and ARPU growth by developing new services, including Internet access through a fiber optic network with a guaranteed speed to corporate customers and government organizations.

## **Seasonality**

Our mobile telecommunications business is subject to certain seasonal effects. Generally, revenue from our contract and prepaid tariff plans tend to increase during the December holiday season, and then decrease in January and February. Mobile revenue are also higher in the summer months, when roaming revenue increases significantly as customers tend to travel during these months. Guest roaming revenue on our networks also grows in this period.

Our fixed-line telecommunications business is also subject to certain seasonal effects. Among the influencing factors are the number of working days during periods and periods of vacations. Generally, our revenue from our fixed-line telecommunications business are lower when there are fewer working days in the period or a greater number of customers are on vacation, such as during the summer months.

## **Equipment and Operations**

### *Mobile Telecommunications Equipment and Operations*

#### *Mobile Telecommunications Network Infrastructure*

GSM, 3G and 4G/LTE technologies are based on an “open standards,” which means that standard compliant equipment from any supplier can be added to expand the initial network. Our GSM/GPRS/EDGE/UMTS/LTE networks, which use mainly Ericsson, Huawei, Alcatel-Lucent, Nokia Siemens Networks, Cisco Systems and ZTE equipment, are integrated wireless networks of radio base station equipment, packet core equipment and digital wireless switches connected by fixed microwave transmission links, fiber optic cable links and leased lines. We manage all major suppliers centrally to leverage the whole group and ensure that we receive on an ongoing basis the best commercial terms possible. We make supplier selection decisions based mainly on compliance with technical and functional requirements and total cost of ownership, seeking to optimize network operations and provide the best value and experience to our customers.

#### *Site Procurement and Maintenance*

We enter into agreements for the location of base stations in the form of either leases or cooperation agreements that provide us with the use of certain spaces for our base stations and equipment. Under these leases or cooperation agreements, we typically have the right to use premises located in attics or on top floors of buildings for base stations and space on roofs of buildings for radio units and antennas.

#### *New Technology*

We continue to move toward a high-speed broadband connection environment deploying new technologies in fixed-line and mobile networks. We are also introducing new network technologies aiming to improve customer experience, optimize network usage and increase investment efficiency, such as step-by-step migration to next generation architecture. In certain countries we have implemented key technologies to improve voice quality, such as tandem free operation (“TFO”), transcorder free operation (“TrFO”) and we are in the process of evaluating the introduction of HD Voice codecs. TFO and TrFO are the technologies that remove voice transcoding operations during the call so the voice quality can be improved and resources in media gateways can be saved. All these and following technologies are being implemented in commercial networks in Russia after testing to ensure the quality of the network.

In the area of data services’ we have successfully launched Data Traffic Management systems that provide the unique possibility to increase customers perception of mobile broadband services and at the same time more efficiently utilize network resources. We are currently working on extending the functionality of DTM infrastructure to further stretch the possibilities of data services monetization and improve the customer experience, such as Mobile Toolbar, Fair Usage Policy for data services, etc.

We are investing in radio access technologies that will ensure a high level of quality of our broadband services in the future, such as 3G/HSPA+, LTE, at the same time using the possibilities to optimize investments by rolling out Single-RAN network.

We have successfully conducted several pilots of technologies increasing network efficiency. One of the most significant projects is the SON (Self Organized Network) pilot in Moscow which yielded highly positive results.

In order to comply with Russian MNP regulations, as further discussed in the section of this Annual Report on Form 20-F entitled “Item 3—Key Information—D. Risk Factors—Legal and Regulatory Risks—New or proposed changes to laws in Russia and other markets in which we operate may adversely affect our business,” we have launched MNP process in December 2013.

In order to comply with the requirements of the 4G/LTE licenses that OJSC VimpelCom was awarded in Russia in July 2012, OJSC VimpelCom has launched LTE services in seven regions in the Russian Federation in 2013. OJSC VimpelCom is currently expanding and improving its access and transport network in other regions of Russia to comply with further requirements, as further described in “Description of Operations of the Russia Business Unit—Mobile Business in Russia—Mobile Telecommunications Licenses in Russia—LTE License.”. We also have licenses for LTE services in Uzbekistan and Tajikistan and have launched three pilot LTE networks in CIS countries (the first fully-fledged live market pilots of LTE on post-Soviet territory).

We are also developing 3G HSPA and HSPA+ technologies on our mobile networks including introduction of HSPA+ dual carrier technology. To support radio interface expansion, we are continuously upgrading mobile backhaul with high speed IP and hybrid microwaves, connecting NodeBs to fiber.

To support rapidly growing data traffic, we have installed dense wavelength division multiplexing, or “DWDM”, equipment on our Russian backbone and in some CIS countries. We are also implementing an expansion of our IP backbone network to support movement to an all-IP network architecture.

For a discussion of the risks associated with new technology, please see the section of this Annual Report on Form 20-F entitled “Item 3—Key Information—D. Risk Factors—Risks Related to Our Industry—Our failure to keep pace with technological changes and evolving industry standards could harm our competitive position and, in turn, materially adversely affect our business.”

### ***Fixed-line Telecommunications Equipment and Operations***

#### ***Fixed-line Telecommunications Network Infrastructure***

##### ***Russia***

Our transport network carries voice, data and Internet traffic of mobile network, FTTB and our fixed-line customers. The backbone of our transport network is optical cable network. The Big European Ring (main fiber ring) and a few rings in Central, Ural, Siberian, South and North Caucus regions connect the major cities in Western part of Russia and Eastern part up to and including Siberia. We also lease capacity from Rostelecom and Transtelcom to reach the Far-Eastern part of Russia. The New Chord provides additional protection and capacity for The Big European Ring. The total length of our optical cable network reaches 35,501 kilometers. We use satellite technology to connect remote Russian sites where on-land communications are not available. There are protected optical lines connecting Moscow and St. Petersburg, and which pass to Stockholm, London and Frankfurt. Two independent optical lines connect our optical networks in Russia and Ukraine. Three cross-boundary lines to Kazakhstan provide reliable connection to Kazakh, Uzbek and other Asian telecommunication operators.

Our regional transport networks are based on Wavelength division multiplexing (DWDM) technology, synchronous digital hierarchy (“SDH”) and metropolitan ethernet network (“MEN”) technology. The Metro DWDM networks are built in Moscow, St. Petersburg, Nijnij Novgorod, Ekaterinburg and other major cities of Russia. We have built the interregional (also called “zone”) transport networks that connect our sites in small towns and the countryside. The total length of local fiber cables is 42,164 kilometers and the total length of our zonal fiber cables is 37,528 kilometers. The MEN network is constructed in more than 200 cities, which provide our customers with IP VPN services, voice services and access to Internet.



Our IP/MPLS data network carries mobile network and FTTB IP traffic and allows us to provide our customers with IP VPN services. Our data network core runs at a speed of 400 Gbps. Our Internet network is one of the largest in Russia. We have interconnection agreements with international and Russian ISPs.

Our fixed-line voice network has the following three levels: local, regional and federal. The local voice networks, constructed in 103 cities, provide customers with fixed-line voice services. Our local network in Moscow is integrated into the telephone network and connected to 142 transit and local nodes of urban telephone network (“UTN”). We have completed construction of zone networks in 52 Russian regions, which helps us to minimize payments to incumbent local operators for voice transit. Our federal transit network consists of eight international transit exchanges, 14 intercity communications transit exchanges installed in each of the federal districts of Russia, and connection points (access nodes) located in each region of Russia. The network provides mobile and fixed-line customers with long-distance voice services and minimizes our costs of traffic.

### *FTTB*

Our company is rolling out FTTB networks in Russia, Ukraine and the CIS. Our management has experience in the efficient roll-out of fiber optic networks in densely populated metropolitan areas. Technically, FTTB offers higher transmission speed, more bandwidth and better security compared to all existing xDSL and other quasi-broadband solutions. In Russia, where the local loop has not been unbundled and the quality of copper lines is generally poor, construction of fiber networks helps to create alternative high quality access to customers’ apartments.

As of December 31, 2013, we had approximately 2.3 million customers connected to our FTTB network in Russia. The network operates in 161 cities across Russia (136) and the CIS (24). The acquisition of Cortec in 2008 strengthened our company’s position in the broadband Internet market. We have the largest FTTB network in Moscow and the core broadband market in Russia.

### *Italy*

In Italy, we have an integrated network infrastructure providing high capacity transmission capabilities and extensive coverage throughout Italy. Our mobile and fixed-line networks are supported by over 21,647 kilometers of fiber optic cable backbone in Italy and 4,880 kilometers of fiber optic cable MANs as of December 31, 2013. Our network in Italy uses a common system platform, which is referred to as the “intelligent network,” for both our mobile and fixed-line networks.

As of December 31, 2013 we had 1,458 LLU sites for direct customer connections (around 60% of the population is covered), and had interconnections with the incumbent operator in order to offer voice and data services to the rest of the population.

IP Network, based on MPLS hierarchical backbone and connected to main national and international operators, is developed in all of Italy and it is able to offer fixed and mobile broadband services to consumer and corporate customers.

### *Ukraine*

Our transport network is designed to provide a full spectrum of telecommunication services for corporate and enterprise customers, including: Private Leasing Channel, voice, IP voice, L2VPN, IP VPN, and Internet access.

Our transport network is based on our optical cable network utilizing DWDM, SDH and IP/MPLS equipment. The DWDM and SDH networks connect all the main regional and mid-sized cities of Ukraine, including Kyiv, Kharkov, Dnipropetrovsk, Donetsk, Zaporozhye, Lviv, Odessa, Lugansk, Poltava, Sumy, Kirovograd, Kherson, Chernovtsi, Cherkassi, Vinnitsa, Zhitomir, Nikolaev Chernigov, Kherson, Uzgorod, Lutsk, Rovno, Ivano-Frankovsk, Ternopol, Khmelnytskyi, Simferopol, Sevastopol, Yalta, Kremenchug, Krivoy Rog and Mariupol. All our DWDM and SDH optical networks are fully ring-protected and can be self-healing which is necessary to ensure uptime of the transmission network. Our core IP/MPLS network is fully mesh-protected, meaning that the recovery mechanisms which provide different levels of protection or restoration against different failure modes are available for network uptime. It connects all the main regional cities of Ukraine. The total length of our fiber optic cables is 45,980 kilometers. We have SDH and Ethernet interconnections with major European carriers in Russia, Poland, Hungary, Romania, Slovakia and Belorussia.

Our interregional and metro transport networks are based on our optical cable and microwave systems utilizing SDH, PDH, Ethernet and IP/MPLS technologies. We have deployed metro SDH and IP/MPLS optical networks in more than 138 cities of Ukraine. The total length of fiber cables constructed within the cities is 24,375 kilometers.

Our IP/MPLS data network carries mobile network and FTTB IP traffic, allowing us to provide L2VPN, IP VPN and Internet services. We have interconnections with major European and Russian ISPs in Amsterdam (AMS-IX), Hungary (Level3), Germany (DE-CIX), Russia (Beeline) and Ukraine (Cogent, DATA-IX). We are interconnected with Ukrainian local ISPs Volia and Ukrtelecom and have Internet exchanges with UA-IX, DTEL-IX, Datagroup, Vega, Eurotranstelecom, Gigatrans, Colocol, Sotal, Topnet, Triolan, UARNet, Freenet.

Kyivstar's fixed-line voice network is based on softswitch technology with dual homing for media gateways controllers ("MGCs") and it has combined local-transit and long-distance functionality. It is possible to use PRI, SIP, H.323 connections for fixed-line business users and provide local and long-distance transit of voice services. Six media gateways ("MGW") provide the interconnection with PSTN in 30 cities in most regions of Ukraine through TDM technology. Protected MGC provides voice services for customers through VoIP technology in the entire territory of Ukraine. In addition, MGC is connected to ten international VoIP operators. Similarly, Kyivstar's fixed-line core network is connected to 77 TDM and 12 VoIP national operators. International voice services are provided by two international switching centers located in Kyiv and Dnipropetrovsk, which are integrated with the existing Kyivstar mobile network and have established connections with 39 international TDM operators. We are a provider of the long-distance service to both mobile and fixed-customers allowing us to optimize traffic cost.

We also have the separate fixed-line network of Golden Telecom Ukraine ("GTU"). It has the following three levels: local (class 5), long-distance and transit (class 4) and international. GTU fixed-line local voice networks, constructed in 29 cities throughout Ukraine, provide customers with fixed-line voice services. GTU's local network in Kyiv is integrated into the telephone network and connected to two transit and local nodes of UTN. Similarly, GTU's fixed-line network is connected in other regional centers of Ukraine providing 64 connections to transit and local nodes. It is possible to use PRI, SIP and H.323 connections for fixed-line business users and provide local and long-distance transit of voice services. GTU's fixed-line network is connected to 50 TDM and 11 VoIP national operators. International transit of fixed-line voice services is provided by two Kyivstar ISCs and one own international switching center in Kyiv which is connected to four international TDM operators. The network provides mobile and fixed-line customers with long-distance voice services and minimizes GTU's costs of traffic.

In the future we plan to merge Kyivstar's and GTU's fixed-line networks for local, long-distance and international transit voice services.

#### *Kazakhstan*

Our subsidiaries TNS-Plus LLP and 2Day Telecom LLP provide a wide spectrum of fixed-line telecommunications services, including Internet access, ADSL, FTTB, WiFi, WiMax, VoIP, VPN and VSAT. TNS-Plus owns more than 11,970 kilometers of fiber optic main lines across Kazakhstan, which are based on Ericsson SDH and Huawei SDH/DWDM equipment. As of December 31, 2013, we had approximately 183,824 customers connected via FTTB technology in Kazakhstan.

#### *Uzbekistan*

Our subsidiary Buzton's network provides international telephony and Internet access through JSC Uzbektelecom. Buzton's network consists of 116 nodes situated throughout Uzbekistan. The main technologies of our access networks are ADSL (15,608 ports) and FTTB (1,273 buildings). Our main line in Tashkent is based on fiber-optic equipment. The network also includes long-leased channels and local fiber optic networks in Tashkent, Zarafshan and Uchkuduk.

#### *Armenia*

ArmenTel's fixed-line infrastructure covers all districts of Armenia with a full set of equipment (international gateway, digital-analog exchanges, Internet protocol digital customer line access multiplexers ("DSLAMs"), copper wire access network, fiber-optic backbone network, data network). Its network consists of 221,400 ADSL ports and 166 exchanges of which 119 are digital. Our company provides interconnection with international operators and national mobile operators in Armenia. ArmenTel's CDMA Wireless Local Loop network is used to provide fixed-line telephone services to rural customers.

### **Intellectual Property**

We rely on a combination of trademarks, service marks and domain name registrations, copyright protection and contractual restrictions to establish and protect our technologies, brand name, logos, marketing designs and Internet domain names. We have registered and applied to register certain trademarks and service marks in connection with our mobile telecommunications businesses. We have also registered and applied to register certain trademarks and service marks with the World Intellectual Property Organization in order to protect them.

Our registered trademarks and service marks include our brand name, logos and certain advertising features. Our copyrights are principally in the area of computer software for service applications developed in connection with our mobile and fixed-line network platform. We have copyrights to some of the designs we use in marketing and advertising our mobile services.

## **Properties**

In Russia we own a series of five buildings consisting of approximately 26,000 square meters at 10, Ulitsa 8 Marta in Moscow. We use these buildings as an administrative office, technical center, warehouse and operating facility. In addition, we own a series of five buildings on Lesnoryadsky Pereulok in Moscow, constituting approximately 15,360 square meters, that are used as an administrative office, warehouse and operating facility. These buildings also house the main switches for our Moscow 3G/GSM network and our main and reserve IT centers. We have other offices at 4, Krasnoproletarskaya Street, in the center of Moscow. These consist of three leased administrative buildings of approximately 32,400 square meters. We own a portion of a building in the center of Moscow on Ulitsa 1st Tverskaya Yamskaya consisting of approximately 3,000 square meters that we use as a customer service center, administrative and sales office. We also own office buildings in some of our regional license areas and lease space on an as-needed basis.

In Italy we own certain sites where some of our telecommunications network equipment is located, including 287 radio centers (for all of which we own the towers and rooms for equipment, and for approximately 120 out of 287 we also own the land where the radio centers are located), 586 towers (from 15 meters up to 70 meters in height), about 5,900 towers on rented locations, excluding roof top sites, on which antennas for radio coverage are installed, and approximately 1,000 other minor towers.

Kyivstar owns a series of buildings consisting of 34,068 square meters at Degtyarivska, 53 in Kyiv. We use these buildings as offices, print-centers and call centers and switching centers. In addition, we own a number of buildings throughout Ukraine consisting of over 60,000 square meters that we use as office space, switching centers, call centers, sales centers, data centers and storage units; In Pakistan, our subsidiary PMCL owns a number of properties consisting of over 28,000 square meters, in Karachi, Lahore and Islamabad. The properties are all associated with its operations and include call centers, data centers, office buildings and switching stations.

For a description of certain telecommunications equipment that we own, please see “—Equipment and Operations—Mobile Telecommunications Equipment and Operations—Mobile Telecommunications Network Infrastructure” and “—Equipment and Operations—Fixed-line Telecommunications Equipment and Operations—Fixed-line Telecommunications Network Infrastructure” above.

## **Disclosure of Activities under Section 13(r) of the Securities Exchange Act of 1934**

Under Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012, which added Section 13(r) to the Securities Exchange Act of 1934, as amended, or the “Exchange Act,” we are required to disclose whether we or any of our affiliates are knowingly engaged in certain activities, transactions or dealings relating to Iran or certain designated individuals or entities. Disclosure is required even when the activities were conducted outside the United States by non-U.S. entities – including non-U.S. entities that are not otherwise owned or controlled by U.S. entities or persons – and even when such activities were conducted in compliance with applicable law.

The following information is disclosed pursuant to Section 13(r). None of these activities involved our U.S. affiliates.

- Our Armenian subsidiary, ArmenTel, and Telecommunications Company of Iran, or “TCI,” an Iranian Government-owned company, have an agreement for the provision of voice services, which has been in place since 2003. Under the agreement, ArmenTel sends direct traffic to TCI and TCI sends both direct and transit traffic to ArmenTel. We (including ArmenTel) did not provide any telecommunications equipment or technology to TCI. ArmenTel intends to continue providing voice services to TCI under the agreement for the foreseeable future. During 2013, our gross revenue received from these activities involving TCI were approximately US\$203,000 and net profits were approximately US\$25,000.
- In 2001, our Russian subsidiary, OJSC VimpelCom, began providing telecommunications services, including mobile and fixed line services, to the Embassy of Iran in Moscow. The gross revenue for these services in 2013 was approximately US\$29,000 and net profits were approximately US\$14,000. OJSC VimpelCom intends to continue the services to the Embassy of Iran.

- We have active roaming agreements with GSM mobile network operators in various countries throughout the world, including with TCI, MTN Irancell, Taliya Mobile and Telecommunication Kish Company (also known as TKC KIFZO) in Iran. TCI and MTN Irancell are owned or controlled by the Iranian Government, and our other roaming partners in Iran may be affiliated with the Iranian Government. Pursuant to our roaming agreements with these companies, our customers receive customary international roaming services on their networks, and their customers receive such services while roaming on our networks outside those countries. We intend to continue our roaming agreements with TCI, MTN Irancell, Taliya Mobile and TKC KIFZO for the foreseeable future. During 2013, our gross revenue received from roaming arrangements with TCI and MTN Irancell were approximately US\$237,000 and US\$19,000, respectively, and net profits were approximately US\$121,000 and nil, respectively. During 2013, our gross revenue received from roaming arrangements with Taliya Mobile and TKC KIFZO were collectively approximately US\$141 and no net profits.

Telenor ASA may be deemed an affiliate based on its indirect share ownership in us through Telenor East and the officers of the Telenor ASA group who are on our board. Telenor East has provided us with the information included below relevant to Section 13 (r). This information relates solely to activities conducted by Telenor ASA subsidiaries and does not relate to any activities conducted by us. We are not representing the accuracy or completeness of such information and undertake no obligation to correct or update this information.

Various Telenor ASA subsidiaries have entered into roaming agreements and interconnection agreements with Iranian telecommunication companies. Pursuant to these roaming agreements, the Telenor subsidiaries' customers are able to roam in the particular Iranian network (outbound roaming) and customers of such Iranian operators are able to roam in the relevant subsidiaries' network (inbound roaming). For outbound roaming, Telenor subsidiaries pay the relevant Iranian operator roaming fees for use of its network by Telenor subsidiaries' customers, and for inbound roaming the Iranian operator pays the relevant Telenor subsidiaries roaming fees for use of the Telenor subsidiaries' network by its customers.

Telenor subsidiaries were party to the following roaming agreements and interconnection agreements with Iranian telecommunication companies in 2013:

(1) Telenor Norge AS, a Norwegian subsidiary, has roaming agreements with Mobile Telecommunication Company of Iran ("MCI") and MTN Irancell ("Irancell"). During 2013, Telenor Norge AS recorded net expenses related to these roaming agreements of US\$176,807.75 to MCI and US\$53,774.62 to Irancell.

(2) Telenor Sverige AB, a Swedish subsidiary, has roaming agreements with MCI and Irancell. During 2013, Telenor Sverige AB recorded net expenses and net revenues related to these roaming agreements of US\$9,984.28 in net revenues from MCI and US\$13,422.32 in net expenses to Irancell.

(3) Sonofon AS, a Danish subsidiary, has roaming agreements with MCI and Irancell. During 2013, Sonofon AS recorded net expenses related to these roaming agreements of US\$30,354.42 to MCI and US\$10,571.76 to Irancell.

(4) Telenor d.o.o., a Serbian subsidiary, has a roaming agreement with MCI. During 2013, Telenor d.o.o. recorded a net expense of US\$3,666.77 related to this roaming agreement.

(5) Telenor Magyarország Zrt, a Hungarian subsidiary, has a roaming agreement with MCI. During 2013, Telenor Magyarország Zrt recorded net revenues of US\$20,087.76 related to this roaming agreement.

(6) Cosmo Bulgaria Mobile EAD, a Bulgarian subsidiary, has roaming agreements with MCI and Taliya Mobile ("Taliya"). During 2013, Cosmo Bulgaria Mobile EAD recorded net revenues related to these roaming agreements of US\$11,982.71 from MCI and US\$2.26 from Taliya.

(7) DiGi.Com Bhd, a Malaysian subsidiary, has a roaming agreement with MCI. During 2013, DiGi.Com Bhd recorded a net expense of US\$193.86 related to this roaming agreement.

(8) Telenor Pakistan (Private) Ltd., a Pakistani subsidiary, has roaming agreements with MCI, Irancell, Taliya. During 2013, Telenor Pakistan (Private) Ltd. recorded net expenses and net revenues related to these roaming agreements of (i) US\$21,548.32 in net revenues from MCI, (ii) US\$9,014.98 in net revenues from Irancell, and (iii) US\$32.87 in net expenses to Taliya.

(9) Total Access Communications Plc. (“dtac”), a Thai subsidiary, has roaming agreements with MCI and Irancell. During 2013, dtac recorded net expenses and net revenues related to these roaming agreements of US\$257,139.33 in net revenues from MCI and US\$11586.49 in net expenses to Irancell.

(10) Telenor Global Services AS, a Norwegian subsidiary, has an interconnection agreement with MCI. During 2013, Telenor Global Services recorded a net expense of US\$891,066 related to this interconnection agreement.

Telenor and its subsidiaries intend to continue these agreements.”

## **Legal Proceedings**

### *Current Legal Proceedings*

For details of current legal proceedings, please see Note 27 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F. For details of the investigations by the SEC, DOJ and Dutch public prosecutor’s office, please also see “Item 3—Key Information—D. Risk Factors—Risks Related to Our Business—Risks Related to Our Business—We are subject to investigations by the SEC, DOJ and the Dutch public prosecutor, and are conducting an internal investigation and we are unable to predict the duration, scope or results of these investigations or their impact on us.”

### *Concluded Legal Proceedings*

The legal proceedings contained in this section were concluded in the fiscal year ended December 31, 2013.

### *Wind Telecom Tax Audit*

In early 2013, the Agenzia delle Entrate (“ADE”) (Italian tax authority) initiated an audit of Wind Telecom for the tax year 2009 and alleged that certain tax deductions taken by Wind Telecom in connection with the disposal of Wind Hellas and Wind Hellas’ affiliates were unlawful - allegations which Wind Telecom firmly denied.

On July 31, 2013, Wind Telecom agreed to settle the audit by agreeing to pay the sum of approximately EUR 31 million to the ADE (approximately US\$42 million at the exchange rate as of September 30, 2013). Pursuant to the terms of the settlement, EUR 15 million of the settlement amount had to be paid (and was paid) within 20 days of the settlement date with the balance to be paid in quarterly instalments.

Pursuant to the indemnities contained in the share purchase agreement between the company and Orascom TMT Investments S.a.r.l. (formerly, Weather Investments II S.a.r.l), the company is pursuing reimbursement of a significant portion of the settlement from Weather II and has recorded the amount as an indemnification asset.

## **Regulation of Telecommunications**

### **General Regulatory Environment**

We are generally subject to regulation governing the operation of our business activities. Such regulation typically takes the form of industry-specific laws and regulations covering telecommunications services and general competition law applicable to all activities. The following section describes the regulatory framework and the key regulatory developments in Russia, Italy, Algeria, Pakistan, Bangladesh, Ukraine, Kazakhstan, Uzbekistan and Armenia. Many of the regulatory developments reported in the following section involve ongoing proceedings or consideration of potential proceedings that have not reached a conclusion. We are also subject to significant regulation in other countries in which we operate. Such regulations have a significant impact on our local operations in those countries, but we believe that such regulations are not material to our consolidated business and results of operations.

## **Regulation of Telecommunications in Russia**

The Communications Law is the principal legal act regulating the Russian telecommunications industry. The Communications Law sets forth general principles for the regulation of the telecommunications industry, including a description of the institutional framework for the federal government's involvement in the regulation, administration and operation of the telecommunications industry. The most important aspects of the Communications Law with respect to our business address the federal government's authority to:

- license communications service providers;
- allocate radio frequencies;
- certify telecommunications equipment;
- allocate numbering capacity;
- ensure fair competition and freedom of pricing; and
- conduct oversight of operators' compliance with the terms of their licenses and Russian law.

In order to establish and commercially launch a wireless telecommunications network, a company must receive, among other things:

- a license to provide mobile telephony services using a specific standard and band of radio frequency spectrum;
- permission to use radio frequency for its radio electronic devices, or "REDs;"
- a decision on allocation of radio frequency bands;
- registration of its REDs and high-frequency equipment;
- authorization to put into operation communications networks (including communications facilities); and
- a decision on allocation of numbering resources.

For the risks related to the regulation governing the operation of communications networks, see the section of this Annual Report on Form 20-F entitled "Item 3—Key Information—D. Risk Factors—Legal and Regulatory Risks—We face uncertainty regarding our frequency allocations, equipment permits and network registration, and we may experience limited spectrum capacity for providing wireless services."

### ***Russian Regulatory Authorities***

Regulation in the telecommunications area in Russia is conducted by several governmental agencies. These agencies, whose functions are not often clearly defined, form a complex, multi-tier system of regulation and supervision that is subject to frequent revision.

The Ministry of Communications and Mass Media, or the "Ministry," is currently the federal body with executive power to regulate the telecommunications industry. The Ministry has the authority to set policy and adopt regulations in the area of communications and make proposals to the President and the Russian Government on the issuance of legal acts regarding certain key issues in the area of communications. The Ministry controls and coordinates the activity of the following entities: (i) the Federal Communications Agency, or "Rossvyaz," (ii) the Federal Agency on Press and Mass Media, or "Rospechat," and (iii) the Federal Supervisory Service for Communications, Information Technologies and Mass Media, or "Roskomnadzor."

Rossvyaz and Roskomnadzor have functions particularly relevant to our business. Rossvyaz is responsible for allocating numbering resources and certification of communication facilities in accordance with the established procedure. Roskomnadzor is responsible for the licensing of activities in the area of telecommunications, issuing permissions for radio frequency use, control over telecommunications and information technologies, control over radiation of REDs and high-frequency devices and the registration of REDs and high-frequency devices.

### ***Licensing to Provide Telecommunications Services and Radio Frequency Allocation***

Under Federal Law No. 99-FZ of May 4, 2011 "On Licensing of Certain Types of Activities," the Communications Law, the Regulation of the Russian Government No. 228 dated March 16, 2009 "On the Federal Supervisory Service for Communications, Information Technologies and Mass Media" and the Regulation of the Russian Government No. 8 dated January 12, 2006 "On Approval of the Regulations for Holding a Tender (Auction, Contest) for a License to Provide Communication Services," Roskomnadzor issues licenses to provide telecommunications services on the basis of an application from an eligible applicant or, when applicable, on the basis of results of a tender or an auction. Licenses are generally issued for a term of three to 25 years and a legal entity or individual person can only render commercial telecommunications services upon issuance of a license.

Roskomnadzor has the right to renew an existing license upon application which may be rejected if, as of the date of submission of the application, the operator has been found to have violated the terms of the license and such violations have not been cured. The Communications Law also regulates the procedures for re-issuing a license in the case of a reorganization of the license holder or transfer of communications networks and means to other persons.

The Communications Law identifies a limited number of reasons pursuant to which licenses may be suspended by the licensing body, including identification of license violations, cancellation of permissions to use radio frequencies or failure to comply with the requirements of the notice issued by the licensing body within the cure period. Prior to suspension, the licensing body generally issues a warning that the license may be suspended if corrective action is not taken. The Communications Law also provides that a telecommunications license may be canceled for certain reasons, upon a claim by an interested person or the licensing body, such as provision of inaccurate information when applying for the license, failure to eliminate the circumstances which caused the suspension of the license validity or failure to perform obligations undertaken when receiving the license on the basis of a tender or an auction. The licensing body can also terminate a license in a liquidation or winding up of the license holder.

Licenses issued prior to the enactment of the Communications Law and Regulation No. 87 of the Russian Government dated February 18, 2005 “On Approval of the List of the Types of Communications Services and the List of Conditions Included into Licenses,” or “Regulation 87,” generally contain a number of other detailed conditions, including a start-of-service date, requirements for adhering to technical standards and a schedule of the capacity of the network that the licensee must attain. These license conditions also require that the licensee’s services, by specified dates, cover either (i) a specified percentage of the territory for which the license is issued or (ii) a specified number of cities within the territory for which the license is issued. Conditions in licenses issued after the enactment of Regulation 87 must include the period during which the licensee is entitled to provide the relevant services, the start-of-service date, and the territory in which the relevant services are to be provided, as well as certain other conditions depending on the type of the licensed activity, including information on the calculation of compulsory payments into the universal services fund, as described below.

In addition to obtaining a license, wireless telecommunications operators have to receive a permit for radio frequency usage for every radio transmitter they operate. The permit for radio frequency usage is issued by Roskomnadzor on the basis of decisions of the State Radio Frequency Commission and the conclusion of the Main Radio Frequency Center examination, which evaluates the electromagnetic compatibility of the REDs and coordinates radio transmitter usage with the Defense Ministry, Federal Protective Service and the Federal Security Service of the Russian Federation. Under the Communications Law, permits for the use of radio frequencies are granted for ten years or a shorter period if such shorter period is indicated in the application. Radio frequency permit duration may be extended if by its expiry no regulations or decisions of the State Radio Frequency Commission are adopted that limit the possibility of such an extension. Radio frequency allocation permission may be suspended or terminated for a number of reasons, including failure to comply with the conditions to which the frequency allocation was subject.

The Government Regulation No. 171 of March 16, 2011, “On Establishment of One-Off and Annual Payment Rate for Radio Frequency Spectrum Usage in Russia” (“Regulation 171”) established rules for charging one-off payments and annual payments for radio frequency spectrum usage in Russia. The rules govern all user categories and radio facilities operating in all types of networks. Pursuant to Regulation 171, which came into effect on January 1, 2012 and by Order No. 164 of June 30, 2011 “On approval of calculation procedure of one-off and annual payment for radio frequency usage in the territory of the RF,” the Ministry established the calculation procedure for one-off and annual payments. This calculation procedure was amended by the Order of the Ministry No. 352 of December 22, 2011 “On amendments to calculation procedure of one-off and annual payment for radio frequency spectrum usage in the territory of the RF, which was approved by the Ministry Order of June 30, 2011 No. 164,” which decreased the one-off payment rate and updated the calculation procedure for frequency assignments. The amendment came into effect on February 17, 2012. Pursuant to the amended regulation, the amounts of one-off and annual payments are determined by multiplying the rate by the quantity of frequency assignments indicated in the permit for radio frequency usage and by the index depending on the frequency bandwidth category (civil, governmental, joint use), population within a RED location, frequency range in use, working frequency channel width, the perspective of the radio technology and network social dimension. At present the one-off payment rate is RUB300 for one frequency assignment. The annual payment rate is RUB1,400. This calculation procedure was amended by the Order of the Ministry No. 121 of April 20, 2012 “On Amendments to Calculation Procedure of One-Off and Annual Payment for Radio Frequency Spectrum Usage in the Territory of the RF, approved by the Ministry Order of June 30, 2011 No. 164,” which decreased the population index within a RED location in the city of Moscow and the index of network social dimension for WiFi

technology. This amendment came into force on May 13, 2012. Since November 25, 2013 the One-Off and Annual Payment Rate for radio technology standards are set in relation to radio frequency bands allocated by decisions of the State Radio Frequency Commission or specified in the license. The payment period for cellular radio technologies is calculated from the date of the decision of the State Commission for Radio Frequencies or the date of issue of the license in the case of license bidding.

### ***Universal Services Fund***

The Communications Law provides for the establishment of a “universal service fund” into which all telecommunications operators are required to make compulsory payments in order to compensate operators for losses from offering universal services in remote regions of Russia. An operator must make quarterly payments to the universal services fund of 1.2% of its quarterly revenue from communications services provided to customers and other users in the public communications network. Amounts paid as value added tax are excluded from the calculation of revenue.

### ***Equipment Certification***

Pursuant to the Communications Law, telecommunications equipment used in Russia requires confirmation of compliance with certain technical requirements in the area of telecommunications and information technologies and must be certified. The regulation of the Russian Government dated June 25, 2009 “On Approval of the List of the Communication Equipment Subject to Mandatory Certification” sets forth the types of communications equipment that are subject to mandatory certification. The Federal Communications Agency is responsible for confirming such compliance. The design, production, sale, use or import of encryption devices, which include some commonly used digital wireless telephones, requires a license and equipment certification from the Federal Security Service.

The regulation of the Russian Government No. 539 dated October 12, 2004 “On the Procedure for the Registration of Radio-Electronic Equipment and High-Frequency Devices” (as amended) approved a list of certain high-frequency equipment manufactured or used in the Russian Federation that requires special registration by Roskomnadzor. The registration is specific to the entity that receives them and does not permit the use of the equipment by other parties.

### ***Numbering Capacity***

The regulation of the Russian Government dated July 13, 2004 No. 350 “On Endorsing the Rules for Distribution and Use of Numeration Recourses of the Unified Electric Communication System of the Russian Federation” (as amended) specifies the procedures for allocating numbering capacity and the use of numbering recourses under the Communication Law. The Federal Communications Agency is responsible for allocating numbering resources and for determining whether such resources are limited, and, in cases stipulated by the Communications Law, the Federal Communications Agency may change the allocated numbering capacity or withdraw it in full or in part. Further, the Federal Communications Agency is responsible for re-issuance of decisions on allocation of numbering capacity if an operator is reorganized. Under the Communications Law, an operator is required to pay state duties for the allocation of numbering capacity and access codes for telecommunication services for signal point codes. The amount of these duties is established by Russian tax legislation. Since December 1, 2013 the provisions of this regulation do not bind mobile operators to follow a requirement to use strictly allocated numbering capacity in the case of customer number transfers under MNP procedure.

Please see the section of this Annual Report on Form 20-F entitled “Item 3—Key Information—D. Risk Factors—Legal and Regulatory Risks—New or proposed changes to laws in Russia and other markets in which we operate may adversely affect our business” for more information on the MNP laws in Russia.

A number of new regulations pertaining to certain aspects of the Russian federal numbering system were adopted. The two major areas affected by the regulations are as follows:

*Numbering capacity usage in the “ABC” codes.* Federal telephone numbers using the “ABC” code may be used by mobile customers only if they are registered as additional numbers under local communications services provisions. As these additional numbers can only be allocated to customers by the local network operators, all numbering capacity in the “ABC” code allocated under our GSM licenses was re-allocated under our license for local communications services. We entered into agreements for the provision of local and wireless communication services with new customers to whom we provide the numbers in the “ABC” code. Some of our customers use other fixed-line operators’ numbers based on our agency agreements with such operators. In order to implement the agency scheme, we have had to enter into new customer agreements with certain customers in order to add the relevant fixed-line operator as a party to such agreements.



*Russian system and plan of numbering.* A new system and plan of numbering was approved by the Ministry Order of November 17, 2006 No. 142 “On Approval and Introduction of Russian System and Plan of Numbering,” which materially changed the principles of numbering allocation and utilization in Russia. On June 15, 2012, the Ministry issued Order No. 158 “On Amendments to the Russian System and Numbering Plan,” that canceled DEF codes assigned to certain communication operators. On November 20, 2013, the Ministry issued Order No. 360 “On Amendments to the Russian System and Numbering Plan” that changed several codes. Under regulations currently in force, the DEF codes for mobile telephone communication network operators are as follows: 900-909, 910-919, 920-929, 930-939, 941, 949, 950-953, 958, 959, 960-969, 972-979, 980-989, 990-996, 999.

For the risks related to the new numbering system, see the section of this Annual Report on Form 20-F entitled “Item 3—Key Information—D. Risk Factors—Legal and Regulatory Risks—We operate in an uncertain regulatory environment, which could cause compliance to become more complicated, burdensome and expensive and could result in us operating without all of the required permissions.”

### ***Pricing, Competition and Interconnections***

The Communications Law generally provides that tariffs for telecommunications services may be negotiated between providers and users, although tariffs for some types of telecommunications services (for example, provision of long distance telephone connections to fixed-line users or provision of local telephone connections to fixed-line users) are regulated by the federal government. Wireless telecommunications operators are free to set their own tariffs. However, the amendments to the Communications Law, which came into effect on July 1, 2006, provide that the users are not to pay for incoming calls.

The Federal Law No. 304- FZ of 02.11.2013 introduced new requirements and methods of execution of the contract on mobile service. Mobile operators or dealers must occupy on a legal basis special premises for contractual work or must use for this purpose specially equipped means of transportation.

Also additional rules for contractual work of dealers were established. They must have a written document confirming their authority to conclude a contract with valid customer data and send a copy of the signed contract to the operator within the period of ten days from the execution date. Noncompliance with this legal demand is punishable by an administrative fine. In accordance with Federal Law 314 FZ dated November 25, 2013 free services to customers under mobile contract provisions are binding on a mobile operator in case of its infringement of terms stipulated by MNP procedures for transfer of the customers, numbers to the network of another operator until the completion of the transfer process.

The amendment to the Communications Law dated July 23, 2014 introduces a new type of additional service – Content Services provided by telecom operator directly or through third parties. Content services are rendered under conditions of the customer consent and providing all specified information. The mobile operator is liable to open an additional customer’s separate special account for Content Services payment. The customer shall be exempt from payment for Content Services in a case of violation of these requirements. This alteration will come into force on May 1, 2014.

Further, the Communications Law prohibits the use of a dominant position to hinder, limit or distort competition and it requires federal regulatory agencies to promote competition among telecommunications service providers. Under the Communications Law, an operator that, together with its affiliated entities, has at least 25.0% of the overall traffic in a certain geographic area or throughout the Russian Federation is considered an operator occupying a significant position in the communication network of general use (a “Significant Operator”). Significant Operators are subject to greater regulation by the Russian Government. At present, neither we nor our Russian subsidiaries are included in the register of subjects of natural monopolies. Therefore, neither we nor our Russian subsidiaries are subject to these regulations.

Russian legislation also prohibits operators of public switched telephone networks from refusing to provide connections or discriminating between operators. However, a regional fixed-line operator may charge different interconnection rates to different wireless telecommunications operators, subject to certain limitations.

### ***Compliance with Government Surveillance System***

The Communications Law provides that telecommunications may be intercepted only pursuant to a court order. Federal Law No. 144-FZ, dated August 12, 1995, “On Operational Investigative Activities,” initiated a surveillance system, known as “SORM,” which is operated partly by the Federal Security Service, a government agency responsible for surveillance. SORM requires telecommunications providers to ensure that their networks are capable of allowing the government to monitor electronic traffic and requires telecommunications providers to finance the cost of additional equipment needed to make their systems compliant. Currently, we believe that we are in compliance with Russian law requirements related to SORM and, accordingly, certain government agencies are able to monitor electronic traffic on our network.

Interaction between telecommunications operators and the governmental authorities engaged in surveillance activities is governed by Regulation No. 538 of the Russian Government dated August 27, 2005, "On Approval of the Rules of Interaction between Telecommunications Operators and the Authorized Governmental Bodies Engaged in Surveillance Activities."

### **Regulation of Internet Services**

Regulation 87 requires that an operator providing Internet services has a license for provision of telematic services and a license for data transfer. The procedure for transferring Internet traffic is not determined by regulation. Although currently there is no comprehensive regulatory scheme directly applicable to Internet content, the Russian media have reported that the Russian State Duma has considered the possibility of adopting legislation regarding Internet content. According to the Federal Law of July 27, 2006 No. 149-FZ, the Government Regulation of October 26, 2012 No.1101 and the "Temporal Procedure of Cooperation of the Register Operator with Hosting Provider and the Procedure of Obtaining Access to the Information Contained in the Register by the Communication Operator, Rendering Internet Network Access Services," of October 25, 2012 approved by Roskomnadzor, all communication operators providing Internet access services beginning from November 1, 2012 must limit access to websites that contain information prohibited from being provided in Russia, which are listed in the applicable register. From February 1, 2014 the competence of Roskomnadzor will be extended in connection with the right to limit access under the request of the General Prosecutor on several issues.

### **Regulation of Telecommunications in Italy**

AGCOM and the Communications Department of the Italian Ministry of Economic Development together regulate all aspects of the telecommunications markets in Italy, comprising the mobile, fixed-line and Internet markets following their own competencies deriving from existing EU regulations as adopted in Italy. Their regulatory powers mainly include licensing, authorizations, access interconnection, frequency allocation, numbering, universal service obligations, tariff regulation and their balancing and arbitration of disputes between operators.

AGCOM is financed by telecommunication operators through a fee based on operators' financial results. The Public numbering schemes are decided by AGCOM while the Ministry is responsible for numbering management and assignment.

The Italian Competition Authority (Autorità Garante della Concorrenza e del Mercato) enforces competition law rules which prohibit anticompetitive agreements among undertakings, abuse of dominant position as well as reviews possible M&A deals which may create or strengthen dominant positions detrimental to competition.

Business undertaken by WIND Italy in the European Union is subject to the EU framework on telecommunications regulation which includes directives, recommendations and opinions. As such, as a member of the EU, Italy is required to implement directives issued by the EU, which directives may take effect automatically on a member state. Regulations adopted at the EU level also have general application and are binding and directly applicable to EU member states.

### ***Licenses, Authorizations and Concessions***

In Italy, licenses, authorizations and concessions for rights to use frequencies and numbering are required from the Ministry for Economic Development. The continued existence and terms of licenses, authorizations and concessions are subject to review by regulatory authorities and to interpretation, modification or termination by these authorities. Moreover, authorizations, licenses and concessions as well as their renewal terms and conditions may be affected by regulatory factors. WIND Italy is licensed to provide fixed-line and mobile telecommunications services in Italy. WIND Italy's license to operate its GSM/GPRS network expires in 2018, while its UMTS license expires in 2029. On September 29, 2011, WIND Italy was awarded spectrum in both the 800 MHz and 2,600 MHz frequencies following completion of the competitive spectrum auction initiated by the Italian Ministry for Economic Development. The acquisition of 800 MHz frequencies by WIND Italy carries obligations of minimum broadband coverage. WIND Italy plans to make significant investments in its LTE network in this regard during the next several years.

### ***Market Analysis***

The Italian telecommunications market is regulated pursuant to a regulatory framework that was adopted by the European Commission in 2002 to harmonize the regulatory environment among European countries to promote convergence between telecommunications and broadcast networks and services, and to further encourage competition in the telecom market. This regulatory framework consists of the Framework Directive (2002/21/EC), Access and Interconnection Directive (2002/19/EC),

Authorizations Directive (2002/20/EC), Universal Service Directive (2002/22/EC), Data Protection Directive (2002/58/EC), Directive on competition in the markets for electronic communications services (2002/77/EC) and Regulation on unbundled access to the local loop (2000/2887/EC). This regulatory framework is further complimented by the EU radio spectrum policy, governed by the Radio Spectrum Decision (2002/676/EC), as updated in Commission Decision 2009/978/EU (amending RSPG), the Recommendation of the European Commission on Relevant Markets (2003/311/EC), or the “Initial Recommendation,” and the European Commission Guidelines for market analysis and the assessment of significant market power (2002/165/EC), or the “Guidelines.” The EU regulatory framework has been implemented in Italy through the adoption of the legislative decree of August 1, 2003, no. 259 (“Codice delle Comunicazioni Elettroniche,” or the “Electronic Communications Code”), which became effective on September 16, 2003. The Code was amended to be compliant with new EU new regulations by legislative decree 70/2012.

In 2009 the European Commission updated the regulatory framework introducing Directive 2009/140/EC (Better Regulation Directive) and Directive 2009/136/EC (Citizens’ Rights Directive) confirming market analysis procedural settings and granting certain powers to the European Commission to force NRA to operate in accordance with the European regulatory framework. The updated regulatory framework was implemented in Italy in May 2012 by legislative decree 70/2012, which introduced changes to the national Electronic Communications Code.

The Electronic Communications Code requires AGCOM to carry out, taking into account the Initial Recommendation and the Guidelines, a market analysis to identify operators with “significant market power,” or “SMP,” i.e., operators which, either individually or jointly with others, enjoy a position equivalent to dominance, that is to say a position of economic strength affording them the power to behave to an appreciable extent independently of competitors, customers and ultimately consumers. This analysis is undertaken with a view to check if SMP operators are identified, and to impose certain regulatory obligations on such dominant operators or otherwise confirm, amend or withdraw the existing obligations imposed on them as per prior market analysis, if AGCOM detects that the market is not competitive. The Initial Recommendation identified 18 “relevant product and service markets” in relation to which a market analysis should have been conducted to identify operators with “significant market power” and to assess whether any one of these markets would warrant *ex ante* regulation. As part of the ongoing review by the European Commission of the regulatory framework, on November 13, 2007, it published a proposal for the review of the new regulatory framework as described above, which was approved in December 2009 and was required to be adopted at national level by May 25, 2011. The 2009/136/CE and 2009/140/CE EU Directives have been implemented in Italy through the adoption of legislative decree No. 69 of May 28, 2012 and legislative decree No.70 of May 28, 2012. In November 2007, the European Commission also published its revised recommendation on the “relevant product and service markets” within the electronic communications sector (2007/879/EC) (the “Revised Recommendation”), which reduced the number of markets subject to *ex ante* regulation from 18 to 7.

The market analyses carried out by AGCOM are subject to the scrutiny of the EU Commission which, to a certain extent, can challenge AGCOM’s findings. In 2008, AGCOM completed a round of analysis and designated Telecom Italia as an operator with SMP in all wholesale and retail fixed-line and mobile markets. The only exceptions were the wholesale mobile call origination market and the wholesale international roaming market, which AGCOM confirmed were competitive and thus did not warrant *ex ante* regulation. The only two relevant markets where operators other than Telecom Italia were found to hold SMP were the wholesale termination of voice calls on individual mobile networks and wholesale termination of voice calls on individual fixed-line network, where WIND Italy and other network operators were found to hold SMP. As an *ex ante* regulatory measure, AGCOM adopted a “glide-path” (a gradual decline in mobile termination rates and fixed-line termination rates) for each of these markets. AGCOM finalized its second round of market analysis on fixed-line termination in May 2010, confirming Telecom Italia and alternative network operators, or “ANOs,” including WIND Italy, as entities with SMP. AGCOM completed its analysis of the markets for wholesale access to the fixed-line network with Resolution 731/09/CONS, confirming Telecom Italia’s obligations under the regulatory framework. In the same resolution, AGCOM also confirmed Telecom Italia as the dominant operator in the retail market for voice access services from a landline.

AGCOM concluded the analysis of the market for terminating segments of leased lines with Resolution 2/10/CONS, and determined that the market for terminating segments of the network was divided between those used for base station connections and those used for the provision of fixed-line network services to customers. Only the provision of fixed-line network services to customers was deemed worthy of *ex ante* regulation, and any obligations under the regulatory framework will be imposed upon Telecom Italia. Effective as of December 31, 2010, AGCOM removed all obligations of Telecom Italia with respect to terminating leased lines segments of the network used for base station connections. The procedures for the analysis of wholesale and retail services for voice traffic from fixed-line network markets were completed during the second quarter of 2010 with the issuance of Resolution 179/10/CONS on wholesale markets, confirming the obligations of Telecom Italia under the regulatory framework. By Resolution 180/10/CONS regarding the wholesale transit service, AGCOM only maintained Telecom Italia’s obligations on transit districts and liberalized the transit service at the national level. In terms of the retail market, by Resolution 284/10/CONS AGCOM recognized those markets that are no longer subject to *ex ante* regulation, indicating the progressive removal of all retail obligations on Telecom Italia, effective as of late 2010. AGCOM is still reviewing the replicability of retail offers by Telecom Italia through its wholesale traffic services offers (origination and termination).

In 2011 AGCOM performed its third round of market analysis on mobile termination in order to define the new “glide path” (a gradual decline in mobile termination rates) for all four designated “significant market power” operators. Decision 621/11/CONS, officially published on January 4, 2012, follows the guidelines of the EC Recommendation on the Regulatory Treatment of Fixed and Mobile Termination Rates in the EU (2009/396/CE), and the cap values of the glide path are derived from the application of the BU-LRIC cost model consolidated by AGCOM in 2011 by Decision 60/11/CONS. The fourth round of market analysis on mobile termination started in February 2014 with AGCOM decision 50/14/CONS. The proceeding is in its initial phase.

In 2012 AGCOM performed its first round of market analysis of SMS termination wholesale services. AGCOM submitted to consultation a draft decision of “no *ex ante* regulation” for the SMS termination wholesale market. AGCOM published its final Decision 185/13/CONS in March 2013, confirming that the SMS termination wholesale market results are competitive, with no need for *ex ante* regulation. The European Commission didn’t express comments on the decision. A monitoring activity of the market will be performed by AGCOM, in compliance with AGCM comments on the draft proposal, on the effective progressive reduction of the SMS termination rate.

In September 2012, AGCOM started its third round of market analysis for Fixed-line Access markets M1 (Access to the public telephone network at a fixed location for residential and non-residential customers), M4 (Wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location), M5 (Wholesale broadband access) (390/12/CONS). In February 2013, AGCOM, under decision 91/13/CONS, included in the Market Analysis two other older proceedings: 41/12/CONS and 42/12/CONS (derived from the 1/12/CONS proceeding on fiber networks) respectively regarding the definition of a BU LRIC model for fiber (to be applied to Telecom Italia) and the impact of *vectoring* technology introduction. In April 2013, AGCOM published the public consultation on its draft proposal. The proposal covers the period 2014-2016, demanding to specific other proceedings (the reference offer approval proceedings) the service pricing definition for 2013 (based on cost orientation analysis). The prices proposed for 2016 were set based on BU LRIC model both for copper and fiber (new model defined for fiber). The proposal sets the LLU price in 2016 in the range 8.88-9.29 €/line/month. In Market 5 a geographical differentiation on price obligation was proposed, defining a price deregulation (only commercial base) in 128 Italian commons, considered by AGCOM as competitive, for virtual access services (Bitstream, VULA). In the proposal, vectoring introduction was allowed and SLU obligation canceled under certain conditions (with a complementary VULA obligation introduction for all the operators implementing a vectoring technology). Recently, by decision 65/14/CONS published in February 2014 the conclusion of the market analysis for the three-year period 2014-2016 has been postponed by 90 days also in order to permit to the operators the submission of further documents related to relevant new facts occurred after the second half of 2013.

In September 2013, AGCOM, with Decision 538/13/CONS, closed the proceeding 43/12/CONS regarding the possibility to apply symmetric regulation to all the operators on specific network bottleneck segments in FTTH fiber networks. AGCOM decision defined symmetrical access obligations to the terminating segment and to the building entry segment of NGA networks on all undertakings providing electronic communications networks. The terminating segment and the building entry segment of fiber networks have been identified as network bottlenecks as their duplication – in consideration of a number of technical, economic and administrative obstacles – would be economically inefficient or physically impracticable. As a consequence, any operator that deploys such infrastructures, regardless of its SMP status, must provide access to its network facilities.

During November 2013 AGCOM, with Decision 603/13/CONS, there started the third cycle of the market analysis for market 6 (terminating segments of leased lines, in all technologies – including interconnection segment). AGCOM performed the first phase of information collection (from operators) during December 2013. The public consultation on the AGCOM draft proposal is expected in the first quarter of 2014.

In October 2012, the European Commission launched a public consultation on the second review of the Recommendation on Relevant Markets, notably the list of predefined relevant markets subject to *ex ante* regulation, and WIND sent its comments. The procedure for the second review is to take place in 2014 and should define an updated list of relevant markets subject to *ex ante* regulation, which will be taken into account by each European NRA during the next review of the Market Analysis.

In September 2013, the European Commission published the Recommendation on costing and non-discrimination principles, after more than a year of negotiations with the various European institutional partners. Although no public consultation on the text took place, WIND, through ECTA, the European Competitive Telecommunications Association, contributed with its comments to the development of the Recommendation. The Recommendation shall be implemented at national level during the next review of market analysis and foresees a transition period until 31 December 2016 for the implementation of the recommended costing methodology in a NGA network scenario.

#### ***Adoption by Telecommunications Operators of Service Charters and regulation on Consumer Protection***

AGCOM Resolution 179/03/CSP identifies quality indicators and certain criteria according to which telecommunications operators are required to set quality standards and sets the minimum requirements for the adoption by telecommunications operators of Telecommunications Services Charters. It furthermore establishes general criteria for the quality of telecommunications services, providing sanctions for non-compliance, including refunds for customers. In addition, AGCOM adopted specific resolutions on quality and services charters in relation to each of the main areas of electronic communications services (fixed-line voice calls, mobile and personal communications, Pay TV, Internet access) setting forth the level of quality for services typically provided in each of these areas. In respect of the obligations set out above, AGCOM adopted a number of resolutions, including Decision 79/09/CSP related to phone centers providing information to customers, establishing principles and rules related to the provision of minimum quality of service standards. With Resolution 588/12/CONS AGCOM started a public consultation for amending Decision 79/09/CSP. In June 2013, AGCOM started a technical working group in order to reform the regulation of call center quality related to the introduction of new digital modality of customer support. Regarding quality of service standards, in particular AGCOM adopted Resolutions 244/08/CSP, as amended and supplemented by Resolution 151/12/CONS, and 400/10/CONS under which, from October 2010, it is possible for customers to measure the quality of their fixed-line connection to Internet through a certificated and free software agent (so called Nemesys) downloaded into customers' computers. In June 2010, in cooperation with FUB (Ugo Bordoni Foundation), AGCOM also started negotiating a technical table with all mobile operators, including MVNOs, to define indicators through which it is possible to measure quality of all mobile services and by Resolution 154/12/CONS AGCOM defined these indicators. AGCOM has also proposed numerous measures to protect customers. Among these, Decision 326/10/CONS introduced specific measures to avoid unexpectedly high billing in the mobile data retail market. AGCOM has also recently introduced Resolution 602/13/CONS providing the implementation of a database (SINB) with information about broadband coverage and commercial offers available for customers. On March 14, 2013, AGCOM launched a public consultation about distance contracts (Resolution 202/13/CONS) in order to modify the actual Regulation.

#### **Copyright**

In December 2013, AGCOM published the Regulation about copyright which establishes the procedure for the protection of copyright and the roles of the subjects involved. The regulation has entered into force on March 31, 2014. WIND is involved as access operator and as operator which provides hosting services and hosts on its platforms content uploaded by third parties.

#### ***Data Protection***

In Italy personal data protection is governed by Legislative Decree No. 196 of June 30, 2003 (the "**Personal Data Protection Code**" or "**PDPC**"), the aim of which is to ensure that personal data are processed by respecting rights, fundamental freedoms and dignity, of the individuals concerned, particularly with regard to confidentiality, personal identity and the right to protection of personal data. Decree-Law No. 5 of February 9, 2012 repealed letter g) of paragraph 1 of Section 34 of the PDPC and Section 19, Annex B of the PDPC, addressing the obligation to approve the Security Policy Document ("*Documento Programmatico sulla Sicurezza dei Dati—DPS*") every year, while keeping the regulations of the PDPC concerning the data protection security measures unchanged.

Legislative Decree No. 69 of May 28, 2012, that has ratified the European Directive No. 136 of November 25, 2009, introduced into the PDPC the "Personal Data Breach" definition and several new obligations of data controllers, such as compulsory notifications, in case of a breach to data protection, to the Italian Data Protection Authority ("*Garante per la Protezione dei Dati Personali*"), and to the subscribers whose data has been affected by the breach. On April 4, 2013, the Italian Data Protection Authority issued new provisions for telecommunication operators relating to the implementation of the law on disclosure of the personal data breach.

In November 2012, the Data Protection Authority launched a public consultation on draft general provisions on the subject of processing of personal data to request contributions and suggestions on the mechanisms to implement the new provisions on cookies introduced by Directive 2009/136/EC, as transposed into Italian law. The document details the initial guidance developed by the Italian Data Protection Authority, especially in order to ensure effective information of data subjects on the operation of cookies and the applicable requirements. ASSTEL (the not-for-profit Italian official Employers Association of the telecommunication operators) sent a document of contribution to the Data Protection Authority, and it is waiting for a reply by the latter.

In September 2013, the Data Protection Authority started a workshop with ASSTEL and other associations in order to identify simplified procedures for information referred to in Section 13 of Personal Data Protection Code and the acquisition of the online consent for the use of cookies, and it is currently ongoing.

In January 2014, the Data Protection Authority also launched a public consultation on draft general provisions on the subject of processing of personal data for the services of mobile remote payment. ASSTEL provided its contribution, and it is waiting for the issue of the provision.

In April 2014, the Data Protection Authority launched a public consultation on draft provisions for the establishment of a bad-payers database in the field of electronic communications services.

### ***Universal Service Obligations***

In Italy, fixed-line and mobile operators, including WIND Italy, are required to compensate Telecom Italia for net costs incurred by it for its universal service obligations, or “USO,” which require that it provide a basic level of services with a given quality to all consumers in Italy at affordable rates. The Ministry of Economic Development manages a USO fund financed by operators. AGCOM defines amounts of contributions and renewed its USO calculations for 1999 through 2003, following four legal appeals filed by Vodafone. The last AGCOM decision, concerning USO for 2006 (issued in August 2013), defines a nil USO net cost. In April 2014, AGCOM started a new USO consultation for 2007 proposing a nil USO net cost on the basis that it is not an “unfair burden”.

### ***International Roaming***

With respect to the European international roaming market, on June 30, 2007, the EU Regulation on Roaming (2007/717/EC), or the “Roaming Regulation,” came into effect. The Roaming Regulation provides a steady reduction in retail and wholesale roaming charges for calls made to destinations within the EU and the EEA while the customer is roaming in the EEA. As of July 1, 2009, the European Commission extended the scope and duration of the Roaming Regulation further reducing the caps applicable to roaming voice charges, while extending the glide path for roaming voice charges to 2012, and introduces a cap on the roaming charges that operators can charge for SMSs and mobile data services. Later, the Commission published the Roaming III Regulation on June 13, 2012 to update the previous 2009 Roaming Regulation II. The new regulation introduces further reduction glide path in wholesale and retail voice, SMS, data caps, and obligation to publish a wholesale reference offer to provide basic roaming services on a predefined basis, and introduces an obligation on the network operator to grant decoupling of roaming services from domestic ones and only data roaming access on a WiFi-like model (so-called Local Break Out) from July 2014.

### ***Discussion at EU level on Single Market***

In September 2013, the EU Commission proposed a new regulation called “Telecom Single Market” concerning international roaming, consumer rights safeguard, broadband market, spectrum policy, network neutrality and authorization regimes. Such proposal has been discussed at the EU Parliament that deeply modified it. The EU Council is still working on the issue. It is expected to evolve during 2014. On international roaming, the EU and the Parliament proposed an elimination of roaming retail surcharges in EU.

### ***Interconnection Rates***

Telecom Italia, the incumbent and former monopoly telephone services provider, owns and operates the largest fixed-line voice telephone network in Italy. As a result, the ability of other operators, including WIND Italy, to provide fixed-line voice and other telecommunications services is dependent on the ability of such other operators to interconnect with Telecom Italia’s network. Accordingly, the wholesale interconnection rates that Telecom Italia charges other operators are regulated by AGCOM through a wholesale (network) cap regime. Following the second round of market analysis, the relevant Decisions are: 731/09/CONS

(Wholesale fixed-line access), 2/10/CONS (Circuits), 179/10/CONS (Call collection and fixed-line termination), and 180/10/CONS (Wholesale transit) and 229/10/CONS (Fixed termination rate for 2011 both for Telecom Italia and alternative fixed-line operators). The TDM fixed-line termination rate for 2012 has been set for Telecom Italia (decision 92/12/CIR) and for other Alternative operators (decision 187/12/CIR). About the interconnection prices both for Telecom Italia and Altnets, AGCOM with resolution 668/13/CONS defined the prices for the period 2013-2015 (as described in the next section).

## ***Mobile Regulatory Environment***

### ***Mobile Termination***

As a result of its third round of market analysis on wholesale termination of voice calls on individual mobile networks (starting with Decision 670/10/CONS), in December 2011 AGCOM published Decision 621/11/CONS<sup>1</sup>. This decision confirmed that WIND Italy, together with all other mobile operators in Italy (Telecom Italia, Vodafone and Hutchison 3G), holds a “significant market power” in this market. Accordingly, AGCOM imposed certain transparency, access, non-discrimination, price control and cost accounting obligations on each of them. The resulting glide path applies from 2012 to 2013, and by July 2013 all termination rates will be the same for each operator.

<sup>1</sup> <http://www.agcom.it/default.aspx?DocID=7756>

	<u>July 1, 2012</u>	<u>Jan 1, 2013</u>	<u>July 1, 2013</u>
<b><i>Eurocents/minute</i></b>			
Hutchison 3G	3.5	1.7	0.98
Telecom Italia	2.5	1.5	0.98
Vodafone	2.5	1.5	0.98
WIND	2.5	1.5	0.98

The glide path values derive from the new BU-LRIC cost model implemented by AGCOM in accordance with EU regulations in 2011 by Decision 60/11/CONS.

The financial impact of the regulated mobile termination rates on WIND Italy depends on the combination of a number of factors, which include the volume of calls made by customers of other operators that terminate on WIND Italy’s network (for which WIND Italy charges termination rates, which comprise its interconnection revenue), and the volume of calls by WIND Italy customers that terminate on the network of other mobile operators (for which WIND Italy is charged termination rates, which comprise WIND Italy’s interconnection expenses).

Following the appeal by H3G against TAR decision rejecting its appeal for the annulment of AGCOM decision 621/11/CONS, recently the Italian Council of State published a new decision about the values of H3G MTR in 2013, as well as the decisions on the appeals by WIND, VO and FW against Decision 621/11/CONS.

Moreover following a decision of the Council of State based on an H3G appeal, currently the values of MTR H3G in the period 1.11.2008-30.6.2009 are under revision by AGCOM.

The H3G MTR price set by AGCOM in the past for the same period was 13 €/cent/min (decision 446/08/CONS).

During November 2013, AGCOM submitted under consultation a new proposal for the H3G MTR in the period November 1, 2008 to June 30, 2009. In particular AGCOM submitted under consultation three possible values: i) 12.44 €/cent/min base on international benchmark; ii) 13.42 €/cent/min based on the application back of the glide path defined by the decision 667/0708/CONS for the period from 2009, iii) 13.2 to 14.87 €/cent/min based on the regulatory accounting of H3G in the period 2005, 2006, and 2007. WIND answered to the public consultation and the proceeding is still ongoing.

In February 2014, AGCOM commenced a new market analysis proceeding on MTR.

### ***Mobile Access and Call Origination***

In August 2000, with Decision no. 544/00/CONS, AGCOM decided as part of the UMTS license provisions not to impose a regulatory obligation upon mobile operators to provide access by MVNOs to their respective GSM, GPRS and UMTS networks for a period of eight years from the initial commercial launch of UMTS services.

After a specific investigation, AGCOM, by its subsequent decisions, confirmed the introduction of MVNOs only through a commercial agreement with an operator, rather than as a legal requirement, as AGCOM did not find any mobile operator to hold a dominant position in this market either individually or collectively.

The Revised Recommendation did not include the market on wholesale access and call origination on mobile networks among the “relevant markets” that required *ex ante* regulation. Accordingly, on March 16, 2009, AGCOM, through Decision 65/09/CONS, decided that the market for the provision of wholesale access and origination service from public mobile networks was competitive and did not fulfill the criteria for the imposition of *ex ante* regulation.

In 2012 AGCOM started a monitoring activity on MVNO/MNO relationship. At present, only a general information collection related to current contracts between MNO and hosted MVNO has been performed by AGCOM.

#### *Assignment of Frequencies*

In August 2011, the Italian Ministry of Economic Development started to auction the rights of use for frequencies in the 800 MHz, 1,800 MHz, 2,000 MHz and 2,600 MHz bands. WIND Italy took part and on October 3, 2011 obtained two blocks of 2x5 MHz per block in the 800 MHz band for €977 million and four blocks of 2x5 MHz per block in the 2,600 MHz band for €143 million.

In November 2012, AGCOM started a public consultation on the guidelines to assign the 700 MHz frequencies to the television services. Part of the frequencies under evaluation was to be assigned for five years, in order to be freed by 2018 for broadband services in accordance with the evolution of the European and ITU framework. But in July 2013, AGCOM reviewed the plan of allocation of frequencies for digital terrestrial television network service. The lots of frequencies inside 700 MHz previously assignable for five years to TV have been cleared from the assignment procedures. In this new plan revision AGCOM sets out a gradual liberation of TV channel 57-60 (corresponding to the band 758-790 MHz) by 2016 and the liberation of the remaining portion of 700 MHz band by 2020. Subsequently, AGCOM resolution has been refined in October and December 2013. In January and March 2014, AGCOM issued two resolutions to handle some interference matters between Italian digital terrestrial television and the neighboring countries.

In 2013 AGCOM also started public consultation on the use of 3.6-3.8 GHz frequencies in order to understand the interest of the market on future assignment thereof as this range of frequencies could be suitable for international mobile telecommunication services. The consultation resulted in no assignment procedures being decided by the Authority.

In 2013 AGCOM updated the assignment rules of frequencies in the band 26-28 GHz (suitable only for wireless local loop and short distance backhauling).

#### *Abolition of Mobile Recharge Fee*

In March 2007, the so-called “Bersani Decree” (Law Decree No. 7 of January 31, 2007, converted into Law No. 40 of April 2, 2007) abolished the fixed charge for mobile top-ups on prepaid SIM cards.

#### ***Fixed-Line Regulatory Environment***

Pursuant to the Access and Interconnection Directive (2002/19/EC), national regulatory authorities, including AGCOM, may require an operator with “significant market power” to regularly produce a “reference interconnection offer” setting forth the terms and conditions on which such operator will provide access to specified services approved by the regulator. The interconnection reference offer of Telecom Italia covers the following services: (i) fixed-line collection, termination and transport, (ii) interconnection services (circuits), (iii) LLU, (iv) bit stream, and (v) wholesale line rental, or “WLR” and (vi) NGA wholesale offers. Normally, Telecom Italia publishes its reference proposals that, for cost based items, are scrutinized by AGCOM with specific proceedings (public consultations and decisions). Also, ANOs are obliged to publish their reference offer regarding fixed termination rates.

#### *Fixed-Line Collection and Termination*

AGCOM designated certain alternative fixed-line operators, including WIND Italy, as subject to a four-year “glide path” (a gradual decline in fixed-line termination rates) to fixed-line termination rates for calls terminating on their respective networks. The new rules regarding call collection and termination have been set by Decision 229/11/CONS.



According to Decision 229/11/CONS, Telecom Italia's and ANOs' fixed termination rates will be defined in a symmetric way (both on TDM and on IP) following the results of two different proceedings (one for TDM termination and other for IP termination based on BU-LRIC cost model). As of 2013, only IP fixed termination will be regulated.

The TDM fixed termination rate 2012 has been set for Telecom Italia at SGU level €0.272min (Decision 92/12/CIR), and for the altnets at 0.361 €/line/month (Decision 187/12/CONS<sup>1</sup>).

About the interconnection prices both for Telecom Italia and Altnets, AGCOM with resolution 668/13/CONS defined the prices for the period 2013-2015. In particular both Telecom Italia and altnets are regulated on fixed termination rates ("FTR"). The prices in the first half of 2013 are the same as 2012. From July 1, 2013 to July 2015 the FTR on Telecom Italia and altnets network are symmetrical and will have the following values:

Fixed termination prices (€/cent/min)

	<u>From July 1, 2013</u>	<u>From July 1, 2014</u>	<u>From July 1, 2015</u>
FTR	0.104	0.075	0.043

Only Telecom Italia's collection and transit fees are regulated. For the first half of 2013 the prices are the same as 2012.

From July 1, 2013 to July 2015, the Telecom Italia's collection and transfer fees will be the following:

Collection and Transit fees (€/cent/min)

	<u>From July 1, 2013</u>	<u>From July 1, 2014</u>	<u>From July 1, 2015</u>
Collection	0.258	0.204	0.140
Transit	0.126	0.111	0.093

The values described have been evaluated with a WACC= 9.36%. AGCOM in its decision underlined that the provisions described will change as a result of a new possible market analysis and as a result of any change in the WACC (currently under consultation in the market analysis of market 1-4-5).

#### *Wholesale Terminating Segments of Leased Lines and Interconnection Circuits*

On January 26, 2006, pursuant to AGCOM's Decision No. 45/06/CONS on the termination segments of leased lines market and the long distance leased lines market, AGCOM notified Telecom Italia that it had been identified as an operator with "significant market power" in both these markets. A new upgrade of regulation on wholesale terminating segments of leased lines and interconnection circuits have been issued with the new market analysis in AGCOM's Decision No. 2/10/CONS. In particular, terminating circuits are regulated by the adoption of a network cap mechanism, while the interconnection services are cost based.

The network cap mechanism finished in 2012. AGCOM started in June 2013 a public consultation (Decision 33/13/CIR) for the approval of Telecom Italia's 2013 pricing offer based on the cost orientation mechanism. The final decision on 2013 has still to be published.

In the meantime the new cycle of market analysis on market 6 has been started by AGCOM (Decision 603/13/CONS). The proceeding is still ongoing.

#### *Direct Telephone and Broadband*

Three main regulatory provisions affect competition in the direct telephone and broadband markets, namely the regulatory provisions regarding LLU, Bitstream and WLR. Following the market analysis in AGCOM's Decision No. 731/09/CONS, a new cost mechanism was set by AGCOM with the introduction of LRIC bottom-up for all wholesale access services. After the Decision 578/10/CONS with the Decision 578/10/CONS AGCOM defined 13 different network caps to be applied to all access wholesale copper services for the years 2010 to 2012. The final Decision 578/10/CONS was adopted at the end of 2010 with AGCOM's Resolution No. 578/10/CONS, which set the 2012 prices for LLU monthly fees at €9.28 and WLR basic line monthly fees at €12.88.

The Telecom Italia reference offers are approved every year by AGCOM with specific proceedings.

<sup>1</sup> The AGCOM Decision 187/12/CONS has been appealed by Telecom Italia to the administrative Italian Court in order to obtain a FTR lower than the one fixed by AGCOM. Conversely, Fastweb appealed the AGCOM Decision 187/12/CONS to obtain a higher FTR. The hearing was held on April 23, 2014 and the court has not yet ruled.

After Decision 578/10/CONS Wind and other OLO appealed against the decision to the administrative Italian Court. In March 2013, the Italia Consiglio di Stato instructed AGCOM to review Decision 578/10/CONS with particular reference to LLU cost of corrective maintenance, WLR and bitstream naked prices.

Following the Italian Consiglio di Stato Decision AGCOM opened a specific proceeding (563/13/CON) during November 2013. The proceeding is still ongoing.

In 2012 as a result of Decision 643/12/CONS AGCOM, modified the 2012 WLR TI prices (previously defined as 12.88 €/line/month by Decision 578/10/CONS) starting from June 1, 2012.

About 2013 and considering the market analysis ongoing and market 1-4 and 5 for the period 2014-2016, AGCOM started in January 2013 the proceeding to review the 2013 Bitstream and WLR prices. In March 2013 AGCOM started the proceeding to review the 2013 ULL prices.

In July 2013, AGCOM take the decision on 2013 LLU (8.68 €/line/month), WLR (11.14 €/line/month) and Bitstream (6.74 €/line/month Bitstream shared and 15.14 €/line/month for bitstream naked) prices. During July 2013, AGCOM notified to EC the LLU and Bitstream decision on 2013 Telecom Italia offers. In August 2013, the EC opened a phase II investigation (three months of joint analysis among AGCOM, EC and BEREC) asking AGCOM to update some values (as WACC of Telecom Italia). The adjustment required by EC would increase the prices defined by AGCOM. After the phase II investigation, AGCOM maintained its position and EC published a recommendation asking AGCOM to update again some values like WACC. AGCOM maintained its position and confirmed the previous decision on LLU (8.68 €/line/month) and Bitstream (6.74 €/line/month Bitstream shared and 15.14 €/line/month for bitstream naked). In January 2014, AGCOM published the final LLU decision (747/13/CONS) and Bitstream (746/13/CONS). The final decision on WLR is not yet published, but AGCOM has submitted the WLR decision to the EC. Market analysis on 2014-2016 period is still ongoing. During January 2014 AGCOM started a survey on the development prospects and on the state of competition on the broadband and ultra-broadband network. AGCOM decisions 747/13/CONS (LLU 2013) and 746/13/CONS (Bitstream 2013) have been appealed before TAR Lazio by Telecom Italia and Fastweb. BT appealed only AGCOM decision 746/13/CONS. The first preliminary hearing of Telecom Italia's appeal against decision 747/13/CONS was held before TAR Lazio on March 26, 2014. WIND filed a brief memorandum in favor of AGCOM's decision, which sets the 2013 LLU price at 8,68 €/line/month. The next hearing, addressing the merits, has been fixed by the judge for July 16, 2014.

The first hearing of Telecom Italia's appeal against decision 746/13/CONS was held on April 9, 2014 whilst the hearings about the judicial proceedings related to the appeals filed by Fastweb against decisions 747/13/CONS and 746/13/CONS and the claim filed by BT against decision 746/13/CONS have not yet been fixed.

By Resolutions No. 33/13/CIR (Dedicated capacity transmission services: terminating circuits, interconnection flows), 34/13/CIR (NGA passive infrastructures, local laid infrastructure, conveyance sections, primary and secondary optic fibers, termination segments in optic fiber), 35/13/CIR (end to end) and 36/13/CIR (bitstream NGA and VULA) published in June 2013, proceedings were initiated to assess the corresponding offers of Telecom Italia for 2013. WIND responded to the proceedings and provided its assessments in July 2013 by taking part to the hearings. Publication of final decision approving this remaining reference offers is awaited in the second half of 2014.

#### *Non-discrimination obligations – Margin Squeeze Test*

In order to promote competition, the Italian Regulatory Authority (AGCOM) imposed on the Incumbent (Telecom Italia) the obligation of margin squeeze test. The current margin squeeze test (defined in 2010 by Resolution 499/10/CONS) is applied to Telecom Italia's new retail offers (stand-alone and bundles), which include services in retail markets where Telecom Italia holds SMP or in those vertically related to wholesale markets where Telecom Italia holds SMP. The test assesses whether the retail revenue earned by Telecom Italia on the relevant offer are above the costs of providing the associated services.

The *ex ante* margin squeeze test was initially imposed on Telecom Italia in 2002 as part of a suite of remedies in markets (Markets 1, 4 and 5) in which Telecom Italia holds significant market power (SMP). The test was updated in 2010 to reflect the take-up of bundles, and in 2013 fiber-based products were added to its scope.

Moreover AGCOM, at the end of 2013, issued a call for inputs requesting stakeholders' views on whether it should be making further changes to the test. WIND sent its position paper and is waiting for the formal consultation which probably will be in 2014.

## ***New Technologies***

### ***VoIP and NGAN***

Voice over Internet Protocol, or “VoIP,” is a general term for a set of transmission technologies for the delivery of voice communications, such as voice, facsimile, and/or voice-messaging applications over IP networks such as the Internet, rather than the PTSN. In Italy, while VoIP providers operate under the same general authorization regime as other providers of electronic communications services, AGCOM regulates the provision of VoIP services pursuant to its Decision 11/06/CIR. The rights and obligations of VoIP providers may differ depending on the type of VoIP services provided, based on the category of “electronic communications services” under which such services fall. In December 2011, AGCOM published Decision 128/11/CIR which included the main technical guidelines on IP interconnection among networks for the provision of VoIP services. Following EU regulation on next generation access network, or “NGAN,” remedies, in Italy AGCOM has adopted a ruling on NGAN wholesale services Telecom Italia is obliged to offer (end to end service, Bitstream, virtual unbundling local access and access to passive elements). During 2013 AGCOM started the proceeding for approval of 2013 Telecom Italia NGA offers (Bitstream and VULA, End to End, infrastructures). The proceeding are still ongoing. In any events, before the publication of a final decision AGCOM has to submit its decisions to EC.

AGCOM is developing a BULRIC model for NGAN in the context of the market analysis 1-4-5 started with the decision 238/13/CONS.

### ***National Competition Authority activity***

#### ***A428 Proceeding***

In May 2013, the Italian NCA Autorità Garante della Concorrenza e del Mercato concluded an investigation triggered by WIND in June 2010, fining Telecom Italia for abuse of its dominant position in the provision of wholesale access to the access network infrastructure and broadband Internet access levying a fine of € 103,794 million.

The abuses sanctioned are:

- the imposition by Telecom Italia of an unjustifiably high number of rejections on competitors for activating wholesale services.
- a policy of discounts to big business clients for retail access to the fixed public telephone network, which does not allow a competitor to operate profitably and on a lasting basis in the same market.

#### ***I761 Proceeding***

In March 2013, the AGCM launched an investigation triggered by a complaint of WIND in July 2012 in order to ascertain whether Alpitel, Ceit, Sielte, Sirti, Site and Valtellina (the main technical Telecom Italia suppliers of corrective maintenance) have adopted behaviors capable of restricting competition in the wholesale market for ancillary technical services for fixed telephone network. In July 2013, the investigation was extended to Telecom Italia, as incumbent operator in the market for access to fixed network.

In October 2013, WIND was heard as complainant by AGCM. The proceedings are ongoing and should be concluded in July 2014.

Telecom Italia appealed to the Italian administrative courts against the AGCM extension proceedings.

#### ***I757 Proceeding***

In September 2012, the AGCM had started an investigation against TIM, Vodafone and WIND Italy for alleged obstacles in the entrance into the market of a new mobile service provider: Bip Mobile. The term for the conclusion of the investigation has been postponed twice, it being now set for October 2014.

WIND Italy received two requests for information in January and July 2013 and provided the Italian NCA with all the elements requested.

In January 2014, the proceeding has also been extended to TIM and WIND Italy for an alleged vertical agreement with the respective retail networks. On April 22, 2014 AGCM published some undertakings submitted by WIND Italy and by Telecom Italia. Proceedings, which have other formal intermediate steps, should be concluded in October 2014.

## **Regulation of telecommunications in Algeria**

### ***Regulatory bodies***

Under Algerian Law, the Algerian telecommunications market is regulated by the Ministry of Post, Information Technology and Communications (the “MPTIC”), which is, amongst others, responsible for establishing policies, and monitored by the Autorité de Régulation de la Poste et des Télécommunications (the “ARPT”). Further, the Competition Council, is competent for competition matters.

### ***Regulatory framework***

The main elements of the regulatory framework applicable to the telecommunications sector in Algeria are embodied in the Post and Telecommunications Law of August 2000, which establishes general rules on the organization of the telecommunication sector, creates and determines the mandate of the national regulatory authority, defines general rules for the licensing/authorization of telecommunications networks and services and introduces principles allowing the development of competition in the sector. Although this law only provides for ARPT to recommend to MPTIC the maximum price of universal telecom services, mobile operators also need to submit all their retail offers to ARPT for approval.

The ARPT requires that interconnection prices are set on the basis of costs in the operators’ annually published reference interconnection offers (“RIOs”). All interconnection agreements and RIOs must be approved by the ARPT prior to becoming effective.

The ARPT has also established rules regulating the promotions which mobile operators may offer. These rules limit the frequency and duration, as well as the minimum interval between promotions. This has had, to some extent, an effect of reducing the intensity of competitive promotions.

In August 2013, a tender was launched for three 3G licenses. On December 3, 2013, ARPT officially notified the granting of the final 3G licenses to all three existing mobile operators.

In accordance with the rules of the auction, OTA paid DZD3 billion (equal to approximately USD38.2 million as at the exchange rate of December 31, 2013) as fixed part of the license fee in addition to a variable license fee of 1% of revenue generated by 3G infrastructure.

### ***MTR***

The ARPT monitors that interconnection prices are cost oriented, and intervenes to set them as such. However, OTA is under the impression that the obligation of cost orientation is not applied similarly to all operators. All interconnection agreements and interconnection prices must be approved by ARPT prior to becoming effective.

OTA has interconnection agreements with the fixed incumbent operator as well as with the other two mobile operators in Algeria, in addition to the three currently authorized VoIP operators. The termination tariffs are modified annually in the reference interconnection offer (RIO) approved by ARPT. Currently, the RIO contains in particular termination rates for national calls at DZD 0.96 per minute, international calls (when terminated by the incumbent fixed operator and VoIP operators) at DZD 5 per minute for traffic terminated by Algérie Télécom and at DZD 10 per minute for traffic terminated by national VoIP operators. SMS at DZD 0.75 each and MMS at DZD 12 each.

### ***MNP***

There is currently no number portability, either for mobile or fixed, in Algeria.

### ***Others***

In 2010, the Algerian government introduced a new penalty scheme through the Supplemental Finance Act for mobile operators failing to identify mobile SIM cards. Mobile operators may be fined DZD150,000 (equal to approximately to US\$1,911 at the exchange rate of December 31, 2013) per unidentified SIM card. Further implementation legislation still needs to be enacted.

In addition the Supplemental Finance Act introduced a new flat rate tax, ranging from 30.0% to 80.0%, on “super” profits that are generated in special circumstances, outside the oil and gas sector. This tax is levied on exceptional margins, and the conditions of application will be defined in implementing regulations.

There is currently no MNP nor are there any MVNOs in Algeria, and no regulations exist which provide for such operations. Although the provision of domestic roaming services is not required under Algerian Law, the specifications of 3G licenses allow each 3G operator to negotiate national roaming agreements with its competitors once the operator requesting national roaming has fulfilled its roll-out obligations for the first three years following the date of granting of its license.

## **Regulation of Telecommunications in Pakistan**

### ***Regulatory bodies***

The Pakistani Telecommunications Industry is regulated by the Government of Pakistan, acting through the Ministry of Information Technology, or “MoIT,” and the Pakistan Telecommunications Authority, or “PTA.” The MoIT has overall responsibility for shaping and directing Pakistan’s telecommunications and IT policies. It has delegated the responsibility for the day-to-day enforcement and management of the telecommunications sector to the PTA. The PTA is also responsible for regulating the telecommunications industry, including licensing, tariff regulation and arbitration of interconnection disputes. The PTA has also been given the power to regulate competition in the telecommunications sector in Pakistan.

The Frequency Allocation Board, or the “FAB,” has exclusive powers to allocate radio frequency spectrum. The PTA receives applications for the allocation and assignment of radio frequency spectrum and, after initial examination, refers them to the FAB for allocation of frequency.

### ***Regulatory framework***

The Pakistan Telecommunication Ordinance 1994, established the primary regulatory framework for the telecommunication industry including the establishment of an authority. Thereafter, Telecommunication (Re-Organization) Act no XVII was promulgated in 1996 that aimed to reorganize the telecom sector of Pakistan. Under Telecom Reorganization Act 1996, Pakistan Telecommunication Authority was established to regulate the establishment, operation and maintenance of telecommunication systems, provision of telecom services and to regulate competition in the telecommunications sector in Pakistan. Beside this the Act also defines general rules for the licensing/authorization of telecommunications networks and services and introduces principles of establishment and administration of Special Funds i.e. USF and R&D Funds.

### ***MTR***

MTR (fixed and mobile) have been fixed on the basis of the PTA’s determination of May 2008, gradually reducing from PKR1.10 to PKR0.90 in January 2010. The PTA initiated a costing exercise in 2011 and 2012 but this issue seems dormant presently. SMS termination charges continue to be settled on Sender Keep All principle until further notice.

### ***MNP***

MNP was launched throughout Pakistan on March 23, 2007. The current porting rate is PKR 250 (equal to approximately US\$ 2.38 as at the exchange rate as of December 31, 2013) per completed port. The Mobile Cellular Policy encourages domestic roaming and infrastructure sharing. However, it does not impose any obligations and those matters are left to the various operators to negotiate on commercial terms.

### ***Other***

In August 2004, the PTA declared SMPs in five relevant markets. Mobilink was declared an SMP in the cellular market as it had more than 25% of market share in terms of revenue. Following a review process in 2010 the PTA determined that the mobile telecommunications market was in a state of fair competition, particularly after the introduction of MNP in Pakistan. As a result, the PTA decided that Mobilink was not subject to any SMP regulations.

Due to the adverse security situation in Pakistan, the government has given a great deal of importance to the correct customers' documentation and has decided to implement strict procedures for verification of customers. It has been decided that biometric system will be used for customers' verification. A working group involving all stakeholders including cellular operators was formed by the government to prepare its recommendations on timelines for equipment rollout. As agreed by the joint working group, the biometric devices are being deployed in a phased program during 2013 and 2014.

The PTA also issued MVNO regulations in March 2012 which provide a detailed mechanism for the functioning and operations of MVNOs. No MVNOs have entered the Pakistan market as of December 31, 2013.

## **Regulation of Telecommunications in Bangladesh**

### ***Regulatory bodies***

In the past, the Bangladesh telecommunications market was regulated by the Bangladesh Telecommunications Regulatory Commission, or "BTRC," which was established in 2001.

However, pursuant to the Telecom Act 2010, responsibilities, such as, issuance of licenses for telecommunications systems and services, regulation of telecommunication activities and supervision of telecommunication licensees have been transferred from the BTRC to the Ministry of Post and Telecommunications, or "MOPT." Subsequent amendments of the Telecom Act 2010 have been discussed in parliament; however, these have been postponed for further review.

As a result of the Telecom Act 2010, the BTRC is the executive body for forming and regulating telecommunication policies. The MOPT has been empowered for issuance and renewal of licenses.

### ***Regulatory framework***

The main elements of the regulatory framework for the telecommunications sector in Bangladesh are embodied in the Bangladesh Telecommunications Act 2001, or the "BTA." The BTA establishes rules relating to the supply of telecommunications services in Bangladesh.

### ***MTR***

The current interconnection rate and interconnection revenue sharing is set out below.

Since March 2009 the interconnection rate is:- 40 paisa/minute, 18 paisa to terminating operator, 18 paisa to originating operator, 10% (4 paisa) to ICX.

Since July 2007 BTRC has set Tariff Circuit between BDT 0.25 – BDT 2.00. However from May 2012 minimum off-net call charge has been reduced to BDT 0.60/minute from BDT 0.65/minute. Whereas the minimum on-net call charge remains the same as BDT.25/minute. Accordingly, all voice packages and offers are to be designed within this tariff circuit limit. Launching of any package or bundle would require prior approval if does not meet the above price cap.

The International Termination Rate is currently 3 cents. However, the Telecom Ministry has sent a proposal to the Finance Ministry for reduction of the termination rate by 50% which will amount to 1.5 cents if approved by the Finance Ministry. However, there is a concern in the government that this will have a significant revenue loss as BTRC has revenue sharing with IGWs (currently 40% of gross collected revenue).

BTRC from July 1, 2013 imposed differential base line for interconnection charge for PSTN and IPTSP operators considering ACR (average call duration: has to be below 3 minutes) and customer base (below 0.4 million customers). The charges starts from BDT 0.060 from the first year (i.e. 2013), and will increase yearly as BDT 0.090 (2014), BDT 0.120 (2015), BDT 0.150 (2016), and from July 1, 2017 and onwards, charge will be BDT 0.180.

### ***MNP***

BTRC issued directives on Mobile Number Portability (“MNP”) dated June 13, 2013 with a stringent timeline for implementation. However, the mobile operators requested BTRC to start a consultation process and further revise the timeline for implementation of MNP.

Banglalink as well as AMTOB responded, expressing concerns on timeline for implementation and other technological, commercial and regulatory issues and requesting the BTRC to extend the timeline and conduct a consultation process to include industry recommendations.

BTRC in a recent letter inquired about the update/status on MNP implementation from the operators and the operators from AMTOB have responded with a request on January 26, 2014 for consultation with the BTRC before moving forward with any manner of implementation.

From the industry, working groups (commercial, technical, governance subcommittees) have been formed to work on the directive. The working group has prepared the industry response.

### ***SIM Tax***

Since 2006, SIM Activation Tax was BDT 800 (USD 10.25). Later upon persuasion by the Telecom Industry, Government reduced SIM Tax to BDT 605 (USD 7.75) in the fiscal year 2011-2012. The Bangladesh Government, in the fiscal year 2012-2013, further reduced the SIM Activation Tax to BDT 300 (USD 3.84) effective from May 2013 which is currently prevailing. The MNOs are still constantly pursuing the Telecom Ministry, Finance Ministry, Regulator and different Government bodies to eventually bring down SIM Activation Tax to Nil.

### ***BWA Guidelines & 2600 MHz Allocation to Wimax Operator Olo***

The Bangladesh government allocated 20+20 MHz frequency from GSM 2600 band to Olo @ 31.3M USD i.e. USD 1.5 million/MHz. Another ISP named Mango and existing Wi-Max Operators Qubee, Bangla-Lion and Govt. incumbent BTCL is expected to have received licenses at similar price levels. MNOs raised concern on providing 2600 MHz to ISPs & Wi-Max providers, however this has not been taken into consideration even though worldwide this frequency is being allocated to MNOs. The operators which acquired 2.6 GHz band will have mobility and voice enabled facilities. MNOs state this as a discriminatory act as BTRC did not offer MNOs 2600 MHz band whereas the MNOs were allocated 3G frequency at a much higher price (USD 21 million/MHz). Our Bangladesh subsidiary is considering further steps in this regard.

## **Regulation of Telecommunications in Ukraine**

### ***Regulatory bodies***

According to the Ukraine Telecommunications Law, or “UTL”, the Cabinet of Ministers, the Administration of the State Agency for Special Communications and Information Protection (the “Administration”) and the National Commission for the State Regulation of Communication and Informatization, or “NCCIR”, are the main governmental authorities managing the telecommunication industry.

The Cabinet of Ministers is responsible for forming general policy, ensuring equal rights for developing the forms of ownership, managing state-owned assets and directing and coordinating ministries and other central governmental bodies in the area of telecommunications.

The Administration develops state policy proposals in the area of telecommunications and is responsible for their implementation within its authority granted by law. The Administration also has the authority to prepare draft legislation, define the quality requirements for telecommunications services and technical standards for telecommunications equipment.

The NCCIR is the main regulatory and controlling body in the area of telecommunications and use of radio frequencies. The NCCIR issues licenses for the provision of licensed telecommunications services and the use of radio frequencies, maintains registries of telecommunications operators and providers, allocates numbering capacity to telecommunications operators and controls the quality of telecommunications services.

### ***Regulatory framework***

The UTL and the Ukraine Frequency Law, or the “UFL”, both as amended from time to time, are the principal laws regulating the Ukrainian telecommunications industry. The UTL includes various regulations by the Ukrainian Government and other governmental authorities to supplement the legal framework of the telecommunications industry.

The UTL sets forth general principles for the regulation of the telecommunications industry in Ukraine, including a description of the institutional framework for the government’s involvement in the regulation, administration and operation of the telecommunications industry in Ukraine. The UFL regulates the allocation and use of the frequency bands in Ukraine.

### ***MTR***

The UTL allows telecommunications operators, including wireless service operators to establish tariffs for the telecommunications services provided to customers, with the exception of tariffs on universal services and data traffic channeling by SMP telecommunications operators.

Effective November 1, 2012, the NCCIR introduced new tariffs for provision of commonly accessible (universal) services, including fixed-line local services to fixed-line customers. As a result, the tariffs for local calls and monthly subscription fees increased.

The NCCIR regulates interconnection tariffs charged to access SMP operators’ and dominant operators’ networks, as well as the technical, organizational and economic terms of interconnection agreements involving such operators.

### ***MNP***

Applicable legislation provides for an obligation of mobile operators to provide a national roaming service and provide customers the ability to transfer their mobile numbers from one telecommunication network to another. On August 25, 2011, the NCCIR adopted national roaming regulations. While MNP introduction was initially foreseen for December 2013, MNP launch has been postponed to second half of 2014 due to MNP technical procedures and processes still to be developed and detailed by competent bodies.

### ***Other***

The NCCIR determines telecommunications services markets, study the competitive environment in the telecommunications market and determine SMP operators and regulate rates of their respective services. An operator is presumed to have SMP if it has share of more than 25% of the total revenue of all telecommunications operators and providers operating on the respective telecommunications services market. On October 20, 2011, the NCCIR determined the SMP operators in the markets for terminating calls on fixed-line and mobile networks and on December 1, 2011, it approved mandatory interconnection tariffs for the SMP operators in such markets. Our operations in the Ukraine are deemed to have SMP and are subject to these regulations.



Ukrainian law provides that the tariffs for access to infrastructure of telecommunications networks owned by operators recognized by the NCCIR as SMP operators in their respective market, should comply with the methodology for setting tariffs for access to telecommunications infrastructure adopted by the NCCIR such as setting mobile termination rates.

## **Regulation of Telecommunications in Kazakhstan**

### ***Regulatory bodies***

Under the Kazakhstan Communications Law, the Ministry for Transport and Communications (the “MTC”) is the central executive body authorized to implement state policy and governmental control with respect to telecommunications and to adopt relevant acts.

The primary functions of the MTC relevant to our business include:

- issuing permits for the use of radio frequencies in Kazakhstan;
- controlling the use of frequencies;
- issuing licenses to provide telecommunications services and overseeing compliance of issued licenses;
- determining the list of radio-electronic and high-frequency telecommunications equipment permitted to be used and/or imported into Kazakhstan;
- issuing (through its local subdivisions) permits for use of telecommunications equipment;
- disconnecting any unauthorized equipment; and
- developing technical regulations in the field of telecommunications.

The Inter-Agency Commission on Radio Frequencies, or the “ICR,” is a consultative-advisory agency of the Kazakh government that provides recommendations on government policy regarding frequencies. The National Security Committee and certain other governmental defense bodies also maintain a level of control over the telecommunications industry as part of their investigative operations.

### ***Regulatory framework***

The “Kazakhstan Communications Law” dated July 5, 2004 is the principal act regulating the telecommunications industry in Kazakhstan and sets forth general principles for the regulation of the telecommunications industry, the authority of each regulatory body, the rules governing telecommunications network cooperation and consumer rights protections. Several additions to the Kazakhstan Communications Law that have stimulated competition on DLD and ILD became effective as of January 1, 2006.

The Kazakhstan Communications Law grants the Kazakh government broad authority with respect to the telecommunications industry in Kazakhstan. The most important aspects with respect to our business include the government’s authority to:

- develop and implement government policy on telecommunications and frequency allocations,
- approve allocation of radio frequencies,
- approve qualification requirements for ILD operators,
- approve procedures for auctions of telecommunications licenses and approve the licensing terms, conditions and qualification requirements when granting telecommunications licenses, and
- set forth the procedures and payment amounts for the ability to provide services with the use of frequencies.

The participation of foreign capital in Kazakhstan’s telecommunications market is limited by law. It is forbidden for foreign legal entities or individuals to control and operate fixed-line networks, to create and operate telecommunications networks whose headquarters are located outside Kazakhstan and to obtain more than 10.0% of voting shares in an ILD operator without governmental consent. In addition, foreign legal entities or individuals are not allowed to possess, use, dispose of or control (directly or indirectly) more than 49.0% of the total voting shares of the an ILD operator who possesses surface communication lines (cables, including fiber optic and radio-relay cables).

## **MTR**

Starting from 2013, MTR were decreased 15% on a yearly basis according to a Memorandum signed between mobile operators. As of 31 December 2013, MTR is 11.1 Kazakh tenge (the equivalent of USD 0.07 as of 31 December 2013), between mobile networks, and fixed network is 13.2 Kazakh tenge (the equivalent of USD 0.09 as of 31 December 2013).

The structure of interconnect agreements is set by the MTC, and dominant operators are required to enter into an interconnect agreement with any operator requesting interconnection.

## **MNP**

The MTC has announced its intention to implement MNP but has not specified the intended date or terms. The estimated date for MNP introduction is currently February 2015. At present the draft law containing the provisions on MNP is under consideration of the Government.

## **Other**

KaR-Tel was recognized as a company with significant market power and was included into the list of the dominant in terms of mobile services in 2007. As a consequence the company is a subject of the regulated market and has a range of obligations and limitations on pricing.

According to the results of monitoring of prices and (or) on the basis of complaints, information, indicating the establishment of unreasonable prices, as well as in cases of violation of the duties, the MTC examines prices in accordance with the pricing rules for regulated markets.

KaR-Tel is required to provide to the Antimonopoly Agency and MTC: financial statements, information on the sale or transfer in trust of ten percent or more of its voting shares (participation interests) and information on monopoly types of activity, volumes of production and sales, selling prices and the level of profitability of monopoly types of services. In addition it is obliged to notify the MTC in writing not less than thirty calendar days of the impending increase in the prices of services above the maximum price and the reasons for their increase providing with substantiating materials that support reasons for the increase (in accordance with pricing rules).

Without exceeding the maximum price KaR-Tel has right to reduce and increase prices of produced (sold) services on condition of informing the MTC about the reasons for reduction or increase, no later than five working days from the date of reduction or increase prices.

## **Regulation of Telecommunications in Uzbekistan**

### ***Regulatory framework***

The main statutes that govern the telecommunications industry in Uzbekistan are the Uzbek Communications law dated January 13, 1992 (as amended); the Radio Frequency Spectrum law dated December 25, 1998; (iii) Protection of Consumers' Rights, dated April 26, 1996; (iv) the "Uzbek Telecommunications Law"; (v) Licensing Certain Types of Business, dated May 25, 2000; (vi) Law of the Republic of Uzbekistan "On competition" dated January 6, 2012.

These laws determine the general legal and economic basis for organizing communications systems, establishing rights and duties of a company in terms of ownership, use, disposal and management of communications equipment when setting up and operating communications networks and providing communications services.

### ***Regulatory bodies***

The government authorities responsible for supervising the telecommunications industry in Uzbekistan are the Republic of Uzbekistan Cabinet and the State Committee for Communications, Information and Telecommunication technologies, the "Uzbek Communications Committee", which is the specially authorized state administration authority that is responsible for regulating the telecommunications industry in Uzbekistan.

In accordance with the Uzbek Telecommunications Law, businesses offering communications services in the Republic of Uzbekistan may be privately or publicly held by Uzbek or foreign national individuals or legal entities. All owners of telecommunications networks have equal rights and enjoy equal protection guaranteed by the law and the legislation imposes no restrictions on foreign investors.

The Uzbek Communications Committee's primary functions relevant to our business include the following:

- drafting national programs for development of telecommunications,
- elaborating standards and rules for telecommunications,
- granting licenses, radio frequencies and numbering to legal entities for telecommunications,
- regulating tariffs for certain types of telecommunications services and inter-network telecommunications links,
- organizing certification of telecommunications equipment,
- and issuing permits for the operation of telecommunications equipment; and
- drawing up numbering schemes and managing the numbering plan for telecommunications networks.

The State Communications Inspectorate for State Supervision of Postal and Telecommunications Businesses is responsible for monitoring compliance by telecommunications companies with license requirements and conditions.

The State Committee of the Republic of Uzbekistan for privatization, demonopolization and development of competition is a government body which focusses on the further deepening of economic reforms, acceleration of denationalization and privatization processes, and provision of development and support of private entrepreneurship in Uzbekistan.

### ***MTR***

Local mobile termination rates are not regulated in Uzbekistan; according to current legislation mobile termination rates are determined on the basis of the contracts between operators.

However, due to inclusion of Unitel LLC on the list of SMP operators the Uzbek regulator has adopted a decision to oblige Unitel LLC to establish mobile termination rates for all operators at the same level as MTR Unitel LLC has agreed with Uzbektelecom JSC (which is 90% state owned). This order is related to the fact that MTR for Uzbektelecom is lower than with other operators. At present, Unitel LLC is challenging this decision in judicial bodies of Uzbekistan.

### ***MNP***

Mobile number portability is currently not present in Uzbekistan. It is unclear if and when MNP may be introduced.

### ***Other***

A position is said to be dominant where a business or group of persons has a market share of 65.0% or more. If a business holds a market share of between 35.0% and 65.0%, it may be deemed to have a dominant position, subject to a determination by the Uzbek Antimonopoly Authority based on the size of market share, the stability of the business's market share, the share taken by competitors, ease of access to the market for new competitors and other criteria relevant to the given market. On September 19, 2013, Unitel was recognized as a SMP. We are not subjected to price regulation yet, but we must declare our rates in the Ministry of Finance. We can be subjected to price regulation in the future.

## **Regulation of Telecommunications in Armenia**

### ***Regulatory framework***

Regulation of the Armenian telecommunications industry currently consists of the Law on Electronic Communications, dated July 8, 2005 (effective September 3, 2005) (the "Law on Electronic Communications"), as amended, and other laws and decisions of the relevant regulatory authorities in Armenia.

### ***Armenian Regulatory Authorities***

There are two relevant authorities in the Republic of Armenia with regards to the telecommunications sector: (i) the government of the Republic of Armenia, (the "AMTC") and (ii) Commission on Regulation of Public Services of the Republic of Armenia, or the "Armenian Regulator".

The AMTC to (i) determine policy regarding the development of the telecommunications sector, (ii) prepare general policy and objectives regarding the provision of universal services in Armenia, and (iii) allocate particular portions of radio spectrum for specific types of use.

Pursuant to the Law on Electronic Communications, the primary functions of the AMTC that are relevant to our business include:

- adopting and modifying regulations containing the Armenian Table of Frequency Allocations, which indicates the allocation of frequencies to government and civil services, and establishing the procedure for frequency management coordination committee meetings and discussions;
- modifying the Armenian Table of Frequency Allocations to allocate radio spectrum for commercial use;
- detecting and locating radio emissions not in conformity with legislation;
- investigating and inspecting, when authorized by appropriate warrant, the use of radio transmission equipment;
- implementing Armenia's commitments to international treaties in the electronic communications sector, as appropriate;
- representing Armenia in the ITU and other international telecommunications organizations;
- adopting technical standards; and
- issuing certifications authorizing production, import, installation or use of radio transmission equipment.

The Armenian Regulator is established under the Law on the Public Utility Regulator of the Republic of Armenia. The law defines the scope of the Regulator's authority and the structure and activities of the Armenian Regulator.

The primary functions of the Regulator that are relevant to our business include:

- implementing competition in the provision of public electronic communications services and networks;
- regulating public electronic communications networks and services;
- with respect to radio communication, allocating particular portions of the radio spectrum under its control for specific purposes; and
- adopting justified, fair and transparent resolutions that conform to laws and public interest and establishing procedures for implementation of resolutions.

### ***MTR***

Mobile termination rates are not subject to regulation unless an operator is qualified by the Armenian Regulator as SMP. However, mobile and fixed network termination rates are regulated in Armenia indirectly. In 2009 the Armenian Regulator adopted Decision No 506A as resolution of interconnection rates dispute between K-Telecom CJSC and Armentel CJSC and defined mobile and fixed network termination rate that are the equivalent of USD 0.027 and USD 0.022 for termination on mobile and fixed network correspondingly. International mobile termination rate is also defined indirectly in result of the resolution of operators dispute about the rate of international transit traffic and currently is USD 0.12.

### ***MNP***

The Armenian Regulator introduced MNP from April 1, 2014 in the Republic of Armenia.

Under the MNP rules the porting time shall not exceed 3 working days with gradual reduction to one working day and no fee shall be charged to the customer.

### ***Other***

According to the Law on Protection of Economic Competition (effective December 15, 2000), ArmenTel is considered a dominant operator of fixed-line telephony and international data transmission (IP transit) services.

All dominant operators must publish information concerning the location and available capacity of their line facilities in accordance with the requirements set by the Regulator (Law on Electronic Communications). Any dominant operator that owns a line facility must allow any other operator to lease the capacity of such line facility. Each operator shall, upon request, interconnect its public electronic communications network with the public electronic communications network of any other operator. Each dominant operator must provide interconnection for the provision of public electronic communications services and must submit an interconnection offer to the Regulator.

In the course of regulating prices, the Armenian Regulator must ensure that service providers recover a reasonable rate of return on the value of their investments directed to public services. This may include investments that are not economic or are inefficient, but that are geared towards the advancement of technology or public policy. When determining the rate of return, the Armenian Regulator takes into consideration international benchmarks and features distinct to Armenia.

#### **ITEM 4A. Unresolved Staff Comments**

None.

#### **ITEM 5. Operating and Financial Review and Prospects**

*The following discussion and analysis should be read in conjunction with our audited consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 20-F. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of numerous factors, including the risks discussed in “Item 3—Key Information—D. Risk Factors.”*

Our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F are prepared in accordance with IFRS, as issued by the IASB.

#### **Overview**

Our total operating revenue was US\$22,546 million for the year ended December 31, 2013, compared to US\$23,061 million for the year ended December 31, 2012. Our operating profit was US\$346 million for the year ended December 31, 2013, compared to US\$4,171 million for the year ended December 31, 2012. The loss for the year attributable to the owners of the parent was US\$2,625 million for the year ended December 31, 2013, compared to US\$1,539 million of profit for the year ended December 31, 2012.

We use the U.S. dollar as our reporting currency. The functional currencies of our group are the Russian ruble in Russia, the Euro in Italy, the Algerian dinar in Algeria, the Pakistani rupee in Pakistan, the Bangladeshi taka in Bangladesh, the Ukrainian hryvnia in Ukraine, the Kazakh tenge in the Republic of Kazakhstan, the Armenian dram in the Republic of Armenia, the Georgian lari in Georgia, the Kyrgyz som in Kyrgyzstan, the Burundian franc in Burundi, the Central African CFA franc in Central African Republic, the Lao Kip in Laos and the U.S. dollar in Tajikistan and Uzbekistan.

Due to the significant fluctuation of the non-U.S. dollar functional currencies against the U.S. dollar in the periods covered by this discussion and analysis, changes in our consolidated operating results in functional currencies differ from changes in our operating results in reporting currencies during some of these periods. In the following discussion and analysis, we have indicated our operating results in functional currencies and the devaluation or appreciation of functional currencies where it is material to explaining our operating results. For more information about exchange rates relating to our functional currencies, see “—Certain Factors Affecting our Financial Position and Results of Operations—Foreign Currency Translation” below.

#### **Reportable Segments**

We present our reportable segments based on economic environments and stages of development in different geographical areas, requiring different investment and marketing strategies. Accordingly, our reportable segments consist of the five following business units:

- Russia;
- Italy;
- Africa & Asia;
- Ukraine; and
- CIS.

The Russia segment includes all results from operations in Russia. The Italy segment includes all results from our operations in Italy. The Africa & Asia segment includes operating results from our operations in Algeria, Pakistan, Bangladesh, Burundi, Central African Republic and Laos. Except for customer information that includes data for Zimbabwe, our investments are accounted for at cost. The Ukraine segment includes the operating results of our operations in Ukraine. The CIS segment includes the operating results of all operations in Kazakhstan, Tajikistan, Uzbekistan, Georgia, Armenia and Kyrgyzstan. Although Georgia is no longer a member

of the CIS, consistent with our historic reporting practice, we continue to include Georgia in our CIS reporting segment. Starting January 1, 2013, we changed the name of our Europe and North America segment to our Italy segment. This was done to better reflect the nature of the segment and the source of the segment revenue. There are no changes to the figures reported previously (other than customer numbers) because the operations in Canada (the only source of North America data) are accounted for using the equity method and its results are therefore not included in the revenue, adjusted EBITDA or capital expenditures of the segment. Customer information for our equity investment in Canada is reported separately. Our segment reporting changed in 2011 as a result of the Wind Telecom Transaction. The segment information for periods prior to the changes were adjusted to reflect the changes to segment reporting made in 2011. For more information on our reportable segments, please see Note 7 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F.

### Factors Affecting Comparability of Prior Periods

Our selected operating and financial data, audited consolidated financial statements and related notes included elsewhere in this Annual Report on Form 20-F and the following discussion and analysis reflect the contribution of the operators we acquired from their respective dates of acquisition or consolidation, and, as a result, include results for our consolidated subsidiaries of the Wind Telecom Group (and all of our results from Italy, Algeria, Pakistan, Bangladesh, Burundi and Central African Republic) from April 15, 2011 and Laos from March 2011. As of April 26, 2011, we began to consolidate the results of GTEL-Mobile, our subsidiary in Vietnam, which was previously accounted for using the equity method, but we disposed of our interests in GTEL-Mobile in April 2012. On April 5, 2013, we entered into a sale and purchase agreement for its stake in Sotelco, and on April 19, 2013 the disposal was completed. We do not provide comparable financial information for periods preceding the date on which we acquired, consolidated or commenced operations in a particular country or segment. Our shares of (profit)/loss of associates and joint ventures accounted for using the equity method includes our associate in Canada, WIND Canada, from April 15, 2011. Our operations in Canada are reported as “other.” For more information, see “—Liquidity and Capital Resources—Investing Activities” below.

The following table shows the percentage of our total operating revenue represented by each reportable segment’s total operating revenue from external customers (excluding intersegment revenue) for each reportable segment for the periods indicated:

	Year ended December 31,		
	2013	2012	2011
Russia	40.0%	39.5%	44.3%
Italy	29.3%	30.3%	27.6%
Africa & Asia	15.5%	16.1%	13.2%
Ukraine	6.8%	6.9%	7.6%
CIS	8.3%	7.2%	7.3%
Other revenue and adjustments	0.1%	—	—
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

### Recent Developments and Trends

The mobile markets in Russia, Italy, Ukraine, Algeria, Kazakhstan, Armenia, Georgia, Kyrgyzstan have reached mobile penetration rates exceeding 100.0% in each market, and other mobile markets in which we operate also have high penetration rates. As a result, we will focus less on customer market share growth and more on revenue market share growth in each of these markets. The key components of our growth strategy in these markets will be to increase our share of the high value customer market, increase usage of value added services and improve customer loyalty. Our management expects revenue growth in these markets to come primarily from an increase in usage of voice and data traffic among our customers.

The remaining mobile markets in which we operate, particularly Pakistan, Bangladesh, Laos, Burundi, Canada, Zimbabwe and Central African Republic, are still in a phase of rapid customer growth with penetration rates substantially lower than in our other markets. In these markets, our management expects revenue growth to come primarily from customer growth in the short term and increasing usage of voice and data traffic in the medium term.

Our management expects revenue growth in our mobile business to come primarily from data services and in our fixed-line business from broadband as well as business and corporate services.

### *Investigations*

The SEC, DOJ and Dutch public prosecutor's office are conducting investigations related to our company. We expect to incur costs in responding to requests for information, testimony and other information in connection with the investigations and in conducting our internal investigation, and we cannot predict at this time the ultimate amount of all such costs. Since the investigations are at an early stage, we cannot predict the outcome of the investigations, including any fines or penalties that may be imposed, and such fines or penalties could be significant. For details of the investigations by the SEC, DOJ and Dutch public prosecutor's office, please see "Item 3—Key Information—D. Risk Factors—Risks Related to Our Business—Risks Related to Our Business—We are subject to investigations by the SEC, DOJ and the Dutch public prosecutor, and are conducting an internal investigation and we are unable to predict the duration, scope or results of these investigations or their impact on us" and Note 27 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F.

### *Fixed Asset Adjustment*

A result of our assessment of our internal controls over financial reporting was a write off of fixed assets in the amount of US\$72 million as operating expenses in Uzbekistan that should not have been capitalized in 2012 and 2011.

### *Algeria Transaction and Settlement*

On April 18, 2014, we together with our subsidiary GTH entered into a share purchase agreement to settle GTH's dispute with the Algerian government through a sale by GTH of a non-controlling 51% interest in OTA to the Fonds National d'Investissement, the Algerian National Investment Fund or the FNI, for a purchase consideration of US\$2.643 billion.

OTA will distribute a dividend of US\$1.862 billion to GTH immediately prior to the closing of the transaction which is expected to occur by the end of 2014.

The total dividends and proceeds due to GTH at closing of the transaction are expected to amount to approximately US\$4.0 billion, net of all taxes and after the settlement of all outstanding disputes between the parties and the payment of associated fines.

GTH and the FNI will enter into a shareholders agreement, effective as of closing of the transaction, which will govern their relationship as shareholders in OTA going forward. GTH will continue to exercise operational control over OTA and, as a result, both GTH and VimpelCom will continue to fully consolidate OTA.

Prior to closing of the transaction and in order to facilitate the closing OTA will contribute its operations, referred to as the Contribution, to Optimum Telecom Algérie S.p.A., or Optimum, a wholly-owned subsidiary of OTA. In addition, at or prior to closing, Optimum intends to establish a credit facility with a syndicate of local Algerian banks in an amount of up to DZD82 billion (approximately US\$1.0 billion).

### *Shareholders Agreement*

GTH and the FNI along with VimpelCom, OTA and Optimum will enter into the shareholders agreement at closing of the transaction to govern the relationship of GTH and the FNI as shareholders in OTA and the operations of Optimum.

Pursuant to the shareholders agreement, we and GTH will continue to fully consolidate OTA. GTH will retain operational control over each of OTA and Optimum with certain enumerated strategic decisions being subject to a supermajority vote of the respective boards (including the affirmative vote of at least one director representing GTH and the FNI). OTA will pay future dividends to its shareholders out of available free cash flow, targeting a pay-out ratio of not less than 42.5% of consolidated net income.

Transfers of the parties' respective shareholdings in OTA are not permitted during the first seven years following the closing of the transaction other than to certain affiliates. GTH will have an option to sell all (and not less than all) of its OTA shares to the FNI at the then fair market value. GTH's option will be exercisable solely at its discretion during the three month period between July 1, 2021 and September 30, 2021 as well as upon occurrence of certain events. Concurrently, the FNI will have an option to buy from GTH all (and not less than all) of GTH's OTA shares at the then fair market value. The FNI's option will be exercisable solely at its discretion during the three month period between October 1, 2021 and December 31, 2021 as well as upon the occurrence of certain events.

### *Settlement of Disputes*

The foreign exchange and import restrictions put in place by the Bank of Algeria against OTA on April 15, 2010 will be lifted on closing, following the payment (with no admission of wrongdoing or liability) by OTA to the Algerian Treasury of the fine of DZD99 billion (approximately US\$1.266 billion). At closing of the transaction, OTA will definitively discontinue (with no admission of wrongdoing or liability) all pending related proceedings.

At closing of the transaction, OTA will definitively discontinue (with no admission of wrongdoing or liability) all pending proceedings relating to the disputes with the Algerian tax administration relating to tax reassessments for the years 2004 to 2009.

Upon signing of the share purchase agreement, GTH suspended its current arbitration against the Algerian State initiated on April 12, 2012 and, upon closing of the transaction, the parties to the arbitration will terminate the arbitration and all claims relating thereto.

### *Agreement with OTA's Minority Shareholder Cevital*

In addition, Cevital S.p.A., or Cevital, which holds just over 3% of OTA shares, has signed a Framework Agreement with GTH under which the existing OTA shareholder arrangements will be terminated and GTH will acquire Cevital's OTA shares. In exchange for a purchase consideration of US\$178 million (equivalent to the implied price at which the FNI is acquiring its 51% stake) and the right to US\$56 million from OTA's pre-closing dividend, GTH will transfer to Cevital the shares of a wholly-owned subsidiary which will hold five-year convertible bonds issued by VimpelCom in the principal amount of US\$234 million. The VimpelCom bonds will pay interest at an annual rate of 3.75% and will be convertible six months after the issuance date, up to three months before the maturity date into VimpelCom ADSs at a conversion price equal to a premium of 40% above the prevailing ADS price at the time of issue.

As part of the Cevital transaction, GTH will grant Cevital a right to purchase 3.43% of OTA shares for a fixed amount of US\$178 million. Such right may be exercised on the fifth anniversary of closing (as well as upon the occurrence of certain specific events prior to that time) or at any time between the fifth and seventh anniversaries of closing. The Cevital transaction is conditional upon negotiation and execution of definitive documentation, receipt of requisite governmental approvals and on closing of the transaction with the FNI. VimpelCom will guarantee the obligations of GTH in the Cevital transaction. In case the closing does not take place, GTH and Cevital have also agreed in principle to negotiate agreements under which GTH will pay Cevital 3.43% of the net amount, if any, collected by GTH in the arbitration against the Algerian State in exchange for Cevital transferring all of its OTA shares to GTH and terminating the current OTA shareholder arrangements.

### *Closing*

The conditions precedent to closing of the transaction with the FNI include, amongst others, the completion of the Contribution, Optimum obtaining the credit facility of up to DZD82 billion (equivalent to approximately US \$1.0 billion), the payment of the



pre-closing dividend of US\$1.862 billion to GTH, the irrevocable termination of the existing shareholders agreement entered into with Cevital, the receipt of necessary approvals by the shareholders of GTH and the receipt of necessary regulatory approvals from the Algerian authorities. The parties expect closing to occur by the end of 2014.

For more information, see Note 28 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F.

## **Certain Performance Indicators**

The following discussion analyzes certain operating data, including mobile and broadband customer data, mobile MOU, mobile ARPU and mobile churn rates, that are not included in our financial statements. We provide this operating data because it is regularly reviewed by our management and our management believes it is useful in evaluating our performance from period to period as set out below. Our management believes that presenting information about mobile and broadband customers, mobile MOU and mobile ARPU is useful in assessing the usage and acceptance of our mobile and broadband products and services, and that presenting our mobile churn rate is useful in assessing our ability to retain mobile customers.

### ***Mobile Customer Data***

We offer both postpaid and prepaid services to mobile customers. As of December 31, 2013, the number of our mobile customers reached approximately 220 million. Mobile customers are generally customers in the registered customer base as of a measurement date who engaged in a revenue generating activity at any time during the three months prior to the measurement date. Such activity includes any incoming and outgoing calls, customer fee accruals, debits related to service, outgoing SMS and MMS, data transmission and receipt sessions, but does not include incoming SMS and MMS or abandoned calls. Our total number of mobile customers also includes customers using mobile Internet service via USB modems. For our business in Italy, prepaid mobile customers are counted in our customer base if they have activated our SIM card in the last twelve months (with respect to new customers) or if they have recharged their mobile telephone credit in the last twelve months and have not requested that their SIM card be deactivated and have not switched to another telecommunications operator via mobile number portability during this period (with respect to our existing customers), unless a fraud event has occurred. Postpaid customers in Italy are counted in our customer base if they have an active contract unless a fraud event has occurred or the subscription is deactivated due to payment default or because they have requested and obtained through mobile number portability a switch to another telecommunications operator. We include mobile customers of Zimbabwe, which is accounted for as investment at cost, into the Africa & Asia reporting segment. Each of these figures is also included in our total customer data.

The following table indicates our mobile customer figures (in millions), as well as our prepaid mobile customers as a percentage of our total mobile customer base, for the periods indicated:

	As of December 31,		
	2013	2012	2011
Russia	56.5	56.1	57.2
Italy	22.3	21.6	21.0
Africa & Asia*	88.9	83.5	77.7
Ukraine*	25.8	25.1	23.2
CIS	25.4	24.2	19.7
Canada	0.6	0.6	0.4
<b>Total number of mobile customers</b>	<b>219.6</b>	<b>213.7</b>	<b>205.2</b>
Percentage of prepaid customers	92.4%	96.2%	95.2%

\* The customer numbers for Africa & Asia include 2.6 million customers from Zimbabwe (accounted at cost) as of December 31, 2013 and 2012 and 1.5 million customers as of December 31, 2011. The customer numbers for 2012 and 2011 have been adjusted to remove customers in operations that have been sold and to reflect revised customer numbers in Algeria due to the reported technical issue, as well as changes in the definition of customers in Ukraine to align it with the group definition. MOU, Mobile ARPU and Churn have been adjusted accordingly.

### *Russia*

As of December 31, 2013, we had approximately 56.5 million mobile customers in Russia, representing an increase of 0.7% from approximately 56.1 million mobile customers as of December 31, 2012. Our mobile customer growth in Russia in 2013 was mainly due to focusing our sales efforts on regaining customer market share to improve revenue market share.

As of December 31, 2012, we had approximately 56.1 million mobile customers in Russia, representing a decrease of 1.9% over approximately 57.2 million mobile customers as of December 31, 2011. Our mobile customer decline in Russia in 2012 was mainly due to focusing our sales efforts on high value customers outside Moscow instead of gaining customer market share.

### *Italy*

As of December 31, 2013, we had approximately 22.3 million customers in Italy representing an increase of 3.0% over approximately 21.6 million customers as of December 31, 2012. Our mobile customer increase in 2013 was mainly due to continued development of innovative options and related promotions, enhancing our perception in the market as a value for money operator, a push for transparency and simplicity, improving our brand recognition and maintaining the best customer service in the market that was further strengthened by MNP. These efforts were further supported by a continued increase in penetration of smartphones and data services.

As of December 31, 2012, we had approximately 21.6 million customers in our Italy segment, representing an increase of 3.0% over approximately 21.0 million customers as of December 31, 2011. Our mobile customer increase in 2012 was mainly due to development of new options and related promotions, enhancing our perception in the market as a value for money operator, a push for transparency and simplicity, improving our brand recognition and maintaining the best customer service in the market. These efforts were further supported by an increased penetration of smartphones and data services.

### *Africa & Asia*

As of December 31, 2013, we had approximately 88.9 million customers in our Africa & Asia segment (including Zimbabwe (accounted at cost) in the amount of 2.6 million customers), in comparison with 83.5 million customers (including Zimbabwe (accounted at cost) in the amount of 2.6 million customers) in 2012. The 6.5% increase is due to continued customer acquisition in Algeria, Bangladesh and Pakistan as a result of further market penetration and expansion of our mobile network coverage despite disconnection of VOIP customers in Bangladesh.

As of December 31, 2012, we had approximately 83.5 million customers in our Africa & Asia segment (including Zimbabwe (accounted at cost) in the amount of 2.6 million customers), in comparison with 77.7 million customers (including Zimbabwe (accounted at cost) in the amount of 1.5 million customers) in 2011. The 7.5% increase is due to continued customer acquisition in Algeria and Pakistan coupled with customer retention initiatives, aggressive customer acquisition in Bangladesh, and further market penetration and expansion of our mobile network coverage.

## Ukraine

As of December 31, 2013, we had approximately 25.8 million mobile customers in Ukraine, in comparison with approximately 25.1 million mobile customers as of December 31, 2012. The increase of our customer base by 2.8% was mainly due to attractive retail offers and churn reduction campaigns in late 2013.

As of December 31, 2012, we had approximately 25.1 million mobile customers in Ukraine, in comparison with approximately 23.2 million mobile customers as of December 31, 2011. The increase of our customer base by 8.2% was mainly due to a more effective customer acquisition process through our dealer network and the introduction of bundled tariff plans in 2012.

## CIS

As of December 31, 2013, we had approximately 25.4 million mobile customers in our CIS segment, representing an increase of 5.2% from approximately 24.2 million mobile customers as of December 31, 2012. The increase in our customer base in the CIS was a result of stable mobile customers base growth in all CIS markets except for Armenia where the customer base decreased as due to growing competition in the market.

As of December 31, 2012, we had approximately 24.2 million mobile customers in our CIS segment, representing an increase of 22.8% from approximately 19.7 million mobile customers as of December 31, 2011. The increase in our customer base in the CIS was mainly driven by the 60% increase in customers in Uzbekistan as of December 31, 2012 as compared to December 31, 2011 following the network closure of a competitor by the Uzbek authorities.

## Mobile MOU

Mobile MOU measures the monthly average minutes of voice service use per mobile customer. We generally calculate mobile MOU by dividing the total number of minutes of usage for incoming and outgoing calls during the relevant period (excluding guest roamers) by the average number of mobile customers during the period and dividing by the number of months in that period. For our business in Italy, we calculate mobile MOU as the sum of the total traffic (in minutes) in a certain period divided by the average number of customers for the period (the average of each month's average number of customers (calculated as the average of the total number of customers at the beginning of the month and the total number of customers at the end of the month)) divided by the number of months in that period. The Africa & Asia segment measures mobile MOU based on billed minutes.

Our management does not analyze mobile MOU on a segment level in Africa & Asia and CIS segments but rather on a country basis.

The following table shows our mobile MOU for the periods indicated:

	Year ended December 31,		
	2013	2012	2011
<b>Russia</b>	291	276	243
<b>Italy*</b>	237	207	197
<b>Africa &amp; Asia*</b>			
Algeria**	216	274	289
Pakistan	226	214	206
Bangladesh	184	216	209
Central African Republic	59	49	47
Burundi	25	37	37
Laos	106	97	233
<b>Ukraine**</b>	501	513	483
<b>CIS</b>			
Kazakhstan	290	213	148
Tajikistan	270	241	229
Uzbekistan	471	474	425
Armenia	339	269	257
Georgia	244	237	207
Kyrgyzstan	265	272	303

\* For the Wind Telecom Group entities acquired on April 15, 2011, mobile MOU is calculated based on the full year.

\*\* For calculating mobile MOU, the customer numbers for 2012 and 2011 have been adjusted to remove customers in operations that have been sold and to reflect revised customer numbers in Algeria due to the reported technical issue, as well as changes in the definition of customers in Ukraine to align it with the group definition.

### *Russia*

In 2013, our mobile MOU in Russia increased by 5.5% to 291 from 276 in 2012, primarily as a result of consistent promotion of bundled and on-net oriented offers.

In 2012, our mobile MOU in Russia increased by 13.5% to 276 from 243 in 2011, primarily as a result of the implementation of our strategy on actively promoting bundle and on-net oriented price plans.

### *Italy*

In 2013, our mobile MOU in Italy increased by 14.4 % to 237 from 207 in 2012, primarily due to the continued promotion of bundle offers which include minutes of voice traffic, SMS and mobile Internet connectivity.

In 2012, our mobile MOU in Italy increased by 5.2% to 207 from 197 in 2011, primarily due to the strong push on bundle offers which include minutes of voice traffic, SMS and mobile Internet connectivity.

### *Africa & Asia*

*Algeria.* In 2013, our mobile MOU in Algeria decreased by 21.1% to 216 from 274 in 2012 mainly due to customer growth in customer segments with lower usage patterns. In 2012, our mobile MOU in Algeria decreased by 5.2% to 274 from 289 in 2011 mainly due to customer growth in customer segments with lower usage patterns.

*Pakistan.* In 2013, our mobile MOU in Pakistan increased by 5.6% to 226 from 214 in 2012 mainly due to active promotion of on-net oriented offers. In 2012, our mobile MOU in Pakistan increased by 3.9% to 214 from 206 in 2011 mainly due to promotions introducing the offering of free minutes and SMS as a bonus on daily usage.

*Bangladesh.* In 2013, our mobile MOU in Bangladesh decreased by 14.7% to 184 from 216 in 2012 mainly due to disconnection of suspected high usage customers as per regulator's directives and lower usage as a result of political instability throughout 2013. In 2012, our mobile MOU in Bangladesh increased by 3.3% to 216 from 209 in 2011 mainly due to promoting offerings with bonus on usage packages.

*Central African Republic.* In 2013, our mobile MOU in Central African Republic increased by 21.0% to 59 from 49 in 2012 mainly due to promoting higher usage tariffs. In 2012, our mobile MOU in Central African Republic increased by 4.3% to 49 from 47 in 2011 mainly due to promoting higher usage tariffs.

*Burundi.* In 2013, our mobile MOU in Burundi decreased by 33.5% to 25 from 37 in 2012 mainly due churn of higher value subscribers. Our mobile MOU in Burundi remained stable at 37 in 2012.

*Laos.* In 2013, our mobile MOU in Laos increased by 9.6% to 106 from 97 in 2012 due to higher usage. In 2012, our mobile MOU in Laos decreased by 58.4% to 97 from 233 in 2011 mainly due to a limitation imposed by Laos government on commercial activity of the company.

### *Ukraine*

In 2013, our mobile MOU in Ukraine decreased by 2.3% to 501 from 513 in 2012, mainly due to lower usage.

In 2012, our mobile MOU in Ukraine increased by 6.2% to 513 from 483 in 2011, mainly due to further migration to of customers to bundle tariffs.

### *CIS*

#### *Kazakhstan*

In 2013, our mobile MOU in Kazakhstan increased by 36.2% to 290 from 213 in 2012, primarily due to promotion of bundled offers.

In 2012, our mobile MOU in Kazakhstan increased by 43.7% to 213 from 148 in 2011, primarily due to the introduction of tariff plans designed to increase usage of voice services and further development of loyalty programs.

#### *Tajikistan*

In 2013, our mobile MOU in Tajikistan increased by 12.2% to 270 from 241 in 2012 primarily due to increased level of international incoming traffic from Russia, continuing promotion of bundled price plans and launching of on-net oriented offers in 2013.

In 2012, our mobile MOU in Tajikistan increased by 5.1% to 241 from 229 in 2011 primarily due to the introduction of tariff plans with lower prices to stimulate usage.

#### *Uzbekistan*

In 2013, our mobile MOU in Uzbekistan slightly decreased by 0.5% to 471 from 474 in 2012 primarily due to continued transition of subscribers to data services.

In 2012, our mobile MOU in Uzbekistan increased by 11.5% to 474 from 425 in 2011, primarily due to high usage of newly acquired customers.

#### *Armenia*

In 2012, our mobile MOU in Armenia increased by 26.1% to 339 from 269 in 2011, primarily due to promotion of on-net and off-net oriented price plans with higher usage.

In 2012, our mobile MOU in Armenia increased by 4.7% to 269 from 257 in 2011, primarily due to growth of usage as a result of the introduction of attractive tariff plans at lower prices.

#### *Georgia*

In 2013, our mobile MOU in Georgia increased by 3.0% to 244 from 237 in 2012 primarily due to the promoting higher usage tariffs.

In 2012, our mobile MOU in Georgia increased by 14.5% to 237 from 207 in 2011 primarily due to the expansion of our network and improved network quality, as well as the introduction of new tariff plans at competitive prices.

#### *Kyrgyzstan*

In 2013, our mobile MOU in Kyrgyzstan decreased by 2.3% to 265 from 272 in 2012 primarily due to continuous increase in our prices following the market trend.

In 2012, our mobile MOU in Kyrgyzstan decreased by 10.3% to 272 from 303 in 2011 primarily due to increases in our prices following the market trend.

### ***Mobile ARPU***

Mobile ARPU measures the monthly average revenue per mobile user. We generally calculate mobile ARPU by dividing our mobile service revenue during the relevant period, including data revenue, roaming revenue and interconnect revenue, but excluding revenue from connection fees, sales of handsets and accessories and other non-service revenue, by the average number of our mobile customers during the period and dividing by the number of months in that period. For Italy, we define mobile ARPU as the measure of the sum of our mobile revenue in the period divided by the average number of mobile customers in the period (the average of each month's average number of mobile customers (calculated as the average of the total number of mobile customers at the beginning of the month and the total number of mobile customers at the end of the month)) divided by the number of months in that period.

Our management does not analyze mobile ARPU on a segment level in Africa & Asia and CIS segments but rather on a country basis.

The following table shows our mobile ARPU for the periods indicated:

	Year ended December 31,		
	2013	2012	2011
<b>Russia</b>	10.6	10.8	11.0
<b>Italy*</b>	16.3	18.5	21.7
<b>Africa &amp; Asia*</b>			
Algeria**	8.4	9.0	9.8
Pakistan	2.3	2.6	2.7
Bangladesh	1.5	1.8	1.8
Central African Republic	5.5	5.9	6.4
Burundi	3.1	3.3	3.6
Laos	6.0	5.6	5.1
<b>Ukraine**</b>	4.7	5.2	5.2
<b>CIS</b>			
Kazakhstan	7.1	7.6	8.3
Tajikistan	10.0	8.6	8.8
Uzbekistan	5.3	4.6	4.1
Armenia	7.1	6.8	8.1
Georgia	6.3	6.7	6.8
Kyrgyzstan	6.6	5.5	5.5

\* For the Wind Telecom Group entities acquired on April 15, 2011, mobile ARPU is calculated based on the full year.

\*\* For calculating mobile ARPU, the customer numbers for 2012 and 2011 have been adjusted to remove customers in operations that have been sold and to reflect revised customer numbers in Algeria due to the reported technical issue, as well as changes in the definition of customers in Ukraine to align it with the group definition.

#### *Russia*

In 2013, our mobile ARPU in Russia decreased by 1.9% to US\$10.6 from US\$10.8 in 2012, primarily as a result of depreciation of the Russian ruble against the U.S. dollar. In functional currency terms, mobile ARPU in Russia increased by 0.5% in 2013 compared to 2012, due to increased revenue from data as a result of promoting our mobile Internet services.

In 2012, our mobile ARPU in Russia decreased by 1.8% to US\$10.8 from US\$11.0 in 2011, primarily as a result of depreciation of the Russian ruble against the U.S. dollar. In functional currency terms, mobile ARPU in Russia increased by 3.6% in 2012 compared to 2011, due to increased revenue from data as a result of promoting our mobile Internet services.

#### *Italy*

In 2013, our mobile ARPU in Italy decreased by 11.9% to US\$16.3 from US\$18.5 in 2012 primarily as a result of decline in voice revenue due to strong competition on pricing and regulation reducing on mobile termination rates, which decrease was partially offset by appreciation of EURO against U.S. dollar. In functional currency terms, mobile ARPU in Italy decreased by 14.5% in 2013 compared to 2012.

In 2012, our mobile ARPU in Italy decreased by 14.9% to US\$18.5 from US\$21.7 in 2011 primarily as a result of depreciation of the functional currency, regulation reducing mobile termination rates and strong competition on pricing. In functional currency terms, mobile ARPU in Italy decreased by 7.8% in 2012 compared to 2011.

#### *Africa & Asia*

*Algeria.* In 2013, our mobile ARPU in Algeria decreased by 6.5% to US\$8.4 from US\$9.0 in 2012. The decrease is mainly due to the inability to attract high value customers and promote corporate offers, as a result of limited network capacity suffering from ongoing limitations from the government coupled with actions of our competitors in the market. In 2012, our mobile ARPU in Algeria decreased by 8.2% to US\$9.0 from US\$9.8 in 2011. The decrease is mainly due to additions to the customer base with lower usage patterns as well as an increase in multi-SIM phenomenon and the revision of the interconnect catalog in 2012.

*Pakistan.* In 2013, our mobile ARPU in Pakistan decreased by 10.8% to US\$2.3 from US\$2.6 in 2012 mainly due to negative currency translation impact, adverse regulatory changes imposing additional taxes on customers and negative macroeconomic conditions. In functional currency terms ARPU decreased in 2013 by 4.5% compared to 2012. In 2012, our mobile ARPU in Pakistan decreased by 3.7% to US\$2.6 from US\$2.7 in 2011 mainly due to negative currency translation impact. In functional currency terms ARPU increased due to high VAS uptake and data offerings, in addition to tariff adjustments.

*Bangladesh.* In 2013, our mobile ARPU in Bangladesh decreased by 16.2% to US\$1.5 from US\$1.8 in 2012 mainly due to self-regulated disconnection of suspected high paid customers as per regulator's directives and lower usage as a result of political instability throughout 2013 further impacted by lower price per minute of use. In 2012, our mobile ARPU in Bangladesh remained stable at US\$1.8 in 2012 and in 2011.

*Central African Republic.* In 2013, our mobile ARPU in Central African Republic decreased to US\$5.5 from US\$5.9 mainly as a result of a decrease in average price per minute to increase usage. In 2012, our mobile ARPU in Central African Republic decreased by 7.8% to US\$5.9 from US\$6.4 mainly as a result of local currency depreciation. In functional currency terms ARPU slightly increased due to an increase in the average price per minute.

*Burundi.* In 2013, our mobile ARPU in Burundi decreased to US\$3.1 from US\$3.3 in 2012 mainly as a result of the local currency depreciation. In the functional currency mobile ARPU was stable in 2013 In 2012, our mobile ARPU in Burundi decreased by 7.3% to US\$3.3 from US\$ 3.6 mainly as a result of local currency depreciation. In functional currency terms ARPU slightly increased due to an increase in the average price per minute.

*Laos.* In 2013, our mobile ARPU in Laos increased by 6.3% to US\$6.0 from US\$ 5.6 in 2012. The increase was primarily due to a lower average customer base reflecting the loss of mostly lower value customer. In 2012, our mobile ARPU in Laos increased by 10.0% to US\$5.6 from US\$ 5.1 in 2011. The increase was primarily due to a lower customer base reflecting the loss of mostly lower value customer.

#### *Ukraine*

In 2013, our mobile ARPU in Ukraine decreased by 9.2% to US\$4.7 from US\$5.2 in 2012 primarily due to a continued shift in customer base whereby the proportion of high-value and mid-value customers decreased, mainly as a result of the introduction of bundled tariff plans in 2012.

In 2012 and 2011, our mobile ARPU in Ukraine remained stable at US\$5.2 mainly as a result of the introduction of bundled tariff plans in 2012.

#### *CIS*

*Kazakhstan.* In 2013, our mobile ARPU in Kazakhstan decreased by 6.3% to US\$7.1 from US\$7.6 in 2012, primarily due to a decline in voice revenue that was not fully compensated by Internet usage revenue following the implementation of bundled tariff plans. In 2012, our mobile ARPU in Kazakhstan decreased by 8.5% to US\$7.6 from US\$8.3 in 2011, primarily due to increased price competition, which had a negative impact on ARPU that was greater than the positive impact from the increase in MOU over the period.

*Tajikistan.* In 2013, our mobile ARPU in Tajikistan increased by 16.6% to US\$10.0 from US\$8.6 in 2012, primarily due to increased level of international interconnect revenue and increase in mobile data revenue. In 2012, our mobile ARPU in Tajikistan decreased by 2.8% to US\$8.6 from US\$8.8 in 2011, primarily due to continuing price competition and our launch of lower priced tariff plans which was partially offset by increase in MOU.

*Uzbekistan.* In 2013, our mobile ARPU in Uzbekistan increased by 14.5% to US\$5.3 from US\$4.6 in 2012, primarily due to our efforts in promoting offers with higher price per minute that became possible in the two-player market conditions as a result of the network closure of a competitor by the Uzbek authorities in 2012. In 2012, our mobile ARPU in Uzbekistan increased by 13.1% to US\$4.6 from US\$4.1 in 2011, primarily due to an increase in mobile MOU, the introduction of a monthly fee on all tariff plans and the acquisition of customers with high ARPU as a result of the network closure of a competitor by the Uzbek authorities.

*Armenia.* In 2013, our mobile ARPU in Armenia increased by 4.1% to US\$7.1 from US\$6.8 in 2012, primarily as a result of appreciation of the Armenian dram against the U.S. dollar. In functional currency terms, mobile ARPU in Armenia increased by 1.5% in 2013 compared to 2012 which reflected our efforts in promotion of the right mix of on-net and off-net oriented price plans and data stimulating offers. In 2012, our mobile ARPU in Armenia decreased by 16.1% to US\$6.8 from US\$8.1 in 2011, primarily due to lower prices per minute resulting from the introduction of new tariff plans to address increased competition which was not fully compensated by an increase in MOU.

*Georgia.* In 2013, our mobile ARPU in Georgia decreased by 5.1% to US\$6.3 from US\$6.7 in 2012, primarily due to a decrease in prices as a result of competition. In 2012, our mobile ARPU in Georgia decreased by 2.2% to US\$6.7 from US\$6.8 in 2011, primarily due to a decrease in prices as a result of the introduction of new tariff plans which was almost fully offset by an increase in mobile MOU.



*Kyrgyzstan.* In 2013, our mobile ARPU in Kyrgyzstan increased by 18.7% to US\$6.6 from US\$5.5 in 2012, primarily due to an increased level of international interconnect revenue as a result of incoming traffic, mobile termination rates growth and our efforts in promotion of mobile data services. In 2012 and 2011, our mobile ARPU in Kyrgyzstan remained stable at US\$5.5.

#### *Mobile Churn Rate*

We generally define our mobile churn rate as the total number of churned mobile customers over the reported period expressed as a percentage of the average of our mobile customer base at the starting date and at the ending date of the period. The total number of churned mobile customers is calculated as the difference between the number of new customers who engaged in a revenue generating activity in the reported period and the change in the mobile customer base between the starting date and the ending date of the reported period. Migration between prepaid and postpaid forms of payment and between tariff plans may technically be recorded as churn, which contributes to our mobile churn rate even though we do not lose those customers. For our business in Italy, mobile churn is defined as the rate at which customers are disconnected from our network, or are removed from our customer base due to inactivity, fraud or payment default. In Italy, our mobile churn is calculated by dividing the total number of customer disconnections (including customers who disconnect and reactivate with us at a later stage with a different SIM card) for a given period by the average number of customers for that period (calculated as the average of each month's average number of customers (calculated as the average of the total number of customers at the beginning of the month and the total number of customers at the end of the month)) divided by the number of months in that period.

The following table shows our churn rates (%) for the periods indicated:

	Year ended December 31,		
	2013	2012	2011
<b>Russia</b>	63.9	63.2	62.8
<b>Italy</b>	36.6	35.2	28.3
<b>Africa &amp; Asia</b>			
Algeria*	31.6	29.5	23.4
Pakistan	23.0	25.2	29.5
Bangladesh	22.3	25.2	18.5
Central African Republic	63.2	60.0	102.0
Burundi	56.0	54.0	59.9
Laos	102.6	141.0	258.0
<b>Ukraine*</b>	35.3	29.8	28.9
<b>CIS</b>			
Kazakhstan	48.6	55.8	47.4
Tajikistan	77.9	72.7	67.4
Uzbekistan	53.5	55.1	59.7
Armenia	62.6	83.9	87.6
Georgia	74.0	79.1	70.1
Kyrgyzstan	65.6	66.1	52.3

\* For calculating mobile churn rates, the customer numbers for 2012 and 2011 have been adjusted to remove customers in operations that have been sold and to reflect revised customer numbers in Algeria due to the reported technical issue, as well as changes in the definition of customers in Ukraine to align it with the group definition.

#### *Russia*

In 2013, our mobile churn rate in Russia marginally increased to 63.9% compared to 63.2% in 2012 due to the higher churn rate in lower-ARPU customers that comprised a slightly bigger portion of our customer base.

In 2012, our mobile churn rate in Russia increased to 63.2% compared to 62.8% in 2011 due to aggressive competition in the mobile market.

#### *Italy*

In 2013, our mobile churn rate in Italy marginally increased to 36.6% compared to 35.2% in 2012 due to the strong competition in the market and regulatory requirements to ensure a relatively shorter time needed to transfer a mobile number under the MNP regulation. For the same reasons in 2012, our mobile churn rate in Italy increased to 35.2% compared to 28.3% in 2011.

#### *Africa & Asia*

*Algeria.* In 2013, our mobile churn rate in Algeria increased to 31.6% compared to 29.5% in 2012 due to the effect of actions from various governmental authorities we are facing. In 2012, our mobile churn rate in Algeria increased to 29.5% compared to 23.4% in 2011 for the same reasons.

*Pakistan.* In 2013, our mobile churn rate in Pakistan decreased to 23.0% compared to 25.2% in 2012 due to an increased focus on customer experience management, and continuous reactivation offers supported by relatively lower sales in the beginning of the year due to regulatory restrictions. In 2012, our mobile churn rate in Pakistan decreased to 25.2% compared to 29.5% in 2011 due to targeted acquisitions alongside various retention initiatives.

*Bangladesh.* In 2013, our mobile churn rate in Bangladesh decreased to 22.3% compared to 25.2% in 2012 mainly due to our efforts in customer retention and high disconnections of suspected VoIP users in 2012. In 2012, our mobile churn rate in Bangladesh increased to 25.2% compared to 18.5% in 2011 mainly due to disconnections of suspected VoIP users.

*Central African Republic.* In 2012, our mobile churn rate in Central African Republic marginally increased to 63.2% compared to 60.0% in 2012.

*Burundi.* In 2012, our mobile churn rate in Burundi marginally increased to 56.0% compared to 54.0% in 2012.

*Laos.* In 2013, our mobile churn rate in Laos decreased to 102.6% compared to 141.0% in 2012 due to continuing impact of the regulatory changes introduced in 2012 which slowed down the market competition on price. In 2012, our mobile churn rate in Laos decreased to 141.0% compared to 258.0% in 2011 for the same reasons.

#### *Ukraine*

Our mobile churn rate in Ukraine in 2013 increased to 35.3% compared to 29.8% in 2012 due to increased churn driven by aggressive pricing actions in early 2013 coupled by the seasonal offer in the summer period which led to a higher churn in late 2013.

Our mobile churn rate in Ukraine in 2012 increased to 29.8% compared to 28.9% in 2011 due to an increasing share of lower quality customers resulting from higher levels of gross additions, the merger of Kyivstar with URS resulting in abandonment of second SIMs.

#### *CIS*

*Kazakhstan.* In 2013, our mobile churn rate in Kazakhstan decreased to 48.6% compared to 55.8% in 2012 due to a new ARPU based commission scheme implemented for dealers which positively impacted the quality of acquired customers. In 2012, our mobile churn rate in Kazakhstan increased to 55.8% compared to 47.4% in 2011 due to increased competition that was partially mitigated by customer retention measures such as loyalty programs.

*Tajikistan.* In 2013, our mobile churn rate in Tajikistan increased to 77.9% compared to 72.7% in 2012 due to increased competition and a higher proportion of lower-ARPU customers with a high churn rate. In 2012, our mobile churn rate in Tajikistan increased to 72.7% compared to 67.4% in 2011 due to increased competition that was partially mitigated by customer retention measures such as loyalty programs.

*Uzbekistan.* In 2013, our mobile churn rate in Uzbekistan decreased to 53.5% compared to 55.1% in 2012 as a result of our efforts directed towards retaining and attracting more loyal customers. In 2012, our mobile churn rate in Uzbekistan decreased to 55.1% compared to 59.7% in 2011 due to network closure of a competitor by the Uzbek authorities, as well as our efforts directed towards retaining and attracting more loyal higher-usage customers and network quality improvements.

*Armenia.* In 2013, our mobile churn rate in Armenia decreased to 62.6% compared to 83.9% in 2012 due to improved sales efforts directed toward higher quality customers and targeted marketing campaigns. In 2012, our mobile churn rate in Armenia decreased to 83.9% compared to 87.6% in 2011 due to improved sales efforts directed toward higher quality customers.

*Georgia.* In 2013, our mobile churn rate in Georgia decreased to 74.0% compared to 79.1% in 2012 due our efforts in customer retention. In 2012, our mobile churn rate in Georgia increased to 79.1% compared to 70.1% in 2011 due to significant increase in the number of tourists in Georgia due to simplification of visa requirements.

*Kyrgyzstan.* In 2013, our mobile churn rate in Kyrgyzstan marginally decreased to 65.6% compared to 66.1% in 2012 due to churn prevention measures such as loyalty programs. In 2012, our mobile churn rate in Kyrgyzstan increased to 66.1% compared to 52.3% in 2011 due to increased competition that was partially mitigated by churn prevention measures such as loyalty programs.

### ***Broadband Customers***

Broadband customers are generally customers in the registered customer base who were engaged in a revenue generating activity using broadband in the three-month period prior to the measurement date. In Russia and Ukraine, such activity includes monthly Internet access using FTTB, xDSL and WiFi technologies, as well as mobile Internet access via USB modems using 2.5G/3G/HSDPA technologies. In Italy, we measure broadband customers based on the number of active contracts signed. Our Italy mobile broadband customers are those consumers who have performed at least one mobile Internet event in the previous month on 2.5G/3G/3.5G network technology. Our CIS mobile broadband customers are those who have performed at least one mobile Internet event in the three-month period prior to the measurement date.

#### *Russia*

The fixed-line broadband customers are mainly represented by FTTB customers. As of December 31, 2013 and December 31, 2012, we had approximately 2.3 million fixed-line customers in Russia. The number did not change significantly due to our focus on high-value customers and limited expansion in other segments. As of December 31, 2012, we had approximately 2.3 million fixed-line customers in Russia, representing an increase of approximately 9.5% over the approximately 2.1 million FTTB customers as of December 31, 2011 due to higher sales as a result of our sales efforts in regional markets.

As of December 31, 2013, we had also approximately 3.1 million mobile broadband customers using USB modems in Russia, representing an increase of approximately 18.1% over the approximately 2.7 million mobile broadband customers as of December 31, 2012. The increase was mainly due to our sales efforts in USB modem market and active promotion of offers based on unlimited Internet usage.

As of December 31, 2012, we had also approximately 2.7 million of mobile broadband customers using USB modems in Russia, representing an increase of approximately 8.0% over the approximately 2.5 million mobile broadband customers as of December 31, 2011. The increase was mainly due to our sales efforts in USB modem market.

#### *Italy*

As of December 31, 2013, we had approximately 8.3 million mobile broadband customers in Italy, representing an increase of approximately 49.7% over the approximately 5.5 million mobile broadband customers as of December 31, 2012. The increase was mainly driven by WIND's renewed campaigns based on "All Inclusive" package offerings coupled with value for money plans and the increased diffusion in the market of smartphones.

As of December 31, 2012, we had approximately 5.5 million mobile broadband customers in Italy, representing an increase of approximately 22.2% over the approximately 4.5 million mobile broadband customers as of December 31, 2011. The increase was mainly driven by WIND's campaigns based on "All Inclusive" package offerings coupled with value for money plans.

As of December 31, 2013, and December 31, 2012 we had approximately 2.2 million fixed-line broadband customers in Italy. The number did not change due to the new strategy focused on higher margins customers and less expensive pull sales channels.

As of December 31, 2012, we had approximately 2.2 million fixed-line broadband customers in Italy, representing an increase of approximately 4.8% over the approximately 2.1 million fixed-line broadband customers as of December 31, 2011. The increase was driven by simple, clear and "All Inclusive" package offerings coupled with increased sales efforts of dual play offers to existing LLU customers.

## *Africa & Asia*

We did not have a significant amount of broadband customers in Africa & Asia as of December 31, 2013, December 31, 2012 and December 31, 2011.

## *Ukraine*

As of December 31, 2013, we had approximately 0.8 million fixed-line broadband customers in Ukraine, compared to approximately 0.6 million as of December 31, 2012. The increase of 24.3% was due to our sales efforts towards promotion of broadband Internet.

As of December 31, 2012, we had approximately 0.6 million fixed-line broadband customers in Ukraine, compared to approximately 0.4 million as of December 31, 2011. The increase was due to our sales efforts towards convergent offers for mobile and home Internet.

## *CIS*

As of December 31, 2013, we had approximately 13.7 million broadband customers in the CIS, consisting of approximately 13.3 million mobile broadband and 0.4 million of fixed-line broadband customers, compared to approximately 12.0 million mobile broadband customers and approximately 0.3 million fixed-line broadband customers as of December 31, 2012. The increase was mainly due to an increase of mobile data users in line with our strategy in Kazakhstan and Uzbekistan markets as a result of active promotion of bundles and data usage offers and an increase of fixed-line broadband users in Kazakhstan as a result of our sales efforts in this market.

As of December 31, 2012, we had approximately 12.3 million broadband customers in the CIS, consisting of approximately 12.0 million mobile broadband and 0.3 million of fixed-line broadband customers, compared to approximately 9.3 million mobile broadband customers and approximately 0.2 million fixed-line broadband customers as of December 31, 2011. The increase was mainly due to an increase of fixed-line broadband users in Kazakhstan and Armenia as a result of our sales efforts in these markets and an increase of mobile data users in line with our strategy in these markets. In Uzbekistan increase was by approximately 2.0 million mobile data customers as a result of the network closure of a competitor by the Uzbek authorities and increase of approximately 0.7 million mobile data customers in other CIS companies.

## **Revenue**

During the three years ended December 31, 2013, we generated revenue from providing voice, data and other telecommunication services through a range of traditional and broadband mobile and fixed technologies, as well as selling equipment and accessories.

### *Service Revenue*

Our service revenue included revenue from airtime charges from postpaid and prepaid customers, monthly contract fees, time charges from customers online using Internet services, interconnect fees from other mobile and fixed-line operators, roaming charges and charges for value added services such as messaging, data and infotainment. Roaming revenue include both revenue from our customers who roam outside of their home country networks and revenue from other wireless carriers for roaming by their customers on our network. Roaming revenue does not include revenue from our own customers roaming while traveling across Russian regions within our network (so called "intranet roaming").

### *Sales of Equipment and Accessories and Other Revenue*

We sold mobile handsets, equipment and accessories to our customers. Our other revenue included, among other things, revenue arising from the settlement of commercial disputes, penalties charged to suppliers and rental of base station sites.

## **Expenses**

### *Operating Expenses*

During the three years ended December 31, 2013, we had two categories of operating expenses directly attributable to our revenue: service costs and the costs of equipment and accessories.

### *Service Costs*

Service costs included interconnection and traffic costs, channel rental costs, telephone line rental costs, roaming expenses and charges for connection to special lines for emergencies.

### *Costs of Equipment and Accessories*

Our costs of equipment and accessories sold represented the amount that was payable for these goods, net of VAT. We purchased handsets, equipment and accessories from third party manufacturers for resale to our customers for use on our networks.

In addition to service costs and the costs of equipment and accessories, during the three years ended December 31, 2013, our operating expenses included:

### *Selling, General and Administrative Expenses*

Our selling, general and administrative expenses include:

- dealers' commissions;
- salaries and outsourcing costs, including related social contributions required by law;
- marketing and advertising expenses;
- repair and maintenance expenses;
- rent, including lease payments for base station sites;
- utilities;
- provision for doubtful accounts;
- stock price-based compensation expenses;
- litigation provisions; and
- other miscellaneous expenses, such as insurance, operating taxes, license fees, and accounting, audit and legal fees.

### *Depreciation and Amortization Expense*

We depreciated the capitalized costs of our tangible assets, which consisted mainly of telecommunications equipment including software and buildings that we owned. We amortized our intangible assets, which consisted primarily of telecommunications licenses, telephone line capacity for local numbers and customer relations acquired in business combinations. We expect depreciation and amortization expenses to increase in line with growth of our capital expenditures.

### *Impairment Loss*

Impairment loss represents losses from impairment of long-lived assets, including goodwill, as well as investments in associates.

### *Loss on Disposals of Non-current Assets*

Loss on disposal of non-current assets represents losses from disposal of non-current assets when they are sold or written off.

### *Finance Costs*

We incurred interest expense on our vendor financing agreements, loans from banks, bonds, capital leases and other borrowings net of amounts capitalized. Our interest bearing liabilities carry both fixed and floating interest rates. On our borrowings with a floating interest rate, the interest rate is linked to LIBOR, EURIBOR, AB SEK, MosPRIME, KIBOR, Bangladeshi T-Bill or Rendistato. Our interest expense depends on a combination of prevailing interest rates and the amount of our outstanding interest bearing liabilities. Of our interest bearing liabilities, 93% have fixed rates and 7% have floating rates.

### *Finance Income*

Finance income represents income earned on cash deposited in banks and on loans provided to other parties.

### ***Other Non-operating (Gains)/Losses***

Our other non-operating (gains)/losses primarily include the effect of change of fair value of derivatives not designated as hedges and other assets when fair value assessment is required under IFRS, results of disposal of our investments and other non-operating activities.

### ***Shares of (Profit)/Loss of Associates and Joint Ventures Accounted for Using the Equity Method***

Shares of (profit)/ loss of associates and joint ventures accounted for using the equity method represent our share in profit and loss of our joint ventures and associates accounted for using the equity method, primarily represented by Euroset and WIND Mobile.

### ***Net Foreign Exchange Loss/(Income)***

The functional currencies of our group are the Russian ruble in Russia, the Euro in Italy, the Algerian dinar in Algeria, the Pakistani rupee in Pakistan, the Bangladeshi taka in Bangladesh, the Ukrainian hryvnia in Ukraine, the Kazakh tenge in the Republic of Kazakhstan, the Armenian dram in the Republic of Armenia, the Georgian lari in Georgia, Kyrgyz som in Kyrgyzstan, Lao Kip in Laos and the U.S. dollar in Tajikistan and Uzbekistan. Monetary assets and liabilities denominated in foreign currencies are translated into our respective functional currencies on the relevant balance sheet date. We record changes in the values of such assets and liabilities as a result of exchange rate changes in our results of operations under the line item net foreign exchange (loss)/gain.

### ***Income Tax Expense***

The statutory income tax rate in Russia, Kazakhstan, Laos and Armenia in 2013 and in 2012 was 20.0%. The statutory income tax rate in Ukraine was 19.0% in 2013 and 21% in 2012. The statutory income tax rate in Georgia was 15.0% in 2013 and in 2012. The statutory income tax rate in Kyrgyzstan in 2013 and in 2012 was 10.0%. In Uzbekistan, the income tax rate was 9.0% in 2013 and in 2012 (and 8% subnational tax). The statutory income tax rate in Luxembourg was 22.05% in 2013 and in 2012 (and 6.75% subnational tax). The statutory income tax rate in the Netherlands, Egypt, Tajikistan and Algeria was 25.0% in 2013 and in 2012. The statutory income tax rate in Italy was 27.5% in 2013 (and 4.58% subnational tax) and in 2012. The statutory income tax rate in Pakistan was 34% in 2013 and 35% in 2012. The tax rate of Burundi was 35.0% in 2013 and in 2012. The statutory income tax rate in Bangladesh was 45.0% in 2013 and in 2012. The statutory income tax rate in CAR was 30% in 2013 and 33.3% in 2012.

### **Results of Operations**

The table below shows, for the periods indicated, the following consolidated statement of operations data expressed as a percentage of consolidated total operating revenue:

	Years ended December 31,		
	2013	2012	2011
Service revenue	95.5%	95.9%	96.7%
Sale of equipment and accessories	3.2%	2.9%	2.5%
Other revenue	1.3%	1.1%	0.8%
<b>Total operating Revenue</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Operating expenses</b>			
Service costs	22.8%	23.6%	24.5%
Cost of equipment and accessories	3.5%	3.0%	3.3%
Selling, general and administrative expenses	37.1%	31.1%	31.5%
Depreciation	13.5%	12.7%	13.5%
Amortization	7.9%	9.0%	10.2%
Impairment loss	13.2%	1.7%	2.6%
Loss on disposals of non-current assets	0.4%	0.9%	0.4%
<b>Total operating expenses</b>	<b>98.5%</b>	<b>81.9%</b>	<b>85.9%</b>

	Years ended December 31,		
	2013	2012	2011
<b>Operating profit</b>	1.5%	18.1%	14.1%
Finance costs	9.5%	8.8%	7.8%
Finance income	-0.4%	-0.7%	-0.6%
Other non-operating losses/(gains)	0.8%	0.3%	1.5%
Shares of loss/(profit) of associates and joint ventures accounted for using the equity method	0.7%	0.0%	0.2%
Net foreign exchange (gain)/loss	-0.1%	-0.3%	0.9%
<b>Profit/(loss) before tax</b>	-9%	9.9%	4.2%
Income tax expense	9.2%	3.9%	2.9%
<b>Profit/(loss) for the year</b>	-18.1%	6.0%	1.3%
<b>Attributable to:</b>			
The owners of the parent	-11.6%	6.7%	2.7%
Non-controlling interest	-6.5%	-0.7%	-1.4%
	-18.1%	6.0%	1.3%

The tables below show for the periods indicated selected information about the results of operations in each of our reportable segments. For more information regarding our segments, see Note 7 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F.

### Russia

	Year Ended December 31,					
	2013	2012	%	2012	2011	%
	(In millions of U.S. dollars, except % change)					
Total operating revenue from external customers	9,007	9,102	-1.0%	9,102	8,982	1.3%
Intersegment revenue	102	88	16%	88	82	7.3%
<b>Total operating revenue (including intersegment revenue)</b>	<b>9,109</b>	<b>9,190</b>	<b>-0.9%</b>	<b>9,190</b>	<b>9,064</b>	<b>1.4%</b>
<b>Adjusted EBITDA</b>	<b>3,815</b>	<b>3,878</b>	<b>-1.6%</b>	<b>3,878</b>	<b>3,641</b>	<b>6.5%</b>

## Italy

	Year Ended December 31,					
	2013	2012	Change	2012	2011	Change
	(In millions of U.S. dollars, except % change)					
Total operating revenue from external customers	6,614	6,977	-5.2%	6,977	5,584	24.9%
Intersegment revenue	4	5	-20%	5	—	n/a
<b>Total operating revenue (including intersegment revenue)</b>	<b>6,618</b>	<b>6,982</b>	<b>-5.2%</b>	<b>6,982</b>	<b>5,584</b>	<b>25.0%</b>
<b>Adjusted EBITDA</b>	<b>2,598</b>	<b>2,658</b>	<b>-2.3%</b>	<b>2,658</b>	<b>2,312</b>	<b>15.0%</b>

## Africa & Asia

	Year Ended December 31,					
	2013	2012	Change	2012	2011	Change
	(In millions of U.S. dollars, except % change)					
Total operating revenue from external customers	3,506	3,723	-5.8%	3,723	2,684	38.7%
Intersegment revenue	—	—	n/a	—	4	-100%
<b>Total operating revenue (including intersegment revenue)</b>	<b>3,506</b>	<b>3,723</b>	<b>-5.8%</b>	<b>3,723</b>	<b>2,688</b>	<b>38.5%</b>
<b>Adjusted EBITDA</b>	<b>405</b>	<b>1,741</b>	<b>-77%</b>	<b>1,738</b>	<b>1,087</b>	<b>59.9%</b>

## Ukraine

	Year Ended December 31,					
	2013	2012	Change	2012	2011	Change
	(In millions of U.S. dollars, except % change)					
Total operating revenue from external customers	1,546	1,595	-3.1%	1,595	1,548	3.0%
Intersegment revenue	64	81	-19.8%	81	93	-12.9%
<b>Total operating revenue (including intersegment revenue)</b>	<b>1,610</b>	<b>1,676</b>	<b>-4%</b>	<b>1,676</b>	<b>1,641</b>	<b>2.1%</b>
<b>Adjusted EBITDA</b>	<b>781</b>	<b>859</b>	<b>-9.1%</b>	<b>859</b>	<b>873</b>	<b>-1.6%</b>

## CIS

	Year Ended December 31,					
	2013	2012	Change	2012	2011	Change
	(In millions of U.S. dollars, except % change)					
Total operating revenue from external customers	1,863	1,664	12%	1,664	1,470	13.2%
Intersegment revenue	83	91	-8.8%	91	119	23.5%
<b>Total operating revenue (including intersegment revenue)</b>	<b>1,946</b>	<b>1,755</b>	<b>11%</b>	<b>1,755</b>	<b>1,589</b>	<b>10.4%</b>
<b>Adjusted EBITDA</b>	<b>856</b>	<b>813</b>	<b>5.3%</b>	<b>813</b>	<b>703</b>	<b>15.6%</b>

### Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

#### Total Operating Revenue

Our consolidated total operating revenue decreased by 2.2% to US\$22,546 million during 2013 from US\$23,061 million during 2012 primarily due to depreciation of the functional currencies of our operations as well as negative trends in our major markets. The following discussion of revenue by reportable segments includes intersegment revenue. Our management assesses the performance of each reportable segment on this basis because it believes the inclusion of intersegment revenue better reflects the true performance of each segment on a stand-alone basis.



## *Russia*

Our total operating revenue in Russia decreased by 0.9% to US\$9,109 million during 2013 from US\$9,190 million during 2012 due to depreciation of the Russian ruble against the US dollar. In local currency total operating revenue in Russia increased by 1.6%. Our Russia total operating revenue consists primarily of mobile services and fixed-line services.

Revenue from our mobile services in Russia decreased by 1.2% to US\$7,536 million during 2013 from US\$7,630 million during 2012.

During 2013, we generated US\$3,923 million of our service revenue from airtime charges from mobile postpaid and prepaid customers, including monthly contract fees and roaming fees and roaming fees received from other mobile services operators for providing roaming services to their customers, or 52.1% of the total mobile operating revenue in our Russia segment, compared to US\$4,173 million, or 54.7% of the total mobile operating revenue in 2012. In U.S. dollars terms, the 6.0% decrease in voice service revenue in the Russia segment was due to decreasing revenue from service voice as a result of APPM decline and decrease in content revenue. In functional currency terms, our voice service revenue decreased by 3.7%.

During 2013, we generated US\$2,099 million of our service revenue from value added services, including data revenue, or 27.9% of the total mobile operating revenue in our Russia segment, compared to US\$1,951 million, or 25.6% of the total mobile operating revenue in 2012. In U.S. dollars terms, the increase was 7.6%, while in functional currency terms, our Russia segment service revenue from value added services, including data revenue increased by 10.4% during 2013 compared to 2012, primarily due to an increase in mobile customers using Internet access and overall consumption of Internet services due to increasing demand for data.

During 2013, we generated US\$1,171 million of our service revenue from interconnect, or 15.5% of the total mobile operating revenue in our Russia segment, compared to US\$1,152 million, or 15.1% of the total mobile operating revenue in 2012. In U.S. dollars terms, the increase was 1.6%, while in functional currency terms, our Russia segment service revenue from interconnect increased by 4.1% during 2013 compared to 2012, primarily due to an increase in tariffs for international operators.

Our mobile total operating revenue in our Russia segment also included revenue from sales of equipment and accessories and other revenue. During 2013, revenue from sales of equipment and accessories and other revenue decreased by 2.6% to US\$344 million from US\$353 million during 2012 and increased to 4.6% of the total mobile operating revenue in our Russia segment in 2013. In functional currency terms, our Russia segment sales of equipment and accessories decreased by 0.9% during 2013 compared to 2012, primarily as a result of a decrease in sales due to our focus on higher marginal services.

During 2013, revenue from our fixed-line services in Russia increased by 0.8% to US\$1,572 million from US\$1,560 million in 2012. Our revenue from fixed-line services in Russia in 2013 consisted of US\$631 million generated from business operations, US\$525 million generated from wholesale operations and US\$416 million generated from residential and FTTB operations. In functional currency terms, our total operating revenue from our Russia fixed-line services increased by 3.3% during 2013 compared to 2012, primarily due to increase of volumes in international traffic termination and increase of tariffs.

## *Italy*

Our Italy total operating revenue was US\$6,618 million during 2013, representing a decrease of 5.2% compared to US\$6,982 million in 2012.

In our Italy segment, total operating revenue from services were US\$6,096 million during 2013, representing a decrease of 6.3% compared to US\$6,507 million in 2012. The decrease in service revenue in our Italy segment was mainly due to a decrease in interconnection revenue as a result of MTR cuts, and a decrease in telephone services, the effect of which was partially offset by the increase in the revenue from equipment sales.

During 2013, we generated US\$5,352 million of our service revenue from mobile and fixed-line telecommunication services, including revenue from, among others, traffic, roaming revenue from our customers travelling abroad, fees and contributions from our mobile and fixed-line (including Internet) businesses, or 87.8% of our total operating revenue from services in our Italy segment, which decreased by 2.7% from US\$5,501 million of revenue in 2012, or 84.5% of our total operating revenue from services in our Italy segment in 2012. The decrease was mainly due to a difficult macroeconomic situation and the contraction of the market. The decrease was in part offset by an increase in our mobile customer base and the development of offers dedicated to internet navigation on mobile phones.

During 2013, we generated US\$530 million of our service revenue from interconnection traffic, relating to incoming calls from other operators' networks to our mobile and fixed-line networks, or 8.7% of our total operating revenue from services in our Italy segment, representing a decrease of 32.6% compared to US\$786 of revenue in 2012, or 12.1% of the total operating revenue from services in 2012. The decrease is due to the effect of the reduction of unit tariffs set by AGCOM.

During 2013, we generated US\$55 million of our service revenue from international roaming, relating to calls made by customers of foreign mobile network operators while travelling in Italy, or 0.9% of our total operating revenue from services in our Italy segment. In 2012, we generated US\$57 million from international roaming, or 0.9% of total operating revenue from services in our Italy segment. In 2013 international roaming revenue fell mainly as a result of the general reduction in tariffs, only partially offset by an increase in international roaming volume.

During 2013, we generated US\$159 million of our service revenue from other types of services, which mainly relate to rental to third parties of advertising space on our internet portal, leased lines and access fees charged to telecom operators and penalties charged to their mobile and fixed-line customers, or 2.6% of our total operating revenue from services in our Italy segment, representing a decrease of 2.5% compared to US\$163 in 2012, or 2.5% of our total operating revenue from services. The decrease compared to 2012 is mainly due to lower revenue from rental from other operator (colocation) due to the netting of the amount with the related cost.

Our total operating revenue in our Italy segment also included revenue from sales, mainly relating to the sale of SIM cards, mobile and fixed-line phones and related accessories. During 2013, revenue from sales increased to US\$318 million, or 24.6%, from US\$255 million in 2012 primarily due to the increase in sale of mobile telephone handsets and a shift of sales towards higher priced devices.

During 2013, we generated US\$204 million of our revenue in our Italy segment from the settlement of commercial disputes and penalties charged to suppliers, representing a decrease of 7.2% from US\$220 million in 2012. The decrease was mainly due to the revisions of estimates made in previous years and to the effects related to the lower proceeds from settlement of disputes with some suppliers.

#### *Africa & Asia*

Our Africa & Asia total operating revenue decreased to US\$3,506 million during 2013, representing a decrease of 5.8% from US\$3,721 million during 2012. Our Africa & Asia total operating revenue consists of revenue from providing mobile services.

During 2013, we generated US\$2,811 million of our revenue from airtime charges from mobile contract and prepaid customers, including monthly contract fees and roaming fees, and roaming fees received from other mobile service operators for providing roaming services to their customers, or 80.2% of our total operating revenue in our Africa & Asia segment, compared to US\$2,939 million, or 79.0% of the total operating revenue in our Africa & Asia segment in 2012. The decrease in revenue in our Africa & Asia segment was primarily due to depreciation of functional currencies in our major markets affected by regulatory actions.

During 2013, we generated US\$352 million of our revenue from interconnect fees, or 10.0% of the total operating revenue in our Africa & Asia segment, compared to US\$368 million, or 9.9% of the total operating revenue in our Africa & Asia segment in 2012. The decrease during 2013 compared to 2012 was due to the depreciation of the functional currencies in our major markets in Africa & Asia segment.

During 2013, we generated US\$334 million of our revenue from value added services, including data revenue, or 9.5% of the total operating revenue in our Africa & Asia segment, compared to US\$307 million, or 8.3% of the total operating revenue in our Africa & Asia segment in 2012. The increase in 2013 compared to 2012 was due to increasing demand for data services as a result of an increase in smartphone penetration offset by devaluation of local currencies.

During 2013, we generated US\$61 million of our revenue from other services, or 1.7% of the total operating revenue in our Africa & Asia segment, compared to US\$65 million, or 1.7% of total operating revenue in the Africa & Asia segment in 2012. These revenue are primarily generated by fixed line services such as leasing lines, DSL and wireless internet in Pakistan.

Our total operating revenue in our Africa & Asia segment also includes revenue from sales of equipment and accessories and other revenue. During 2013, revenue from sales of equipment and accessories and other revenue was US\$10 million, whereas in 2012 revenue from sales of equipment and accessories and other revenue was US\$42 million. The decrease in 2013 compared to 2012 was due to a decrease in sales volume in 2013 as a result of our focus on higher marginal service.

## *Ukraine*

Our Ukraine total operating revenue decreased by 3.9% to US\$1,610 million during 2013 from US\$1,676 million during 2012, due to a decline in mobile revenue.

During 2013, our revenue from mobile services in our Ukraine segment decreased by 5.1% to US\$1,472 million from US\$1,551 million during 2012, primarily due to a decrease in both revenue from sales of equipment and voice revenue mobile.

During 2013, we generated US\$869 million of our service revenue from airtime charges from mobile postpaid and prepaid customers, including monthly contract fees and roaming fees, and roaming fees received from other mobile services operators for providing roaming services to their customers, or 59.0% of the total mobile operating revenue in our Ukraine segment, compared to US\$940 million, or 60.6% of the total mobile operating revenue in 2012. The 7.5% decrease was primarily due to the high level of reconnections of high value existing customers to retail offers in early 2013.

During 2013, we generated US\$316 million of our service revenue from value added services including data revenue, or 21.4% of the total mobile operating revenue in our Ukraine segment, compared to US\$285 million, or 18.4% of the total mobile operating revenue in 2012. The 10.7% increase in our value added service revenue was primarily due to an increase in the number of mobile customers and overall growth in the use of Internet and messaging services.

During 2013, we generated US\$261 million of our service revenue from interconnect, or 17.7% of the total mobile operating revenue in our Ukraine segment, compared to US\$293 million, or 18.9% of the total mobile operating revenue in 2012. The 11% decrease was primarily due to traffic decline from other national and international operators.

During 2013, we generated US\$3 million of other service revenue, or 0.2% of the total mobile operating revenue in our Ukraine segment, which is consistent with US\$3 million generated in 2012, or 0.2% of the total mobile operating revenue in 2012.

Our Ukraine total mobile operating revenue also included revenue from sales of equipment and accessories and other revenue. During 2013, revenue from sales of equipment and accessories and other revenue decreased to US\$24 million, or 1.6% of the total mobile operating revenue in our Ukraine segment, from US\$31 million, or 2.0% of the total mobile operating revenue in our Ukraine segment in 2012. The decrease was due to a reduction in low margin handset sales in 2013 as a result of our focus on higher margins.

Our revenue from fixed-line services in Ukraine increased by 10.7% to US\$138 million in 2013 from US\$125 million in 2012, primarily due to an increase in the residential and FTTB revenue. Our revenue from fixed-line services in 2013 consisted of US\$50 million generated from business operations, US\$36 million generated from wholesale operations and US\$52 million generated from residential and FTTB operations. Revenue from business operations increased by 4.5% from US\$48, revenue from residential and FTTB operations increased by 46.9% from US\$35 in 2012, while revenue from wholesale operations decreased by 12.9% from US\$41 in 2012. Wholesale revenue decreased primarily due to a lower volume of international traffic. Revenue from business operations increased due to increase of number of customers with high ARPU. Revenue from residential and FTTB revenue increased due to growth in the FTTB customer base.

## *CIS*

Our CIS total operating revenue increased by 11.0% to US\$1,946 during 2013 from US\$1,755 million during 2012. Our CIS total operating revenue consist of revenue from providing mobile services as well as fixed-line services.

In our CIS segment, revenue from mobile services increased by 11.3% to US\$1,785 million during 2013 from US\$1,603 million during 2012.

During 2013, we generated US\$1,148 million of our service revenue from airtime charges in the CIS segment from mobile contract and prepaid customers, including monthly contract fees and roaming fees, and roaming fees received from other mobile service operators for providing roaming services to their customers, or 64.3% of the total mobile operating revenue in our CIS segment, compared to US\$1,045 million, or 65.2% of the total mobile operating revenue in 2012. The 9.9% increase during 2013 compared to 2012 was mainly due to customers base growth in the Kazakhstan and Uzbekistan markets.

During 2013, we generated US\$269 million of our mobile service revenue from interconnect fees in our CIS segment, or 15.1% of the total mobile operating revenue in our CIS segment, compared to US\$280 million, or 17.5% of the total mobile operating revenue in our CIS segment in 2012. The 3.4% decrease in 2013 compared to 2012 was primarily due MTR cuts of 15% in Kazakhstan, which were effective beginning in 2013.

During 2013, we generated US\$356 million of our mobile service revenue in our CIS segment from value added services, including data revenue, or 20.0% of the total mobile operating revenue in our CIS segment, compared to US\$260 million, or 16.2% of the total mobile operating revenue in the CIS segment in 2012. The 37.1% increase in 2013 compared to 2012 was primarily due to significant increase of data revenue in all CIS markets through usage stimulation and data quality perception improvement that is in line with our group's mobile data growth strategy.

Our CIS total mobile operating revenue also included revenue from sales of equipment and accessories and other revenue. During 2013, revenue from sales of equipment and accessories and other revenue in our CIS segment decreased to US\$10 million from US\$18 during 2012 following the companies' value agenda to focus on data revenue development.

Our CIS total operating revenue from fixed-line services increased by 7.3% to US\$163 million in 2013 from US\$152 million in 2012. The increase was primarily due to an increase in residential and FTTB revenue in Kazakhstan. In 2013, US\$40 million of CIS fixed-line revenue was generated from our business operations, US\$35 million from wholesale operations and US\$88 million from residential and FTTB operations. Revenue from business operations, wholesale operations decreased by 2.4% and 8.1% in comparison with 2012, respectively, while revenue from residential and FTTB operations increased by 20.8% in comparison with 2012. Business operations revenue decreased primarily due to a decrease in Armenia that was partly offset by an increase in Kazakhstan. Wholesale operations revenue decreased primarily due to a decrease in traffic termination revenue in Tajikistan as a result of decreased traffic volume with Russia. Residential and FTTB revenue increased primarily as a result of FTTB development in Kazakhstan.

### ***Total Operating Expenses***

Our consolidated total operating expenses increased by 17.5% to US\$22,200 million during 2013 from US\$18,890 million during 2012, and represented 98.5% and 81.9% of total operating revenue in 2013 and 2012, respectively. This increase was primarily due to impairment of goodwill in Ukraine and loan receivables due from Canada during 2013 partially offset by a decrease in services costs and selling, general and administrative expenses in line with the overall decrease in revenue as well as a decrease in amortization due to reduction in the amortization rate of intangibles acquired in the Wind Telecom transaction in 2011.

### ***Service Costs***

Our consolidated service costs decreased by 5.6% to US\$5,133 million during 2013 from US\$5,439 million during 2012. As a percentage of consolidated total operating revenue, our service costs decreased to 22.8% during 2013 from 23.6% during 2012. The decrease was primarily due to our efforts in increasing profitability of our services across our major markets.

### ***Cost of Equipment and Accessories***

Our consolidated cost of equipment and accessories increased by 12.6% to US\$780 million in 2013 from US\$693 million in 2012. This increase was primarily due to increased sales in Italy, which was partially offset by a decrease in other business units.

### ***Selling, General and Administrative Expenses***

Our consolidated selling, general and administrative expenses increased by 16.9% to US\$8,373 million during 2013 from US\$7,161 million during 2012. This increase was primarily due to a provision recorded for the Bank of Algeria claim and increased expenses in Russia due to the accelerated roll-out of our 3G network and network quality improvement, partially offset by the overall decrease in total operating revenue. As a percentage of consolidated total operating revenue, our consolidated selling, general and administrative expenses increased to 37.1% in 2013 from 31.1% in 2012.

### ***Adjusted EBITDA and Adjusted EBITDA Margin***

Our consolidated adjusted EBITDA decreased by 15.4% to US\$8,260 million during 2013 from US\$9,768 million during 2012, primarily due to an overall decrease in revenue, a provision recorded for the Bank of Algeria claim and increased expenses in Russia due to accelerated roll-out of our 3G network and network quality improvement.

### *Russia*

Our Russia adjusted EBITDA decreased by 1.6% to US\$3,815 million during 2013 from US\$3,878 million during 2012. In functional currency terms, our Russia adjusted EBITDA increased by 0.8%, primarily as a result of improved gross margin, mainly offset by increase in sales, general and administrative expenses due to accelerated roll-out of 3G network and network quality improvement. In functional currency terms, adjusted EBITDA margin in 2013 in our Russia segment was 41.9%, which is 0.3 percentage points below adjusted EBITDA margin in 2012. The decrease was primarily due an increase in sales, general and administrative expenses due to accelerated roll-out of our 3G network and network quality improvement.

### *Italy*

Our Italy adjusted EBITDA decreased by 2.3% to US\$2,598 million during 2013 from US\$2,658 million during 2012, primarily due to lower revenue, partially compensated by lower selling, general and administrative expenses as a result of our cost efficiency project initiatives and tight cost control measures. In functional currency terms, adjusted EBITDA margin in 2013 in Italy segment was 39.0%, which is 0.9 percentage points above the adjusted EBITDA margin in 2012, primarily due to our cost efficiency project initiatives and tight cost control measures.

### *Africa & Asia*

Our Africa & Asia adjusted EBITDA decreased by 77% to US\$405 million during 2013 from US\$1,741 million during 2012, primarily due to a one-off charge for the Bank of Algeria claim of US\$1,266 million in 2013 as part of the settlement with the Algerian government and overall decrease in revenue. Adjusted EBITDA margin in 2013 in our Africa & Asia segment was 11.6%, which is 36.1 percentage points lower than the adjusted EBITDA margin in 2012. The decrease was primarily due to one-off charge for the Bank of Algeria claim for US\$1,266 million in 2013 as part of the settlement with the Algerian government, partially offset by implementation of our operational excellence program and cost saving initiatives.

### *Ukraine*

Our Ukraine adjusted EBITDA decreased by 9.2% to US\$781 million during 2013 from US\$859 million during 2012. In functional currency terms, adjusted EBITDA margin in our Ukraine segment in 2013 was 48.5%, which is 2.8 percentage points lower than in 2012 primarily due to lower mobile service revenue, partially compensated by decreased selling, general and administrative costs.

### *CIS*

Our CIS adjusted EBITDA increased by 5.3% to US\$856 million during 2013 from US\$ 813 million during 2012. Our CIS adjusted EBITDA margin was 44.0% in 2013, which is 2.3 percentage points lower than in 2012 primarily due to write off of fixed assets to operating expenses in Uzbekistan, partially offset by cost reduction measures as part of our ongoing operational excellence program.

### *Depreciation and Amortization Expenses*

Our consolidated depreciation and amortization expenses decreased by 3% to US\$4,841 million in 2013 from US\$5,006 million in 2012. The decrease was primarily the result of a decrease in amortization due to reduction in amortization rate of intangibles acquired in the Wind Telecom transaction in 2011, partially offset by an increase in depreciation as a result of accelerated roll out of our 3G network and the roll out of a 4G-LTE network in Russia and accelerated depreciation of network equipment in Pakistan due to network modernization.

### *Impairment Loss*

Our consolidated impairment loss was US\$2,973 million in 2013 in comparison with US\$386 million in 2012. The impairment loss in 2013 primarily related to impairment of goodwill related to Ukraine of US\$2,085 million, in Laos of US\$25 million and in Armenia of US\$20 million and impairment of the LTE telecommunication license in Uzbekistan of US\$30 million. In addition, in 2013 we impaired of our shareholder loans to WIND Mobile Canada in the amount of US\$764 million. The impairment loss of US\$386 million in 2012 primarily related to impairment of our shareholder loans to WIND Mobile Canada of US\$ 344 million.

### *Loss on Disposals of Non-current Assets*

Our consolidated loss on disposals of non-current assets decreased by 51.2% to US\$100 million during 2013 from US\$ 205 million during 2012 primarily due to lower equipment write-offs during 2013 in our Russia and Ukraine segments.

### ***Operating Profit***

Our consolidated operating profit decreased by 91.7% to US\$346 million in 2013 from US\$4,171 million in 2012 due to the above mentioned impacts, primarily impairment losses and a one-off charge for the Bank of Algeria claim. Our consolidated operating profit as a percentage of total operating revenue in 2013 decreased to 1.5% from 18.1% in 2012.

### ***Other Non-operating Profits and Losses***

#### ***Finance Costs and Finance Income***

Our consolidated finance costs increased by 6% to US\$2,150 million in 2013 from US\$2,029 million in 2012, primarily due to the interest capitalization stopped in Italy due to the launch of LTE. Our consolidated finance income decreased by 40.9% to US\$91 million in 2013 from US\$154 million in 2012, primarily due to lower interest earned on deposits.

#### ***Other Non-operating Losses/(Gains)***

We recorded US\$172 million in other non-operating loss during 2013 compared to US\$75 million in losses during 2012. The change was primarily due to income recorded during 2013 for indemnity claims, positive revaluation of our embedded derivatives in Italy offset by losses from ineffective portion of hedges and negative revaluation of options over non-controlling interest. Losses in 2012 mainly consisted of one-off charges for non-income tax provisions.

#### ***Shares of Loss/(Profit) of Associates and Joint Ventures Accounted for Using the Equity Method***

We recorded a loss of US\$159 million from our equity in associates in 2013 compared to a loss of US\$9 million in 2012. The change was primarily due to an decrease in income from Euroset coupled with an increase in losses from WIND Mobile in Canada.

#### ***Net Foreign Exchange (Gain)/Loss***

We recorded a gain of US\$20 million from foreign currency exchange in 2013 compared to a loss US\$70 million foreign currency exchange loss in 2012. The gain was primarily due to revaluation of our U.S. dollar financial liabilities due to appreciation of the Euro to the U.S. dollar in 2013 and revaluation of our U.S. dollar financial assets due to depreciation of the Russian ruble to the U.S. dollar in 2013.

#### ***Income Tax Expense***

Our consolidated income tax expense increased by 127.8% to US\$2,064 million in 2013 from US\$906 million in 2012. The increase in income taxes was primarily due to one off charges of withholding taxes over the accumulated earnings in our subsidiaries in Russia, CIS and Algeria as a result of an anticipated dividend distribution, accrual of provisions on uncertain income tax positions and a write-off of the tax receivable in Algeria in the amount of US\$551 million as part of the settlement with the Algerian government.

### ***Profit for the Year Attributable to the Owners of the Parent***

In 2013, the consolidated loss for the year attributable to the owners of the parent was US\$2,625 million compared to US\$1,539 million of profit in 2012. The movement was due to losses for the year as a result of abovementioned factors, primarily impairment losses and a one-off charge for the Bank of Algeria claim.

### ***Profit for the Year Attributable to Non-controlling Interest***

Our loss for the year attributable to non-controlling interest was US\$1,463 million in 2013 compared to a loss of US\$163 million in 2012, due to higher net losses in our consolidated subsidiaries that are not wholly owned by us. This primarily relates to GTH and its losses related to the Algerian transaction.

## **Year Ended December 31, 2012 Compared to Year Ended December 31, 2011**

### ***Total Operating Revenue***

Our consolidated total operating revenue increased by 13.8% to US\$23,061 million during 2012 from US\$20,262 million during 2011 primarily due to full year of Wind Telecom consolidation. The following discussion of revenue by reportable segments includes intersegment revenue. Our management assesses the performance of each reportable segment on this basis because it believes the inclusion of intersegment revenue better reflects the true performance of each segment on a stand-alone basis.

## *Russia*

Our total operating revenue in Russia increased by 1.4% to US\$9,190 million during 2012 from US\$9,064 million during 2011. Our Russia total operating revenue consist primarily of mobile services and fixed-line services.

Revenue from our mobile services in Russia increased by 1.1% to US\$7,630 million during 2012 from US\$7,550 million during 2011.

During 2012, we generated US\$4,173 million of our service revenue from airtime charges from mobile postpaid and prepaid customers, including monthly contract fees and roaming fees and roaming fees received from other mobile services operators for providing roaming services to their customers, or 54.7% of the total mobile operating revenue in our Russia segment, compared to US\$4,538 million, or 60.1% of the total mobile operating revenue in 2011. In U.S. dollars terms, the 8.0% decrease in voice service revenue in the Russia segment was primarily due to depreciation of the functional currency against the U.S. dollar. In functional currency terms, our voice service revenue decreased by 2.5% primarily due to decreasing revenue from guest roaming as a result of lower prices for such services and a slight decrease in voice service revenue due to the decline in the number of active customers.

During 2012, we generated US\$1,951 million of our service revenue from value added services, including data revenue, or 25.6% of the total mobile operating revenue in our Russia segment, compared to US\$1,597 million, or 21.2% of the total mobile operating revenue in 2011. In U.S. dollars terms, the increase was 22.2%, while in functional currency terms, our Russia segment service revenue from value added services, including data revenue increased by 28.8% during 2012 compared to 2011, primarily due to an increase in mobile customers using Internet access and an increase of overall consumption of Internet services due to increasing demand for data.

During 2012, we generated US\$1,152 million of our service revenue from interconnect, or 15.1% of the total mobile operating revenue in our Russia segment, compared to US\$1,152 million, or 15.3% of the total mobile operating revenue in 2011. In U.S. dollars terms, the revenue from interconnect remained flat as compared to 2011, while in functional currency terms, our Russia segment service revenue from interconnect increased by 6.0% during 2012 compared to 2011, primarily due to an increase in incoming traffic volumes.

Our mobile total operating revenue in the Russia segment also included revenue from sales of equipment and accessories and other revenue. During 2012, revenue from sales of equipment and accessories and other revenue increased by 33.9% to US\$353 million from US\$264 million during 2011 and increased to 4.6% of the total mobile operating revenue in our Russia segment in 2012 from 3.5% in 2011. In functional currency terms, our Russia segment sales of equipment and accessories increased by 40.6% during 2012 compared to 2011, primarily as a result of our sales efforts in device market (such as iPhones and USB modems).

During 2012, revenue from our fixed-line services in Russia increased by 3.0% to US\$1,560 million from US\$1,514 million in 2011. Our revenue from fixed-line services in Russia in 2012 consisted of US\$636 million generated from business operations, US\$514 million generated from wholesale operations and US\$409 million generated from residential and FTTB operations. In functional currency terms, our total operating revenue from our Russia fixed-line services increased by 8.8% during 2012 compared to 2011, primarily due to the expansion of our FTTB network.

## *Italy*

Our Italy total operating revenue was US\$6,982 million during 2012 and increased by 25.0% compared to US\$5,584 million in 2011. We did not have operations in Italy prior to 2011.

In our Italy segment, total operating revenue from services were US\$6,507 million during 2012, representing an increase of 23.3% compared to US\$5,277 million in 2011. The increase in service revenue in the Italy segment was mainly due to a full year of Wind Telecom consolidation.

During 2012, we generated US\$5,501 million of our service revenue from mobile and fixed-line telecommunication services, including revenue from, among others, traffic, roaming revenue from our customers traveling abroad, fees and contributions from our mobile and fixed-line (including Internet) businesses, or 84.5% of our total operating revenue from services in our Italy segment, which increased by 27.5% from US\$4,315 million of revenue in 2011, or 81.8% of our total operating revenue from services in the Italy segment in 2011. The increase was primarily due to the full year of Wind Telecom consolidation.

During 2012, we generated US\$786 million of our service revenue from interconnection traffic, relating to incoming calls from other operators' networks to our mobile and fixed-line networks, or 12.1% of our total operating revenue from services in our Italy segment, representing a slight decrease of 0.1% compared to US\$787 million revenue in 2011, or 14.9% of the total operating revenue from services in 2011. The decrease is due to a mandatory cut in the mobile termination rates imposed by Italian authorities.

During 2012, we generated US\$57 million of our service revenue from international roaming, relating to calls made by customers of foreign mobile network operators while traveling in Italy, or 0.9% of our total operating revenue from services in our Italy segment. In 2011, we also generated US\$57 million from international roaming, or 1.1% of total operating revenue from services in our Italy segment. In 2012, the revenue was influenced by a general reduction in roaming tariffs for both voice and data, which was only partially offset by an increase in international roaming volume in Internet, and further influenced by depreciation of the local currency to the U.S. dollar.

During 2012, we generated US\$163 million of our service revenue from other types of services, which mainly relate to rental to third parties of advertising space on our Internet portal, leased lines and access fees charged to telecom operators and penalties charged to their mobile and fixed-line customers, or 2.5% of our total operating revenue from services in our Italy segment, representing an increase of 39.3% compared to US\$117 million in 2011, or 2.2% of our total operating revenue from services. The increase is mainly due to the full year of Wind Telecom consolidation.

Our total operating revenue in our Italy segment also included revenue from sales, mainly relating to the sale of SIM cards, mobile and fixed-line phones and related accessories. During 2012, revenue from sales increased to US\$255 million, or 63.5%, from US\$156 million in 2011 primarily due to the full year of Wind Telecom consolidation.

During 2012, we generated US\$220 million of our revenue in our Italy segment from the settlement of commercial disputes and penalties charged to suppliers, representing an increase of 45.7% from US\$151 million in 2011. The increase was mainly due to the full year of Wind Telecom consolidation.

#### *Africa & Asia*

Our Africa & Asia total operating revenue increased to US\$3,721 million during 2012, or 38.4%, from US\$2,688 million during 2011. The increase in revenue in our Africa & Asia segment was primarily due to the full year of Wind Telecom consolidation. Our Africa & Asia total operating revenue consist of revenue from providing mobile services.

During 2012, we generated US\$2,939 million of our revenue from airtime charges from mobile contract and prepaid customers, including monthly contract fees and roaming fees, and roaming fees received from other mobile service operators for providing roaming services to their customers, or 79.0% of our total operating revenue in our Africa & Asia segment, compared to US\$2,170 million, or 80.8% of the total operating revenue in 2011. The increase during 2012 compared to 2011 was due to the full year of Wind Telecom consolidation.

During 2012, we generated US\$368 million of our revenue from interconnect fees, or 9.9% of the total operating revenue in our Africa & Asia segment, compared to US\$234 million, or 8.7% of the total operating revenue in our Africa & Asia segment in 2011. The increase during 2012 compared to 2011 was due to the full year of Wind Telecom consolidation.

During 2012, we generated US\$307 million of our revenue from value added services, including data revenue, or 8.3% of the total operating revenue in our Africa & Asia segment, compared to US\$180 million, or 6.7% of the total operating revenue in our Africa & Asia segment in 2011. The increase in 2012 compared to 2011 was due to the full year of Wind Telecom consolidation.

During 2012, we generated US\$65 million of our revenue other services, or 1.7% of the total operating revenue in our Africa & Asia segment compared to US\$50 million, or 1.9% of total operating revenue in the Africa & Asia segment in 2011. These revenue are primarily generated by fixed-line services such as leasing lines, DSL and wireless Internet in Pakistan.

Our total operating revenue in the Africa & Asia segment also included revenue from sales of equipment and accessories and other revenue. During 2012, revenue from sales of equipment and accessories and other revenue was US\$42 million whereas in 2011 revenue from sales of equipment and accessories and other revenue was US\$53 million. The decrease in 2012 compared to 2011 was due to the decrease of sales volume in 2012.

#### *Ukraine*

Our Ukraine total operating revenue increased by 2.1% to US\$1,676 million during 2012 from US\$1,641 million during 2011, due to growth in both mobile and fixed-line revenue streams.



During 2012, our revenue from mobile services in our Ukraine segment increased by 2.1% to US\$1,551 million from US\$1,519 million during 2011, primarily due to an increase in revenue from sales of equipment and growth in value added services revenue and revenue from interconnect.

During 2012, we generated US\$940 million of our service revenue from airtime charges from mobile postpaid and prepaid customers, including monthly contract fees and roaming fees, and roaming fees received from other mobile services operators for providing roaming services to their customers, or 60.6% of the total mobile operating revenue in our Ukraine segment, compared to US\$1,002 million, or 65.9% of the total mobile operating revenue in 2011. The 6.2% decrease was primarily due to the decline in mobile ARPU resulting from the organic migration of high-ARPU customers to market level offers via bundled tariff plans.

During 2012, we generated US\$285 million of our service revenue from value added services including data revenue, or 18.4% of the total mobile operating revenue in our Ukraine segment, compared to US\$241 million, or 15.9% of the total mobile operating revenue in 2011. The 18.2% increase in our value added service revenue was primarily due to an increase in the number of mobile customers and overall growth in the use of Internet and messaging services.

During 2012, we generated US\$293 million of our service revenue from interconnect, or 18.9% of the total mobile operating revenue in our Ukraine segment, compared to US\$265 million, or 17.4% of the total mobile operating revenue in 2011. The 10.7% increase was primarily due to the growth in incoming traffic volume.

During 2012, we generated US\$3 million of other service revenue, or 0.2% of the total mobile operating revenue in our Ukraine segment, compared to US\$4 million, or 0.3% of the total mobile operating revenue in 2011.

Our Ukraine total mobile operating revenue also included revenue from sales of equipment and accessories and other revenue. During 2012, revenue from sales of equipment and accessories and other revenue increased to US\$31 million, or 2.0% of the total mobile operating revenue in our Ukraine segment, from US\$8 million, or 0.5% of the total mobile operating revenue in our Ukraine segment in 2011. The increase was primarily a result of increased sales of smartphones.

Our revenue from fixed-line services in Ukraine increased by 2.1% to US\$125 million in 2012 from US\$122 million in 2011, primarily due to an increase in the residential and FTTB revenue stream. Our revenue from fixed-line services in 2012 consisted of US\$48 million generated from business operations, US\$41 million generated from wholesale operations and US\$35 million generated from residential and FTTB operations. Revenue from business operations, residential and FTTB operations increased by 3.2% from US\$46 million and 68.3% million from US\$21 million in comparison with 2011, respectively, while revenue from wholesale operations decreased by 24.1% million from US\$55 million in comparison with 2011. Wholesale revenue decreased primarily due to a lower volume of transit traffic. Revenue from business operations increased due to increase of number of customers with high ARPU. Revenue from residential and FTTB revenue increased due to growth in the FTTB customer base.

## *CIS*

Our CIS total operating revenue increased by 10.4% to US\$1,755 million during 2012 from US\$1,589 million during 2011. Our CIS total operating revenue consist of revenue from providing mobile services as well as fixed-line services.

In our CIS segment, revenue from mobile services increased by 12.5% to US\$1,603 million during 2012 from US\$1,425 million during 2011.

During 2012, we generated US\$1,045 million of our service revenue from airtime charges in the CIS segment from mobile contract and prepaid customers, including monthly contract fees and roaming fees, and roaming fees received from other mobile service operators for providing roaming services to their customers, or 65.2% of the total mobile operating revenue in our CIS segment, compared to US\$923 million, or 64.8% of the total mobile operating revenue in 2011. The 13.2% increase during 2012 compared to 2011 was primarily due to an increase in voice revenue as a result of customer base growth.

During 2012, we generated US\$280 million of our mobile service revenue from interconnect fees in the CIS segment, or 17.5% of the total mobile operating revenue in our CIS segment, compared to US\$260 million, or 18.2% of the total mobile operating revenue in the CIS segment in 2011. The 7.7% increase in 2012 compared to 2011 was primarily due to an increase in inbound traffic in all CIS countries.

During 2012, we generated US\$260 million of our mobile service revenue in the CIS segment from value added services, including data revenue, or 16.2% of the total mobile operating revenue in the CIS segment, compared to US\$195 million, or 13.7% of the total mobile operating revenue in the CIS segment in 2011. The 33.3% increase in 2012 compared to 2011 was primarily due to an increase in data revenue of 66.7%, which is in line with our strategy, and an increase of content revenue by 18.1%.

Our CIS total mobile operating revenue also included revenue from sales of equipment and accessories and other revenue. During 2012, revenue from sales of equipment and accessories and other revenue in our CIS segment decreased to US\$18 million from US\$47 million during 2011 primarily due to our device strategy and efforts to increase operating efficiency.

Our CIS total operating revenue from fixed-line services decreased by 7.3% to US\$152 million in 2012 from US\$164 million in 2011. The decrease was primarily due to an increase in business operations and residential and FTTB revenue which was offset by a decrease in wholesale revenue. In 2012, US\$41 million of CIS fixed-line revenue was generated from our business operations, US\$38 million from wholesale operations and US\$73 million from residential and FTTB operations. Revenue from business operations, residential and FTTB operations increased by 24.2% and 10.6% in comparison with 2011, respectively, while revenue from wholesale operations decreased by 41.5% in comparison with 2011. Business operations revenue increased primarily due to an increase of Internet revenue. Wholesale operations revenue decreased primarily due to a decrease in traffic termination revenue in Armenia and Tajikistan. Residential and FTTB revenue increased primarily due an increase of Internet revenue which more than offset the decrease in voice revenue.

### ***Total Operating Expenses***

Our consolidated total operating expenses increased by 8.5% to US\$18,890 million during 2012 from US\$17,408 million during 2011, and represented 81.9% and 85.9% of total operating revenue in 2012 and 2011, respectively. This increase was primarily due to the full year of Wind Telecom consolidation, increased dismantling of equipment in our Russia and Ukraine segments offset by a decrease in selling, general and administrative expenses in our Russia segment and a decrease the amount of impairments in 2012.

### ***Service Costs***

Our consolidated service costs increased by 9.6% to US\$5,439 million during 2012 from US\$4,962 million during 2011. As a percentage of consolidated total operating revenue, our service costs decreased to 23.6% during 2012 from 24.5% during 2011. The decrease was primarily due to the full year of Wind Telecom consolidation and an increase in revenue without a corresponding increase of service costs.

### ***Cost of Equipment and Accessories***

Our consolidated cost of equipment and accessories increased by 4.5% to US\$693 million in 2012 from US\$663 million in 2011. This increase was primarily due to the full year of Wind Telecom consolidation and increase of equipment sales in our Russia and Ukraine segments.

### ***Selling, General and Administrative Expenses***

Our consolidated selling, general and administrative expenses increased by 12.2% to US\$7,161 million during 2012 from US\$6,381 million during 2011. This increase was primarily due to the full year of Wind Telecom consolidation offset by a decrease in selling, general and administrative expenses in Russia segment. As a percentage of consolidated total operating revenue, our consolidated selling, general and administrative expenses decreased to 31.1% in 2012 from 31.5% in 2011.

### ***Adjusted EBITDA and Adjusted EBITDA Margin***

Our consolidated adjusted EBITDA increased by 17.7% to US\$9,768 million during 2012 from US\$8,298 million during 2011, primarily due to the full year of Wind Telecom consolidation.

### ***Russia***

Our Russia adjusted EBITDA increased by 6.5% to US\$3,878 million during 2012 from US\$3,641 million during 2011. In functional currency terms, our Russia adjusted EBITDA increased by 12.9%, primarily as a result of improved gross margin and decrease in sales, general and administrative expenses. In functional currency terms, adjusted EBITDA margin in 2012 in Russia segment was 42.2%, which is 2.1 percentage points above adjusted EBITDA margin in 2011. The increase was primarily due to a substantial decrease in selling, general and administrative expenses as a result of measures we introduced as part of our operational excellence program to reduce costs.

### *Italy*

Our Italy adjusted EBITDA increased by 15.0% to US\$2,658 million during 2012 from US\$2,312 million during 2011, primarily due to the full year of Wind Telecom consolidation. In functional currency terms, adjusted EBITDA margin in 2012 in Italy was 38.0%, which is 3.4 percentage points lower than adjusted EBITDA margin in 2011, primarily due to the mandatory cut in mobile termination rates imposed by Italian authorities.

### *Africa & Asia*

Our Africa & Asia adjusted EBITDA increased by 60.2% to US\$1,741 million during 2012 from US\$1,087 million during 2011, primarily due to the full year of Wind Telecom consolidation. Adjusted EBITDA margin in 2012 in our Africa & Asia segment was 46.8%, which is 6.4 percentage points above adjusted EBITDA margin in 2011. The increase was primarily due to implementation of our operational excellence program and cost saving initiatives and certain one-off charges, including provisions for corporate contingent liabilities and costs associated with the demerger of OTMT in 2011.

### *Ukraine*

Our Ukraine adjusted EBITDA decreased by 1.5% to US\$859 million during 2012 from US\$873 million during 2011, primarily due to higher service cost expenses as a result of higher mobile interconnect costs driven by increased volume of outgoing off-net voice traffic and an increase in selling, general and administrative expenses due to higher technical costs as a result of increased frequency fee and inflation. In functional currency terms, adjusted EBITDA margin in our Ukraine segment in 2012 was 51.3%, which is 1.9 percentage points lower than in 2011. The decrease was primarily due to the above mentioned reasons.

### *CIS*

Our CIS adjusted EBITDA increased by 15.5% to US\$813 million during 2012 from US\$703 million during 2011, primarily due to our strong performance in Uzbekistan and Kyrgyzstan and cost reduction measures as part of our ongoing operational excellence program. Our CIS adjusted EBITDA margin was 46.3% in 2012, which is 2.1 percentage points greater than in 2011. The increase was primarily due to the above mentioned reasons.

### *Depreciation and Amortization Expenses*

Our consolidated depreciation and amortization expenses increased by 4.6% to US\$5,006 million in 2012 from US\$4,785 million in 2011. The increase in depreciation and amortization expenses was primarily the result of the full year of Wind Telecom consolidation, which was partly offset by the declining amortization schedule applied to intangible assets as part of the Wind Telecom acquisition.

### *Impairment Loss*

Our consolidated impairment loss was US\$386 million in 2012 in comparison with US\$527 million in 2011. The impairment loss of US\$344 million in 2012 primarily related to impairment of our shareholder loans to WIND Mobile Canada. In 2011 we recorded goodwill impairment of US\$126 million and impairment of property and equipment of US\$225 million and telecommunication licenses of US\$128 million as well as other assets of US\$48 million primarily related to our businesses in Cambodia and Vietnam.

### *Loss on Disposals of Non-current Assets*

Our consolidated loss on disposals of non-current assets increased by 127.8% to US\$205 million during 2012 from US\$90 million during 2011 primarily due to equipment write-offs in our Russia segment and further integration of our operating companies in our Ukraine segment.

### ***Operating Profit***

Our consolidated operating profit increased by 46.1% to US\$4,171 million in 2012 from US\$2,854 million in 2011 primarily as a result the full year of Wind Telecom consolidation. Our consolidated operating profit as a percentage of total operating revenue in 2012 increased to 18.1% from 14.1% in 2011, primarily as a result of the decreased service costs and selling, general and administrative expenses percentage of total operating revenue coupled with the declining amortization schedule applied to intangible assets as part of the Wind Telecom acquisition.

## ***Other Non-operating Profits and Losses***

### ***Finance Costs and Finance Income***

Our consolidated finance costs increased by 27.9% to US\$2,029 million in 2012 from US\$1,587 million in 2011, primarily due to the increase in financial liabilities related to the full year of Wind Telecom consolidation. Our consolidated finance income increased by 28.3% to US\$154 million in 2012 from US\$120 million in 2011, primarily due to the full year of Wind Telecom consolidation and related increase in financial assets earning interest income coupled with income from hedging activities.

### ***Other Non-operating Losses/(Gains)***

We recorded US\$75 million in other non-operating losses during 2012 compared to US\$308 million in losses during 2011. The change was primarily due to losses accrued in connection with negative fair value movements of our embedded derivatives in Italy and revaluation of previously held interest in Vietnam due to a step-up acquisition in 2011.

### ***Shares of Loss/(Profit) of Associates and Joint Ventures Accounted for Using the Equity Method***

We recorded a loss of US\$9 million from our equity in associates in 2012 compared to a loss of US\$35 million in 2011. The change was primarily due to an increase in income from Euroset coupled with a decrease in losses from WIND Mobile in Canada.

### ***Net Foreign Exchange (Gain)/Loss***

We recorded a gain of US\$70 million from foreign currency exchange in 2012 compared to a loss US\$190 million foreign currency exchange loss in 2011. The gain was primarily due to revaluation of our U.S. dollar financial liabilities due to appreciation of the Euro and Russian ruble to the U.S. dollar in 2012.

### ***Income Tax Expense***

Our consolidated income tax expense increased by 54.9% to US\$906 million in 2012 from US\$585 million in 2011. The increase in income taxes was primarily due to the full year of Wind Telecom consolidation coupled with higher taxable profit recognized during 2012.

Our effective income tax rate was 39.7% in 2012 compared to 68.5% in 2011. The decrease in the effective income tax rate was primarily due to the decrease in non-deductible expenses and effect of change in recognition of deferred tax asset.

### ***Profit for the Year Attributable to the Owners of the Parent***

In 2012, consolidated profit for the year attributable to the owners of the parent was US\$1,539 million compared to US\$543 million in 2011. The increase was primarily due to the increase in profit for the year as a result of abovementioned factors.

### ***Profit for the Year Attributable to Non-controlling Interest***

Our loss for the year attributable to non-controlling interest was US\$163 million in 2012 compared to a loss of US\$274 million in 2011, primarily due to net losses in our consolidated subsidiaries that are not wholly owned by us.

## **Liquidity and Capital Resources**

### ***Consolidated Cash Flow Summary***

The following table shows our cash flows for the years ended December 31, 2013, 2012 and 2011 (in millions of U.S. dollars):

	<u>Year ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Consolidated Cash Flow</b>			
Net cash flows from operating activities	6,351	7,257	6,106
Net cash flows used in investing activities	(4,213)	(4,008)	(6,945)
Net cash flows (used in)/from financing activities	(2,575)	(587)	2,583
Net foreign exchange difference	(58)	(38)	(304)
Net increase/(decrease) in cash and cash equivalents	(437)	2,662	1,744

During the years ended December 31, 2013, 2012 and 2011, we generated positive cash flow from our operating activities and negative cash flow from investing activities. Cash flow used in financing activities was negative during 2013 and 2012, and positive in 2011. The negative cash flow used in financing activities during 2013 was mostly due to payments of dividends to equity holders partially financed by conversion of preferred shares into ordinary shares. The negative cash flow used in financing activities during 2012 was mostly due to repayments of our existing debt facilities, which exceeded new borrowings. The positive cash flow from financing activities in 2011 was mostly due to an increase in cash inflows from new loans and bonds issued during 2011, partially offset by repayments of our existing facilities and payment of dividends.

As of December 31, 2013, we had negative working capital of US\$948 million, compared to negative working capital of US\$2,421 million as of December 31, 2012. Working capital is defined as current assets less current liabilities. The change in our working capital as of December 31, 2013 compared to December 31, 2012 was mainly due to a decrease in payables as a result of dividends paid in 2013 and refinancing of our current liabilities. Our working capital is monitored on a regular basis by management. Our management expects to repay our debt as it becomes due from our operating cash flows or through additional borrowings. Current financial liability payments are split during the twelve-month period following December 31, 2013, and the majority of our current financial liabilities will become due fairly evenly during the year 2014. Our management expects to make these payments as they become due. Although we have a negative working capital, our management believes that our cash balances and available credit facilities are sufficient to meet our present requirements.

### ***Operating Activities***

During 2013, net cash flows from operating activities were US\$6,351 million, a 12.5% decrease over the US\$7,257 million of net cash flows from operating activities during 2012. The decrease in net cash flows from operating activities was primarily due to lower adjusted EBITDA and negative trade working capital movements.

During 2012, net cash flows from operating activities were US\$7,257 million, a 18.9% increase over the US\$6,106 million of net cash flows from operating activities during 2011. The increase in net cash flows from operating activities was primarily due to the full year of Wind Telecom consolidation and improvements in working capital.

### ***Financing Activities***

During 2013, we repaid approximately US\$5,487 million of indebtedness and raised approximately US\$5,587 million. As of December 31, 2013, the principal amounts of our external indebtedness for bank loans, bonds, equipment financing, and loans from others amounted to approximately US\$27.5 billion, compared to US\$27.0 billion as of December 31, 2012.

During 2012, we repaid approximately US\$3,650 million of indebtedness and raised US\$3,094 million.

The following table provides a summary of our outstanding indebtedness with an outstanding principal balance exceeding US\$30.0 million as of December 31, 2013. Many of the agreements relating to this indebtedness contain various covenants, including change of control restrictions and financial covenants. In addition, certain of these agreements subject our subsidiaries to restrictions on their ability to pay dividends or repay debts to us. Wind Italy Group indebtedness is paid from cash flow generated by Wind Italy businesses, and VimpelCom Ltd. and other members of the VimpelCom Group have no obligations to make any payments on any Wind Italy Group indebtedness. For additional information on this indebtedness, please refer to the notes to our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F. For information relating to our financing activities and outstanding indebtedness subsequent to December 31, 2013, see “—Recent Financing Activities” below. For a description of some of the risks associated with certain of our indebtedness, please refer to the sections of this Annual Report on Form 20-F entitled “Item 3—Key Information—D. Risk Factors—Risks Related to Our Business—Substantial leverage and debt service obligations may materially adversely affect our cash flow,” “—Covenants in our debt agreements could impair our liquidity and our ability to expand or finance our future operations,” and “—We may not be able to raise additional capital.”

Borrower	Type of debt/lender	Interest rate	Outstanding debt (in millions)	Maturity date	Guarantor	Security
VimpelCom Holdings B.V.	Notes	3 month LIBOR plus 4.0%	US\$200.0	June 29, 2014	OJSC VimpelCom	None
VimpelCom Holdings B.V.	Notes	6.2546% <sup>(1)</sup>	US\$500.0	March 1, 2017	OJSC VimpelCom	None
VimpelCom Holdings B.V.	Notes	7.5043% <sup>(2)</sup>	US\$1,500.0	March 1, 2022	OJSC VimpelCom	None
VimpelCom Holdings B.V.	Notes	9.00%	US\$366,6 (RUB 12,000.0)	February 13, 2018	OJSC VimpelCom	None
VimpelCom Holdings B.V.	Notes	5.20%	US\$600.0	February 13, 2019	OJSC VimpelCom	None
VimpelCom Holdings B.V.	Notes	5.95%	US\$1,000.0	February 13, 2023	OJSC VimpelCom	None
VimpelCom Amsterdam B.V.	Loan from China Development Bank Corp.	6 month LIBOR plus 3.30%	US\$102.8	December 21, 2020	OJSC VimpelCom	None
VimpelCom Amsterdam B.V.	Loan from HSBC Bank plc	1.72%	US\$87.3	July 31, 2022	EKN	None
OJSC VimpelCom	Loan from Sberbank	9.00%	US\$2,147.5 (RUB 70,285.7)	April 11, 2018	None	None
OJSC VimpelCom	Loan from VIP Finance Ireland Limited (funded by the issuance of loan participation notes by VIP Finance Ireland)	7.748%	US\$1,000.0	February 2, 2021	None	None
OJSC VimpelCom	Loan from VIP Finance Ireland (funded by the issuance of loan participation notes by VIP Finance Ireland)	9.125%	US\$1,000.0	April 30, 2018	None	None
OJSC VimpelCom	RUB denominated bonds	8.85%	US\$763.8 (RUB 25,000.0)	March 8, 2022 <sup>(3)</sup>	None	None
OJSC VimpelCom	Loan from VC- Invest (funded by the RUB denominated bonds by VC-Invest)	8.3%	US\$611.1 (RUB 20,000.0)	October 13, 2015	OJSC VimpelCom	None

<u>Borrower</u>	<u>Type of debt/lender</u>	<u>Interest rate</u>	<u>Outstanding debt (in millions)</u>	<u>Maturity date</u>	<u>Guarantor</u>	<u>Security</u>
OJSC VimpelCom	Loan from UBS (Luxembourg) S.A. (funded by the issuance of loan participation notes by UBS (Luxembourg) S.A.)	8.25%	US\$600.0	May 23, 2016	None	None
OJSC VimpelCom	Loan from VIP Finance Ireland (funded by the issuance of loan participation notes by VIP Finance Ireland)	6.493%	US\$500.0	February 2, 2016	None	None
OJSC VimpelCom	RUB denominated bonds	8.85%	US\$305.5 (RUB 10,000.0)	March 14, 2022 <sup>(4)</sup>	None	None
OJSC VimpelCom	Loan from VC-Invest (funded by the RUB denominated bonds by VC-Invest)	7.4%	US\$305.5 (RUB 10,000.0)	July 8, 2014	OJSC VimpelCom	None
OJSC VimpelCom	Loan from Sberbank	8.75%	US\$156.4 (RUB 5,119.8)	December 16, 2015	None	None
OJSC VimpelCom	Loans from HSBC Bank PLC	3 month MosPRIME plus 1.05%	US\$100.8 (RUB 3,299.6)	November 30, 2017	EKN	None
OJSC VimpelCom	Loans from Unicredit Bank AG	AB SEK Rate plus 0.75%	US\$54.0	June 15, 2016	EKN	None
OJSC VimpelCom	Loan from Cisco Systems Finance International	8.85%	US\$48.9 (RUB 1,600.0)	November 11, 2016	None	None
OJSC VimpelCom	Loan from HSBC Bank PLC and Nordea Bank AB (publ)	3 month MosPRIME plus 1.00%	US\$153.1 (RUB 5,012.1)	April 30, 2019	EKN	None

Borrower	Type of debt/lender	Interest rate	Outstanding debt (in millions)	Maturity date	Guarantor	Security
WIND Telecomunicazioni S.p.A.	Senior facilities				All tranches:	All tranches:
	Deutsche Bank A.G., Credit Suisse A.G., Banca IMI S.p.A., BNP Paribas, the Royal Bank of Scotland, Citigroup, Crédit Agricole Corporate and Investment Bank, Goldman Sachs International, J.P. Morgan plc, Morgan Stanley Bank International Limited, Natixis, S.A. and UniCredit S.p.A. With Banca Nazionale del Lavora S.p.A., Gruppo BNP Paribas, Crédit Agricole Corporate and Investment Bank, Milan Branch, and The Royal Bank of Scotland plc, Milan Branch, as Original Lenders	EURIBOR + 4.0% <sup>(6)</sup> EURIBOR + 4.25% EURIBOR + 4.50%	US\$467.2 (€340.0) US\$1,833.0 (€1,333.9) US\$936.0 (€681.1)	November 26, 2016 November 26, 2017 November 26, 2017	WIND Telecomunicazioni S.p.A.	Shares in WIND Telecomunicazioni S.p.A.
WIND Telecomunicazioni S.p.A.	Debt vs Italian Government (LTE)	Rendistato+1.0%	US\$334.0 (€243.0)	October 3, 2016		Bank guarantees
WIND Telecomunicazioni S.p.A.	Annuity loans several lender unwound swaps	1.09%-7.68%	US\$122.2 (€88.9)	September 26, 2016	None	None



<u>Borrower</u>	<u>Type of debt/lender</u>	<u>Interest rate</u>	<u>Outstanding debt (in millions)</u>	<u>Maturity date</u>	<u>Guarantor</u>	<u>Security</u>
WIND Telecomunicazioni S.p.A.	Revolving Credit Facility	EURIBOR + 4.0%	US\$137.4 (€100.0)	November 26, 2016	Wind Telecomunicazioni S.p.A.	Shares in Wind Telecomunicazioni S.p.A.
WIND Telecomunicazioni S.p.A.	Terna Debt	10.05%	US\$183.7 (€133.6)	December 31, 2035	None	None
WIND Acquisition Finance S.A.	Senior Secured Notes	7.375%	US\$2,679.7 (€1,950)	February 15, 2018	Both tranches:	Wind Acquisition Finance S.A.
	Senior Secured Notes	7 <sup>1</sup> / <sub>4</sub> %	US\$1,700.0	February 15, 2018	Wind Telecomunicazioni S.p.A.	
WIND Acquisition Finance S.A.	Senior Secured Notes	3 month EURIBOR plus 5.25%	US\$206.1 (€150.0)	April 30, 2019	Wind Telecomunicazioni S.p.A.	Wind Acquisition Finance S.A.
WIND Acquisition Finance S.A.	Senior Secured Notes	6.50%	US\$550.0	April 30, 2020	Wind Telecomunicazioni S.p.A.	Wind Acquisition Finance S.A.
WIND Acquisition Holdings Finance S.A.	Senior Notes <sup>(7)</sup>	12 <sup>1</sup> / <sub>4</sub> %	US\$683.6 (€497.5)	July 15, 2017	Wind Acquisition Holdings Finance S.p.A.	Wind Acquisition Holdings Finance S.A.
Wind Acquisition Finance S.A.	Senior Notes <sup>(7)</sup> Senior Notes <sup>(8)</sup>	12 <sup>1</sup> / <sub>4</sub> % 11 <sup>3</sup> / <sub>4</sub> %	US\$956.7 US\$1,717.7 (€1,250.0)	July 15, 2017 July 15, 2017	Wind Telecomunicazioni S.p.A.	Wind Acquisition Finance S.A.
	Senior Notes <sup>(8)</sup>	11 <sup>3</sup> / <sub>4</sub> %	US\$2,000.0	July 15, 2017	Wind Telecomunicazioni S.p.A.	
Pakistan Mobile Communications Limited (“PMCL”)	Syndicated loan via MCB Bank Limited	6 months KIBOR + 1.3%	US\$34.9 (PKR3,676.7)	January 4, 2014	None	PMCL
PMCL	Syndicated loan via MCB Bank Limited	3 months KIBOR + 2.65%	US\$31.2 (PKR3,283.1)	October 13, 2016	None	PMCL
Banglalink Digital Communications Ltd. (“Banglalink”)	Facility Standard Chartered Bank	13.5-14.0%	US\$37.1 (BDT 2,885.0)	February 6, 2014	None	None

Borrower	Type of debt/lender	Interest rate	Outstanding debt (in millions)	Maturity date	Guarantor	Security
Banglalink	Bridge Facility Standard Chartered Bank	13.0% <sup>(9)</sup>	US\$175.9 (BDT 13,658.0)	December 12, 2014	None	Cash Deposits by parent company Telecom Ventures Ltd.
Banglalink	Senior BDT Notes	13.5%	US\$36.4 (BDT2,828.0)	June 30, 2014	Global Telecom Holding S.A.E.	Shares of Banglalink and other assets
OTA	Loan from Hermes	3 months LIBOR + 0.6%	US\$46.6	November 15, 2014	VimpelCom Amsterdam B.V.	Deposits VimpelCom Amsterdam B.V.
Other loans, equipment financing and capital lease obligations	—	—	US\$481 <sup>(5)</sup>	—	—	—

- (1) Effective from June 29, 2011, this fixed interest rate was subject to interest rate swap arrangements to effectively swap the fixed interest rate for a floating interest rate based on three-month U.S. dollar LIBOR. The weighted average spread over LIBOR for the notes was 4.187%. In August 2012, we unwound our interest rate swaps related to these notes, resulting in a reduction of the effective interest rate on the notes due March 2017 of approximately 1.5%. As a result of the unwind, the company received a cash amount of approximately US\$35 million including accrued interest
- (2) Effective from June 29, 2011, this fixed interest rate was subject to interest rate swap arrangements to effectively swap the fixed interest rate for a floating interest rate based on three-month U.S. dollar LIBOR. The weighted average spread over LIBOR for the notes was 4.375%. In August 2012, we unwound our interest rate swaps related to a principal amount of US\$1,300 million of these notes, and in November 2012 we unwound the interest rate swaps related to the remaining US\$200 million principal amount, resulting in a reduction of the effective interest rate on these notes of approximately 2.0%. As a result of the unwinds, the company received a cash amount of approximately US\$218 million including accrued interest.
- (3) These bonds are subject to an investor put option at March 17, 2015.
- (4) These bonds are subject to an investor put option at March 23, 2015.
- (5) This amount excludes principal amounts equivalent to US\$11 million of debt owed by our subsidiaries U-com Burundi SA and Telecel Centrafrique S.A. These loans bear various interest rates and mature in 2014-2016. U-com Burundi SA and Telecel Centrafrique S.A. are classified as held for sale in our audited condensed consolidated financial statements as of December 31, 2013, and therefore its assets and liabilities are not included in our statement of financial position as of December 31, 2013.
- (6) Interest on the all tranches of the senior facility is based on EURIBOR for loans in Euros and LIBOR for loans in any other currency. Also interest rate margins may be reduced based on specified improvement in leverage ratios.
- (7) See “—Recent Financing Activities” below.
- (8) See “—Recent Financing Activities” below.
- (9) Banglalink has drawn additional amounts of US\$ 55.6 million (BDT 4,320.0 million) under this bridge facility since December 31, 2013. Banglalink intends to repay this bridge facility in full in May 2014. See “—Recent Financing Activities” below.

WIND Italy owed to hedging banks approximately €296.0 million for deferred repayment of the fair value of the derivatives instruments (on termination and close out) which were hedging the WIND Italy obligations that were repaid through the two financings completed in November 2010 (as set out in the table above). The obligation is payable in semi-annual installments and matures in September 2016. The amount outstanding as of December 31, 2013, was approximately €88.9 million (the equivalent of approximately US\$122.2 million as of December 31, 2013 at the exchange rate provided by Bloomberg Finance L.P.).

On February 6, 2013, VimpelCom Holdings B.V. issued three series of Eurobonds for which the proceeds were received on February 13, 2013: US\$1,000 million at 5.95% maturing on February 13, 2023, US\$600 million at 5.20% maturing on February 13, 2019 and RUB 12,000 million (the equivalent of approximately US\$ 398 million as of February 13, 2013 at the exchange rate of Central Bank of Russia) at 9.00% maturing on February 13, 2018. The proceeds have been used for repaying existing indebtedness of OJSC VimpelCom and for other general corporate purposes.

On March 28, 2013, VimpelCom Amsterdam B.V. signed a facility agreement with HSBC Bank PLC for an U.S. dollar denominated Swedish export credit facility supported by EKN, for a total principal amount of US\$500 million, of which US\$270 million is committed. The purpose of the facility is to finance equipment and services provided to the subsidiaries of VimpelCom Amsterdam B.V. by Ericsson on a reimbursement basis. The committed facility bears interest at a rate of 1.72%. On October 4, 2013, VimpelCom Amsterdam B.V. drew down US\$87 million under this facility.

On April 29, 2013, Wind Acquisition Finance S.A. issued two Eurobonds: US\$550 million at 6.5% maturing on April 30, 2020 and €150 million at 3 months EURIBOR plus 5.25% maturing on April 30, 2019. At the same time, cross-currency and interest rate exchange contracts were entered into to swap the US\$550 million at 6.5% to €420 million at 6 months EURIBOR plus on average 5.128% maturing on April 30, 2020. We apply cash flow hedge accounting on these transactions in combination with restructured interest rate exchange contracts.

On April 29, 2013, Wind Telecomunicazioni S.p.A. prepaid on its Senior Facility Agreement an amount of €575 million. This amount would otherwise have been due in 2014 and 2015.

On September 27, 2013, OJSC VimpelCom signed a loan facility agreement with CISCO Systems Finance International. The loan was a Russian ruble denominated export credit facility for a total amount of RUB 1,600 million (the equivalent of approximately US\$50 million as of September 27, 2013 at the exchange rate provided by Central Bank of Russia). The purpose of the facility is to finance equipment purchased by OJSC VimpelCom from CISCO on a reimbursement basis. The facility bears interest at a rate of 8.85%. The facility amount was fully drawn in November 2013.

On April 30, 2014, OJSC VimpelCom signed a loan facility agreement with CISCO Systems Finance International. The loan was a Russian ruble-denominated export credit facility for a total amount of RUB 1,500 million (the equivalent of approximately US\$42 million as of April 30, 2014 at the exchange rate provided by Central Bank of Russia). The purpose of the facility is to finance equipment purchased by OJSC VimpelCom from CISCO on a reimbursement basis. The facility bears interest at a rate of 8.85%. The facility was drawn in May 2014 in an amount of RUB 1,312 million. The available limit under facility is RUB 188 million.

On December 17, 2013, Banglalink entered into an amendment of a short-term, Taka-denominated bridge facility with Standard Chartered Bank, Dhaka (the "Bridge Facility") to finance capital expenditures in connection with Banglalink's 3G network roll-out. As cash collateral for the Bridge Facility, Telecom Ventures placed a U.S. Dollar deposit (equivalent to 105% of the drawn facility amount) in a bank account pledged in favor of Standard Chartered Bank, Dhaka. The Bridge Facility carries an interest rate of 13.0% and expires in December 2024.

We may from time to time seek to purchase our outstanding debt through cash purchases and/or exchanges for new debt securities in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

### *Recent Financing Activities*

#### *Alfa-Bank Credit Facilities*

On each of April 2, 2014 and April 18, 2014, VimpelCom Amsterdam B.V. signed a credit facility agreement with OAO "Alfa-Bank", each for a total principal amount of US\$500 million (each an "Alfa-Bank Credit Facility"). Each Alfa-Bank Credit Facility has a three-year term, bears interest at a rate of LIBOR plus 3.25% per annum (subject to adjustments in accordance with the terms of the agreement) and is guaranteed by VimpelCom Holdings B.V. On April 3, 2014 and April 23, 2014, VimpelCom Amsterdam B.V. drew down US\$500 million, and US\$500 million under the respective Alfa-Bank Credit Facilities.

### *Revolving Credit Facility*

On April 7, 2014, our wholly owned subsidiary VimpelCom Amsterdam B.V. signed a revolving credit facility agreement with 11 international banks for a total principal amount of US\$1,650 million, with an option to increase the principal amount of the facility by up to US\$150 million within 6 months after the date of signing (the “2014 RCF”). The 2014 RCF has a three year tenor, bears interest at a rate of LIBOR plus 2.25% per annum (subject to adjustments in accordance with the terms of the agreement) and is guaranteed by VimpelCom Holdings B.V. On April 23, 2014, VimpelCom Amsterdam B.V. drew down US\$1,000 million under the 2014 RCF.

On April 16, 2014 and with effect as from April 25, 2014, VimpelCom cancelled the existing US\$225 million and €205 million (equivalent to approximately US\$508 million as of April 25, 2014 at the exchange rate provided by Bloomberg Finance L.P.) revolving credit facility that VimpelCom Amsterdam B.V., as borrower, had entered into in 2011.

### *WAF Bonds*

On April 23, 2014, Wind Acquisition Finance S.A., or “WAF,” issued €1,750 million 7.00% Euro denominated Senior Notes due 2021 and US\$2,800 million 7.375% U.S. dollar denominated Senior Notes due 2021 (together, the “2021 Notes”). The 2021 Notes are guaranteed by Wind Telecomunicazioni S.p.A. The US\$2,800 million U.S. dollar denominated tranche of the Senior Notes are hedged with Cross Currency Interest Rate Swaps to EUR for an amount of € 2,030 million. The maturity date of the 2021 Notes and the related Cross Currency Interest Rate Swaps is April 23, 2021. Pursuant to the Cross Currency Interest Rate Swaps, WAF receives a fixed USD rate of 7.375% and pays a fixed EUR rate equal to an average 6.4364% on EUR 1,450 million principal amount and a floating EUR rate equal to 6 months EURIBOR plus on average 5.0688% on EUR 580 million principal amount.

Pursuant to an Offer to Purchase by WAF of all amounts outstanding under its 11.75% Senior Notes due 2017 using a portion of the proceeds of its offering of 2021 Notes, of the €1,250 million and US\$2,000 million outstanding, notes for amounts of €1,084 million and US\$1,890 million were tendered and settled on April 23, 2014 and notes for amounts of € 0.6 million and US\$ 3.2 million were tendered and settled on May 2, 2014. The remaining outstanding notes will be called as per July 15, 2014. On April 23, 2014, funds have been placed in escrow accounts to fulfil those payments. The Cross Currency Interest Rate Swaps related to the US\$2,000 million 11.75% Senior Notes due 2017 have been restructured to become part of the aforementioned Cross Currency Interest Rate Swaps related to the 2021 Notes.

Pursuant to an Offer to Purchase by Wind Acquisition Holdings Finance S.A. of all amounts outstanding under its 12.25% Senior Notes due 2017 using (indirectly) a portion of the proceeds of the offering of 2021 Notes by WAF, as well as a €500 million indirect cash injection from VimpelCom, which was settled on April 17, 2014, of the € 528 million and US\$ 1,015 million outstanding, notes for amounts of €468 million and US\$976 million were tendered and settled on April 23, 2014 and notes for amounts of €0.75 million and US\$ 0.015 million were tendered and settled on May 2, 2014. The remaining outstanding notes will be called as per July 15, 2014. On April 23, 2014, funds have been placed in escrow accounts to fulfil those payments.

### *WIND Senior Facility Agreement consent*

Related to the aforementioned refinancing transaction, Wind Telecomunicazioni S.p.A. on March 19, 2014 requested, and on April 3, 2014 was granted, consent from the lenders in the Senior Facility Agreement (“SFA”) to enable, among other matters, a re-leveraging of Wind Telecomunicazioni S.p.A. and upstream loan to its parent Wind Acquisition Holdings Finance S.p.A., the adjustment of financial covenant ratios, an extension of the tenors of the term loan and revolving credit facilities, settlement of an outstanding intercompany loan with Wind Telecom S.p.A., and modification of the change of control definition, in exchange for a consent fee and an increase of the interest margin by 0.25%.

### *BDC Bonds*

On April 25, 2014, our Bangladesh subsidiary Banglalink issued US\$300 million 8.625% Senior Notes due 2019 (the “BDC Notes”). The BDC Notes were issued at a re-offer price of 99.008%, with a re-offer yield to maturity of 8.875% and settled on May 6, 2014. Interest is payable semi-annually. The BDC Notes mature in five years.

Banglalink intends to repay all amounts outstanding under its December 17, 2013 Bridge Facility with Standard Chartered Bank in May 2014, using a portion of the proceeds of its offering of BDC Notes.

Banglalink intends to use a portion of the proceeds of the offering of BDC Notes and other funds available to it, to prepay in May 2014 the aggregate principal amount outstanding in relation to its 13.5% senior BDT notes, its Additional Hermes Facility from Standard Chartered Bank and three other smaller facilities, each of which had been subject to a common terms agreement dated June 13, 2007, as amended, and related intercreditor and security agreements.

### ***Investing Activities***

Our investing activities included payments related to the purchase of equipment, frequency permissions and licenses, capitalized customer acquisition costs, software and other assets as a part of the ongoing development of our mobile networks and fixed-line business. In 2013, our total payments for purchases of property and equipment, intangible assets, software and other assets were approximately US\$ 3,955 million compared to US\$3,886 million during 2012.

### ***Acquisitions and Dispositions***

Our significant acquisitions and dispositions during the three years ended December 31, 2013 are summarized below.

On April 19, 2013, VimpelCom sold its entire indirect stake in Sotelco Ltd. in Cambodia to its local partner, Mr. Huot Vanthan.

On December 5, 2013 VimpelCom entered into a legally binding share purchase agreement to acquire 100% of the retail business of ION Group in Russia in 2017. The share purchase agreement provides for a purchase price of US\$ 80 - 140 million based on the financial results of ION Group for the year ended 31 December 2016 and is subject to certain conditions precedents to be satisfied.

On December 5, 2013, VimpelCom exercised a call option to acquire 5.32% shareholding in ZED+, B.V., an integrated international mobile content services provider, in exchange for in-kind contribution of 31.04% shares of M.I.P.R. Limited.

### ***Future Liquidity and Capital Requirements***

Telecommunications service providers require significant amounts of capital to construct networks and attract customers. In the foreseeable future, our further expansion will require significant investment activity, including the purchase of equipment and possibly the acquisition of other companies.

Our capital expenditures include purchases of new licenses, equipment, new construction, upgrades, software, other long lived assets and related reasonable costs incurred prior to intended use of the noncurrent assets, accounted at the earliest event of advance payment or delivery. Long-lived assets acquired in business combinations are not included in capital expenditures. During 2013, our capital expenditures were approximately US\$4,306 million compared to approximately US\$4,284 million during 2012 and approximately US\$ 6,350 million during 2011. The increase in capital expenditure in 2013 compared to 2012 was mainly due to our investments in future growth, e.g. the further roll out of the mobile networks in Russia, Bangladesh, Pakistan and the CIS and acquisition of 3G licenses in Bangladesh and Algeria. The decrease in capital expenditure in 2012 compared to 2011 was mainly due to investment of LTE frequencies in Italy and Uzbekistan and 2G license renewal in Bangladesh in 2011 as well as decreased capital expenditures in Russia. Our capital expenditures do not include investments made through acquisition of interests in other entities.

Our management expects our total capital expenditures (excluding acquisitions and payments for licenses) in 2014 to be approximately 21% of our 2014 consolidated total operating revenue. We expect that our capital expenditures in 2014 will mainly consist of the maintenance of our existing networks as well as the increase of capacity due to data traffic growth and 3G and LTE rollouts. In the years ended December 31, 2013, 2012 and 2011, our capital expenditures were 19.1%, 17.9% and 31.3% of our consolidated total operating revenue, respectively. The actual amount of our capital expenditures (excluding acquisitions) for 2014 will depend on market development and our performance.

Our management anticipates that the funds necessary to meet our current capital requirements and those to be incurred in the foreseeable future (including with respect to any possible acquisitions) will come from:

- cash we currently hold;
- operating cash flows;
- export credit agency guaranteed financing;
- borrowings under bank financings, including credit lines currently available to us;
- syndicated loan facilities; and
- debt financings from international and local capital markets.

Our management believes that funds from a number of these sources will be sufficient to meet our projected capital requirements for the next twelve months. As of the date of this Annual Report on Form 20-F, we had US\$1,957 million available to us under existing credit lines.

Our management expects positive cash flows from operations will continue to provide us with internal sources of funds. The availability of external financing is difficult to predict because it depends on many factors, including the success of our operations, contractual restrictions, availability of guarantees from export credit agencies, the financial position of international and local banks, the willingness of international banks to lend to our companies and the liquidity of international and local capital markets. The actual amount of debt financing that we will need to raise will be influenced by our financing needs, the actual pace of traffic growth over the period, network construction, our acquisition plans and our ability to continue revenue growth and stabilize ARPU. For related risks, see “Item 3—Key Information—D. Risk Factors—Risks Related to Our Business—Substantial leverage and debt service obligations may materially adversely affect our cash flow,” “—Covenants in our debt agreements could impair our liquidity and our ability to expand or finance our future operations,” and “—We may not be able to raise additional capital.”

### **Contractual Obligations**

As of December 31, 2013, we had the following contractual obligations, including long-term debt arrangements, equipment financing, capital leases, and commitments for future payments under non-cancellable lease arrangements and purchase obligations. We expect to meet our payment requirements under these obligations with cash flows from our operations and other financing arrangements. For information relating to our outstanding indebtedness subsequent to December 31, 2013, see “—Financing Activities” above.

	Payments due by period (in millions of U.S. dollars)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
<b>Contractual Obligations<sup>(1)</sup></b>					
Bank loans and bonds <sup>(2)</sup>	35,752	3,637	8,493	17,459	6,163
Equipment financing <sup>(2)</sup>	738	216	279	150	93
Loans from others <sup>(2)</sup>	131	76	55	—	—
Capital lease obligations	171	32	43	42	54
Non-cancellable lease obligations	1,090	297	303	175	315
Purchase obligations <sup>(3)</sup>	926	923	3	—	—
Other long-term liabilities					
<b>Total</b>	<b>38,808</b>	<b>5,181</b>	<b>9,176</b>	<b>17,826</b>	<b>6,625</b>

(1) Debt payments could be accelerated upon violation of debt covenants.

(2) Obligations for bank loans and bonds, equipment financing and loans from others represent anticipated future cash flows, including interest. For further information on interest rates on our long-term debt, see “—Financing Activities” above. Loans from UBS (Luxembourg) S.A. and VIP Finance Ireland Ltd. (funded by the issuance of loan participation notes by UBS (Luxembourg) S.A. and VIP Finance Ireland Ltd., respectively) are included under long-term debt.

(3) Purchase obligations primarily include our material contractual legal obligations for the future purchase of equipment and intangible assets. On October 4, 2013, OJSC VimpelCom and Apple signed an agreement to purchase iPhones. Under the agreement, a specified number of iPhones handsets are to be ordered by OJSC VimpelCom each quarter between October 4, 2013 and June 30, 2016 according to a schedule (the “Schedule”). If VimpelCom does not comply with the Schedule and certain other terms of the Agreement, then according to the Agreement VimpelCom could become liable for the shortfall in orders of iPhone handsets. Our purchase obligations do not include our obligation to purchase iPhones under our agreement with Apple as we are unable to estimate the amount of such obligation.

Other than the debt obligations described above under “—Financing Activities,” we have not had any material changes outside the ordinary course of our business in the specified contractual obligations.

### **Basis of Presentation of Financial Results**

VimpelCom Ltd. maintains its records and prepares its statutory financial statements in accordance with Dutch law and tax legislation. Our subsidiaries outside of the Netherlands record and prepare their statutory financial statements in accordance with local accounting principles and tax legislation and in accordance with IFRS, where applicable. Our audited consolidated financial statements have been prepared in accordance with IFRS, as issued by the IASB. They differ from our financial statements issued for statutory purposes that are prepared on a stand-alone legal entity basis (unconsolidated) in accordance with IFRS, as endorsed by the European Union. The principal differences relate to:

- consolidation procedures and business combinations;
- investments in subsidiaries that are stated at net asset value.

Our audited consolidated financial statements set forth elsewhere in this Annual Report on Form 20-F include the accounts of VimpelCom Ltd. and its consolidated subsidiaries. All inter-company accounts and transactions have been eliminated. We have used the equity method of accounting for companies in which we have significant influence. Generally, this represents voting stock ownership of at least 20.0% and not more than 50.0%.

We and our subsidiaries paid taxes computed on income reported for local statutory tax purposes. We based this computation on local statutory tax rules, which differ substantially from IFRS. Certain items that are capitalized under IFRS are recognized under local statutory accounting principles as an expense in the year paid. In contrast, numerous expenses reported in the financial statements prepared under IFRS are not tax deductible under local legislation. As a consequence, our effective tax charge was different under local tax rules and under IFRS.

### **Certain Factors Affecting Our Financial Position and Results of Operations**

Our financial position and results of operations for the three years ended December 31, 2013 as reflected in our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F have been influenced by the following additional factors:

#### ***Inflation***

As our biggest market, Russia has experienced periods of high levels of inflation since the early 1990s. Please also see “Item 3—Key Information—D. Risk Factors—Risks Related to Our Markets—Sustained periods of high inflation may materially adversely affect our business.” Inflation affects the purchasing power of our mass market customers, as well as corporate clients. For the years ended December 31, 2013, 2012 and 2011, Russia’s inflation rates were 6.5%, 6.6% and 6.1 % respectively, as provided by the Russian Federal State Statistics Service. For Italy, inflation was 0.6%, 2.4% and 2.8% for the years ended December 31, 2013, 2012 and 2011 respectively, as provided by the Italian National Institute for Statistics. For the years ended December 31, 2013 (except otherwise stated), 2012 and 2011, inflation rates in Ukraine were 0.5%, -0.2% and 4.6% respectively, as provided by the State Statistics Committee of Ukraine, in Kazakhstan 4.8%, 6.0% and 7.4% respectively, as provided by the Agency of Statistics of the Republic of Kazakhstan, in Uzbekistan 11.5%, 10.4% and 13.3% respectively, as provided by the International Monetary Fund, in Armenia 5.6%, 3.2% and 3.2% respectively, as provided by the National Statistical Service of the Republic of Armenia, in Tajikistan were 7.0%, 6.4% and 9.3% respectively, as provided by the International Monetary Fund, in Georgia were 2.4%, -1.4% and 2.0% respectively, as provided by the Ministry of Economic Development of the Republic of Georgia, in Kyrgyzstan 4.4% (November 30, 2013), 7.5% and 5.5% respectively, as provided by the International Monetary Fund, in Algeria were 1.2%, 9.1% and 5.1% respectively, as provided by the Central Bank of Algeria, in Pakistan were 9.2%, 7.9% and 9.8% respectively, as provided by the Pakistan Bureau of Statistics, in Bangladesh were 7.4%, 7.1% and 10.6% respectively, as provided by the Central Bank of Bangladesh, in Burundi were 12.1% (September 30, 2013), 11.8% and 14.9% respectively, as provided by the International Monetary Fund, in CAR were 0.4% (July 31, 2013), 5.9% and 4.3% respectively, as provided by the International Monetary Fund, and in Laos were 6.9% (September 30, 2013), 4.7% and 7.7% respectively, as provided by the International Monetary Fund.

#### ***Foreign Currency Translation***

Our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F are presented in U.S. dollars. Amounts included in these financial statements were presented in accordance with IAS21, The Effects of Changes in Foreign Exchange Rates, using the current rate method of currency translation with the U.S. dollar as the reporting currency. The current rate method assumes that assets and liabilities measured in the functional currency are translated into U.S. dollars at exchange rates prevailing on the balance sheet date; whereas revenue, expenses, gains and losses are translated into U.S. dollars at historical exchange rates prevailing on the transaction dates. We translate income statement amounts using the average exchange rates for the period. Translation adjustments resulting from the process of translating financial statements into U.S. dollars are reported in accumulated other comprehensive income, a separate component of equity.

#### ***Russia***

The national currency of Russia is the Russian ruble. We have determined that the functional currency for Russia is the Russian ruble. As of December 31, 2013, 2012 and 2011, the official Central Bank of Russia Russian ruble-U.S. dollar exchange rates were 32.73, 30.37 and 32.20 Russian rubles per U.S. dollar, respectively. During 2013, the average Russian ruble-U.S. dollar exchange rate was 2.4 % higher than the average Russian ruble-U.S. dollar exchange rate during 2012. During 2012, the average Russian ruble-U.S. dollar exchange rate was 5.8% higher than the average Russian ruble-U.S. dollar exchange rate during 2011.

## *Italy*

We have determined that the functional currency of Wind Italy is the Euro. As of December 31, 2013, 2012 and 2011, the Euro-U.S. dollar exchange rate was 0.73, 0.76 and 0.77 Euro per U.S. dollar respectively, as provided by Bloomberg Finance L.P. During 2013 the average Euro-U.S. dollar exchange rate was 3.2% lower than the average Euro-U.S. dollar exchange rate during 2011. During 2012 the average Euro-U.S. dollar exchange rate was 8.3% higher than the average Euro-U.S. dollar exchange rate during 2011.

## *Africa & Asia*

### *Pakistan*

The national currency of Pakistan is the Pakistani rupee. As of December 31, 2013, 2012 and 2011 the Pakistani rupee-U.S. dollar exchange rate was 105.33, 97.14 and 89.95 Pakistani rupee per U.S. dollar respectively, as provided by Bloomberg Finance L.P. During 2013 the average Pakistani rupee-U.S. dollar exchange rate was 8.8 % higher than the average Pakistani rupee-U.S. dollar exchange rate during 2012. During 2012 the average Pakistani rupee-U.S. dollar exchange rate was 8.2 % higher than the average Pakistani rupee-U.S. dollar exchange rate during 2011.

### *Bangladesh*

The national currency of Bangladesh is the Bangladeshi taka. As of December 31, 2013, 2012 and 2011, the Bangladeshi taka-U.S. dollar exchange rate was 77.67, 79.78 and 81.83 Bangladeshi taka per U.S. dollar respectively, as provided by Bloomberg Finance L.P. During 2013 the average Bangladeshi taka-U.S. dollar exchange rate was 4.6 % lower than the average Bangladeshi taka-U.S. dollar exchange rate during 2012. During 2012 the average Bangladeshi taka-U.S. dollar exchange rate was 10.5 % higher than the average Bangladeshi taka-U.S. dollar exchange rate during 2011.

### *Algeria*

The national currency of Algeria is the Algerian dinar. As of December 31, 2013, 2012 and 2011, the Algerian dinar-U.S. dollar exchange rate was 78.38, 78.94 and 75.33 Algerian dinar per U.S. dollar respectively, as provided by Bloomberg Finance L.P. During 2013, the average Algerian dinar-U.S. dollar exchange rate was 2.3% higher than the average Algerian dinar-U.S. dollar exchange rate during 2012. During 2012, the average Algerian dinar-U.S. dollar exchange rate was 6.7% higher than the average Algerian dinar-U.S. dollar exchange rate during 2011.

### *Ukraine*

The national currency of Ukraine is the Ukrainian hryvnia. We have determined that the functional currency of our subsidiary in Ukraine is the Ukrainian hryvnia, as it reflects the economic substance of the underlying events and circumstances of the company. The Ukrainian hryvnia is not a convertible currency outside Ukraine. As of December 31, 2013, 2012 and 2011, the official National Bank of Ukraine hryvnia-U.S. dollar exchange rates were 7.993, 7.993 and 7.990 Ukrainian hryvnia per U.S. dollar, respectively. During 2013 the average Ukrainian hryvnia-U.S. dollar NBU exchange rate was 0.0% higher than the average Ukrainian hryvnia-U.S. dollar NBU exchange rate during 2012. During 2012 the average Ukrainian hryvnia-U.S. dollar NBU exchange rate was 0.3% higher than the average Ukrainian hryvnia-U.S. dollar NBU exchange rate during 2011.

## *CIS*

### *Kazakhstan*

The national currency of the Republic of Kazakhstan is the Kazakh tenge. We have determined that the functional currency of our subsidiary in Kazakhstan is the Kazakh tenge, as it reflects the economic substance of the underlying events and circumstances of the company. The Kazakh tenge is not a convertible currency outside Kazakhstan. As of December 31, 2013, 2012 and 2011, the official National Bank of Kazakhstan tenge-U.S. dollar exchange rates were 153.61, 150.74 and 148.40 Kazakh tenge per U.S. dollar, respectively. During 2013 the average Kazakh tenge-U.S. dollar exchange rate was 2.0% higher than the average Kazakh tenge-U.S. dollar exchange rate during 2012. During 2012 the average Kazakh tenge-U.S. dollar exchange rate was 1.7% higher than the average Kazakh tenge-U.S. dollar exchange rate during 2011.

### *Tajikistan*

The national currency of Tajikistan is the Tajik somoni. We have determined that the functional currency of our subsidiary in Tajikistan is the U.S. dollar, as it reflects the economic substance of the underlying events and circumstances of the company. The Tajik somoni is not a convertible currency outside Tajikistan.



### *Uzbekistan*

The national currency of Uzbekistan is the Uzbek sum. We have determined that the functional currency of our subsidiary in Uzbekistan is the U.S. dollar, as it reflects the economic substance of the underlying events and circumstances of the company. The Uzbek sum is not a convertible currency outside Uzbekistan.

### *Armenia*

The national currency of Armenia is the Armenian dram. We have determined that the functional currency of our subsidiary in Armenia is the Armenian dram, as it reflects the economic substance of the underlying events and circumstances of the company. The Armenian dram is not a convertible currency outside Armenia. As of December 31, 2013, 2012 and 2011, the official Central Bank of Armenia Armenian dram—U.S. dollar exchange rates were 405.64, 403.58 and 385.77 Armenian drams per U.S. dollar, respectively. During 2013 the average Armenian dram-U.S. dollar exchange rate was 1.9% higher than the average Armenian dram—U.S. dollar exchange rate during 2012. During 2012 the average Armenian dram-U.S. dollar exchange rate was 7.9% higher than the average Armenian dram—U.S. dollar exchange rate during 2010.

### *Georgia*

The national currency of Georgia is the Georgian lari. We have determined that the functional currency of our subsidiary in Georgia is the Georgian lari, as it reflects the economic substance of the underlying events and circumstances of the company. The Georgian lari is not a convertible currency outside Georgia. As of December 31, 2013, 2012 and 2011, the official Georgian lari-U.S. dollar exchange rates were 1.74, 1.66 and 1.67 lari per U.S. dollar, respectively. During 2013, the average Georgian lari-U.S. dollar exchange rate was 0.7% higher than the average Georgian lari-U.S. dollar exchange rate during 2012. During 2012, the average Georgian lari-U.S. dollar exchange rate was 2.1% lower than the average Georgian lari-U.S. dollar exchange rate during 2011.

### *Kyrgyzstan*

The national currency of Kyrgyzstan is the Kyrgyz som. We have determined that the functional currency of our subsidiary in Kyrgyzstan is the Kyrgyz som, as it reflects the economic substance of the underlying events and circumstances of the company. The Kyrgyz som is not a convertible currency outside Kyrgyzstan. As of December 31, 2013, 2012 and 2011, the official Kyrgyz som-U.S. dollar exchange rate were 49.25, 47.40 and 46.48 som per U.S. dollar, respectively. During 2013, the average Kyrgyz som-U.S. dollar exchange rate was 3.1% higher than the average Kyrgyz som-U.S. dollar exchange rate during 2012. During 2012, the average Kyrgyz som-U.S. dollar exchange rate was 1.9% higher than the average Kyrgyz som-U.S. dollar exchange rate during 2011.

Conversion of foreign currencies that are not convertible outside the applicable country to U.S. dollars or other foreign currency should not be construed as a representation that such currency amounts have been, could be, or will be in the future, convertible into U.S. dollars or other foreign currency at the exchange rate shown, or at any other exchange rates.

We have implemented a number of risk management activities to minimize currency risk and exposure in certain of the countries in which we operate, as further described in the section of this Annual Report on Form 20-F entitled “Item 11—Quantitative and Qualitative Disclosures About Market Risk.”

### **Critical Accounting Policies**

Please refer to notes 3 and 4 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F.

### **Recent Accounting Pronouncements**

Please refer to note 3 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F.

### **Related Party Transactions**

We have entered into transactions with related parties and affiliates. Please see the section of this Annual Report on Form 20-F entitled “Item 7—Major Shareholders and Related Party Transactions—B. Related Party Transactions.”

## Off-balance Sheet Arrangements

We did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

## ITEM 6. Directors, Senior Management and Employees

### A. Directors and Senior Management

As of May 15, 2014, the members of our supervisory board were as follows:

<u>Name</u>	<u>Age<sup>(1)</sup></u>	<u>Position</u>
Alexey M. Reznikovich	46	Chairman of Supervisory Board
Hamid Akhavan	52	Alternate Director <sup>(2)</sup>
Jon Fredrik Baksaas	59	Director
Andrei Baranov	45	Director <sup>(3)</sup>
Mikhail M. Fridman	50	Director
Andrei Gusev	41	Alternate Director <sup>(3)</sup>
Kjell-Morten Johnsen	46	Director
Dr. Hans-Peter Kohlhammer	67	Director
Leonid R. Novoselsky	44	Director
Ole Bjørn Sjulstad	52	Director
Sergei Tesliuk	35	Director <sup>(2)</sup>

(1) As of April 30, 2014.

(2) Mr. Akhavan is presently serving as an alternate director for Sergei Tesliuk.

(3) Mr. Gusev is presently serving as an alternate director for Andrei Baranov.

The members of our current supervisory board were elected at the April 24, 2013 annual general meeting of shareholders in accordance with our bye-laws, except for Mr. Akhavan and Mr. Gusev who were appointed to serve as alternate directors in place of Sergei Tesliuk and Andrei Baranov, respectively, on our supervisory board and its committees. The appointments of Mr. Akhavan and Mr. Gusev were approved by our supervisory board in accordance with our bye-laws. The members of our current supervisory board will serve until the next annual general meeting, unless any members are removed from office or their offices are vacated in accordance with our bye-laws. Mr. Akhavan's and Mr. Gusev's appointments as alternate directors for Mr. Tesliuk and Mr. Baranov, respectively, expire on December 31, 2014.

As of May 15, 2014, the members of our management board were as follows:

<u>Name</u>	<u>Age<sup>(1)</sup></u>	<u>Position</u>
Jo Lunder	52	Group Chief Executive Officer
Andrew Davies	48	Group Chief Financial Officer
Jan Edvard Thygesen	63	Group Deputy Chief Executive Officer and Group Chief Operating Officer
Jeffrey D. McGhie	44	Group General Counsel & Chief Corporate Affairs Officer
Mikhail Gerchuk	41	Group Chief Commercial and Strategy Officer and Acting Head of the CIS Business Unit

<u>Name</u>	<u>Age<sup>(1)</sup></u>	<u>Position</u>
Anton Kudryashov	46	Chief Group Business Development and Portfolio Officer
Romano Righetti	52	Group Chief Regulatory Officer
Yogesh Malik	41	Group Chief Technology Officer
Anja Uitdehaag	52	Group Chief Human Resources Officer
Mikhail Slobodin	41	Head of Russia Business Unit
Igor V. Lytovchenko	47	Head of the Ukraine Business Unit
Ahmed Abou Doma <sup>(2)</sup>	45	Head of Africa & Asia Business Unit
Maximo Ibarra	45	Head of Italy
Taras Parkhomenko	40	Head of Kazakhstan

(1) As of April 30, 2014.

(2) Mr. Abou Doma will resign as Head of Africa & Asia Business Unit effective June 30, 2014. Mr. Vincenzo Nesci, presently serving as Chairman of OTA, will succeed Mr. Abou Doma as Head of Africa & Asia Business Unit.

### *Supervisory Board*

**Alexey M. Reznikovich** has been Chairman of the VimpelCom Ltd. supervisory board since December 2012 and a director of VimpelCom Ltd. since April 2010. He also serves as chairman of VimpelCom Ltd.'s compensation committee. Mr. Reznikovich was a member of the board of directors of OJSC VimpelCom from May 2002 until April 2010. Mr. Reznikovich has been Chief Executive Officer of LLC Altimo since April 2005. He has been a director of the Alfa Group, Altimo Holdings' parent company, since 2002, with overall responsibility for business development and management supervision of the Group's assets. Mr. Reznikovich was a director of Golden Telecom from May 2007 until February 2008. In 2001, Mr. Reznikovich founded EMAX, a new business venture to develop Internet centers in Russia and has been a director of EMAX and of CAFEMAX, an Internet café chain, since February 2001. From December 1998 to 2000, Mr. Reznikovich was a partner at McKinsey & Co. Prior to his time at McKinsey, Mr. Reznikovich worked at Procter & Gamble in Italy and Transworld in the United States. He graduated from the Economics Faculty of the Moscow State University and received an M.B.A. from Georgetown University in the United States and from INSEAD in France.

**Hamid Akhavan** has been an alternate director of VimpelCom Ltd. since March 2014. In his capacity as alternate director for Sergei Tesliuk, he is serving as a member of VimpelCom Ltd.'s audit committee and business review committee and is a member of its special committee overseeing the internal investigation and the Company's response to the inquiries by various authorities. Mr. Akhavan has been a member of the board of directors of Unify Inc. (previously Siemens Enterprise Communications) since January 2014, having served as the CEO of Unify Inc. from 2010 to 2014. He also serves as a director of InContact Inc. From 2009 to 2010, Mr. Akhavan served as Chief Operating Officer of Deutsche Telekom Group and Chairman of the Executive Operating Board at Deutsche Telekom. Mr. Akhavan was the CEO at T-Mobile International AG from 2007 to 2009. Mr. Akhavan holds a Bachelor of Science degree in electrical engineering and computer science from the California Institute of Technology and an M.S. degree in the same fields from the Massachusetts Institute of Technology.

**Jon Fredrik Baksaas** has been a director of VimpelCom Ltd. since November 30, 2011, and before his current term, he served as a director of VimpelCom Ltd. from April 2010 to June 2011. Mr. Baksaas has served as the President and Chief Executive Officer of Telenor ASA since June 2002, chairman of the board of directors of Telenor Mobile Holdings AS since 2002, chairman of the board of directors of Telenor Business Partner Invest since 2001, a member of the board of Svenska Handelsbanken AB since 2003 and a member of the board of GSM Association since January 2009. Before joining Telenor in 1989, Mr. Baksaas served as the Chief Financial Officer of Aker AS, Chief Financial Officer of Stolt-Nielsen Seaway and held finance-related positions in Det Norske Veritas in Norway and Japan. Mr. Baksaas holds a Master of Science degree from the Norwegian School of Economics and Business Administration in Bergen, Norway, and additional qualifications from the International Institute for Management Development in Lausanne, Switzerland.

**Andrei Baranov** has been a director of VimpelCom Ltd. since June 2011. He also holds positions as chairman of VimpelCom Ltd.'s finance and strategy committee and business review committee and is a member of its nominating and corporate governance committee; however, presently, Andrei Gusev is serving in place of Mr. Baranov on the supervisory board of VimpelCom Ltd. and these committees. Mr. Baranov has served as a managing director at Altimo since June 2011. He is currently a member for the board of directors of AlfaBank Holding Group, AlfaBank Ukraine and AlfaStrahovanie. From 2002 until 2011, Mr. Baranov was a managing partner of Princeton Partners Group where he managed over 30 projects in Russia and the CIS in strategy, development, corporate restructuring, post-merger management and other initiatives. From 1999 until 2002, Mr. Baranov worked in the New Jersey office of McKinsey and Co., in 1999 at Merrill Lynch in New York, from 1996 to 1997 at Princeton Consultants and from 1992 to 1996 at International Commodity Traders. In addition, Mr. Baranov has served in the past as a member of the board of directors of several companies, including of Volga-Dnepr, Russian Fitness Group, Metinvest and DTEK. Mr. Baranov received a degree from the Tajik State University in Theoretical Physics, a degree in International Business from the Moscow Higher School of Commerce and an M.B.A. from the Wharton School of the University of Pennsylvania.

**Mikhail M. Fridman** has been a director of VimpelCom Ltd. since April 2010. Mr. Fridman was a member of the board of directors of OJSC VimpelCom from July 2001 until April 2010. He currently serves as a member of the board of directors of OJSC Alfa-Bank, as well as Chairman of the supervisory boards of the Alfa Group Consortium and LetterOne Holdings SA. Mr. Fridman also serves as a member of the Supervisory Board of X5 RETAIL GROUP N.V. He is a member of the Public Chamber of the Russian Federation. Since 1989, Mr. Fridman has taken an active role in managing the Alfa Group, which includes Alfa Finance Holdings S.A. (Alfa Bank, Alfa Capital Holdings Limited and Medpoint Limited), Altimo and X5 RETAIL GROUP N.V. In 1988, Mr. Fridman co-founded the Alfa-Foto cooperative. From 1986 until 1988, Mr. Fridman served as an engineer at Elektrostal Metallurgical Works. Mr. Fridman graduated with honors from the Faculty of Non-Ferrous Metals of the Moscow Institute of Steel and Alloys in 1986.

**Andrei Gusev** has been an alternate director of VimpelCom Ltd. since April 2014. Mr. Gusev is serving as a chairman of VimpelCom Ltd.'s finance and strategy committee and as a member of its nominating and corporate governance committee and business review committee, in each case as an alternate director for Andrei Baranov. Mr. Gusev has been a managing director at Altimo since 2013. Mr. Gusev was Chief Executive Officer of X5 RETAIL GROUP NV from 2011 to 2012 and prior to that, from 2006 to 2010, served as its Director of Business Development and M&A. From 2001 to 2005, Mr. Gusev served as Managing Director of the Alfa Group with overall responsibility for investment planning. Prior to that, Mr. Gusev worked at Bain & Company and Deloitte Consulting. Mr. Gusev holds an M.B.A. from the Wharton School at the University of Pennsylvania and a diploma with honors from the Department of Applied Mathematics and Computer Science at Lomonosov Moscow State University.

**Kjell-Morten Johnsen** has been a director of VimpelCom Ltd. since June 2011. Mr. Johnsen served as a member of OJSC VimpelCom from June 2007 until May 2013. Mr. Johnsen is a member of VimpelCom Ltd.'s compensation committee. Mr. Johnsen was appointed Executive Vice President and Head of Telenor's European Operations in May 2012. From March 2009 to May 2012, Mr. Johnsen was Chief Executive Officer of Telenor Serbia. Before his appointment in Serbia, Mr. Johnsen served as Senior Vice President of Telenor Central & Eastern Europe and Head of Telenor Russia from February 2006. From 2001 to 2006, Mr. Johnsen worked as Vice President of Telenor Networks with responsibility for Telenor ASA's fixed-line activities in Russia and the CIS. From 1996 to 2000, Mr. Johnsen worked with Norsk Hydro, where he held executive positions both as country manager in Ukraine and as manager at the regional headquarters for the CIS, Africa and Latin America, which was based in Paris. Mr. Johnsen served as a member of Golden Telecom, Inc.'s board of directors from December 2003 to February 2008. Mr. Johnsen has an M.B.A. in Strategic Management from the Norwegian School of Economics and Business Administration.

**Dr. Hans-Peter Kohlhammer** has been a director of VimpelCom Ltd. since April 2010. He also serves as chairman of VimpelCom Ltd.'s audit committee, is a member of its special committee overseeing the internal investigation and the Company's response to the inquiries by various authorities, and is a member of its compensation committee. Dr. Kohlhammer was a member of OJSC VimpelCom's board of directors from June 2008 until April 2010. He was the founder and has been the Chief Executive Officer of KPC Kohlhammer Consulting, Munich, since August 2006. From 2003 to 2006, he was the Chief Executive Officer and Director General of the telecommunications company SITA SC, Geneva. From 2001 to 2003, he was the President and Chief Executive Officer of Grundig AG, Nuremberg. In 2000 and 2001, he was a self-employed consultant and from 1998 to 2000, he held various management positions in Esprit Telecom plc in London. Dr. Kohlhammer is currently a member of the board of directors of various companies, including Deutsche Steinzeug Cremer & Breuer AG and Regify S.A. Dr. Kohlhammer has a diploma in Mathematics and Physics and a PhD in Mathematics from Bonn University.

**Leonid Novoselsky** has been a director of VimpelCom Ltd. since April 2010. He also serves as chairman of VimpelCom Ltd.'s nominating and corporate governance committee, chairman of its special committee overseeing the internal investigation and the Company's response to the inquiries by various authorities, and is a member of its finance and strategy committee. Mr. Novoselsky was a member of OJSC VimpelCom's board of directors from June 2006 until April 2010. He is a co-founder and the current President of the Gradient Group. Since September 2008, Mr. Novoselsky has been a member of the board of directors of OJSC "Protec," one of the largest pharmaceutical distributors in Russia. Mr. Novoselsky graduated from the Moscow Institute of Steel and Alloys in 1993 with a degree in Engineering and, in 1999, received an M.B.A. from the Wharton School of the University of Pennsylvania.

**Ole Bjørn Sjulstad** has been a director of VimpelCom Ltd. since April 2010. He also serves as a member of VimpelCom Ltd.'s finance and strategy committee, audit committee, nominating and corporate governance committee and business review committee. Mr. Sjulstad was a member of OJSC VimpelCom's board of directors from June 2008 until April 2010. Mr. Sjulstad has been the Head of Telenor's representative office in Russia since 2009. Mr. Sjulstad joined the Telenor Group in 2000 and is currently a Senior Vice President. He served as Managing Director of Telenor Asia Pte Ltd. in Singapore from 2002 until 2004 when he relocated to Norway. He continued focusing on emerging markets in Asia as Senior Vice President and Director of Corporate Development, Asia region of Telenor ASA. In March 2007, he joined Telenor's Central & Eastern European regional unit. In March 2009, Mr. Sjulstad was appointed Head of Telenor, Russia. Mr. Sjulstad also served on the board of directors of Grameenphone Limited in Bangladesh from 2002 until 2008. Mr. Sjulstad has degrees in Mechanical Engineering and Business Administration from the Kongsberg International Institute (Ingeniørhøgskole), which he received in 1983. Mr. Sjulstad also completed the Program for Executive Development at IMD, Lausanne in October 2008.

**Sergei V. Tesliuk** has been a director of VimpelCom Ltd. since December 2012. He also serves as a member of VimpelCom Ltd.'s audit committee and business review committee; however, presently, Hamid Akhavan is serving in place of Mr. Tesliuk on the supervisory board of VimpelCom Ltd. and these committees. He served as a director of the VimpelCom Holdings B.V. and VimpelCom Amsterdam B.V. from December 2011 to January 2013. He has served as Vice President of Altimo's asset management department since October 2011. From 2009 to 2011, Mr. Tesliuk served as an independent advisor to various Russian financial and industrial groups on issues related to strategy, investments and reorganization. From 2002 to 2009, Mr. Tesliuk worked at Princeton Partners Group as a consultant, engagement manager and partner. At Princeton Partners Group he participated in more than 30 projects in Russia, the CIS and Western Europe in the areas of strategy development, corporate governance and restructuring. Mr. Tesliuk graduated from Belarus State University in July 2000 with degrees in Management and Economics. He has a Master's degree in Economics from the Economics Education and Research Consortium in the National University Kyiv Mohyla Academy.

#### *Management Board*

**Jo Lunder** was appointed as Chief Executive Officer of VimpelCom Ltd. by the VimpelCom Ltd. supervisory board effective July 2011. Previously, Mr. Lunder served as the Chairman of the VimpelCom Ltd. supervisory board from April 2010 until June 2011. From May 2002 to October 2010 and from August 2011 to May 2013, Mr. Lunder served as a member of OJSC VimpelCom's board of directors, and from May 2002 until July 2003 and from August 2011 to March 2012, Mr. Lunder served as the Chairman of the board of directors of OJSC VimpelCom. Since September 1999, Mr. Lunder has also held numerous other positions at OJSC VimpelCom, including Chief Executive Officer from April 2001 to October 2003, General Director from May 2001 to October 2003, President and Chief Operating Officer from September 2000 to April 2001, First Deputy Chief Executive Officer and Chief Operating Officer from September 1999 to April 2000. Mr. Lunder has served as a member of the board of directors of Orkla ASA since 2012. From September 2007 until June 2011, Mr. Lunder served as the Executive Vice President of FERD, one of Norway's largest privately owned financial and industrial groups. In addition, Mr. Lunder served as Executive Chairman of the board of directors of the Aibel Group Ltd., Chairman of the board of Elopak AS, Chairman of the board of Swix Sport AS, and a member of the board of directors of Pronova BioPharma ASA. From February 2005 to September 2007, Mr. Lunder served as Chief Executive Officer of Atea ASA, one of Europe's largest IT infrastructure companies. From 1993 until August 1999, Mr. Lunder was employed in various capacities for Telenor and its affiliates, including Chief Operating Officer of Telenor Mobile. Mr. Lunder earned a Bachelor's degree from the Oslo Business School and an M.B.A. degree from Henley Management College in the United Kingdom.

**Andrew Davies** joined VimpelCom Ltd. in November 2013 as Chief Financial Officer. From November 2010 to October 2013, Mr. Davies was the Chief Financial Officer at Verizon Wireless. Prior to his appointment at Verizon Wireless, Mr. Davies held a number of senior financial roles within Vodafone Group, latterly as CFO of Vodafone India and Vodafone Turkey and including

positions in Vodafone UK and Vodafone Japan. Prior to joining Vodafone in 2003, Mr. Davies was CFO of Singlepoint (4U), which was acquired by Vodafone in 2003, and held positions with Honeywell Inc and the General Electric Company after starting his career with KPMG in 1987. Mr. Davies earned a Bachelor of Science degree in mathematics from the Imperial College in London.

**Jan Edvard Thygesen** joined VimpelCom Ltd. in January 2012 as Deputy Chief Executive Officer and Chief Operating Officer. Mr. Thygesen has been a member of OJSC VimpelCom's board of directors since June 2008. He has served as an Executive Vice President of Telenor since 1999 and as Executive Vice President and Head of Telenor's Central and Eastern European operations since January 2006. Since joining Telenor in 1970, Mr. Thygesen held various positions, including Chief Executive Officer of Sonofon, Chief Executive Officer of Telenor Nordic Mobile, Executive Vice President of Telenor Mobil AS, Chief Executive Officer of Telenor Invest AS, Executive Vice President of Telenor Bedrift AS and Chief Executive Officer of Telenor Networks AS. He also served as Chief Executive Officer of Esat Digifone, Ireland. Mr. Thygesen also served as Chairman of the boards of directors of Telenor Montenegro, Telenor d.o.o. in Serbia and Digi, Malaysia, as well as a director of the Board of Uninor, India. Mr. Thygesen holds a Master of Science degree in Electrical Engineering and Telecommunications from the Norwegian Institute of Technology.

**Jeffrey D. McGhie** has served as General Counsel of VimpelCom Ltd. since August 2010 and Chief Corporate Affairs Officer since March 2013. Mr. McGhie intends to remain with VimpelCom Ltd. in these capacities until a successor(s) is identified and thereafter to serve as a senior advisor. Mr. McGhie held the position of Vice President, General Counsel of OJSC VimpelCom from June 2007 until July 2010, and before that he served as OJSC VimpelCom's Chief Legal Officer beginning in March 2006. Prior to joining OJSC VimpelCom, he held the position of associate in the Moscow office of Akin Gump Strauss Hauer & Feld L.L.P. from September 2002 until December 2004, and counsel from January 2005 until March 2006. From December 1999 until August 2002, Mr. McGhie was an associate at Kirkland & Ellis in Chicago, Illinois. Mr. McGhie graduated with a B.A. in Russian from Brigham Young University in 1995 and received a J.D. magna cum laude and an M.B.A. from Indiana University (Bloomington) in 1999.

**Mikhail Gerchuk** has served as Group Chief Commercial and Strategy Officer since July 2012 and as Acting Head of the CIS Business Unit since February 2014. He also serves as the Chairman of the Board of Directors of our Kazakhstan operations. From October 2011 to July 2012 he served as the Group Chief Commercial Officer. Previously, Mr. Gerchuk served as Vice President and Chief Commercial Officer of MTS from December 2008 until October 2011, having joined MTS in August 2007 as the Group Marketing Director. At MTS, he also served on the boards of directors of Comstar, MGTS, MTS Ukraine and several other MTS subsidiaries. Prior to joining MTS, Mr. Gerchuk was Chief Commercial Officer at Vodafone Malta from 2006 to 2007. He held senior marketing positions at Vodafone Group, UK between 2002 and 2006, including Head of Voice Propositions between 2004 and 2006 and Senior Global Marketing Manager between 2002 and 2004. Mr. Gerchuk also worked as an Associate at Booz Allen Hamilton in London from 1999 to 2002 and, before that, as Category Marketing Manager at PepsiCo and Brand Manager at Mars, Inc. Mr. Gerchuk holds an M.B.A. from INSEAD and an M.A. in Economic Geography and English from the Moscow State University.

**Romano Righetti** has served as Group Chief Regulatory Officer since January 2012. He has also served as Deputy Chief Operating Officer of WIND since October 2010 and Director of Regulatory, Antitrust, Wholesale and Privacy Affairs since January 2006. In May 2011, Mr. Righetti was appointed Head of the Regulatory Board and in January 2012, he was appointed Group Chief Regulatory Officer. From 1999 to 2005, he worked for Telecom Italia S.p.A., where he held the position of Regulatory Affairs and International Institutions Vice President. During 1999, Mr. Righetti served as Director of the Regulatory Department at AGCOM. From 1995 to 1999, Mr. Righetti served as General Director for the Italian Ministry of Communications. Prior to that, Mr. Righetti was a partner in an Italian consultancy firm, professor of business Administration at University of Rome, and as a supervisor in an international audit company. Mr. Righetti holds a degree in Economics from L.U.I.S.S.—Guido Carli University.

**Yogesh Malik** has served as Group Chief Technology Officer of VimpelCom Ltd. since March 2014. Mr. Malik served as Chief Executive Officer of Uninor, an Indian mobile network operator majority owned by the Telenor Group, from May 2013 through November 2013 and prior to that, served in a variety of senior positions at Uninor, including COO covering the areas of Technology, Regulatory and Customer care. Mr. Malik has also served as CTO of Grameenphone in Bangladesh, CTO of Kyivstar in Ukraine and Head of Technology & Sourcing at Telenor Group headquarters in Norway. Prior to joining the Telenor Group, Mr. Malik worked for TIW, Tata/AT&T and Ericsson in various senior positions in a variety of countries. Mr. Malik holds an Engineering Degree in Electronics from MSU University, Baroda, India, and an Executive M.B.A. from IMD, Lausanne, Switzerland.

**Anja Uitdehaag** has served as Group Director Human Resources of VimpelCom Ltd. since January 2011. Before joining VimpelCom Ltd., Ms. Uitdehaag served as Manager/Director Human Resources for Philip Morris International in Kazakhstan, Romania, Switzerland, the Caucasus, Ukraine, Indonesia, South Korea and the Netherlands from 1995 to 2010. Ms. Uitdehaag received a degree in Human Resources Management from Rotterdam University.

**Anton Kudryashov** has been Chief Group Business Development and Portfolio Officer since October 2013. Previously Mr. Kudryashov was the Head of the Russia Business Unit of VimpelCom Ltd. and General Director of OJSC VimpelCom from January 2012 to September 2012. Mr. Kudryashov has been a member of the Supervisory Board of Euroset Holding N.V. from December 2012 until November 2013. Previously Anton Kudryashov served as Chief Executive Officer of CTC Media from August 2008. Mr. Kudryashov started his professional career at CS First Boston, an international investment bank, where he served in various positions from 1991 to 1995, including as Vice President from 1993 to 1995. In 1995, he became one of the founding partners of Renaissance Capital investment bank. Mr. Kudryashov also held senior executive positions in insurance and private equity. In 1998, Mr. Kudryashov founded Afisha Publishing House and was the Chairman of the Board of Afisha Publishing House until 2005. From 2002 to 2003, he served as the restructuring Chief Executive Officer of NTV-Plus. Mr. Kudryashov graduated with a degree in Economics from Moscow Finance Institute in 1989 and completed his post-graduate studies at the Institute of European Studies, Academy of Science in Moscow in 1990 and the London School of Economics in 1991. He is a member of the Russian Television Academy and also a member of the Board of the Russian Union of Industrialists and Entrepreneurs (RSSP).

**Mikhail Slobodin** has served as Head of the Russia Business Unit of VimpelCom Ltd. and General Director of OJSC VimpelCom since September 2013. Mr. Slobodin has been a member of the Supervisory Board of Euroset Holding N.V. since November 2013. Before joining VimpelCom, Mr. Slobodin was an Executive Vice President of Strategy and New Business Development in OJSC TNK-BP Management. From 2003 to 2011, he held key positions in several companies in the oil & gas sector including as President of OJSC Russian Utility Systems; General Director, President of CJSC Integrated Energy Systems; Vice President for Energy of OJSC TNK-BP Management; and Director of the Engineering Business Development Department of OJSC TNK Management. Mikhail started his business career in 1998, as Head of the Economics Division in OJSC SUAL. Mr. Slobodin graduated from the Ural State University in 1993, majoring in Economics, and has an academic degree as a Candidate of Science (Engineering).

**Igor Lytovchenko** has headed VimpelCom Ltd.'s Ukraine business unit since June 2010. Mr. Lytovchenko was a co-founder and Chief Executive Officer of Kyivstar from November 1997 until June 2010. From 1992 to 1996, he was a director of Private Company LOTOS, Kyiv in Ukraine. Mr. Lytovchenko holds a Master's degree in History from Kyiv National Taras Shevchenko University of Kyiv, Ukraine and a Ph.D in Economics from the A.S. Popov Odessa National Academy of Telecommunications, Odessa, Ukraine. He is a corresponding member of the Academy of Communications of Ukraine, a member of the International Academy of Communications and a corresponding member of the International Informatization Academy. He is a member of the Council of Entrepreneurs of Ukraine within the Cabinet of Ministers of Ukraine.

**Ahmed Abou Doma** has served as Group Executive Vice President and Head of the Africa & Asia Business Unit of VimpelCom Ltd. since May 2011. He has also served as Chief Executive Officer of GTH since May 2011. Previously, Mr. Abou Doma served as the Chief Executive Officer of Banglalink, a subsidiary of GTH in Bangladesh, from January 2009 to May 2011. Mr. Abou Doma was Marketing Director of Mobinil, an Egyptian subsidiary of GTH, from October 2003 to December 2008. He joined Mobinil in 1998 as a Market Development Manager and from 2000 until 2003, Mr. Abou Doma was Senior Market Manager for Planning and Development and Senior Manager for Market Strategy and Analysis. Before joining Mobinil, Mr. Abou Doma worked for IBM and Datum IDS. Mr. Abou Doma earned a B.S. in Electronics and Communication Engineering from Cairo University in 1992 and completed the International Executive Program at INSEAD Business School in Singapore and France.

**Maximo Ibarra** has served as Chief Executive Officer and General Director of WIND Italy since May 2012. From May 2009 to May 2012, Mr. Ibarra served as the Consumer Director of WIND Italy, having served as Mobile Marketing and Customer Management Director from 2004 to April 2009. From June 2003 to February 2004, Mr. Ibarra served as Vice President Marketing & Strategies of the Benetton Group. From September 2001 to June 2003, he served as Vice President for Strategy and Business Development in Fiat Auto. From December 2000 to September 2001, Mr. Ibarra served as the Commercial Director of DHL International, and from January 1996 to December 2000, he held several positions in Omnitel (now Vodafone). Mr. Ibarra holds a degree in Political Sciences and Economics from the Sapienza University of Rome.

**Taras Parkhomenko** has served as the Chief Executive Officer of our subsidiary in Kazakhstan since February 2013. In August 2006, Mr. Parkhomenko joined Kyivstar as Deputy Marketing Director for Strategic Affairs at Kyivstar, and became Chief Marketing Officer in 2010 and a member of the Management Board. In 2002, he joined BBH company (Carlsberg Group) as Manager for brands strategic management and in 2003 he became Marketing Director in the pharmaceutical corporation ARTERIUM. Mr. Parkhomenko started his career in the telecommunications field in 1996, working for Golden Telecom in the marketing and strategic planning function for five years. Mr. Parkhomenko holds a degree in economics and systems engineering from the Kyiv International University of Civil Aviation and received the certificate of the British Chartered Institute of Marketing (CIM) in 2002.

## **B. Compensation**

We paid our directors and senior managers an aggregate of approximately US\$34 million for services provided during 2013, including US\$6 million for stock-based compensation awards. In addition, we accrued contingent compensation of approximately US\$17 million, including US\$5 million for stock-based compensation awards.

Each of our unaffiliated directors currently receives an annual retainer of €100,000. Each affiliated director receives an annual retainer of €40,000, and our current chairman of the Supervisory Board receives an additional annual retainer of €4,000. In addition, each unaffiliated director who serves as head of any of the official committees of our Supervisory Board receives additional annual compensation of € 25,000 per committee headed. All of our directors are reimbursed for expenses incurred in connection with service as a member of our Supervisory Board. For this purpose, the term “unaffiliated director” means a director that is not an “Affiliate” (as defined in our bye-laws) nor employed by an Affiliate of the company and “affiliated director” means a director who is not an “unaffiliated director.”

In addition, until 2012 our directors who were not employees were able to participate in a phantom stock plan, pursuant to which they each receive up to a maximum of 20,000 phantom ADSs per year, with an additional 10,000 phantom ADSs granted to the chairman of the supervisory board and an additional 10,000 phantom ADSs granted to each director for serving as head of any official committee of the supervisory board. This plan was terminated as of 2012 and replaced by the Director Investment Plan discussed below. In 2013, an aggregate of 1,280,000 phantom ADSs were outstanding, all of which were exercisable as of December 31, 2013. No phantom ADSs were granted in 2013. In total, 360,000 phantoms were exercised in 2013.

To the extent that the exercise terms have not expired, our senior managers remain eligible for their existing stock option plans and stock appreciation rights, or SARs, plan. For more information on our stock option plans and SARs plan, please see “—E. Share Ownership” below. In 2013, no new grants were made.

In March 2012, we adopted the VimpelCom Ltd. Executive Investment Plan, or “EIP,” in which certain members of our senior management may participate, and in August 2012, we adopted the VimpelCom Ltd. Director Investment Plan, or “DIP,” in which members of our supervisory board may participate. Under the EIP and DIP, participants are invited to personally invest in our common shares. At the same time as their investment, participants will be awarded matching options to acquire a number of matching shares at the end of a specified performance period if, at the end of that performance period, certain performance conditions and other conditions set out in the plan documents have been met. If all conditions to vesting have been met, the number of matching shares that participants will receive when they exercise their options will be based on a multiple of their initial investment.

The EIP and DIP are administered by the compensation committee of our supervisory board. The compensation committee determines the timing of awards, the performance conditions and performance period for the vesting of the matching options. In the case of the EIP, the compensation committee also determines which members of our senior management will receive invitations.

In June 2012, the compensation committee made an offer to certain members of senior management to participate in the EIP, and in August 2012, the compensation committee made an offer to members of our supervisory board to participate in the DIP. The matching options awarded in connection with these offers will be subject to a two-year performance period and performance conditions set out in the plan’s documents, as well as the terms of the plan. In March 2013, the compensation committee again made an offer to certain members of senior management to participate in the EIP, as well as to members of our supervisory board to participate in the DIP, both under the same terms and conditions as applicable to the 2012 offers. Due to the termination of the employment contract of a number of senior management members, the vesting of the 2012 EIP participation was accelerated to the last date of employment. Based on the KPI achievement at that time, the matching options under the plan vested and were subsequently exercised.



Pursuant to our bye-laws, we indemnify and hold harmless our directors and senior managers from and against all actions, costs, charges, liabilities, losses, damages and expenses in connection with any act done, concurred in or omitted in the execution of our business, or their duty, or supposed duty, or in their respective offices or trusts, to the extent authorized by law. We may also advance moneys to our directors and officers for costs, charges and expenses incurred by any of them in defending any civil or criminal proceedings. The foregoing indemnity will not apply (and any funds advanced will be required to be repaid) with respect to a director or officer if any allegation of fraud or dishonesty is proved against such director or officer. We have also entered into separate indemnification agreements with our directors and senior managers pursuant to which we have agreed to indemnify each of them within substantially the same scope as provided in the bye-laws.

We have obtained insurance on behalf of our senior managers and directors for liability arising out of their actions in their capacity as a senior manager or director.

We do not have any pension, retirement or similar benefit plans available to our directors or senior managers.

### **C. Board Practices**

Our company is governed by our supervisory board currently consisting of nine directors. Our bye-laws provide that our supervisory board consists of at least seven and no more than thirteen directors, as determined by the supervisory board and subject to approval by a majority of the shareholders voting in person or by proxy at a general meeting.

The supervisory board generally delegates management of our company to the CEO and management board, subject to certain material business decisions that are reserved to the supervisory board. The management board consists of the CEO and other senior executives. The CEO has exclusive authority to identify and recommend our senior executives to the supervisory board for the supervisory board's ratification.

We have not entered into any service contracts with any of our current directors providing for benefits upon termination of service.

The committees of our supervisory board consist of: an audit committee, a compensation committee, a nominating and corporate governance committee, a finance and strategy committee and a business review committee.

Our bye-laws provide that each member of the audit committee is required to satisfy the requirements of Rule 10A-3 under the Exchange Act and the rules and regulations thereunder as in effect from time to time. The audit committee is responsible for, among other things, the appointment, compensation, retention and oversight of the auditors, establishing procedures for addressing complaints related to accounting or audit matters and engaging necessary advisors. The current members of our audit committee, Hans-Peter Kohlhammer (chairman), Ole-Bjørn Sjulstad and Sergei Tesliuk, were appointed on April 24, 2013, and are expected to serve until our next annual general meeting. Hamid Akhavan is presently serving on the audit committee as an alternate director for, and in place of, Mr. Tesliuk.

Our compensation committee is responsible for approving the compensation of the directors, officers and employees of VimpelCom and its subsidiaries, our employee benefit plans, any equity compensation plans of VimpelCom and its subsidiaries, and any contract relating to a director, officer or shareholder of our company or any of our subsidiaries or their respective family members or affiliates. The current members of our compensation committee, Alexey Reznikovich (chairman), Kjell-Morten Johnsen and Hans-Peter Kohlhammer, were appointed on April 24, 2013. Each member is expected to serve until our next annual general meeting.

Our nominating and corporate governance committee is responsible for coordinating the selection process for candidates to become directors and recommending such candidates to the supervisory board. The current members of our nominating and corporate governance committee, Leonid Novoselsky (chairman), Andrei Baranov and Ole-Bjørn Sjulstad, were appointed on April 24, 2013, and are expected to serve until our next annual general meeting. Andrei Gusev is presently serving on the nominating and corporate governance committee as an alternate director for, and in place of, Mr. Baranov.

Our finance and strategy committee is responsible for reviewing financial transactions, policies, strategies and the capital structure of VimpelCom and its subsidiaries. The current members of our finance and strategy committee, Andrei Baranov (chairman), Leonid Novoselsky and Ole-Bjørn Sjulstad, were appointed on April 24, 2013, and are expected to serve until our next annual general meeting. Andrei Gusev is presently serving on the finance and strategy committee as an alternate director for, and in place of, Mr. Baranov.

Our business review committee is responsible for reviewing and discussing with senior management key operational performance related topics for all of VimpelCom's business units. Our business review committee's objective is to provide a forum outside of regular supervisory board meetings for directors to stay informed about key operational matters and to provide a platform for discussion and the expression of views by the committee members to senior management. The current members of our business review committee, Andrei Baranov (chairman), Ole-Bjørn Sjulstad and Sergei Tesliuk, were appointed on April 24, 2013, and are expected to serve until our next annual general meeting. Andrei Gusev and Hamid Akhavan are presently serving on the nominating and corporate governance committee as alternate directors for, and in place of, Mr. Baranov and Mr. Tesliuk, respectively.

## D. Employees

As of December 31, 2013, we had 26,843 employees in Russia. We estimate that 103 were in executive and senior managerial positions, 5,799 were in engineering, construction and information technology, 10,397 were in sales, marketing and other commercial operations, 1,720 were in finance, administration and legal, 6,102 were in customer service, 543 were in site acquisitions, regional projects and security, 974 were in procurement and logistics and 1,205 were in other support functions.

As of December 31, 2013, we had 6,903 employees in Italy. We estimate that 2,628 were in engineering, construction and information technology, 1,581 were in sales, marketing and other commercial operations, 321 were in finance, administration and legal, 1,846 were in customer service, 104 were in procurement and logistics and 423 were in other support functions and security. Of these 6,903 employees, about 128 were in executive and senior managerial positions.

As of December 31, 2013, we had 11,625 employees in Africa & Asia and we estimate that 180 were in executive and senior managerial positions, 3,205 were in engineering, construction and information technology, 2,289 were in sales, marketing and other commercial operations, 1,946 were in finance, administration and legal (including procurement, logistic and other support service) and 4,005 were in customer service.

As of December 31, 2013, we had 4,510 employees in Ukraine and we estimate that 884 were in executive and senior managerial positions, 1,016 were in engineering, construction and information technology, 482 were in sales, marketing and other commercial operations, 686 were in finance, administration and legal, 1,201 were in customer service, 47 were in site acquisitions, regional projects and security, 126 were in procurement and logistics and 68 were in other support functions.

As of December 31, 2013, we had 7,729 employees in the CIS and we estimate that 20 were in executive and senior managerial positions, 3,230 were in engineering, construction and information technology, 2,132 were in sales, marketing and other commercial operations, 663 were in finance, administration and legal, 1,111 were in customer service, 94 were in site acquisitions, regional projects and security, 234 were in procurement and logistics and 245 were in other support functions.

The following chart sets forth the number of our employees at December 31, 2013, 2012 and 2011:

	At December 31,		
	2013	2012	2011
Russia	26,843	24,400	31,471
Italy	6,903	6,890	7,979
Africa & Asia	11,625	13,818	13,129
Ukraine	4,510	5,001	5,740
CIS	7,729	8,075	7,631
Other	232		
Total	57,842	58,184	66,344

We have not experienced any work stoppages and consider relations with our employees to be good.

## E. Share Ownership

To our knowledge, as of April 30, 2014, other than Mikhail Fridman, none of our directors or senior managers beneficially owned more than 1.0% of any class of our capital stock. To our knowledge, Mr. Fridman has an indirect economic benefit in our shares held for the account of Altimo Coöperatief U.A. and, thus, may be considered under the definition of “beneficial owner” for purposes of SEC Form 20-F only as a beneficial owner of the shares held for the account of Altimo Coöperatief U.A. See the section of this Annual Report on Form 20-F entitled “Item 7—Major Shareholders and Related Party Transactions—A. Major Shareholders.”

### *Stock Option Plans*

Historically, OJSC VimpelCom maintained a stock option plan, the 2000 Stock Option Plan, under which it granted options to certain of its, and its subsidiaries', affiliates, officers, employees, directors and consultants to acquire shares of common stock of OJSC VimpelCom. In connection with the completion of the VimpelCom Ltd. Transaction, as of April 21, 2010, the 2000 Stock

Option Plan was transferred to VimpelCom Ltd. and options granted under the 2000 Stock Option Plan, as amended, allow grantees to acquire VimpelCom Ltd. common shares upon exercise of the options. Options are granted by VC ESOP N.V., our indirect wholly owned subsidiary. The 2000 Stock Option Plan is administered by a committee appointed by the board of directors of VC ESOP N.V., which committee determines to whom options are granted under the plan, the number of options that are granted and the terms and conditions of option grants, including the exercise price per share. The committee appointed to administer the 2000 Stock Option Plan is currently composed of the three directors who currently sit on the compensation committee of our supervisory board.

On April 21, 2010, we adopted the VimpelCom 2010 Stock Option Plan, under which certain of our, and our subsidiaries', affiliates, officers, employees, directors and consultants are eligible for grants of options to acquire our common shares. Options under the 2010 Stock Option Plan may be granted by VimpelCom Ltd. or our affiliates.

The 2010 Stock Option Plan is administered by the compensation committee of our supervisory board, which committee determines to whom options are granted under the plan, the number of options that are granted and the terms and conditions of option grants, including the exercise price per share.

On an individual basis to a selected number of senior management members, options were granted based on similar terms and conditions as applicable to the 2010 Stock Option Plan. As of December 31, 2013, options to acquire approximately 2,466,731 of our common shares were outstanding based on our 2000 Stock Option Plan and 2010 Stock Option Plan, of which options in respect of approximately 2,011,175 of our common shares were exercisable as of such date. In addition, 2,279,888 options were cancelled and 1,133,090 options lapsed. The exercise prices of the options outstanding as of December 31, 2013, ranged from US\$10.42 per share to US\$16.74 per share. The options granted generally vest at varying rates over a two- or three-year period, subject in some instances to the attainment of performance targets, and vesting periods for certain employees will be accelerated if certain events specified in the stock option plans occur. The options outstanding as of December 31, 2013 are exercisable from dates ranging from the present date to December 31, 2015. If a plan participant ceases to be an employee of our company or any of our affiliates (other than due to death or disability or for cause) or ceases to otherwise be eligible to participate in the plan, the individual will generally have the right to exercise vested options upon the later to occur of (a) the date of expiration of his option agreement and (b) the end of the first open trading window period following the effective date of termination of employment. In case of death or permanent disability of a plan participant, his or her beneficiaries generally will automatically acquire the right to exercise those options that have vested prior to the plan participant's death or permanent disability for the earlier of (i) 190 days and 90 days in the event of death and permanent disability, respectively, and (ii) December 31, 2015, in the case of options granted under the 2000 Stock Option Plan, and December 31, 2020, in the case of options granted under the 2010 Stock Option Plan. If a plan participant ceases to be an employee for cause, then generally the right to exercise options will terminate immediately unless waived by the stock option committee discussed above.

#### *SARs Plan*

In 2009, OJSC VimpelCom's board of directors adopted a stock appreciation rights, or "SARs," plan for its senior managers and employees. The plan is administered by OJSC VimpelCom's General Director, and OJSC VimpelCom's board of directors determined the aggregate number of SARs that were granted. A SAR, upon vesting, entitles the holder to receive a cash amount per SAR equal to any excess of the closing market price of the reference security on the exercise date over the exercise price at which the SAR was granted. The SARs under the SARs plan are linked to the closing price of a VimpelCom Ltd. ADS. The exercise prices of the SARs were not changed. The SARs granted under the plan vest over a two-year period, as long as OJSC VimpelCom meets the plan's performance targets. This plan expired in June 2013, as a result as per December 31, 2013 no SARs were outstanding under this plan.

On an individual basis to a selected number of senior management members, SAR grants were made, based on similar terms and conditions as applicable to the 2010 Stock Option Plan. In 2013 most of these SARs granted were surrendered due to the introduction of the 2013-2015 Cash based Long Term Incentive Plan discussed below. Participants of the 2013-2015 Cash Based Long Term Incentive Plan surrendered all unvested SAR tranches to become eligible to the 2013-2015 Cash Based Long Term Incentive Plan; only vested tranches (as per December 31, 2012) could be retained. As per December 31, 2013, 687,375 SARs remained outstanding, all exercisable.

### 2013-2015 Cash Based Long Term Incentive Plan

In 2013, a new cash based Long Term Incentive Plan was adopted for senior management. Under the Long Term Incentive Plan, the target amount that can be earned during the 3 year performance period is determined at the time of the grant. The actual amount that can be earned is subject to the attainment of KPIs, which KPIs are set at the grant date for the duration of the three year performance period. The bonus vests in three annual tranches, assuming a full time participation in the plan as of January 1, 2013 up to an including 2015. Participants joining in 2014 and 2015 will have a different vesting schedule.

All unvested tranches lapse if the employment is terminated before the end of the performance period. As per December 31, 2013 the total (all unvested) on target bonus amount for the duration of the performance period was approximately €32.5 million.

## ITEM 7. Major Shareholders and Related Party Transactions

### A. Major Shareholders

The following table sets forth information with respect to the beneficial ownership of VimpelCom as of April 30, 2014 by each person who is known by us to beneficially own 5.0% or more of our common or convertible preferred shares. As of April 30, 2014, we had 1,756,731,135 issued common shares and 305,000,000 issued convertible preferred shares. None of our major shareholders has different voting rights.

Shareholder	Number of VimpelCom Ltd. Common Shares	Percent of VimpelCom Ltd. Common Shares	Number of VimpelCom Ltd. Preferred Shares	Percent of VimpelCom Ltd. Voting Shares
Altimo Coöperatief U.A. <sup>(1)</sup>	986,572,563	56.2%	—	47.9%
Telenor East Holding II AS <sup>(2)</sup>	580,578,840	33.0%	305,000,000	43.0%

- (1) As reported on Schedule 13D, Amendment No. 15, filed on February 19, 2013, by Altimo Coöperatief, part of the Alfa Group Consortium, with the SEC, Altimo Coöperatief is the direct beneficial owner of, and Altimo Holdings, Letterone Overseas Investment Limited, Letterone Holdings S.A., Roniju Holdings Limited and Crown Finance Foundation may be deemed to be the beneficial owners of, 986,572,563 VimpelCom Ltd. common shares. The common shares held by Altimo Coöperatief represent approximately 56.2% of VimpelCom Ltd.'s outstanding common shares and approximately 47.9% of VimpelCom Ltd.'s outstanding voting shares.
- (2) As reported on Schedule 13D, Amendment No. 26, filed on December 5, 2013, by Telenor East Holdings II AS, or "Telenor East," with the SEC, Telenor East is the direct beneficial owner of, and Telenor ASA and Telenor Mobile Holding AS may be deemed to be the beneficial owners of, 580,578,840 common shares and 305,000,000 convertible preferred shares. The common shares held by Telenor East represent 33.0% of our outstanding common shares. The convertible preferred shares held by Telenor East Holding II AS represent all of our outstanding convertible preferred shares and together with the common shares held by Telenor East Holding II AS represent 43.0% of our outstanding voting shares.

Please see the sections of this Annual Report on Form 20-F entitled "Item 3—Key Information—D. Risk Factors—Risks Related to Our Business—A disposition by our strategic shareholders of their respective stakes in VimpelCom or a change in control of VimpelCom could harm our business" and "—Litigation involving Altimo and Telenor, two of our largest shareholders, could lead to deterioration in their relationship and could have a material adverse effect on our business, financial condition, results of operations and prospects."

As part of the Wind Telecom Transaction, as further described in the sections of this Annual Report on Form 20-F entitled "Explanatory Note" and "Item 4—Information on the Company—History and Development," VimpelCom Ltd.'s shareholders approved the issuance by VimpelCom Ltd. of up to 325,639,827 common shares of VimpelCom Ltd. and of 305,000,000 convertible preferred shares of VimpelCom Ltd. and the related increase in the authorized share capital of VimpelCom Ltd. The new shares have the rights and are subject to the conditions set out in the VimpelCom Ltd. bye-laws and at the time of their issuance represented a 20.0% economic interest and a 30.6% voting interest in the enlarged VimpelCom Ltd. Group on a fully diluted basis. As contemplated under the Wind Telecom Transaction and as reported on Schedule 13D, filed on April 22, 2011, by Weather II with the SEC, Weather II acquired 305,000,000 of VimpelCom Ltd.'s convertible preferred shares and 325,639,827 of VimpelCom Ltd.'s common shares, 3,127,996 of which were immediately transferred to Dosantos Investments S.à r.l. and 16,708,435 of which were immediately transferred to TNT Holding S.à r.l. As a result, immediately following the transfers, Telenor East, Altimo Coöperatief and Weather II held approximately 31.7%, 31.4% and 18.8% of VimpelCom Ltd.'s outstanding common shares, respectively, and 25.0%, 31.0% and 29.6% of VimpelCom Ltd.'s outstanding voting shares, respectively.

On June 6, 2011, Altimo announced that it had entered into an agreement to sell 123,600,000 convertible preferred shares in VimpelCom Ltd. On June 10, 2011, VimpelCom Ltd. received a notice from Altimo that it had completed the sale of 123,600,000 convertible preferred shares, which reduced its voting rights in VimpelCom Ltd. to below 25.0%, and as a result the VimpelCom Ltd. Shareholders Agreement terminated six months following the date of such notice. For more information, please see the sections of this Annual Report on Form 20-F entitled "Risk Factors—Risks Related to Our Business—A disposition by our strategic shareholders

of their respective stakes in VimpelCom Ltd. or a change in control of VimpelCom Ltd. could harm our business” and “Risk Factors—Risks Related to Our Business—Litigation involving Altimo and Telenor, two of our largest shareholders, could lead to deterioration in their relationship and could have a material adverse effect on our business, financial condition, results of operations and prospects.” As reported on Schedule 13D filed on June 13, 2011, by Forrielite Limited, it acquired 123,600,000 convertible preferred shares of VimpelCom Ltd. According to Forrielite’s 13D, the acquisition was undertaken for investment purposes and Oleg Kiselev, through his control of Forrielite, may have been deemed to be the beneficial owner of the 123,600,000 convertible preferred shares (representing approximately 6.0% of the voting shares of VimpelCom Ltd.) acquired by Forrielite.

As reported on Schedule 13D, Amendment No.1, filed on January 4, 2012, by Forrielite with the SEC, on December 30, 2011, Forrielite sold and transferred 123,600,000 VimpelCom Ltd. convertible preferred shares to Bertofan Investments Limited (representing approximately 6.0% of VimpelCom Ltd.’s voting shares).

As reported on Schedule 13D, Amendment No. 17, filed on February 15, 2012, by Telenor East with the SEC, on February 15, 2012, Weather II sold and transferred to Telenor East 234,000,000 of the convertible preferred shares that Weather II received in connection with the Wind Telecom Transaction, or approximately 54.0% of VimpelCom Ltd.’s outstanding convertible preferred shares. As a result, immediately following the transfer, Telenor East’s voting interest increased from 25.0% to approximately 36.4% of VimpelCom Ltd.’s outstanding voting shares, and Weather II’s voting interest decreased from approximately 29.6% to approximately 18.3% of VimpelCom Ltd.’s outstanding voting shares. On February 15, 2012, Telenor and Weather II also agreed to a put option with respect to the VimpelCom Ltd. convertible preferred shares retained by Weather II (the “Weather Put Option”) and two call options with respect to the same shares retained by Weather II and any future convertible preferred shares of VimpelCom Ltd. that are issued to or acquired by Weather II or any of its affiliates or related parties.

As reported on Schedule 13D, Amendment No. 18, filed on April 4, 2012, by Telenor East, on April 4, 2012, Telenor East acquired 65,000,000 VimpelCom Ltd. ADSs from JPMorgan. The acquisition was made in connection with the termination of a total return swap arrangement between Telenor and JPMorgan which related to the shares that Telenor East acquired. As a result, immediately following the acquisition, Telenor East’s interest in common shares increased from approximately 31.7% to approximately 35.7% of VimpelCom Ltd.’s outstanding common shares, and Telenor East’s voting interest increased from approximately 36.4% to approximately 39.5% of VimpelCom Ltd.’s outstanding voting shares.

As reported on Schedule 13D, Amendment No. 22, filed on August 16, 2012, by Telenor East, on August 16, 2012, Telenor East announced that on August 15, 2012, Weather II exercised its rights under the Weather Put Options to sell 71,000,000 VimpelCom Ltd. convertible preferred shares to Telenor East. As reported on Schedule 13D, Amendment No. 23, filed on October 1, 2012, by Telenor East, Telenor East announced that it took delivery of such shares on September 28, 2012. VimpelCom Ltd. registered the share transfer following the cancellation of the FAS injunctions that prohibited such transfer. For a description of the FAS injunctions, please see the section of this Annual Report on Form 20-F entitled “Item 4—Information on the Company—Legal Proceedings.” As a result, Telenor East’s interest in preferred shares increased from approximately 54.0% to approximately 70.4% of VimpelCom Ltd.’s outstanding convertible preferred shares, and Telenor East’s voting interest increased from approximately 39.5% to approximately 43.0% of VimpelCom Ltd.’s outstanding voting shares.

As reported on Schedule 13D, Amendment No. 6, filed on August 15, 2012, by Altimo Coöperatief, on August 15, 2012, Altimo Coöperatief purchased (i) 305,000,000 VimpelCom Ltd. common shares from Weather II, (ii) 12,000,000 VimpelCom Ltd. common shares from Natixis and (iii) 3,265,652 VimpelCom Ltd. common shares from a number of other investors. As a result of these transactions, Altimo Coöperatief’s interest in common shares increased from approximately 31.4% to approximately 51.0% of VimpelCom Ltd.’s outstanding common shares, and Altimo Coöperatief’s voting interest increased from approximately 25.0% to approximately 40.5% of VimpelCom Ltd.’s outstanding voting shares. As reported on Schedule 13D, Amendment No. 7, filed on October 5, 2012, by Altimo Coöperatief, between August 17, 2012 and October 4, 2012, Altimo Coöperatief purchased 27,213,111 VimpelCom Ltd. common shares of which (i) 23,449,768 were purchased on the open market, (ii) 1,614,474 were purchased on September 4, 2012, from Natixis, (iii) 288,042 were purchased on September 4, 2012, from Thursday Holding and (iv) 1,860,827 were purchased on October 2, 2012, from East Capital. As a result of these transactions, Altimo Coöperatief’s interest in common shares increased from approximately 51.0% to approximately 52.7% of VimpelCom Ltd.’s outstanding common shares, and Altimo Coöperatief’s voting interest increased from approximately 40.5% to approximately 41.9% of VimpelCom Ltd.’s outstanding voting shares. As reported on Schedule 13D, Amendment No. 8, filed on October 29, 2012, by Altimo Coöperatief, on October 26, 2012, Altimo Coöperatief agreed to purchase 123,600,000 VimpelCom Ltd. convertible preferred shares from Bertofan Investments Limited within 60 days. As reported on Schedule 13D, Amendment No. 9, filed on December 20, 2012, by Altimo Coöperatief, on December 20, 2012 Altimo Coöperatief acquired such shares from Bertofan pursuant to the agreement between the parties. As a result

of this transaction, Altimo Coöperatief's interest in convertible preferred shares increased from approximately 1.1% to approximately 29.7% of VimpelCom Ltd.'s outstanding convertible preferred shares, and Altimo Coöperatief's voting interest increased from approximately 41.9% to approximately 47.9%.

As described on Schedule 13D, Amendment No. 10, filed on December 26, 2012 by Altimo Coöperatief, on December 21, 2012, Altimo Coöperatief issued notice to VimpelCom Ltd. pursuant to Section 4.3(d) of its bye-laws, stating its present intention to convert 128,532,000 convertible preferred shares to common shares at the ratio of one convertible preferred share to one common share and setting forth a conversion date of April 16, 2013. As described on Schedule 13D, Amendment No. 12, filed on April 23, 2013, on April 16, 2013, Altimo Coöperatief paid to VimpelCom Ltd. a conversion premium of \$1,392,644,220 (or \$10.835 per share), and Altimo Coöperatief's 128,532,000 shares of convertible preferred shares automatically converted into 128,532,000 common shares.

Based on the holdings of our common shares and information from The Bank of New York Mellon, we estimate that as of April 30, 2014, approximately 94% of our common shares are held in the United States by The Bank of New York Mellon, as depositary on behalf of holders of our ADSs and approximately 3% of our ADSs are held by persons in the United States.

## **B. Related Party Transactions**

In addition to the transactions described below, VimpelCom has also entered into transactions with related parties and VimpelCom affiliates as part of the ordinary course of business. These mainly relate to ordinary course telecommunications operations, such as interconnection and roaming. Their terms vary according to the nature of the services provided thereunder. VimpelCom and certain of its subsidiaries also have general services agreements relating to the conduct of business and from time to time enter into financing transactions within the VimpelCom Group.

For more information on our related party transactions, see Note 26 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F.

### **Related Party Transactions with Major Shareholders and their Affiliates**

#### ***Related Party Transactions with Telenor and its Affiliates***

##### *Service Agreements*

VimpelCom is a party to a service agreement with Telenor, dated as of March 8, 2011, under which Telenor renders to VimpelCom or its affiliates services related to telecommunication operations, including management advisory services, training, technical assistance and network maintenance, industry information research and consulting, implementation support for special projects and other services as mutually agreed by Telenor and VimpelCom. VimpelCom pays Telenor annually US\$1.5 million for the services.

On June 19, 2009, Kyivstar entered into an agreement with LLC Miratech Corporation, a Telenor affiliate, regarding the outsourcing of IT professionals to Kyivstar. Payment provisions under this agreement provide for monthly payments in accordance with performed works. This agreement is valid until June 30, 2015.

On August 25, 2010, Kyivstar entered into an agreement with LLC Miratech Corporation for provision of various IT services to Kyivstar. The payment provisions under this agreement provide for monthly payments based on works performed, the agreement is valid until the end of 2014. A competitive tender procedure for the selection of a service provider for next period is expected to finish by June 2014.

Kyivstar has roaming agreements with the following mobile operators that are Telenor affiliates: Grameenphone Limited (Bangladesh), Telenor Norge AS (Denmark), Telenor Magyarorszag Zrt. (Hungary), DiGi Telecommunications Sdn. Bhd. (Malaysia), Telenor (Montenegro), Telenor Pakistan (Pvt) Ltd. (Pakistan), Telekom d.o.o. (Serbia), Telenor Sverige AB (Sweden) and Total Access Communication Public Company Limited (dtac) (Thailand).

##### *Djuice License Agreement*

Kyivstar licenses its "djuice" brand from Djuice AS, a wholly owned Telenor subsidiary, pursuant to a license agreement entered into between Kyivstar and Djuice AS. The license agreement, dated December 5, 2006, which was amended and restated on November 27, 2012, is effective for a period of five years from January 1, 2010 to December 31, 2015 and provides for automatic extension for an additional year unless either party terminates it in accordance with its terms. In 2012 Kyivstar paid Djuice €150,000. In 2013 Kyivstar paid Djuice €200,000. The agreement terminated on March 24, 2013, and subsequently, Kyivstar discontinued its use of the "djuice" brand.

## ***Related Party Transactions with Alfa Group and its Affiliates***

### ***Service Agreements***

VimpelCom is a party to a service agreement with Altimo Management Services Ltd., dated December 1, 2010, under which Altimo Management Services Ltd. renders to VimpelCom and its affiliates services related to telecommunication operations, including management advisory services, training, technical assistance and network maintenance, industry information research and consulting, implementation support for special projects and other services as mutually agreed by Altimo Management Services Ltd. and VimpelCom. VimpelCom pays Altimo Management Services Ltd. annually US\$1.5 million for the services. VimpelCom is also party to a Consultancy Deed with Altimo Management Services Ltd., dated August 21, 2013, under which Altimo Management Services Ltd. provides additional consultancy services to VimpelCom for which VimpelCom pays annually US\$3.5 million.

### ***Agreement relating to VimpelCom Ltd. Transaction***

CTF Holdings Limited, an affiliate of the Alfa Group and a former affiliate of Storm LLC (a former Kyivstar shareholder), entered into a guarantee dated October 4, 2009 in favor of VimpelCom Ltd., Kyivstar, Storm LLC and us, pursuant to which CTF Holdings Limited guaranteed Altimo's performance of its indemnification obligations in respect of Storm under the Share Exchange Agreement in relation to the VimpelCom Ltd. Transaction between certain members of the Alfa Group and certain members of the Telenor Group, dated October 4, 2009 (the "VimpelCom Ltd. SEA"). CTF Holdings Limited's maximum aggregate liability under the guarantee is limited to US\$500.0 million. The agreement terminates upon the earlier of agreement by all parties in writing or the expiration of the fifth anniversary of the closing of the Kyivstar share exchange that followed the VimpelCom Ltd. Transaction (as may be extended in accordance with the terms of the VimpelCom Ltd. SEA).

### ***Credit Facilities***

Please see the section of this Annual Report on Form 20-F entitled "Item 5—Operating and Financial Review and Prospects—Liquidity and Capital Resources—Financing Activities—Recent Financing Activities—Alfa-Bank Credit Facilities" for a description of credit facilities with Alfa Bank.

### ***Other Transactions***

In the ordinary course of business, we maintain some of our bank accounts, and place time deposits with, Alfa Bank, which is part of the Alfa Group and also a corporate client of OJSC VimpelCom. We also have agreements in place with Alfa Strakhovaniye JSC, which is also part of the Alfa Group, for the provision of insurance coverage.

### ***VimpelCom Ltd. Registration Rights Agreement***

The Registration Rights Agreement between VimpelCom, the Telenor Group companies party thereto and the Altimo Group companies party thereto requires us to use our best efforts to effect a registration under the Securities Act, if requested by one of the shareholders party to the VimpelCom Ltd. Registration Rights Agreement, of our securities held by such party in order to facilitate the sale and distribution of such securities in an underwritten offering.

## ***Related Party Transactions with former shareholders or their affiliates***

### ***Agreements with Affiliates of Weather II***

In connection with the spin-off of certain subsidiaries of WIND Italy in connection with the Wind Telecom Transaction, WIND Italy entered into various commercial and technical agreements with Libero S.r.l. (re-named "Italiaonline S.r.l." as of February 12, 2013) or "Libero" (owner of the Libero portal and Internet service provider ITNET) and WIND International Services S.p.A., or "WIS." Libero and WIS were transferred to Weather II as part of the spin-off.

The framework agreements between WIND Italy and Libero mainly arranged for the provision of certain (i) administrative and technical support and infrastructure management services by WIND Italy to Libero, and (ii) advertising services and content for the Libero portal from Libero to WIND Italy. The framework agreement in respect of the majority of these services has been extended until December 31, 2012. After termination of this framework agreement, WIND Italy and Libero's subsidiary ITNET agreed on new terms for the provision of certain of such services. In particular, in August 2013 WIND Italy and ITNET entered into a new agreement for the provision of hosting services by WIND Italy to ITNET and Libero in certain WIND Italy's sites located in Rome and Milan. This hosting agreement is renewable on a monthly basis and after its first expiration on December 31, 2013, it has been renewed up to date. Further, WIND Italy and ITNET are in the process of entering into new agreements for (i) the provision of housing services by WIND Italy to ITNET, and (ii) the provision of data center management services by ITNET to WIND Italy. These housing agreement and data center management services agreement are intended to provide for a first expiration date on February 1, 2015. In relation to the Italy-Greece Medcable Marine cable disposed by WIND Italy to Libero as part of the WIND Italy spin-off, WIND Italy has granted certain usage and access rights to Libero regarding certain infrastructure necessary to conduct the cable, and Libero has granted to WIND Italy a 20-year indefeasible right of use in respect of six couples of optical fibers inside the cable. As of February 20, 2013, the cable and related agreements between WIND Italy and Libero were transferred by Libero to WIS. WIND Italy also subleases certain properties to Libero on similar terms as the main lease agreements between WIND Italy and the respective landlords.

Until October 2012, a framework agreement was in place providing, inter alia, that certain subsidiaries of Wind Telecom, including WIND Italy, would route at least 75% of their outgoing voice traffic via WIS and coordinate their incoming traffic management with WIS against periodically updated fair market prices. After termination of this framework agreement, WIND Italy is still routing most of its international outgoing traffic through WIS, pursuant to the terms of a pre-existing framework services agreement, which are renewable on a yearly basis.

### **Related Party Transactions with Joint Ventures and Associates**

#### ***Associates Firma Kurier and ZAO Rascom***

OJSC VimpelCom has arrangements in place to receive bill delivery services from its affiliate Firma Kurier and to provide fixed telecommunications services, and rent domestic and international channels from, its affiliate ZAO Rascom.

#### ***Euroset***

OJSC VimpelCom has various contracts with Euroset and its subsidiaries, which became an associate in October 2008. OJSC VimpelCom rendered mobile and fixed line services and sold equipment and accessories to Euroset totaling US\$32.4 million in 2013. OJSC VimpelCom accrued to Euroset certain dealer commissions and bonuses totaling US\$59.7 million in 2013 for services for acquisition of new customers, customer care, receipt of customers' payments and sale of scratch-cards. In addition, in 2013 Euroset provided OJSC VimpelCom services for development of retail stores under Beeline brandname totaling US\$16.4 million and sold different handsets and accessories totaling US\$17.7 million.

#### ***WIND Canada***

GTH provided financing by way of secured non-revolving term loans to WIND Canada, an equity investee of the company following the Wind Telecom Transaction, in connection with the funding of the acquisition of the spectrum licenses and related costs. Prior to December 20, 2012, the loans bore interest at CAD LIBOR + 10.8%. At December 20, 2012, the loans were modified to make them non-interest bearing. On that same date, GTH forgave interest accrued on the loans for the period January 1, 2012 to December 20, 2012. As of December 31, 2013, the outstanding balance under the financing was CAD 1,630 million (equivalent to approximately US\$ 1,534 million as of December 31, 2013 at the exchange rate provided by Bloomberg Finance L.P.) including principal and accrued interest. The loans mature on August 5, 2014.

On December 3, 2012, VimpelCom Amsterdam B.V. and WIND Canada entered into a CAD 100 million non-revolving term loan bearing an interest of 9.5%, which was amended to CAD 146 million (equivalent to approximately US\$ 137 million as of December 31, 2013 at the exchange rate provided by Bloomberg Finance L.P.). As of December 31, 2013, the outstanding balance under this loan was CAD 154 million (equivalent to approximately US\$ 145 million as of December 31, 2013 at the exchange rate provided by Bloomberg Finance L.P.) including principal and accrued interest. The loan matures on August 5, 2014 and is senior to the loans provided by GTH.

GTH has entered into an agreement to provide technical services to WIND Canada until 2018 pursuant to which GTH receives fees amounting to 4% of WIND Canada's gross revenue contingent on EBITDA targets being met.

The outstanding amount of the loans and accounts receivable for technical services were fully impaired in 2013.

### **Related Party Transactions with supervisory board and management board members**

Compensation paid to the supervisory board and management board members is disclosed in "Item 6—Directors, Senior Management and Employees—B. Compensation". During 2013 and through the date of this Annual Report, none of our supervisory board and management board members have been involved in any related party transactions with us.

## **ITEM 8. Financial Information**

### **A. Consolidated Statements and Other Financial Information**

See "Item 18—Financial Statements" and the financial statements referred to therein.



## Legal Proceedings

For information on the legal proceedings our companies are involved in, please see note 27 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F. For details of the investigations by the SEC, DOJ and Dutch public prosecutor's office, please see "Item 3—Key Information—D. Risk Factors—Risks Related to Our Business—Risks Related to Our Business—We are subject to investigations by the SEC, DOJ and the Dutch public prosecutor, and are conducting an internal investigation and we are unable to predict the duration, scope or results of these investigations or their impact on us."

## Policy on Dividend Distributions

In January 2014, our supervisory board approved a dividend policy pursuant to which from 2014 we aim to pay annual dividends of USD 0.035 per share until we reach a group Net Debt to EBITDA ratio of less than 2.0. Our supervisory board also decided that we will not make a final 2013 dividend payment. The precise amount and timing of dividends for a particular year will be approved by our supervisory board, subject to the following constraints and guidelines:

A. Our supervisory board may consider various factors in determining the amount of dividends such as investment opportunities, capital market expectations, debt repayments schedules, desired level of leverage, share repurchase programs and any other factors at the discretion of our supervisory board.

B. All dividend decisions shall be taken assuring that the covenants or other restrictions in agreements to which the company or any subsidiary is a party shall be satisfied and that the company's operating subsidiaries shall be in compliance with any law restricting the distribution of dividends.

C. The exact amount and timing of any dividend declarations and payments will require, subject to the requirements of applicable law, the affirmative vote of at least five members of the supervisory board.

The financial terms referred to above are derived from and computed on the basis of measurements that appear in our audited annual consolidated IFRS financial statements. Unless otherwise specified, all financial measurements in these guidelines shall be calculated based on the financial statements for the year ended prior to the decision being taken. For interim dividends, these financial measurements shall be calculated based on the financial statements for the quarters in the year ended prior to the decision being taken (whether such financial statements are audited or unaudited).

Pursuant to Bermuda law, we are restricted from declaring or paying a dividend if there are reasonable grounds for believing that (a) we are, or would after the payment be, unable to pay our liabilities as they become due, or (b) the realizable value of our assets would as a result of the dividend be less than our liabilities. The supervisory board may, subject to our bye-laws and in accordance with Bermuda law, declare a dividend to be paid to the shareholders holding shares entitled to receive dividends, in proportion to the number of shares held by them, and such dividend may be paid in cash or wholly or partly in shares or other assets, including through the issuance of our shares or other securities, in which case the supervisory board may fix the value for distribution in specie of any assets, shares or securities. We are not required to pay interest on any unpaid dividend. In accordance with our bye-laws, dividends may be declared and paid in proportion to the amount paid up on each share. The holders of common shares are entitled to dividends if the payment of dividends is approved by the supervisory board. The holders of convertible preferred shares are not entitled to receive dividends.

In April 2013, we announced the final dividend 2012 of US\$0.35 per common share and an extra-ordinary dividend of US\$0.79 per common share, related to the conversion of convertible preferred shares by Altimio. The dividends were paid in May 2013 for a total amount of US\$2.0 billion.

In November 2013, we announced an interim dividend for 2013 of US\$0.45 per common share, which was paid in December 2013 for a total amount of US\$791 million.

We cannot assure you we will continue to pay dividends on our common shares and ADSs in the future and any decision by our company not to pay dividends or to reduce dividend payments in the future could adversely affect the value of our common shares or ADSs. For more information regarding certain risks involved in connection with the recommendation and payment of dividends, please see "Item 10—Additional Information—B. Memorandum and Articles of Association—Dividends and Dividend Rights," "Item 3—Key Information—D. Risk Factors—Risks Related to Our Business—VimpelCom is a holding company and depends on the performance of its subsidiaries and their ability to make distributions to it" and "—Risks Related to the Ownership of Our ADSs—Various factors may hinder the declaration and payment of dividends."

## B. Significant Changes

Other than as disclosed in this Annual Report on Form 20-F, there have not been any significant changes since the date of the audited consolidated financial statements included as part of this Annual Report on Form 20-F.

## ITEM 9. The Offer and Listing

### A. Offer and Listing Details

#### *Price history*

The following table sets out, for the periods indicated, the reported high and low market quotations for our ADSs on the NYSE for periods prior to September 10, 2013, when we switched the listing of our ADSs to the NASDAQ Global Stock Market. Subsequent periods are based on NASDAQ market quotations. Each of our ADSs represents one of our common shares.

<u>Year Ended December 31</u>	<u>High</u>	<u>Low</u>
<b>2010:</b>		
Annual	US\$ 17.56	US\$13.96
<b>2011:</b>		
Annual	US\$ 15.69	US\$ 9.16
<b>2012:</b>		
First Quarter	US\$ 12.50	US\$ 9.57
Second Quarter	US\$ 11.25	US\$ 7.23
Third Quarter	US\$ 11.99	US\$ 7.75
Fourth Quarter	US\$ 12.26	US\$10.11
<b>2013:</b>		
First Quarter	US\$ 12.55	US\$10.57
Second Quarter	US\$ 12.42	US\$ 9.65
Third Quarter	US\$ 11.75	US\$ 9.79
Fourth Quarter	US\$ 14.55	US\$11.75
<b>Months</b>		
September 2013	US\$ 11.75	US\$10.72
October 2013	US\$ 14.55	US\$12.28
November 2013	US\$ 14.54	US\$12.01
December 2013	US\$ 12.97	US\$11.75
January 2014	US\$ 12.80	US\$ 9.65
February 2014	US\$ 10.33	US\$ 9.44
March 2014	US\$ 8.54	US\$ 9.82
April 2014	US\$ 7.96	US\$ 9.25

On May 9, 2014 the closing price per ADS on NASDAQ was US\$8.22.

### B. Plan of Distribution

Not required.

**C. Markets**

Our ADSs are listed and traded on NASDAQ under the symbol “VIP.” NASDAQ is the principal trading market for the ADSs.

**D. Selling Shareholders**

Not required.

**E. Dilution**

Not required.

**F. Expenses of the Issue**

Not required.

**ITEM 10. Additional Information**

**A. Share Capital**

Not required.

**B. Memorandum and Articles of Association**

We describe below the material provisions of our memorandum of association and bye-laws, certain provisions of Bermuda law relating to our organization and operation, and some of the terms of our share rights based on provisions of our memorandum of association and current bye-laws and applicable Bermuda law and certain agreements relating to our shares. Although we believe that we have summarized the material terms of our memorandum of association and bye-laws, Bermuda legal requirements and our share capital, this summary is not complete and is qualified in its entirety by reference to our memorandum of association and bye-laws and applicable Bermuda law. All references to our bye-laws herein, unless otherwise noted, are to Section B of our bye-laws, which were originally approved on April 20, 2010 by our shareholders and which were amended and again approved by our shareholders on September 25, 2013.

The affirmative vote of at least 75.0% of the voting shares present at a shareholders meeting is required to approve amendments to our bye-laws.

**General**

VimpelCom is an exempted company limited by shares registered under the Companies Act 1981 of Bermuda (“the Companies Act”) on June 5, 2009, and our registered office is located at Victoria Place, 31 Victoria Street, Hamilton HM 10, Bermuda. Our registration number with the Registrar of Companies in Bermuda is 43271. As set forth in paragraph 6 of our memorandum of association, our company was formed with unrestricted business objects. We are registered with the Dutch Trade Register (registration number 34374835) as a company formally registered abroad (*formeel buitenlandse kapitaalvennootschap*), as this term is referred to in the Dutch Companies Formally Registered Abroad Act (*Wet op de formeel buitenlandse vennootschappen*), which means that we are deemed a Dutch resident company for tax purposes in accordance with applicable Dutch tax regulations.

Our bye-laws are split into two distinct sets of bye-laws: Section A and Section B. Section A of our bye-laws were in effect until the VimpelCom Shareholders Agreement terminated on December 10, 2011. Termination of the VimpelCom Shareholders Agreement caused Section B of our bye-laws to automatically come into force to the exclusion of Section A of our bye-laws. References to our bye-laws in the following sections of this Item 10 are to Section B of bye-laws.

**Issued Share Capital**

As of December 31, 2013, our authorized share capital is divided into common shares, par value US\$0.001, of which 2,759,171,827 are authorized and 1,756,731,135 are issued and convertible preferred shares, par value US\$0.001, of which 305,000,000 are authorized and issued.

Subject to our bye-laws and to any shareholders’ resolution to the contrary, and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, our supervisory board has the power to issue any authorized but unissued shares on such terms and conditions as it may determine. Further, subject to the provisions of Bermuda law, any of our preferred shares may be issued or converted into shares that (at a determinable date or at our option or the holder’s option) are liable to be redeemed on such terms and in such manner as may be determined by the supervisory board before the issue or conversion.

The company may increase, divide, consolidate, change the currency or denomination of or reduce its share capital with the approval of its shareholders. Subject to Bermuda law and our bye-laws, all or any of the special rights for the time being attached to any class of shares for the time being in issue may be altered or abrogated with the consent in writing of the holders of the issued shares of such class carrying 75.0% or more of all of the votes capable of being cast at the relevant time at a separate general meeting of the holders of the shares of that class, or with the sanction of a resolution passed at a separate general meeting of the holders of shares of that class by a majority of the votes cast. All provisions of our bye-laws relating to general shareholder meetings shall apply to any such separate general meeting, except that the necessary quorum shall be one or more holders present in person or by proxy holding or representing at least one-third of the shares of the relevant class.

We may purchase our own shares for cancellation or acquire them as treasury shares in accordance with Bermuda law on such terms as the supervisory board may determine. As our common shares and convertible preferred shares have equal voting rights, we sometimes refer to them collectively as voting shares.

Our company may, under its bye-laws, at any time request any person it has cause to believe is interested in the shares of our company to confirm details of shares of our company in which that person holds an interest.

### *Common Shares*

The holders of common shares are, subject to our bye-laws and Bermuda law, generally entitled to enjoy all the rights attaching to common shares.

Except for treasury shares, each fully paid common share entitles its holder to:

- participate in shareholder meetings;
- have one vote on all issues voted upon at a shareholder meeting, except for the purposes of cumulative voting for the election of the supervisory board, in which case each common share shall have the same number of votes as the total number of members to be elected to the supervisory board and all such votes may be cast for a single candidate or may be distributed between or among two or more candidates;
- receive dividends approved by the supervisory board;
- in the event of our liquidation, receive a pro rata share of our surplus assets; and
- exercise any other rights of a common shareholder set forth in our bye-laws and Bermuda law.

### *Convertible Preferred Shares*

Except for treasury shares, each fully paid convertible preferred share entitles its holder to:

- participate in shareholder meetings;
- have one vote on all issues voted upon at a shareholder meeting, except for the purposes of cumulative voting for the election of the supervisory board, in which case each preferred share shall have the same number of votes as the total number of members to be elected to the board of directors and all such votes may be cast for a single candidate or may be distributed between or among two or more candidates;
- exercise any other rights of a preferred shareholder set forth in our bye-laws and Bermuda law.

The holders of convertible preferred shares are not entitled to receive dividends and are not entitled to any payment in respect of our surplus assets in the event of our liquidation. The holders of convertible preferred shares are, subject to our bye-laws and Bermuda law, entitled to convert their convertible preferred shares, at their option, at any time (a) after the date which is two years and six calendar months after the date of issue of the relevant convertible preferred shares but before the date which is five years after such date of issue and (b) during the period between the date on which a mandatory offer to acquire all common shares and all convertible preferred shares is announced and the final business day such offer is open for acceptance, in each case, in whole or in part, into common shares on the basis of one common share for one convertible preferred share. Upon conversion, the converting shareholder must pay to us a conversion premium per share equal to the greater of (1) the closing price of our common shares on the NASDAQ on the date of the conversion notice, and (2) the 30 day volume weighted average price on the NASDAQ of our common shares on the date of the conversion notice. The holders of convertible preferred shares have the same voting rights as the holders of common shares. Any convertible preferred shares not redeemed five years after their issue will be immediately redeemed by the company at a redemption price of US\$0.001 per share.

There are no sinking fund provisions attached to any of our shares. Holders of fully paid common shares or convertible preferred shares have no further liability to the company for capital calls.

All rights of any share of any class held in treasury are suspended and may not be exercised while the share is held by the our company in treasury.

### **Shareholders' Meetings**

Shareholders' meetings are convened and held in accordance with our bye-laws and Bermuda law. Registered holders of voting shares as of the record date for the shareholder meeting may attend and vote.

#### *Annual General Meeting*

Our bye-laws provide that our annual general meeting must be held each year at such time and place as the CEO or the supervisory board may determine.

The annual general meeting requires 30 clear days' prior notice be given to each shareholder entitled to attend and vote at such annual general meeting. The notice must state the date, place and time at which the meeting is to be held, that the election of directors will take place and, as far as practicable, any other business to be conducted at the meeting.

Under Bermuda law, shareholders may, at their own expense (unless the company otherwise resolves), require a company to: (a) give notice to all shareholders entitled to receive notice of the annual general meeting of any resolution that the shareholders may properly move at the next annual general meeting; and (b) circulate to all shareholders entitled to receive notice of any general meeting a statement in respect of any matter referred to in the proposed resolution or any business to be conducted at such general meeting. The number of shareholders necessary for such a requisition is either: (1) any number of shareholders representing not less than 5.0% of the total voting rights of all shareholders entitled to vote at the meeting to which the requisition relates; or (2) not less than 100 registered shareholders.

A shorter notice period will not invalidate a general meeting if it is approved by either: (a) in the case of an annual general meeting, all shareholders entitled to attend and vote at the meeting, or (b) in the case of a special general meeting, a majority of shareholders having the right to attend and vote at the meeting and together holding not less than 95.0% in nominal value of the shares giving a right to attend and vote at the meeting.

#### *Special General Meeting*

The CEO or the supervisory board may convene a special general meeting whenever in their judgment such a meeting is necessary. The supervisory board must, on the requisition in writing of shareholders holding not less than 10.0% of our paid up voting share capital, convene a special general meeting. Each special general meeting may be held at such time and place as the CEO or the supervisory board may appoint.

A special general meeting requires 30 clear days' notice be given to each shareholder entitled to attend and vote at such meeting. The notice must state the date, place and time at which the meeting is to be held and as far as possible any other business to be conducted at the meeting.

Our bye-laws state that notice for all shareholders' meetings may be given by:

- delivering such notice to the shareholder in person;
- sending such notice by letter or courier to the shareholder's address as stated in the register of shareholders;
- transmitting such notice by electronic means in accordance with directions given by the shareholder; or
- accessing such notice on our website.

#### *Postponement or Cancellation of General Meeting*

The supervisory board may postpone or cancel any general meeting called in accordance with the bye-laws (other than a meeting requisitioned by shareholders) provided that notice of postponement or cancellation is given to each shareholder before the time for such meeting.

#### *Quorum*

Subject to the Companies Act and our bye-laws, at any general meeting, two or more persons present in person at the start of the meeting and having the right to attend and vote at the meeting and holding or representing in person or by proxy at least 50.0% plus one voting share of our total issued voting shares at the relevant time will form a quorum for the transaction of business.

If within half an hour from the time appointed for the meeting a quorum is not present, then, in the case of a meeting convened on a requisition, the meeting shall be deemed canceled and, in any other case, the meeting shall stand adjourned to the same day one week later, at the same time and place, or to such other day, time or place as the CEO may determine.

### **Voting Rights**

Under Bermuda law, the voting rights of our shareholders are regulated by our bye-laws and, in certain circumstances, the Companies Act.

Subject to Bermuda law and our bye-laws, a resolution may only be put to a vote at a general meeting of any class of shareholders if:

- it is proposed by or at the direction of the supervisory board;
- it is proposed at the direction of a court;
- it is proposed on the requisition in writing of such number of shareholders as is prescribed by, and is made in accordance with, the relevant provisions of the Companies Act or our bye-laws; or
- the chairman of the meeting in his absolute discretion decides that the resolution may properly be regarded as within the scope of the meeting.

In addition to those matters required by Bermuda law or the NASDAQ rules to be approved by a simple majority of shareholders at any general meeting, the following actions require the approval of a simple majority of the votes cast at any general meeting:

- any sale of all or substantially all of our assets;
- the appointment of an auditor; and
- removal of directors.

Any question proposed for the consideration of the shareholders at any general meeting may be decided by the affirmative votes of a simple majority of the votes cast, except for:

- whitewash procedure for mandatory offers, which requires the affirmative vote of a majority of the shareholders voting in person or by proxy at a general meeting, excluding the vote of the shareholder or shareholders in question and their affiliates;
- voting for directors, which requires directors to be elected by cumulative voting at each annual general meeting;
- changes to our bye-laws, which require a resolution to be passed by shareholders representing not less than 75.0% of the total voting rights of the shareholders who vote in person or by proxy on the resolution;
- loans to any director, which require a resolution to be passed by shareholders representing not less than 90.0% of the total voting rights of the shareholders who vote in person or by proxy on the resolution; and
- the discontinuation of VimpelCom Ltd. to a jurisdiction outside Bermuda, which requires a resolution to be passed by shareholders representing not less than 75.0% of the total voting rights of the shareholders who vote in person or by proxy on the resolution.

Our bye-laws require voting on any resolution at any meeting of the shareholders to be conducted by way of a poll vote. Except where cumulative voting is required, each person present and entitled to vote at a meeting of the shareholders shall have one vote for each share of which such person is the holder or for which such person holds a proxy and such vote shall be counted by ballot or, in the case of a general meeting at which one or more shareholders are present by electronic means, in such manner as the chairman of the meeting may direct. A person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

### *Voting Rights of Common Shares*

The holders of common shares, subject to the provisions of our bye-laws, are entitled to one vote per common share, voting together with the convertible preferred shares as a single class, except where cumulative voting applies when electing directors.

### *Voting Rights of Convertible Preferred Shares*

The holders of convertible preferred shares, subject to the provisions of our bye-laws, are entitled to one vote per convertible preferred share, voting together with the common shares as a single class, except where cumulative voting applies when electing directors.

### **Foreign Shareholders**

There are no requirements or restrictions with respect to foreign ownership of our shares.

### **Supervisory Board and Management Board**

Our company is governed by our supervisory board currently consisting of nine directors.

The supervisory board generally delegates management of our company to the CEO and management board, subject to certain material business decisions that are reserved to the supervisory board. The management board consists of the CEO and other senior executives. The CEO has exclusive authority to identify and recommend our senior executives to the supervisory board for the supervisory board's ratification.

All directors are elected by our shareholders through cumulative voting. Each voting share confers on its holder a number of votes equal to the number of directors to be elected. The holder may cast those votes for candidates in any proportion, including casting all votes for one candidate.

Under our bye-laws, the amount of any fees or other remuneration payable to directors is determined by the supervisory board upon the recommendation of the compensation committee. We may repay to any director such reasonable costs and expenses as he may incur in the performance of his duties.

The supervisory board has the power to borrow on the company's behalf and delegates that authority to the management board, subject to the restrictions set forth in our bye-laws.

There is no requirement for the members of our supervisory board to own shares. A director who is not a shareholder will nevertheless be entitled to attend and speak at general meetings and at any separate meeting of the holders of any class of shares.

Neither Bermuda law nor our bye-laws establish any mandatory retirement age for our directors or executive officers.

### **Dividends and Dividend Rights**

Pursuant to Bermuda law, we are restricted from declaring or paying a dividend if there are reasonable grounds for believing that (a) we are, or would after the payment be, unable to pay our liabilities as they become due, or (b) the realizable value of our assets would as a result of the dividend be less than the aggregate of our liabilities.

The supervisory board may, subject to our bye-laws and in accordance with Bermuda law, declare a dividend to be paid to the shareholders holding shares entitled to receive dividends, in proportion to the number of shares held by them, and such dividend may be paid in cash or wholly or partly in shares or other assets, including through the issuance of our shares or other securities, in which case the supervisory board may fix the value for distribution in specie of any assets, shares or securities. We are not required to pay interest on any unpaid dividend.

In accordance with our bye-laws, dividends may be declared and paid in proportion to the amount paid up on each share. The holders of common shares are entitled to dividends if the payment of dividends is approved by the supervisory board. The holders of convertible preferred shares are not entitled to receive dividends.

Dividends unclaimed for a period of seven years from the date of payment may be forfeited.

Our bye-laws and Bermuda law do not provide for pre-emptive rights of shareholders in respect of new shares issued by us.

There is no statutory regulation of the conduct of takeover offers and transactions under Bermuda law. However, our bye-laws provide that any person who, individually or together with any of its affiliates or any other members of a group, acquires beneficial ownership of any common shares or convertible preferred shares which, taken together with common shares and/or convertible preferred shares already beneficially owned by it or any of its affiliates or its group, in any manner, carry 50.0% or more of the voting rights of our outstanding voting shares, must, within 30 days of acquiring such shares, make a general offer to all holders of common shares (including any common shares issued on the conversion of convertible preferred shares during the offer period) and convertible preferred shares to purchase their shares.

## **Interested Party Transactions**

The supervisory board has the right to approve transactions with interested parties, subject to Bermuda law. Prior to voting by the supervisory board on such transaction, all interests must be fully disclosed to the supervisory board. The interested director may participate in the discussion and vote on such a transaction, unless otherwise restricted by applicable law or in accordance with our bye-laws.

## **Liquidation Rights**

If VimpelCom is wound up, the liquidator may, with the sanction of a resolution of the shareholders, divide among the shareholders in specie or in kind the whole or any part of our assets (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the shareholders or different classes of shareholders.

The liquidator may, with the same sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the shareholders as the liquidator thinks fit, but so that no shareholder may be compelled to accept any shares or other securities or assets on which there is any liability.

The holders of common shares, in the event of our winding-up or dissolution, are entitled to our surplus assets in respect of their holdings of common shares, *pari passu* and *pro rata* to the number of common shares held by each of them. The holders of convertible preferred shares, in the event of our winding-up or dissolution, are not entitled to any payment or distribution in respect of our surplus assets.

## **Share Registration, Transfers and Settlement**

All of our issued shares are registered. The register of members of a company is generally open to inspection by shareholders and by members of the general public without charge. The register of members is required to be open for inspection for not less than two hours in any business day (subject to the ability of a company to close the register of members for not more than 30 days in a year). A company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act, establish a branch register outside of Bermuda. A company is required to keep at its registered office a register of directors and officers that is open for inspection for not less than two hours in any business day by members of the public without charge. Bermuda law does not, however, provide a general right for shareholders to inspect or obtain copies of any other corporate records.

### **C. Material Contracts**

None.

### **D. Exchange Controls**

We have been designated by the Bermuda Monetary Authority as non-resident of Bermuda for Bermuda exchange control purposes. This designation allows us to engage in transactions in currencies other than the Bermuda dollar, and there are no restrictions on our ability to transfer funds (other than funds denominated in Bermuda dollars) in and out of Bermuda or to pay dividends to United States or other non-Bermuda residents who are holders of our common shares or convertible preferred shares.

For the purposes of Bermuda exchange control regulations, there are no limitations on the issue and free transferability of our common shares and convertible preferred shares or our ADSs representing common shares to and between non-residents of Bermuda for exchange control purposes, provided our ADSs remain listed on an appointed stock exchange (which includes NASDAQ). Certain issues and transfers of common shares and convertible preferred shares involving persons deemed resident in Bermuda for exchange control purposes may require the specific consent of the Bermuda Monetary Authority.



## **E. Taxation**

The following discussion generally summarizes certain material United States federal and Dutch income and withholding tax consequences to a beneficial owner arising from the ownership and disposition of our common shares or ADSs. The discussion which follows is based on (a) the United States Internal Revenue Code of 1986, as amended, which we refer to in this Annual Report on Form 20-F as the Internal Revenue Code, the Treasury regulations promulgated thereunder, and judicial and administrative interpretations thereof, (b) Dutch law and (c) the Convention (defined in “—Dutch Tax Considerations” below) as in effect on the date hereof, and is subject to any changes (possibly on a retroactive basis) in these or other laws occurring after such date. It is also based, in part, on representations of the depositary, and assumes that each obligation in the deposit agreement and any related agreements will be performed in accordance with its terms.

The discussion which follows is intended as a descriptive summary only and is not intended as tax advice to any particular investor. It is also not a complete analysis or listing of all potential United States federal or Dutch income and withholding tax consequences to a prospective holder of ADSs or common shares. Each investor is urged to consult its own tax advisor regarding the specific United States federal, state, and local and Dutch tax consequences of the ownership and disposition of the ADSs or common shares and regarding the effect and applicability of tax treaties.

### **United States Federal Income Tax Considerations**

This summary of United States federal income and withholding tax consequences applies to a U.S. Holder of ADSs or common shares. As used herein, the term U.S. Holder means a beneficial owner of common shares that is: (i) an individual citizen or resident of the United States for United States federal income tax purposes; (ii) a corporation or partnership created or organized in or under the laws of the United States or a political subdivision thereof; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons, within the meaning of Section 7701(a)(30) of the Internal Revenue Code, have authority to control all substantial decisions of the trust, or a trust in existence on August 20, 1996, which was treated as a U.S. person under the law in effect immediately before that date which made a valid election to continue to be treated as a U.S. person under the Internal Revenue Code.

Since the United States federal income and withholding tax treatment of a U.S. Holder may vary depending upon particular situations, certain U.S. Holders (including, but not limited to, insurance companies, tax-exempt organizations, financial institutions, U.S. Holders subject to the alternative minimum tax, U.S. Holders who are broker-dealers in securities, U.S. Holders that have a “functional currency” other than the U.S. dollar, U.S. Holders that received common shares as compensation for services, and U.S. Holders that own, directly, indirectly or by attribution, 5.0% or more of the outstanding common shares) may be subject to special rules not discussed below. In addition, this summary is generally limited to U.S. Holders who will hold ADSs or common shares as “capital assets” within the meaning of Section 1221 of the Internal Revenue Code and not as part of a “hedging transaction,” “straddle” or “conversion transaction” within the meaning of Sections 1221, 1092 and 1258 of the Internal Revenue Code and the regulations thereunder. The discussion below also does not address the effect of any United States state or local tax law or foreign tax law on a U.S. Holder in the ADSs or common shares.

For purposes of applying United States federal income and withholding tax law, a U.S. Holder of ADSs will be treated as the owner of the underlying common shares represented thereby.

#### *Taxation of dividends on ADSs or common shares*

Subject to the discussion under the heading “—Passive foreign investment company,” the gross amount of any dividend received by a U.S. Holder (determined without deduction for any Dutch withholding taxes) with respect to ADSs or common shares generally will be subject to taxation as foreign source dividend income to the extent such distributions are made from the current or accumulated earnings and profits of our company, as determined for U.S. federal income tax purposes. A dividend will be included in income when received by the U.S. Holder in the case of common shares or by the Depositary in the case of ADSs. A U.S. corporate holder will not be allowed a deduction for dividends received in respect of distributions on ADSs or common shares. A distribution, if any, in excess of such current and accumulated earnings and profits first will be treated as a non-taxable return of capital to the extent of the U.S. Holder’s basis in the ADSs or common shares, and thereafter as a capital gain. The portion of any distribution to a U.S. Holder treated as a non-taxable return of capital will reduce such holder’s tax basis in such ADSs or common shares.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by a U.S. Holder that is an individual with respect to the ADSs or common shares will be subject to U.S. taxation at a maximum current rate of 15.0%, or 20% depending on the income level of the individual, if the dividends are “qualified dividends.” Dividends paid on the ADSs or

common shares will be treated as qualified dividends if our company was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a passive foreign investment company, or PFIC. Based on our audited financial statements and relevant market and shareholder data, we believe that it was not treated as a PFIC for U.S. federal income tax purposes with respect to our prior taxable years. In addition, based on our financial statements and our current expectations regarding the value and nature of our assets and the sources and nature of our income, we do not anticipate being treated as a PFIC for our current taxable year. Individuals, estates and trusts with gross income in excess of US\$200,000 (US\$250,000 for joint filers) will be subject to an additional Medicare tax of 3.8% of net investment income, which generally includes dividends, in excess of certain thresholds.

The U.S. Treasury has announced its intention to promulgate rules pursuant to which holders of ADSs or common shares and intermediaries through whom such securities are held will be permitted to rely on certifications from issuers to establish that dividends are treated as qualified dividends. Because such procedures have not yet been issued, it is not clear whether our company will be able to comply with them. Holders of our ADSs and common shares should consult their own tax advisors regarding the availability of the reduced dividend tax rate in the light of their own particular circumstances.

If a dividend is paid in Euros, the amount included in gross income by a U.S. Holder will be the U.S. dollar value, on the date of receipt by the U.S. Holder (or by the Depositary, in the case of ADSs), of the Euro amount distributed, regardless of whether the payment is actually converted into U.S. dollars. Any gain or loss resulting from currency exchange rate fluctuations during the period from the date the dividend is included in the income of the U.S. Holder to the date the Euros are converted into U.S. dollars generally will be treated as ordinary income or loss from U.S. sources.

To the extent described under “—Dutch Tax Considerations,” dividends we pay with respect to the ADSs to U.S. Holders may be subject to withholding tax imposed by the Netherlands at a rate of 15.0%. Subject to certain conditions and limitations, tax withheld by the Netherlands on dividends may be deducted from a U.S. Holder’s U.S. taxable income or credited against a U.S. Holder’s U.S. federal income tax liability. Dividends received by a U.S. Holder with respect to the ADSs will be treated as foreign source income, which may be relevant in calculating such holder’s foreign tax credit limitation. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends we distribute generally will constitute “passive income,” or, in the case of certain U.S. Holders that are members of a financial services group or persons predominantly engaged in the active conduct of a banking, insurance, financing or similar business, “general category income.”

#### *Taxation on sale or exchange of ADSs or common shares*

Subject to the discussion under the heading “—Passive foreign investment company,” the sale of ADSs or common shares generally will result in the recognition of U.S.-source gain or loss in an amount equal to the difference between the amount realized on the sale and the U.S. Holder’s adjusted basis in such ADSs or common shares. If a U.S. Holder disposes of ADSs or common shares for foreign currency, the amount realized will generally be the U.S. dollar value of the payment received, determined using the spot rate on the settlement date for the sale. Gain or loss upon the sale of ADSs or common shares will be capital gain or loss and will be long-term capital gain or loss if the ADSs or common shares have been held for more than one year. Long-term capital gain realized by a U.S. Holder with respect to ADSs or common shares will be subject to tax at a maximum current rate for individuals of 15%, or 20.0% depending on the individual’s income level, and generally 35.0% for corporations. However, special rules may apply to a redemption of common shares which may result in the proceeds of the redemption being treated as a dividend. Certain limitations exist on the deductibility of capital losses by both corporate and individual taxpayers. If a U.S. Holder receives a currency other than the U.S. dollar (e.g., Euros) upon a sale or exchange of ADSs or common shares, gain or loss, if any, recognized on the subsequent sale, conversion or disposition of such currency will be U.S. source ordinary income or loss. However, if such currency is converted into U.S. dollars on the date received by the U.S. Holder, the U.S. Holder generally should not be required to recognize any additional gain or loss on such conversion.

In addition, individuals, estates and trusts with an adjusted gross income in excess of US\$200,000 (US\$250,000 for joint filers) are subject to an additional Medicare tax of 3.8% of net investment income, which generally includes capital gains, in excess of certain thresholds.

#### *Passive foreign investment company*

In general, the foregoing discussion assumes that we are not currently, and will not be in the future, classified as a passive foreign investment company, which we refer to in this discussion as a PFIC, within the meaning of the Internal Revenue Code. Generally, if during any taxable year of a non-U.S. corporation, 75.0% or more of such non-U.S. corporation’s gross income consists of certain kinds of “passive” income, or if 50.0% or more of the gross value of such non-U.S. corporation’s assets are “passive assets” (generally assets that generate passive income), such non-U.S. corporation will be classified as a PFIC for such year.

Based on our current and projected income, assets and activities, we do not believe that we will be classified as a PFIC for our current or any succeeding taxable year. However, because PFIC status is a factual matter that must be determined annually, there can be no assurances in this regard.

*Consequences of PFIC classification.* If we were classified as a PFIC for any taxable year in which a U.S. Holder is a holder of ADSs or common shares, such holder would be subject to special rules, generally resulting in increased tax liability in respect of gain realized on the sale or other disposition of ADSs or common shares or upon the receipt of certain distributions on ADSs or common shares. For example, gain recognized on disposition of PFIC stock or the receipt of an “excess distribution” from a PFIC is: (1) treated as if it were ordinary income earned ratably on each day in the taxpayer’s holding period for the stock at the highest marginal rate in effect during the period in which it was deemed earned and (2) subject to an interest charge as if the resulting tax had actually been due in such earlier year or years. An “excess distribution” is the amount of any distribution received by a U.S. Holder during the taxable year that exceeds 125.0% of the immediately preceding three-year average of distributions received from the corporation, subject to certain adjustments.

A disposition is defined to include, subject to certain exceptions, any transaction or event that constitutes an actual or deemed transfer of property for any purpose under the Internal Revenue Code, including a sale, exchange, gift, transfer at death, and the pledging of PFIC stock to secure a loan. The foregoing rules will continue to apply with respect to a U.S. Holder who held the common shares while we met the definition of a PFIC even if we cease to meet the definition of a PFIC. You are urged to consult your own tax advisors regarding the consequences of an investment in a PFIC.

*QEF Election.* A U.S. Holder of a PFIC who makes a Qualified Electing Fund election, or a QEF Election, will be taxable currently on its pro rata share of the PFIC’s ordinary earnings and net capital gain, unless it makes a further election to defer payments of tax on amounts included in income for which no distribution has been received, subject to an interest charge. Special adjustments are provided to prevent inappropriate double taxation of amounts so included in a U.S. Holder’s income upon a subsequent distribution or disposition of the stock.

For a U.S. Holder to qualify for treatment under the QEF election, we would be required to provide certain information to the U.S. Holder. Although we have not definitively decided whether we would provide such information, we do not currently intend to do so.

*Mark to market election.* A U.S. Holder of “marketable stock” under the PFIC rules may be able to avoid the imposition of the special tax and interest charge by making a “mark-to-market election.” Generally, pursuant to this election, a U.S. Holder would include in ordinary income, for each taxable year during which such stock is held, an amount equal to the increase in value of the stock, which increase will be determined by reference to the value of such stock at the end of the current taxable year as compared with its value as of the end of the prior taxable year. A U.S. Holder desiring to make the mark-to-market election should consult its tax advisor with respect to the application and effect of making such election.

#### *United States information reporting and backup withholding*

Distributions made on ADSs or common shares and proceeds from the sale of common shares or ADSs that are paid within the United States or through certain U.S.-related financial intermediaries to a U.S. Holder are subject to information reporting and may be subject to a “backup” withholding tax unless, in general, the U.S. Holder complies with certain procedures or is a person exempt from such withholding. A holder that is not a U.S. person generally is not subject to information reporting or backup withholding tax, but may be required to comply with applicable certification procedures to establish that he is not a U.S. person in order to avoid the application of such information reporting requirements or backup withholding tax to payments received within the United States or through certain U.S.-related financial intermediaries.

Individuals will be required to attach certain information regarding “specified foreign financial assets” to their U.S. federal income tax returns for any year in which the aggregate value of all such assets held by such individuals exceeds US\$50,000 on the last day of the taxable year or US\$75,000 at any time during the taxable year (higher thresholds apply for certain married individuals filing joint returns). A “specified foreign financial asset” includes any depository or custodial accounts at foreign financial institutions, and to the extent not held in an account at a financial institution, (1) stocks or securities issued by non-U.S. persons, and (2) any interest in a non-U.S. entity. Our company is a non-U.S. person and entity for this purpose. Penalties may be imposed for the failure to disclose such information regarding specified foreign financial assets. U.S. Holders should consult their tax advisors regarding the potential application of these new rules to their ownership of ADSs or common shares.

## Dutch Tax Considerations

The following summary solely addresses the material Dutch tax consequences for a Non-resident holder (as described below), including a U.S. Holder, of our ADSs in respect of their disposition or acquisition. This summary does not address every aspect of Dutch taxation that may be relevant to you, as a Non-resident holder, nor does it address special circumstances or treatment that may be available under applicable law. If you are a Non-resident holder, you should consult your own tax advisor for more information about the tax consequences of your owning and disposing of our ADSs.

Where English terms and expressions are used in this summary to refer to Dutch concepts, the intended meanings are those of the equivalent Dutch concepts under Dutch tax law. Where in this taxation summary the terms “the Netherlands” and “Dutch” are used, these refer solely to the European part of the Kingdom of the Netherlands.

This summary is based on the tax law of the Netherlands, excluding unpublished case law, in effect as of the date of this Annual Report on Form 20-F. However, Dutch tax law is subject to change, sometimes on a retroactive basis. In addition, any change to our organizational structure or to the manner in which we conduct our business may affect the matters summarized below.

Where in this summary reference is made to a “holder” of our ADSs, that concept includes, without limitation:

1. an owner of one or more ADSs who in addition to the title to such ADSs has an economic interest therein;
2. a person who or an entity that holds the entire economic interest in one or more ADSs;
3. a person who or an entity that holds an interest in an entity, such as a partnership or a mutual fund, that is transparent for Dutch tax purposes, the assets of which comprise one or more ADSs within the meaning of 1. or 2. above; and
4. a person who is deemed to hold an interest in ADSs, as referred to under 1, 2 and 3 above, pursuant to the attribution rules of article 2.14a, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), with respect to property that has been segregated, for instance in the form of a trust or a foundation.

### *Income and capital gains taxes*

For purposes of this section, you are a “Non-resident holder” if you satisfy the following tests:

(a) you are neither resident, nor deemed to be resident, in the Netherlands for purposes of Dutch income tax or corporation tax, as the case may be, and, if you are an individual, have not elected to be treated as a resident of the Netherlands for Dutch income tax purposes;

(b) your ADSs and any benefits derived or deemed to be derived therefrom have no connection with your past, present or future employment or membership of a management board (*bestuurder*) or a supervisory board (*commissaris*);

(c) your ADSs do not form part of a substantial interest or a deemed substantial interest in VimpelCom within the meaning of Chapter 4 of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), unless such interest forms part of the assets of an enterprise; and

(d) if you are not an individual, no part of the benefits derived from your ADSs is exempt from Dutch corporation tax under the participation exemption as laid down in the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

Generally, if you hold an interest in VimpelCom, such interest forms part of a substantial interest or a deemed substantial interest in VimpelCom if any one or more of the following circumstances is present:

(1) You alone or, if you are an individual, together with your domestic partner, if any, own, or pursuant to article 2.14a, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) is deemed to own, directly or indirectly, either a number of shares in VimpelCom representing 5.0% or more of its total issued and outstanding capital (or the issued and outstanding capital of any class of its shares), or rights to acquire, directly or indirectly, shares, whether or not already issued, representing 5.0% or more of its total issued and outstanding capital (or the issued and outstanding capital of any class of its shares), or profit participating certificates (*winstbewijzen*) relating to 5.0% or more of its annual profit or to 5.0% or more of its liquidation proceeds.

(2) You have acquired or are deemed to have acquired your shares, profit participating certificates or rights to acquire shares or profit participating certificates in VimpelCom under a non-recognition provision.

(3) Your partner or any of your relatives by blood or by marriage in the direct line (including foster children) or of those of your partner has a substantial interest (as described under items (1) and (2) above) in VimpelCom.

A holder who is entitled to the benefits from shares or profit participating certificates (for instance a holder of a right of usufruct) is deemed to be a holder of shares or profit participating certificates, as the case may be, and his entitlement to benefits is considered a share or profit participating certificate, as the case may be.

If you are a holder of ADSs and you satisfy test (a) above but do not satisfy any one or more of tests (b), (c) and (d), this summary does not address your Dutch income tax position or corporation tax position, as the case may be.

If you are a Non-resident holder of ADSs, you will not be subject to any Dutch taxes on income or capital gains (other than the dividend withholding tax described below) in respect of any benefits derived or deemed to be derived by you from your ADSs, including any capital gain realized on the disposal thereof, except in the following circumstances:

(1) if (i) you derive profits from an enterprise, as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net value of such enterprise, other than as a shareholder, if you are an individual, or other than as a holder of securities, if you are not an individual and (ii) such enterprise is either managed in the Netherlands or carried on, in whole or in part, through a permanent establishment or a permanent representative which is taxable in the Netherlands, and (iii) your ADSs are attributable to such enterprise; or

(2) if you are an individual and you derive benefits from your ADSs that are taxable as benefits from miscellaneous activities in the Netherlands.

If you are an individual and a Non-resident holder, you may derive, or be deemed to derive, benefits from your ADSs that are taxable as benefits from miscellaneous activities in the following circumstances, among others:

(a) if your investment activities go beyond the activities of an active portfolio investor, for instance in the case of use of insider knowledge (*voorkennis*) or comparable forms of special knowledge; or

(b) if you hold ADSs, whether directly or indirectly, and any benefits to be derived from such ADSs are intended, in whole or in part, as remuneration for activities performed by you or by a person who is a connected person to you, as meant by article 3.92b, paragraph 5, of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*).

Such benefits will be taxable in the Netherlands only if such activities are performed or deemed to be performed in the Netherlands.

#### *Attribution rule*

Benefits derived or deemed to be derived from certain miscellaneous activities by a child or a foster child who is under eighteen years of age are attributed to the parent who exercises, or the parents who exercise, authority over the child, irrespective of the country of residence of the child.

#### *Dividend withholding tax*

Dividends distributed by VimpelCom to a Non-resident holder of ADSs generally are subject to a withholding tax imposed by the Netherlands at a rate of 15.0%.

The concept “dividends distributed by VimpelCom” as used in this section includes, but is not limited to, the following:

- distributions in cash or in kind, deemed and constructive distributions and repayments of capital not recognized as paid-in for Dutch dividend withholding tax purposes;
- liquidation proceeds and proceeds of repurchase or redemption of shares in excess of the average capital recognized as paid-in for Dutch dividend withholding tax purposes;
- the par value of shares issued by VimpelCom to a holder of its shares or ADSs or an increase of the par value of shares, as the case may be, to the extent that it does not appear that a contribution, recognized for Dutch dividend withholding tax purposes, has been made or will be made; and
- partial repayment of capital, recognized as paid-in for Dutch dividend withholding tax purposes, if and to the extent that there are net profits (*zuivere winst*), unless (a) VimpelCom’s shareholders have resolved in advance to make such repayment and (b) the par value of the shares concerned has been reduced by an equal amount by way of an amendment to its memorandum of association.

If a Non-resident holder of ADSs is resident in the non-European part of the Kingdom of the Netherlands or in a country that has concluded a double taxation treaty with the Netherlands, such holder may be eligible for a full or partial relief from the dividend withholding tax, provided such relief is timely and duly claimed. Pursuant to Dutch rules to avoid dividend stripping, dividend withholding tax relief will only be available to the beneficial owner of dividends distributed by VimpelCom. The Dutch tax authorities have taken the position that this beneficial-ownership test can also be applied to deny relief from dividend withholding tax under double tax treaties, the Tax Arrangement for the Kingdom (*Belastingregeling voor het Koninkrijk*) and the Tax Arrangement for the country of the Netherlands (*Belastingregeling voor het land Nederland*).

In addition, a Non-resident holder of ADSs that is not an individual, is entitled to an exemption from dividend withholding tax, provided that the following tests are satisfied:

1. it is, according to the tax law of a Member State of the European Union or a state designated by ministerial decree, that is a party to the Agreement regarding the European Economic Area, resident there and it is not transparent according to the tax law of such state;
2. any one or more of the following threshold conditions are satisfied:
  - a. at the time the dividend is distributed by VimpelCom, it holds shares representing at least 5.0% of the nominal paid up capital of VimpelCom; or
  - b. it has held shares representing at least 5.0% of the nominal paid up capital of VimpelCom for a continuous period of more than one year at any time during the four years preceding the time the dividend is distributed by VimpelCom; or
  - c. it is connected with VimpelCom within the meaning of article 10a, paragraph 4, of the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*); or
  - d. an entity connected with it within the meaning of article 10a, paragraph 4, of the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*) holds at the time the dividend is distributed by VimpelCom, shares representing at least 5.0% of the nominal paid up capital of VimpelCom;
3. it is not considered to be resident outside the Member States of the European Union or the states designated by ministerial decree, that are a party to the Agreement regarding the European Economic Area under the terms of a double taxation treaty concluded with a third State; and
4. the holder of ADSs does not perform a similar function as an investment institution (*beleggingsinstelling*) as meant by article 6a or article 28 of the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

The exemption from dividend withholding tax is not available if pursuant to a provision for the prevention of fraud or abuse included in a double taxation treaty between the Netherlands and the country of residence of the Non-resident holder of ADSs, such holder would not be entitled to the reduction of tax on dividends provided for by such treaty. Furthermore, the exemption from dividend withholding tax will only be available to the beneficial owner of dividends distributed by VimpelCom if a Non-resident holder of ADSs is resident in a Member State of the European Union with which the Netherlands has concluded a double taxation treaty that provides for a reduction of tax on dividends based on the ownership of the number of voting rights, the test under 2.a. above is also satisfied if such holder owns 5.0% of the voting rights in VimpelCom.

If a Non-resident Holder of ADSs is subject to Dutch income tax or Dutch corporation tax in respect of any benefits derived or deemed to be derived from its ADSs, including any capital gain realized on the disposal thereof, it can generally credit Dutch dividend withholding tax against his Dutch income tax or its Dutch corporation tax liability, as applicable, and is generally entitled to a refund pursuant to a negative tax assessment if and to the extent the dividend withholding tax, together with any other creditable domestic and/or foreign taxes, exceeds his aggregate Dutch income tax or its aggregate Dutch corporation tax liability, respectively.

Pursuant to Dutch rules to avoid dividend stripping, a holder of ADSs who receives proceeds from such ADSs will not be recognized as the beneficial owner of such proceeds if, in connection with the receipt of the proceeds, it has given a consideration, in the framework of a composite transaction including, without limitation, the mere acquisition of one or more dividend coupons or the creation of short-term rights of enjoyment of shares (*kortlopende genotsrechten op aandelen*), whereas it may be presumed that (a) such proceeds in whole or in part, directly or indirectly, inure to a person who would not have been entitled to an exemption from, reduction or refund of, or credit for, dividend withholding tax, or who would have been entitled to a smaller reduction or refund of, or credit for, dividend withholding tax than the actual recipient of the proceeds; and (b) such person acquires or retains, directly or indirectly, an interest in VimpelCom shares, ADSs or similar instruments, comparable to its interest in ADSs prior to the time the composite transaction was first initiated.

### *Gift and inheritance taxes*

If you are a holder of ADSs and dispose of ADSs by way of gift, in form or in substance, or if you are an individual and a holder of ADSs and you die, no Dutch gift tax or Dutch inheritance tax, as the case may be, will be due unless:

- you are, or at the time of your death you were, resident or deemed to be resident in the Netherlands for purposes of Dutch gift or inheritance tax, as applicable; or
- you make a gift of ADSs, then become a resident or deemed resident of the Netherlands, and die as a resident or deemed resident of the Netherlands within 180 days after the date of the gift.

For purposes of the above, a gift of ADSs made under a condition precedent (*opschortende voorwaarde*) is deemed to be made at the time the condition precedent is satisfied.

### **F. Dividends and Paying Agents**

Not required.

### **G. Statement by Experts**

Not required.

### **H. Documents on Display**

We file and submit reports and other information with the SEC. Any documents that we file and submit with the SEC may be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. We file our annual reports on Form 20-F and submit our quarterly results and other current reports on Form 6-K.

### **I. Subsidiary Information**

Not required.

## **ITEM 11. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to market risk from adverse movements in foreign currency exchange rates and changes in interest rates on our obligations.

As of December 31, 2013 and 2012, the largest currency exposure risks for the group as a whole were in relation to the Russian ruble, the euro, the Algerian dinar, the Pakistani rupee, the Bangladeshi taka, the Ukrainian hryvnia and Kazakh tenge, because the majority of our cash flows from operating activities in Russia, Italy, Algeria, Pakistan, Bangladesh, Ukraine and Kazakhstan are denominated in these functional currencies, respectively, while our debt, if not incurred in or hedged to the aforementioned currencies, is primarily denominated in U.S. dollars.

We hold part of our readily available cash in subsidiaries in U.S. dollars in order to hedge against the risk of functional currency devaluation. We also hold part of our debt in Russian rubles and Euros to manage part of this risk. Nonetheless, if the U.S. dollar value of the Russian ruble, euro, Algerian dinar, Pakistani rupee, Bangladeshi taka, Ukrainian hryvnia or Kazakh tenge were to dramatically decline, it could negatively impact our ability to repay or refinance our U.S. dollar denominated indebtedness. Fluctuations in the value of the Russian ruble, Euro, Algerian dinar, Pakistani rupee, Bangladeshi taka, Ukrainian hryvnia or Kazakh tenge against the U.S. dollar could adversely affect VimpelCom's financial condition and results of operations due to potential revaluation of U.S. dollar denominated indebtedness affecting net income through foreign exchange gain/loss.

Our treasury function has developed risk management policies that establish guidelines for limiting foreign currency exchange rate risk. For more information on risks associated with currency exchange rates, see the section of this Annual Report on Form 20-F entitled "Item 3—Key Information—D. Risk Factors—Risks Related to Our Business—We are exposed to foreign currency exchange loss and convertibility risks."

The following table summarizes information, as of December 31, 2013, about the maturity of our financial instruments that are sensitive to foreign currency exchange rates, primarily represented by foreign currency denominated debt obligations:

	Aggregate nominal amount of total debt denominated in foreign currency outstanding as of December 31,					Fair Value as of December 31, 2013
	2014	2015	2016	2017	2018	
<b>Total debt:</b>						
Fixed Rate (US\$)	4,115.3	4,115.3	3,015.3	2,000.0	1,000.0	4,496.4
Average interest rate	9.1%	9.1%	9.7%	8.4%	7.7%	
Fixed Rate (RUB)	366.6	366.6	366.6	366.6	—	369.1
Average interest rate	9.0%	9.0%	9.0%	9.0%	—	
Fixed Rate (other currencies)	0.5	—	—	—	—	0.9
Average interest rate	13.0%	—	—	—	—	
Variable Rate (US\$)	48.9	14.5	—	—	—	157.8
Average interest rate	2.5%	2.3%	—	—	—	
Variable Rate (other currencies)	12.7	12.0	11.1	—	—	13.4
Average interest rate	14.2%	14.2%	14.2%	—	—	
	4,544.0	4,508.3	3,393.0	2,366.6	1,000.0	5,037.6

In accordance with our policies, we do not enter into any treasury management transactions of a speculative nature.

As of December 31, 2013, the interest rate risk on the financing of our group was limited as 93% of the group's total debt was fixed rate debt. It is our intention to increase the floating rate share of our debt portfolio over time in order to improve the funding cost profile of the company as a whole.

For more information on our market risks and financial risk management for derivatives and other financial instruments, see Notes 5, 17 and 27 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F.

## ITEM 12. Description of Securities other than Equity Securities

### A. Debt Securities

Not required.

### B. Warrants and Rights

Not required.

### C. Other Securities

Not required.

### D. American Depositary Shares

#### Fees paid by our ADS holders

The Bank of New York Mellon is the depositary for our ADR program. Our depositary collects its fees for delivery and surrender of ADRs directly from investors depositing shares or surrendering ADRs for the purpose of withdrawal. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. According to our deposit agreement with our depositary, dated March 26, 2010 (the "Deposit Agreement"), holders of our ADRs may have to pay our depositary, either directly or indirectly, fees or charges up to the amounts set forth in the table below.



<u>For:</u>	<u>Persons depositing or withdrawing shares or ADR holders must pay to the depositary:</u>
Issuance of ADRs, including issuances resulting from a distribution of our shares or rights or other property	US\$5.00 (or less) per 100 ADRs (or portion of 100 ADRs)
Cancellation of ADRs for the purpose of withdrawal, including if the deposit agreement terminates	
Any cash distribution to ADR holders	US\$0.02 (or less) per ADR
Depositary service	US\$0.02 (or less) per ADR per calendar year
Transfer and registration of shares on our share register to or from the name of the depositary or its agent when a shareholder deposits or withdraws shares	Registration or transfer fees
Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)	Expenses of the depositary
Converting foreign currency to U.S. dollars	Expenses of the depositary
Taxes and other governmental charges the depositary or the custodian have to pay on any ADR or share underlying an ADR, for example, stock transfer taxes, stamp duty or withholding taxes	As necessary
Any charges incurred by the ADR depositary or its agents for servicing the deposited securities	As necessary

#### **Fees Payable by the Depositary to Us**

Our depositary has agreed to reimburse us or pay us for:

- our continuing NASDAQ listing fees;
- certain maintenance costs for the ADR program, including expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. Federal tax information, mailing required tax forms, stationery, postage, facsimile and telephone calls; and
- certain investor relationship programs or special investor relations promotional activities.

In certain instances, our depositary has agreed to provide additional payments to us based on changes in certain conditions relating to the ADR facility. According to our agreement with the depositary, there are limits on the amount of investor relations program or special relations promotional activities expenses for which our depositary will pay or reimburse us, but the amount of payment or reimbursement available to us is not tied to the amount of fees the depositary collects from investors.

From January 1, 2013 to December 31, 2013, the depositary reimbursed expenses of approximately US\$0.6 for maintenance costs for the ADRs, and reimbursed to us or paid on our behalf approximately US\$1.3 for investor relationship programs or special investor relations promotional activities.

## **PART II**

### **ITEM 13. Defaults, Dividend Arrearages and Delinquencies**

None.

### **ITEM 14. Material Modifications to the Rights of Security Holders and Use of Proceeds**

Not required.

## **ITEM 15. Controls and Procedures**

### **(a) Disclosure Controls and Procedures**

An evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer, or “CEO,” and Chief Financial Officer, or “CFO,” of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 20-F. These disclosure controls and procedures include our Disclosure Review Committee’s review of the preparation of our Exchange Act reports. The Disclosure Review Committee also provides an additional verification of our disclosure controls and procedures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. As further described in “Management’s Annual Report on Internal Control Over Financial Reporting” below, management identified material weaknesses in internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis. Based upon the existence of these material weaknesses, our CEO and CFO have concluded that as of December 31, 2013, our disclosure controls and procedures were not effective in providing reasonable assurance that information required to be disclosed by us in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure, for the reasons described in “Management’s Annual Report on Internal Control Over Financial Reporting” below.

### **(b) Management’s Annual Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of our company’s published consolidated financial statements under generally accepted accounting principles.

There are inherent limitations to the effectiveness of any system of controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Company’s policies and procedures may deteriorate.

Our management has assessed the effectiveness of our company’s internal control over financial reporting as of December 31, 2013. In May 2013 the Committee of Sponsoring Organizations of the Treadway Commission, or “COSO,” issued an updated Internal Control—Integrated Framework (the 2013 Framework) which will replace the existing Framework in December 2014. Our management decided to be an early adopter of the updated COSO framework.

In making its assessment, our management has utilized the criteria set forth by the 2013 Framework and Securities and Exchange Commission’s Guidance Regarding Management’s Report on Internal Control Over Financial Reporting Under Section 13 (a) or 15(d) of the Exchange Act.

As a result of management’s assessment of our internal control over financial reporting as of December 31, 2013, management concluded that there were material weaknesses in our internal control over financial reporting as set forth below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis. The material weaknesses identified below did not result in a material misstatement of our consolidated financial statements. However, management

recognizes that the failure of the internal control over financial reporting to operate effectively as described below could have resulted in a material misstatement which may not have been detected by our controls:

- The Company did not maintain effective controls over its procurement process. Specifically, design and operating effectiveness control deficiencies were identified that could permit employees, including management, in the CIS business unit, to circumvent company policies related to the selection of vendors through appropriate tenders, the approval of contracts in procurement processes and the verification of the nature of goods or services received in relation to contracts.
- The Company did not maintain effective controls over the capitalization of fixed assets. Specifically, design and operating effectiveness control deficiencies were identified which allowed expenditures to be capitalized in the CIS business unit which did not meet the Company's accounting policies for capitalization of fixed assets. This resulted in the incorrect capitalization of expenditures in 2011 and 2012 which were subsequently written off in the 2013 Consolidated Income Statement.
- The Company did not maintain effective controls to prevent or detect the potential circumvention or override of controls. Specifically, monitoring controls, including the review of the results of operations of individual countries within the CIS business unit by headquarters personnel, were not properly designed to permit the timely detection of a circumvention of internal controls over financial reporting by local personnel, including internal controls over procurement and the improper capitalization of expenditures.

Based on management's assessment of our internal control over financial reporting as of December 31, 2013, management has concluded that the Company's internal control over financial reporting was not effective as of December 31, 2013.

### **Remediation of Material Weaknesses**

Management is implementing a number of actions that are intended to remediate the material weaknesses and strengthen our internal control and compliance environment, including the following:

- We engaged counsel to conduct an investigation of our operations in Uzbekistan and additional countries. A component of this investigation is focused on our internal controls over financial reporting.
- We are strengthening our procedures related to contract verification and fixed asset controls within the CIS business unit.
- We are updating our Group Procurement Policy and plan to roll out updated tendering procedures.
- We revised our management reporting structure in 2013 so that headquarters personnel review financial information at a disaggregated country level, rather than on an aggregated basis at the business unit level.
- We appointed a Group Director Financial Planning & Analysis in 2014 who reports directly to our CFO to further improve the Company's analytical review controls.
- We retained external advisors in 2014 to assist in the design and implementation of remediation activities;

We are also in the process of evaluating and expect to initiate additional actions to remediate the material weaknesses described above, including developing and implementing additional policies, further strengthening our disclosure processes, increasing the resources that we devote to our internal controls, compliance and audit functions, and where necessary, based on the results of the investigation, taking appropriate disciplinary actions.

EY Accountants LLP, our Company's independent registered public accounting firm has audited and issued an attestation report on the effectiveness of the Company's internal controls over financial reporting as of December 31, 2013 and based on that audit, issued an adverse opinion, as stated in their report, a copy of which appears below.

**(c) Report of Independent Registered Public Accounting Firm**

To the Supervisory Board and Shareholders of VimpelCom Ltd.

We have audited VimpelCom Ltd.'s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). VimpelCom Ltd.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. Management has identified material weaknesses in controls related to the Company's procurement process, capitalization of fixed assets and oversight of the CIS business unit and individual countries therein by headquarters personnel.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2013 consolidated financial statements of VimpelCom Ltd. These material weaknesses were considered in determining the nature, timing and extent of audit tests applied in our audit of the 2013 consolidated financial statements and this report does not affect our report dated May 15, 2014, which expressed an unqualified opinion on those financial statements.

In our opinion, because of the effect of the material weaknesses described above on the achievement of the objectives of the control criteria, VimpelCom Ltd. has not maintained effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

/s/ Ernst & Young Accountants LLP  
Amsterdam, The Netherlands  
May 15, 2014

**(d) Changes in Internal Control Over Financial Reporting**

Except for the remediation efforts relating to the material weaknesses around the effectiveness of internal controls over financial reporting regarding procurement, accounting for fixed assets and in respect of the oversight of the CIS business unit and individual countries therein by headquarters personnel, as described above, there have been no changes in our internal control over financial reporting identified in connection with an evaluation thereof that occurred during the period covered by this Annual Report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## ITEM 16A. Audit Committee Financial Expert

The supervisory board has determined that Dr. Hans-Peter Kohlhammer, a member of our audit committee, is a “financial expert,” as defined in Item 16A of Form 20-F. Dr. Kohlhammer is “independent,” as defined in Rule 10A-3 under the Exchange Act. For a description of Dr. Kohlhammer’s experience, please see “Item 6—Directors, Senior Management and Employees—A. Directors and Senior Management—Supervisory Board—Dr. Hans-Peter Kohlhammer.”

## ITEM 16B. Code of Ethics

On December 1, 2012, we enacted a group wide Code of Conduct, including a code of ethics, as defined in Item 16B of Form 20-F under the Exchange Act, which applied to employees, officers and directors of VimpelCom. VimpelCom also expects compliance by its business partners with the principles set forth in the Code of Conduct. The new Code of Conduct replaced our code of ethics which was in place prior to December 1, 2012. The Code of Conduct provides group-wide standards designed primarily to deter wrongdoing and promote honest and ethical conduct, compliance with applicable governmental laws, rules and regulations, prompt internal reporting of violations and accountability for adherence to the code. All employees, officers and directors of VimpelCom are required to acknowledge having read and understood the contents of the Code of Conduct. Our Code of Conduct in force is available on our web site at <http://www.vimpelcom.com>. We will disclose any amendment to the provisions of such code of ethics or any waiver that our supervisory board may grant on our web site at the same address.

## ITEM 16C. Principal Accountant Fees and Services

Ernst & Young Accountants LLP have served as our independent public accountants for the fiscal years ended December 31, 2013 and 2012, for which audited financial statements appear in this Annual Report on Form 20-F. The following table presents the aggregate fees for professional services and other services rendered by Ernst & Young Accountants LLP and their affiliates in 2013 and 2012.

	Year ended December 31,	
	2013	2012
	(In millions)	
Audit Fees	US\$14.0	US\$15.3
Audit-Related Fees	US\$ 0.5	US\$ 0.5
Tax Fees	US\$ 0.0	US\$ 0.0
All Other Fees	US\$ 0.3	US\$ 1.0
Total	US\$14.8	US\$16.8

### *Audit Services*

Audit services mainly consisted of the audit of the consolidated financial statements as of and for the years ended December 31, 2013 and 2012, the review of quarterly consolidated financial statements and services provided in connection with regulatory and statutory filings, including comfort letters, consents and Sarbanes-Oxley Section 404 attestation services.

### *Audit-related Services*

Audit-related services are assurance and related services which are reasonably related to the performance of audit or review and generally include advisory services regarding specific regulatory filings and reporting procedures and other agreed-upon services related to accounting and billing records.

### *Tax Services*

Tax services consisted of services for preparation of personal income tax returns for employees for U.S. tax purposes and tax-related surveys.

### *Other Services*

Other services include consulting and survey services as well as agreed-upon procedures not related to accounting and billing records.

### ***Audit Committee Pre-Approval Policies and Procedures***

The Sarbanes-Oxley Act of 2002 required the company to implement a pre-approval process for all engagements with its independent public accountants. In compliance with Sarbanes-Oxley requirements pertaining to auditor independence, the company's audit committee pre-approves the engagement terms and fees of Ernst & Young Accountants LLP and its affiliates for audit and non-audit services, including tax services. The company's audit committee pre-approved the engagement terms and fees of Ernst & Young Accountants LLP and its affiliates for all services performed for the fiscal year ended December 31, 2013.

### **ITEM 16D. Exemptions from the Listing Standards for Audit Committees**

Not applicable.

### **ITEM 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

Not applicable.

### **ITEM 16F. Change in Registrant's Certifying Accountant**

At a meeting held on December 17, 2013, the Audit Committee of the Company's Supervisory Board recommended to the Supervisory Board that the Supervisory Board propose to VimpelCom's shareholders the engagement of PricewaterhouseCoopers Accountants N.V. ("PwC") as its independent registered public accounting firm for the fiscal year ending December 31, 2014. At the same meeting, the Company's Supervisory Board decided to ask Ernst & Young Accountants LLP ("EY") to resign as independent registered public accounting firm of VimpelCom. The proposal for PwC to replace EY, will be put to the shareholders at the next Annual General Meeting of Shareholders and if agreed by the shareholders will be effective from the date of the meeting.

In connection with the audits of the Company's financial statements for each of the two fiscal years ended December 31, 2013 and in the subsequent interim period through May 15, 2014, there were no disagreements with EY on any matters of accounting principles or practices, financial statement disclosure, or auditing scope and procedures which, if not resolved to the satisfaction of EY would have caused EY to make reference to the matter in their report.

The report of EY on the Company's financial statements for the year ended December 31, 2012 did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principles. In connection with the audit of the Company's financial statements for the year ended December 31, 2013, material weaknesses were identified related to the Company's procurement process, capitalization of fixed assets and oversight of the CIS business unit and individual countries therein by headquarters personnel.

The Company has requested EY to furnish it a letter addressed to the Commission stating whether it agrees with the above statements. A copy of that letter, dated May 15, 2014 is filed as Exhibit 15.2 to this Form 20-F.

### **ITEM 16G. Corporate Governance**

We comply with the corporate governance rules applicable to foreign private issuers listed on the NASDAQ Stock Market. In accordance with NASDAQ listing rule 5615(a)(3)(B), the following is a summary of the significant differences between our corporate governance practices and those followed by U.S. companies under the NASDAQ listing rules.

We are permitted to follow "home country practice" in Bermuda in lieu of the provisions of NASDAQ's corporate governance rules, except that we are required to: (1) have a qualifying audit committee under NASDAQ listing rule 5605(c)(3); (2) ensure that our audit committee's members meet the independence requirement under NASDAQ listing rule 5605(c)(2)(A)(ii); and (3) comply with the voting rights requirements under NASDAQ listing rule 5640.

#### ***Director Independence***

NASDAQ listing rule 5605(b)(1) provides that each U.S. company listed on NASDAQ must have a majority of independent directors, as defined in the NASDAQ rules. Bermuda corporate law does not require that we have a majority of independent directors. We do not currently have a majority of independent directors, as defined in the NASDAQ rules.

#### ***Executive Sessions***

The NASDAQ listing rules require that the independent directors, as defined in the NASDAQ rules, of a U.S. company listed on NASDAQ meet at regularly scheduled executive sessions at which only such independent directors are present. Bermuda corporate

law does not impose any such requirement on our company. As a foreign private issuer, we are exempt from complying with this NASDAQ requirement and our internal corporate governance rules and procedures do not currently require independent directors to meet at regularly scheduled executive sessions.

Our board does not, however, include any members of our management, and, from time to time, the board has requested that management not be present for portions of board meetings in order to allow the board to serve as a more effective check on management.

#### ***Independent Director Oversight of Director Nominations***

The NASDAQ rules require that director nominees of U.S. listed companies are selected, or recommended for the board's selection, either by (1) a majority of the board's independent directors, as defined in the NASDAQ rules, in a vote in which only such independent directors participate or (2) a nominations committee composed solely of independent directors, as defined in the NASDAQ rules. Bermuda corporate law does not impose any such requirement on our company. As a foreign private issuer, we are exempt from complying with the NASDAQ requirement regarding independent director oversight of director nominations. Our nominating and corporate governance committee is responsible for identifying and selecting candidates to serve as directors, but it is not composed solely of independent directors, as defined in the NASDAQ rules.

#### ***Compensation Committee***

The NASDAQ rules require that U.S. listed companies have a compensation committee with at least two members and composed entirely of independent directors, as defined in the NASDAQ rules. In addition, the NASDAQ rules require a U.S. listed company's compensation committee to have a charter that meets the requirements of rule 5605(d)(1) and the responsibilities and authorities listed in rule 5605(d)(3). Bermuda corporate law does not impose any such requirements on our company. As a foreign private issuer, we are exempt from complying with the NASDAQ requirements described in this paragraph. However, our supervisory board has established a compensation committee, which currently comprises three directors and acts in an advisory capacity to our supervisory board with respect to compensation issues. The compensation committee is responsible for approving the compensation of the directors, officers and employees of VimpelCom and its subsidiaries, our employee benefit plans, any equity compensation plans of VimpelCom and its subsidiaries, and any contract relating to a director, officer or shareholder of our company or any of our subsidiaries or their respective family members or affiliates.

We do not have a compensation committee composed solely of independent directors (as defined under the NASDAQ listing rules) because our internal corporate governance rules do not require us to have independent directors (as defined under NASDAQ rules). We believe the structure and responsibilities of our compensation committee are adequate to ensure that appropriate incentives are in place for our officers and employees, and the current members of our compensation committee are not officers or employees of our company.

#### ***Audit Committee***

The NASDAQ rules require that U.S. listed companies have an audit committee composed of at least three members, each of whom is an independent director, as defined in the NASDAQ rules. Bermuda corporate law does not impose any such requirement on our company. As a foreign private issuer, we are exempt from complying with the NASDAQ requirement to have an audit committee with at least three members, each of whom is an independent director, as defined in the NASDAQ rules. However, our audit committee currently comprises three directors, all of whom meet the criteria for independence set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended. The audit committee is responsible for, among other things, the appointment, compensation, retention and oversight of the auditors, establishing procedures for addressing complaints related to accounting or audit matters and engaging necessary advisors.

#### ***Equity Compensation Plans***

The NASDAQ rules require that listed companies give shareholders an opportunity to vote on all stock option or other equity compensation plans and material amendments thereto (with specific exceptions). Bermuda corporate law does not impose any such requirement on our company. As a foreign private issuer, we are exempt from complying with this NASDAQ requirement, and no equity compensation plans have been submitted for approval by our shareholders.



## PART III

### ITEM 17. Financial Statements

We have responded to Item 18 in lieu of this Item.

### ITEM 18. Financial Statements

#### INDEX TO FINANCIAL STATEMENTS OF VIMPELCOM LTD.

[Report of Independent Registered Public Accounting Firm](#)

[Consolidated income statements](#)

[Consolidated statement of comprehensive income](#)

[Consolidated statement of financial position](#)

[Consolidated statement of changes in equity](#)

[Consolidated statement of cash flows](#)

[Notes to consolidated financial statements](#)

F-2

F-3

F-4

F-5

F-7

F-8

## ITEM 19. Exhibits

### List of Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
1.1	Bye-laws of VimpelCom Ltd. adopted on April 20, 2010 and Amended and Restated on September 25, 2013. *
2.1	Form of Deposit Agreement (common shares) between VimpelCom Ltd. and The Bank of New York Mellon, as depositary.**
2.2	Agreement to furnish instruments relating to long-term debt.†
2.3	Registration Rights Agreement, dated as October 4, 2009, between and among VimpelCom Ltd., Eco Telecom Limited, Altimo Holdings & Investments Ltd., Altimo Coöperatief U.A., Telenor Mobile Communications AS and Telenor East Invest AS.***
2.4	Assignment, Assumption and Amendment Agreement to the Registration Rights Agreement, dated as of November 27, 2013, by and among VimpelCom Ltd., Altimo Holdings & Investments Ltd., Altimo Coöperatief U.A., Telenor Mobile Communications AS, Telenor East Invest AS and Telenor East Holding II AS.****
2.5	Indenture, dated as of April 23, 2014, by and among Wind Acquisition Finance S.A., WIND Telecomunicazioni S.p.A., BNY Mellon Corporate Trustee Services Limited, The Bank of New York Mellon, London Branch, The Bank of New York Mellon and The Bank of New York Mellon (Luxembourg) S.A.†
4.1	Form of Indemnification Agreement.+
4.2	Executive Investment Plan.**
4.3	Director Investment Plan.***
8.	List of Subsidiaries.†
12.1	Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, 15 U.S.C. Section 7241.†
12.2	Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, 15 U.S.C. Section 7241.†
13.1	Certification of CEO and CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.†
15.1	Consent of Ernst & Young Accountants LLP.†
15.2	Letter from Ernst & Young Accountants LLP on Item 16 F.†

\* Incorporated by reference to Exhibit 99.2 of the Report of Foreign Private Issuer on Form 6-K of VimpelCom Ltd., filed on September 27, 2013.

\*\* Incorporated by reference to Exhibit 4.1 to the Registration Statement on Form F-4 (Registration No. 333-164770) of VimpelCom Ltd., filed on February 8, 2010.

\*\*\* Incorporated by reference to Exhibit 2.3 to the Registration Statement on Form F-4 (Registration No. 333-164770) of VimpelCom Ltd., filed February 8, 2010.

\*\*\*\* Incorporated by reference to Exhibit 99.1 to the Schedule 13D filed by Telenor East Holding II AS on December 5, 2013

+ Incorporated by reference to Exhibit 4.3 to the Annual Report on Form 20-F of VimpelCom Ltd. for the fiscal year ended December 31, 2010, filed on June 30, 2011.

\*\* Incorporated by reference to Exhibit 4.3 of the Registration Statement on Form S-8 (Registration No. 333-180368) of VimpelCom Ltd., filed on March 27, 2012.

\*\*\* Incorporated by reference to Exhibit 4.3 of the Registration Statement on Form S-8 (Registration No. 333-183294) of VimpelCom Ltd., filed on August 14, 2012.

† Filed herewith.

**SIGNATURE**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on Form 20-F on its behalf.

VIMPELCOM LTD.

By: /s/ Jo Lunder

Name: Jo Lunder

Title: Chief Executive Officer

Date: May 15, 2014

VimpelCom Ltd.

Consolidated financial statements

Years ended December 31, 2013, 2012 and 2011

Report of Independent Registered Public Accounting Firm

Consolidated income statements

F-2

Consolidated statement of comprehensive income

F-3

Consolidated statement of financial position

F-4

Consolidated statement of changes in equity

F-5

Consolidated statement of cash flows

F-7

Notes to consolidated financial statements

F-8

## **Report of Independent Registered Public Accounting Firm**

To the Supervisory Board and Shareholders of VimpelCom Ltd.

We have audited the accompanying consolidated statements of financial position of VimpelCom Ltd. as of December 31, 2013 and 2012, and the related consolidated income statements, and statements of comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of VimpelCom Ltd.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of VimpelCom Ltd. at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

As described in Note 3 to VimpelCom Ltd.'s consolidated financial statements, on January 1, 2013, VimpelCom Ltd. adopted International Financial Reporting Standard 11 *Joint Arrangements* on a modified retrospective basis resulting in a revision of the December 31, 2012 consolidated statement of financial position and income statement.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), VimpelCom Ltd.'s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated May 15, 2014 expressed an adverse opinion thereon.

/s/ Ernst & Young Accountants LLP  
Amsterdam, The Netherlands  
May 15, 2014

## Table of contents

<u>CONSOLIDATED INCOME STATEMENTS</u>	F-2
<u>CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME</u>	F-3
<u>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</u>	F-4
<u>CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY</u>	F-5
<u>CONSOLIDATED STATEMENTS OF CASH FLOWS</u>	F-7
<u>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</u>	F-8
<u>1 GENERAL INFORMATION</u>	F-8
<u>2 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS</u>	F-9
<u>3 SIGNIFICANT ACCOUNTING POLICIES</u>	F-10
<u>4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS</u>	F-26
<u>5 FINANCIAL RISK MANAGEMENT</u>	F-31
<u>6 BUSINESS COMBINATIONS AND OTHER SIGNIFICANT TRANSACTIONS</u>	F-38
<u>7 SEGMENT INFORMATION</u>	F-40
<u>8 OTHER REVENUE</u>	F-42
<u>9 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</u>	F-42
<u>10 IMPAIRMENT</u>	F-42
<u>11 OTHER NON-OPERATING LOSSES/(GAINS)</u>	F-47
<u>12 INVESTMENTS</u>	F-48
<u>13 INCOME TAXES</u>	F-53
<u>14 EARNINGS PER SHARE</u>	F-58
<u>15 PROPERTY AND EQUIPMENT</u>	F-59
<u>16 INTANGIBLE ASSETS</u>	F-60
<u>17 FINANCIAL ASSETS AND LIABILITIES</u>	F-61
<u>18 CURRENT AND NON-CURRENT OTHER FINANCIAL ASSETS AND LIABILITIES</u>	F-72
<u>19 INVENTORIES</u>	F-73
<u>20 TRADE AND OTHER RECEIVABLES</u>	F-74
<u>21 CASH AND CASH EQUIVALENTS</u>	F-75
<u>22 ISSUED CAPITAL AND RESERVES</u>	F-76
<u>23 DIVIDENDS PAID AND PROPOSED</u>	F-77
<u>24 SHARE-BASED PAYMENTS</u>	F-78
<u>25 PROVISIONS</u>	F-82
<u>26 RELATED PARTIES</u>	F-83
<u>27 COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES</u>	F-86
<u>28 EVENTS AFTER THE REPORTING PERIOD</u>	F-98

**VimpelCom Ltd.**  
**Consolidated income statements**  
for the years ended 31 December 2013, 2012 and 2011

	Note	Years ended 31 December		
		2013	2012*	2011
<i>(In millions of US dollars, except per share amounts)</i>				
Service revenue		21,529	22,122	19,579
Sale of equipment and accessories		725	677	516
Other revenue	8	292	262	167
<b>Total operating revenue</b>	<b>7</b>	<b>22,546</b>	<b>23,061</b>	<b>20,262</b>
<b>Operating expenses</b>				
Service costs		5,133	5,439	4,962
Cost of equipment and accessories		780	693	663
Selling, general and administrative expenses	9	8,373	7,161	6,381
Depreciation	15	3,050	2,926	2,726
Amortization	16	1,791	2,080	2,059
Impairment losses	10	2,973	386	527
Loss on disposals of non-current assets	18	100	205	90
<b>Total operating expenses</b>		<b>22,200</b>	<b>18,890</b>	<b>17,408</b>
<b>Operating profit</b>		<b>346</b>	<b>4,171</b>	<b>2,854</b>
Finance costs		2,150	2,029	1,587
Finance income		(91)	(154)	(120)
Other non-operating losses/(gains)	11	172	75	308
Shares of loss/(profit) of associates and joint ventures accounted for using the equity method	12	159	9	35
Net foreign exchange (gain)/loss		(20)	(70)	190
<b>Profit/(loss) before tax</b>		<b>(2,024)</b>	<b>2,282</b>	<b>854</b>
Income tax expense	13	2,064	906	585
<b>Profit/(loss) for the year</b>		<b>(4,088)</b>	<b>1,376</b>	<b>269</b>
<b>Attributable to:</b>				
The owners of the parent		(2,625)	1,539	543
Non-controlling interest		(1,463)	(163)	(274)
		<u>(4,088)</u>	<u>1,376</u>	<u>269</u>
<b>Earnings per share</b>				
Basic, profit / (loss) for the year attributable to ordinary equity holders of the parent	14	\$ (1,53)	\$ 0,95	\$ 0,36
Diluted, profit / (loss) for the year attributable to ordinary equity holders of the parent	14	\$ (1,53)	\$ 0,95	\$ 0,36

*The accompanying notes are an integral part of these consolidated financial statements.*

\* 2012 amounts were adjusted to reflect the adoption of IFRS 11 Joint Arrangements on 1 January 2013, as described in Note 3. These adjustments did not impact 2011, which remains comparable.

**VimpelCom Ltd.**  
**Consolidated statements of comprehensive income**  
for the years ended 31 December 2013, 2012 and 2011

<i>(In millions of US dollars)</i>	<u>Note</u>	<u>Year ended 31 December</u>		
		<u>2013</u>	<u>2012*</u>	<u>2011</u>
<b>Profit/(loss) for the year</b>		<b><u>(4,088)</u></b>	<b><u>1,376</u></b>	<b><u>269</u></b>
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>				
Share of foreign currency translation of associates and joint ventures accounted for using the equity method (net of tax in 2013 of USD nil, 2012 of USD nil and 2011 of USD nil)		(15)	17	(65)
Net movement on cash flow hedges (net of tax in 2013 of USD 10, 2012 of USD 15 and 2011 of USD 22)	17	100	(76)	(279)
Foreign currency translation		(550)	(63)	(703)
Reclassification of accumulated foreign currency translation on translation for equity interest in acquiree in business combination achieved in stages (net of tax in 2013 of USD nil, 2012 of USD nil and 2011 of USD nil)	6	—	—	43
<b>Other comprehensive loss for the year, net of tax</b>		<b><u>(465)</u></b>	<b><u>(122)</u></b>	<b><u>(1,004)</u></b>
<b>Total comprehensive income / (loss) for the year, net of tax</b>		<b><u>(4,553)</u></b>	<b><u>1,254</u></b>	<b><u>(735)</u></b>
<b>Attributable to:</b>				
The owners of the parent		(3,156)	1,519	(336)
Non-controlling interests		(1,397)	(265)	(399)
		<b><u>(4,553)</u></b>	<b><u>1,254</u></b>	<b><u>(735)</u></b>

*The accompanying notes are an integral part of these consolidated financial statements.*

\* 2012 amounts were adjusted to reflect the adoption of IFRS 11 Joint Arrangements on 1 January 2013, as described in Note 3. These adjustments did not impact 2011, which remains comparable.



**VimpelCom Ltd.**  
**Consolidated statements of financial position**  
As of 31 December 2013 and 2012

<i>(In millions of US dollars)</i>	Note	<u>2013</u>	<u>2012*</u>
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	15	15,493	15,666
Intangible assets	16	9,837	10,601
Goodwill	10	14,709	16,964
Investments in associates and joint ventures	12	449	545
Deferred tax assets	13	294	312
Other financial assets	17	262	1,091
Non-current income tax assets	13	52	—
Other non-financial assets	18	18	18
<b>Total non-current assets</b>		<u>41,114</u>	<u>45,197</u>
<b>Current assets</b>			
Inventories	19	192	167
Trade and other receivables	17, 20	2,280	2,495
Other non-financial assets	18	790	1,290
Current income tax asset	13	335	292
Other financial assets	17	440	270
Cash and cash equivalents	21	4,454	4,949
<b>Total current assets</b>		<u>8,491</u>	<u>9,463</u>
Assets classified as held for sale	6	142	77
<b>Total assets</b>		<u>49,747</u>	<u>54,737</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Equity attributable to equity owners of the parent	22,23,24	9,733	14,246
Non-controlling interests		(655)	503
<b>Total equity</b>		<u>9,078</u>	<u>14,749</u>
<b>Non-current liabilities</b>			
Financial liabilities	17	26,802	25,693
Provisions	25	417	548
Other non-financial liabilities	18	433	410
Deferred tax liability	13	1,641	1,416
<b>Total non-current liabilities</b>		<u>29,293</u>	<u>28,067</u>
<b>Current liabilities</b>			
Trade and other payables	17	4,733	4,585
Dividends payable	23	—	1,274
Other non-financial liabilities	18	2,101	2,243
Other financial liabilities	17	2,426	3,388
Current income tax payable	13	166	202
Provisions	25	1,880	192
<b>Total current liabilities</b>		<u>11,306</u>	<u>11,884</u>
Liabilities associated with assets held for sale	6	70	37
<b>Total equity and liabilities</b>		<u>49,747</u>	<u>54,737</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

\* Adjusted to reflect the adoption of IFRS 11 Joint Arrangements on 1 January 2013, as described in Note 3.

VimpelCom Ltd.

Consolidated statements of changes in equity  
for the years ended 31 December 2013, 2012 and 2011

(In millions of US dollars) As of 1 January 2011	Note	Number of shares outstanding	Issued capital	Capital Surplus	Treasury shares	Other capital reserves	Retained earnings	Foreign currency translation	Total	Non- controlling interest	Total equity
		1,292,050,700	1	6,557	(216)	(38)	4,582	(467)	10,421	(9)	10,412
Profit for the period							543		543	(274)	269
Total other comprehensive income						(276)	543	(603)	(879)	(125)	(1,004)
<b>Total comprehensive income</b>						(276)	543	(603)	(336)	(399)	(735)
Dividends							(1,216)		(1,216)		(1,216)
Issuance of shares	1	325,639,827	1	4,988					4,989		4,989
Non-controlling interest arising on a business combination	6					(13)			(13)	2,124	2,111
Restructuring of shareholding in consolidated subsidiaries	6					268		(5)	263	(37)	226
Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control						(54)			(54)	(49)	(103)
Effect of deconsolidation OTH spin-off assets	6					(17)				(765)	(765)
Share-based compensation	24										
Other		430,000									
As of 31 December 2011		1,618,120,527	2	11,545	(213)	(3)	3,909	(1,073)	14,037	865	14,902

The accompanying notes are an integral part of these consolidated financial statements.

\* Adjusted to reflect the adoption of IFRS 11 Joint Arrangements on 1 January 2013, as described in Note 3.

VimpelCom Ltd.

Consolidated statements of changes in equity (continued)

	Note	Number of shares	Issued capital	Capital Surplus	Treasury shares	Other capital reserves	Retained earnings	Foreign currency translation	Total	Non-controlling interest	Total equity
<i>(In millions of US dollars)</i>											
As of 1 January 2012		1,618,120,527	2	11,545	(213)	(133)	3,909	(1,073)	14,037	865	14,902
Profit for the period*		—	—	—	—	—	1,539	—	1,539	(163)	1,376
Total other comprehensive income/(loss)*		—	—	—	—	(76)	—	56	(20)	(102)	(122)
<b>Total comprehensive income</b>		—	—	—	—	(76)	1,539	56	1,519	(265)	1,254
Dividends		—	—	—	—	—	(1,295)	—	(1,295)	(26)	(1,321)
Acquisitions		—	—	(10)	—	—	—	—	(10)	1	(9)
Divestments		—	—	—	—	—	—	—	—	(42)	(42)
Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control		—	—	—	—	(12)	—	(5)	(17)	(34)	(51)
Other changes		1,082,151	—	1	9	—	—	2	12	4	16
As of 31 December 2012*		1,619,202,678	2	11,536	(204)	(221)	4,153	(1,020)	14,246	503	14,749
<i>(In millions of US dollars)</i>											
As of 1 January 2013*	Note	Number of shares	Issued capital	Capital Surplus	Treasury shares	Other capital reserves	Retained earnings	Foreign currency translation	Total	Non-controlling interest	Total equity
Profit/(loss) for the period		—	—	—	—	—	(2,625)	—	(2,625)	(1,463)	(4,088)
Total other comprehensive income/(loss)		—	—	—	—	100	12	(643)	(531)	66	(465)
<b>Total comprehensive income/(loss)</b>		—	—	—	—	100	(2,613)	(643)	(3,156)	(1,397)	(4,553)
Preferred shares conversion		128,532,000	—	1,392	—	—	—	—	1,392	—	1,392
Dividends		—	—	(7)	—	—	(2,780)	—	(2,780)	—	(2,780)
Acquisitions	6	—	—	—	—	(12)	(21)	—	(40)	53	13
Divestments	6	—	—	—	—	—	(25)	—	(25)	25	—
Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control	17	—	—	—	—	91	—	(10)	81	161	242
Other changes		509,061	—	9	6	—	—	—	15	—	15
As of 31 December 2013		1,748,243,739	2	12,930	(198)	(42)	(1,286)	(1,673)	9,733	(655)	9,078

The accompanying notes are an integral part of these consolidated financial statements.

\* Adjusted to reflect the adoption of IFRS 11 Joint Arrangements on 1 January 2013, as described in Note 3.

**VimpelCom Ltd.**  
(Amounts presented are in millions of US dollars unless otherwise indicated)

**Consolidated statements of cash flows**  
For the years ended 31 December 2013, 2012 and 2011

<i>(In millions of US dollars)</i>	<u>Note</u>	<u>2013</u>	<u>2012*</u>	<u>2011</u>
<b>Operating activities</b>				
Profit/(loss) for the year		(4,088)	1,376	269
Income tax expense	13	2,064	906	585
<b>Profit/(loss) before tax</b>		<u>(2,024)</u>	<u>2,282</u>	<u>854</u>
<b>Non-cash adjustment to reconcile profit/(loss) before tax to net cash flows from operating activities:</b>				
Depreciation	15	3,050	2,926	2,726
Amortization	16	1,791	2,080	2,059
Impairment losses	10	2,973	386	527
Loss on disposals of non-current assets		100	205	90
Finance income		(91)	(154)	(120)
Finance costs		2,150	2,029	1,587
Other non-operating losses/(gains)	11	172	75	308
Net foreign exchange (gain)/ loss		(20)	(70)	190
Shares of loss/(profit) of associates and joint ventures accounted for using the equity method	12	159	9	35
Movements in provisions and pensions		1,463	36	(26)
<b>Operating profit before working capital adjustments</b>		9,723	9,804	8,230
<b>Working capital adjustments:</b>				
Change in trade and other receivables and prepayments		270	10	(176)
Change in inventories		(44)	14	(69)
Change in trade and other payables		(286)	421	332
		(60)	445	87
Interest paid		(2,084)	(2,144)	(1,528)
Interest received		37	383	106
Income tax paid		(1,265)	(1,231)	(790)
<b>Net cash flows from operating activities</b>		<u>6,351</u>	<u>7,257</u>	<u>6,106</u>
<b>Investing activities</b>				
Proceeds from sale of property, plant and equipment and intangible assets		40	42	34
Purchase of property, plant and equipment and intangible assets		(3,955)	(3,886)	(6,260)
Loans granted to Associates, net of repayments		(118)	(189)	(118)
Change in short-term deposits	17	(316)	107	212
Disposal of subsidiaries, net of cash disposed		83	(75)	—
Acquisition of subsidiaries, net of cash acquired		2	—	(838)
Other		51	(7)	25
<b>Net cash flows used in investing activities</b>		<u>(4,213)</u>	<u>(4,008)</u>	<u>(6,945)</u>
<b>Financing activities</b>				
Proceeds from borrowings, net of fees paid		5,587	3,094	10,389
Repayment of borrowings		(5,487)	(3,650)	(6,581)
Dividends paid to equity holders of the parent		(4,055)	—	(1,216)
Dividends paid to non-controlling interests		—	(26)	(13)
Proceeds from issuance of share capital		1,392	—	—
Other		(12)	(5)	4
<b>Net cash flows used in/ from financing activities</b>		<u>(2,575)</u>	<u>(587)</u>	<u>2,583</u>
Net increase/(decrease) in cash and cash equivalents		(437)	2,662	1,744
Net foreign exchange difference		(58)	(38)	(304)
Cash and cash equivalents at beginning of period	21	4,949	2,325	885
<b>Cash and cash equivalents at end of period**</b>	<b>21</b>	<u><b>4,454</b></u>	<u><b>4,949</b></u>	<u><b>2,325</b></u>

*The accompanying notes are an integral part of these consolidated financial statements.*

\* Adjusted to reflect the adoption of IFRS 11 Joint Arrangements on 1 January 2013, as described in Note 3.

\*\* The cash balances as of 31 December 2013 in Algeria of USD 2,651 (2012: 1,856) and Uzbekistan of USD 256 (2012: USD 105) are restricted due to local government or central bank regulations.

## Notes to consolidated financial statements

### 1 General information

VimpelCom Ltd. (“**VimpelCom**”, the “**Company**”, and together with its consolidated subsidiaries the “**Group**” or “**we**”) was incorporated in Bermuda on 5 June 2009. The registered office of VimpelCom Ltd. is Victoria Place, 31 Victoria Street, Hamilton HM 10, Bermuda. VimpelCom Ltd.’s headquarters and principal place of business are located at Claude Debussylaan 88, 1082 MD Amsterdam, the Netherlands.

The consolidated financial statements are presented in United States dollars (“**U.S. dollar**” or **USD**). In these notes, U.S. dollar amounts are presented in millions, except for share and per share (or American Depository Shares (“**ADS**”)) amounts and as otherwise indicated.

VimpelCom delisted its ADSs from the New York Stock Exchange and commenced trading its ADSs on the NASDAQ Stock Market on 10 September 2013.

VimpelCom earns revenue by providing voice, data and other telecommunication services through a range of wireless, fixed and broadband internet services, as well as selling equipment and accessories. As of 31 December 2013, the Company operated telecommunications services in Russia, Italy, Algeria, Kazakhstan, Ukraine, Pakistan, Bangladesh, Armenia, Tajikistan, Uzbekistan, Georgia, Kyrgyzstan, Central African Republic and Burundi. The operations in Central African Republic and Burundi are intended for disposal, which is reflected in the Held for Sale classification as explained in Note 6. The Company also holds equity shareholdings in companies operating in Canada and Zimbabwe.

The consolidated financial statements of the Company for the year ended 31 December 2013 were authorized for issue in accordance with a resolution of the Audit Committee of the Supervisory Board on 15 May 2014, acting under authority delegated to the Audit Committee from the Supervisory Board on 15 May 2014.

During the year ended 31 December 2013, the Group recorded significant impairments for the cash generating units (“**CGU**”) Ukraine and Canada (Note 10). Also, subsequent to year-end, the Company signed a Share Purchase Agreement (“**SPA**”) to sell a non-controlling 51% stake in Orascom Telecom Algérie S.p.A. (“**OTA**”), resulting in material charges to the Company’s results of operations for 2013. And also subsequent to year-end, the Company disclosed that the SEC, DOJ and the Dutch public prosecutor’s office are conducting investigations related to the Company. The investigations by these authorities appear to be concerned with the Company’s operations in Uzbekistan. See Notes 27 and 28 for further information regarding these events.

## **2 Basis of preparation of the consolidated financial statements**

### ***Basis of preparation***

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”), effective at the time of preparing the consolidated financial statements and applied by VimpelCom. The consolidated financial statements have been prepared on a historical cost basis, unless disclosed otherwise.

The preparation of these consolidated financial statements have required management to apply accounting policies and methodologies based on complex and subjective judgments, estimates based on past experience and assumptions determined to be reasonable and realistic based on the related circumstances. The use of these estimates and assumptions affects the amounts reported in the statement of financial position and the income statement, as well as the notes. The final amounts for items for which estimates and assumptions were made in the consolidated financial statements may differ from those reported in these statements due to the uncertainties that characterize the assumptions and conditions on which the estimates are based.

Application of certain accounting principles requires a higher degree of subjectivity when making judgments and changes in the underlying conditions could significantly affect the consolidated financial statements. Note 4 below includes further discussion of certain critical accounting estimates.

### ***Basis of consolidation***

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Subsidiaries are fully consolidated from the date of acquisition, which is the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intercompany accounts and transactions within the Group have been eliminated.

Non-controlling interests are reported in the consolidated statement of financial position as a separate component of equity. Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. We refer to Note 17 for the effect of options over non-controlling interests.

### 3 Significant accounting policies

#### *New accounting pronouncements adopted by the Company in 2013*

VimpelCom adopts new IFRSs by following the transitional requirements of each new standard.

The following new IFRS has been adopted by VimpelCom as of 1 January 2013 and had a material impact on the Group's financial position or financial performance:

- IFRS 11 Joint Arrangements. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

The restatement of 2012 numbers as a result of IFRS 11 adoption is due to the following: in Q4 2012, following the requirements of IAS 28 Investments in Associates and Joint Ventures, VimpelCom was required to re-measure its 49.9% stake in Euroset to fair value due to the creation of a 50-50 joint venture with Lefbord Investments Limited, a company owned by OJSC MegaFon, one of our competitors in Russia, and its affiliate Garsdale Services Investment Ltd (together “**Megafon**”). The re-measurement in Q4 2012 resulted in a gain of USD 606, which was comprised of the fair value re-measurement of USD 623, offset by the related accumulated translation difference of USD 17. Under IFRS 11, despite the fact that the nature of the investment has changed (i.e. from an investment in associate to a joint venture), there is no re-measurement of the retained shareholding. Consequently, in 2013, the Company has adjusted the statement of financial position for 31 December 2012 to reverse the gain previously recognized via a decrease to the value of the investment in Euroset by USD 623 (Investments in associates and joint ventures) and a corresponding adjustment to retained earnings, and a reclassification within equity of the translation difference of USD 17 from retained earnings to foreign currency translation. Since there was no impact on the opening balances 2012, no third balance sheet has been presented. Also, the amounts in the Consolidated income statement 2011 and in the Consolidated statements of comprehensive income 2011 were not affected and did not need to be restated.

- IAS 36 Recoverable Amount Disclosures for Non-Financial Assets — Amendments to IAS 36. Effective for annual periods beginning on or after 1 January 2014. The amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. The Group has early adopted these amendments to IAS 36 in the current period. Accordingly, these amendments have been considered while making disclosures for impairment of non-financial assets in Note 10. These amendments will continue to be considered for future disclosures.

The following new or revised IFRSs have been adopted by VimpelCom as of 1 January 2013 but had no material impact on the Group's financial position or financial performance:

- *IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1*. The amendments to IAS 1 change the grouping of items presented in other comprehensive income (“**OCI**”). Items that could be reclassified (or ‘recycled’) to

profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or reported performance.

- *IAS 19 Employee Benefits (Revised)*. This standard contains numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor approach and the concept of expected returns on plan assets to simple clarifications and re-wording. The amended standard will impact the net benefit expense, as the new standard requires that the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. The changes did not materially impact the Group's financial position or reported performance, as the Company has no material defined benefit obligations.
- *IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)*. As a consequence of the new IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures, in addition to associates. The Group's application of the equity method did not change as a result of this amendment and therefore this standard had no impact on the Group's financial position or reported performance.
- *IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7*. These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The amendment had no impact on the Group's financial position or result of operations.
- *IFRS 10 Consolidated Financial Statements*. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities and defines that control is an investor's ability to use its power over another entity, to affect the variable returns derived from its involvement with that entity. The changes introduced by IFRS 10 require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by VimpelCom, compared with the requirements that were in IAS 27. IFRS 10 had no impact on the Group's financial position or reported performance.
- *IFRS 12 Disclosure of Interests in Other Entities*. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities and are included in the accompanying consolidated financial statements in Notes 2 and 12.



- *IFRS 13 Fair Value Measurement.* IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The new standard had no material impact on how VimpelCom measures fair value or on the resulting fair value amounts included in these consolidated financial statements.

***New accounting pronouncements not yet adopted by the Company***

The following are the standards that are issued, but not yet effective, up to the date of the issuance of the Group's financial statements, and which have not been early adopted by the Company:

- *IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32.* These amendments permit financial assets and liabilities to be offset against each other for balance sheet presentation only where a currently existing, legally enforceable, unconditional right of offset applies to all counterparties of the financial instruments in all situations, including both normal operations and insolvency. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments become effective for annual periods beginning on or after 1 January 2014. We are currently evaluating the potential change to the presentation of the financial statements, but this standard is not expected to impact the Group's reported performance or financial position.
- *IFRIC 21 Levies (IFRIC 21).* IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have material financial impact on the future financial statements.
- *IFRS 9 Financial Instruments: Classification and Measurement.* IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In November 2013 it was decided that a new mandatory effective date for IFRS 9 will be determined by the IASB when IFRS 9 is closer to completion. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.
- *IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39.* These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument

meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

### ***Future changes in IFRS***

IFRSs are undergoing a process of revision, with a view to increasing harmonization of accounting rules internationally. Proposals to issue new or revised IFRSs, as yet unpublished, on financial instruments, revenue recognition, leases and other topics may change standards and may therefore effect the accounting policies applied by VimpelCom in future periods.

### ***Business combinations***

Business combinations are accounted for in accordance with IFRS 3 (revised January 2008), using the acquisition method. Under IFRS 3, the cost of the acquisition, or the total consideration transferred, is measured at the aggregate of the fair values at the date of exchange, of assets given, liabilities incurred or assumed, contingent consideration given and equity instruments issued by the Group in exchange for control of the acquiree and the amount of any non-controlling interest in the acquiree. The aggregate consideration transferred is allocated to the underlying assets acquired, including any intangible assets identified, and liabilities assumed based on their respective estimated fair values. Determining the fair value of assets acquired and liabilities assumed requires the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, licenses and other assets' lives and market multiples, among other items. The results of operations of acquired businesses are included in the consolidated financial statements from the date of acquisition.

For each business combination, VimpelCom elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share in the recognized amounts of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred in the income statement.

If the business combination is achieved in stages, the acquisition date fair value of the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and the difference is recognized through profit or loss. Furthermore, goodwill is only recognized at the time when the Group obtains control over the entity. Goodwill is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree, if any, over the fair value of the net amounts of identifiable assets acquired and liabilities assumed at the acquisition date. After initial recognition, goodwill is carried at cost less any accumulated impairment losses.

If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Goodwill is not amortised, but is tested for impairment on at least an annual basis or when impairment indicators are observed.

The Group may enter into business combinations which include options (call, put, or a combination of both) over the shares of the non-controlling interest. The Group considers such options to assess possible implications on control, if any.

Once the Group has acquired control of a business, any further transaction that changes the Group's ownership interest, but does not result in the Group losing control, is accounted for as a transaction between shareholders. Any difference between the amount received for the change in ownership interest and the corresponding share of the carrying amount of the net assets is charged or credited to shareholders' equity.

### ***Investment in associates and joint ventures***

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee without control or joint control over those policies, and significant influence is assumed if the Group holds, directly or indirectly, 20 percent or more but less than 50 percent of the voting power of the investee, unless it can be clearly demonstrated that it does not have significant influence. The Group has interests in joint ventures as a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in associates and joint ventures are incorporated in the financial statements of the Group using the equity method of accounting. Under the equity method, the investment in associate or joint venture is initially recognized at cost and is adjusted in subsequent periods for the post acquisition changes in the Group's share of the net assets of the associate or joint venture less any impairment in the value of the investment. Losses of an associate or joint venture in excess of the Groups' interest in that associate are recognized only to the extent that the Group has incurred a legal or constructive obligation or made payments on behalf of the associate or joint venture.

Goodwill upon acquisition is recorded as part of the investment value.

Financial statements of associates or joint ventures are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence, the Group measures and recognises its remaining investment in an associate at its fair value unless the investment should be accounted for as a joint venture, i.e. equity method of accounting. Any difference between the carrying amount of the retained interest and the fair value thereof and any proceeds from a disposal is recognised in profit or loss.

### ***Foreign currency translation***

The consolidated financial statements of the Group are presented in US dollars. Each entity in the Group determines its own functional currency and amounts included in the financial statements of each entity are measured using that functional currency.

Transactions denominated in foreign currencies are initially recognized at the functional currency rate prevailing on the date of the transaction. At period end, monetary assets and liabilities are translated to the functional currency using the closing rate with differences taken to profit and loss. Non-monetary items carried at historical cost that are denominated in foreign currencies are translated to the functional currency at the rate prevailing on the initial transaction dates. Non-monetary items carried at fair value are translated to the functional currency at the date when the fair value was determined.

Upon consolidation, the assets and liabilities of foreign operations are translated into US dollars at the rate of exchange prevailing at the reporting date and their income statements are translated at the weighted average exchange rate for the period. The exchange rate differences arising on consolidation translation are recognized in other comprehensive income. On disposal or loss of control of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit and loss as part of the gain or loss on disposal.

### ***Revenue recognition***

VimpelCom generates revenue from providing voice, data and other telecommunication services through a range of wireless, fixed and broadband Internet services, as well as selling equipment and accessories. Products and services may be sold separately or in bundled packages.

Revenue is recognized to the extent the Group has delivered goods or rendered services under an agreement, the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is measured at the fair value of the consideration received, subject to the considerations described below, and is stated net of value-added-tax and sales tax charged to customers.

### ***Wireless services***

Service revenue include revenue from airtime charges from contract and prepaid customers, monthly contract fees, interconnect revenue, roaming charges and charges for value added services (“VAS”). VAS includes short messages (“SMS”), multimedia messages (“MMS”), caller number identification, call waiting, data transmission, mobile Internet, downloadable content and other services. The content revenue relating to VAS is presented net of related costs when the Company acts as an agent of the content providers and gross when the Company acts as the primary obligor of the transaction. More specifically, the accounting for revenue sharing agreements and delivery of content depends on the analysis of the facts and circumstances surrounding these transactions, which will determine if the revenue is recognised gross or net.

VimpelCom charges customers a fixed monthly fee for the use of certain services. Such fees are recognized as revenue in the respective month.

Service revenue is generally recognized when the services (including VAS and roaming revenue) are rendered. Sales of prepaid cards, used as a method of cash collection, is accounted for as customer advances for future services and the respective revenue is deferred until the customer uses the airtime. Prepaid cards might not have expiration dates but are subject to statutory expiration periods, and unused prepaid balances are added to service revenue based on an estimate of the expected balance that will expire unused.

Some tariffs include bundle rollovers which effectively allow customers to rollover unused minutes from one month to the following month. For these tariffs, the portion of the access fee representing the fair value of the rolled over minutes is deferred until the service is delivered.

### **Sales of equipment**

Revenue from mobile equipment sales, such as handsets, are recognized in the period in which the equipment is sold to either a network customer or, if sold via an intermediary, when the significant risks and rewards associated with the device have passed to the intermediary and the intermediary has no general right of return or if a right of return exists, when such right has expired.

### **Interconnect and roaming revenue**

Interconnect revenue (transit traffic) is generated when the Group receives traffic from mobile or fixed customers of other operators and that traffic terminates on VimpelCom's network. Revenue is recognized on a gross or net basis depending on the amount of control over the traffic routing and hence exposure to risks and rewards.

The Group recognizes mobile usage and roaming service revenue based on minutes of traffic processed or contracted fee schedules when the services are rendered. Roaming revenue include both revenue from VimpelCom customers who roam outside of their home country network and revenue from other wireless carriers for roaming by their customers on VimpelCom's network. Revenue due from foreign carriers for international roaming calls are recognized in the period in which the call occurs.

### **Fixed-line services**

Revenue from traditional voice services and other service contracts is accounted for when the services are provided. Revenue from Internet services is measured primarily by monthly fees and internet-traffic volume which has not been included in monthly fees. Payments from customers for fixed-line equipment are not recognized as revenue until installation and testing of such equipment are completed and the equipment is accepted by the customer. Domestic Long Distance/International Long Distance ("DLD/ILD") and zonal revenue are recorded gross or net depending on the contractual arrangements with the end-users.

### **Connection fees**

VimpelCom defers upfront telecommunications connection fees. The deferral of revenue is recognized over the estimated average customer life or the minimum contractual term, whichever is shorter. The Company also defers direct incremental costs related to connection fees for fixed line customers, in an amount not exceeding the revenue deferred.

### **Multiple elements agreements ("MEA")**

MEA are agreements under which VimpelCom provides more than one service. Services/ products may be provided or 'bundled' under different agreements or in groups of agreements which are interrelated to such an extent that, in substance, they are elements of one agreement. In the event of an MEA, each element is accounted for separately if it can be distinguished from the

other elements and has a fair value on a standalone basis. The customer's perspective is important in determining whether the transaction contains multiple elements or is just a single element arrangement. The relative fair value method is applied in determining the value to be allocated to each element of an MEA. Fair value is determined as the selling price of the individual item. If an item has not been sold separately by the Group yet, but is sold by other suppliers, the fair value is the price at which the items are sold by the other suppliers.

#### **Dealer commissions**

Dealer commissions are expensed as customer acquisition costs when the services are provided, which is ratably throughout the contract period.

If dealer commission meet the definition of an asset, they are capitalised as part of intangible assets.

#### ***Classification of non-operating items***

The Company distinguishes results of operations between operating and non-operating depending on the nature of the transaction. Results that directly relate to operations are classified as operating items regardless of whether they involve cash, occur irregularly, infrequently, or are unusual in amount. Results that do not directly relate to operations such as sale of investments, changes in fair value of investments and other financial instruments are classified as non-operating.

#### ***Interest income/expense***

For financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest rate, which is the rate that discounts the estimated future cash payments or receipts based on the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income or expense is included in finance income/costs in the consolidated income statement.

#### ***Taxation***

Income tax expense represents the aggregate amount determined on the profit for the period based on current tax and deferred tax.

In cases when the tax relates to items that are charged to other comprehensive income or directly to equity, the tax is also charged respectively to other comprehensive income or directly to equity.

#### ***Current income tax***

Current tax is the expected tax payable on the taxable income for the year and any adjustments to tax payable in respect of previous years. Current tax, for the current and prior periods, to the extent unpaid, is recognized as a liability. If the amount already paid in respect of current and prior period exceeds the amount due for those periods, the excess is recognized as an asset.

Current tax liabilities (assets) for the current and prior periods is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period.

### ***Uncertain tax positions***

VimpelCom's policy is to comply fully with applicable tax regulations in the jurisdictions in which its operations are subject to income taxes. VimpelCom's estimates of current income tax expense and liabilities are calculated assuming that all tax computations filed by VimpelCom's subsidiaries will be subject to a review or audit by the relevant tax authorities. VimpelCom and the relevant tax authorities may have different interpretations of how regulations should be applied to actual transactions. Such uncertain tax positions are accounted for in accordance with IAS 12 *Income Taxes* or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* depending on the type of tax in question.

VimpelCom records provisions for income taxes it estimates will ultimately be payable when the review or audits have been completed, including allowances for any interest and penalties which may become payable.

For provisions for taxes other than income tax, the Company follows the general policy on provisions.

### ***Deferred taxation***

Deferred taxes are recognized using the liability method and thus are computed as the taxes recoverable or payable in future periods in respect of deductible or taxable temporary differences. A temporary difference arises where the carrying amount of an asset or liability is different from its corresponding tax base.

Deferred tax assets and liabilities are generally recognized for all taxable temporary differences, except to the extent that they arise from:

- a) the initial recognition of non-tax deductible goodwill; or
- b) the initial recognition of an asset or liability in a transaction which:
  - is not a business combination; and
  - at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets are also recognized for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available to offset unused tax losses and unused tax credits. The carrying amount of deferred tax assets is reviewed at each reporting period date and adjusted to reflect changes in probability that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax is recognized for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures except where the timing of the reversal of the temporary difference can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when the entity has a legally enforceable right to offset current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority on either the same taxable entity, or different taxable entities which intend either to settle current tax liabilities and assets on a net basis.

### ***Property and equipment***

Property and equipment (“**P&E**”) are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

The costs of an item of P&E include:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. This includes capitalizing the internal labour cost of technical departments involved in the network development, and when applicable the borrowing costs under IAS 23 “Borrowing Costs”;
- initial cost estimations of dismantling and removing the item and restoring the site to which it is located, with an equal obligation recognized;
- costs of installation and assembly of a connection line between the client and the Company’s network;
- costs of site preparation, e.g. creating a foundation for the installation of connections; and
- professional fees, e.g. for engineers.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- |                                  |               |
|----------------------------------|---------------|
| • Telecommunication equipment    | 3 – 20 years  |
| • Buildings and constructions    | 10 – 50 years |
| • Office and measuring equipment | 3 – 10 years  |
| • Other equipment                | 3 – 10 years  |

Equipment acquired under a finance lease arrangement is depreciated on a straight-line basis over its estimated useful life or the lease term, whichever is shorter.

Assets in the course of construction are carried out at cost, less any recognised impairment losses. Depreciation of these assets commences when the assets are ready for their intended use.

Repair and maintenance costs which do not meet capitalization requirements are expensed as incurred.

The carrying amount of an item in P&E is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss from derecognition of an item in P&E is calculated as the difference between the net proceeds from disposal, if any, and the carrying amount of the item, and is included in the income statement when derecognized.

Each asset’s residual value, useful life and method of depreciation is reviewed at the end of each financial year, and adjusted prospectively if necessary.



***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, that necessarily takes a substantial period of time (longer than six months) to get ready for its intended use, are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period incurred. Borrowing costs consist of interest and other costs that VimpelCom incurs in connection with the borrowing of funds in order to produce qualifying assets.

***Rental expenses***

Rental expenses related to the land where network equipment is located are expensed, unless amounts charged under operating leases during the construction period of the network are 'directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management'.

***Leases***

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards associated with ownership of the leased asset to VimpelCom. All other leases are classified as operating leases. The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date.

**Finance leases**

At the commencement of a finance lease term, VimpelCom recognizes the assets and liabilities in its statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments as determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. If there is no interest rate in the lease, the Company's incremental borrowing rate is used. Any initial direct costs of VimpelCom related to the lease are added to the amount recognized as an asset.

**Operating leases**

The rental payable under operating leases is recognized as operating lease expenses in the income statement on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of VimpelCom's benefit. No asset is capitalized. If the periodic payments or part of the periodic payments has been prepaid, the Company recognizes these prepayments in the statement of financial position as other non-financial assets.

***Intangible assets (excluding Goodwill)***

Intangible assets acquired separately are measured initially at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets (excluding eligible development costs) are expensed in the income statement as incurred. The cost basis of intangible assets acquired as part of a business combination is the fair value of the assets at acquisition date.

Intangible assets with a finite useful life are amortized over the assigned life on a systematic basis starting from the date the asset is ready for use. The amortization method reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Group. The useful lives for licenses and other significant intangibles depend on the terms of the license or other agreements. If that pattern cannot be determined reliably, the straight-line method is used. For intangible assets associated with customer relationships, the Company uses a declining balance amortization pattern based on the value contribution brought by customers. For other intangible assets, the straight-line method is used. The amortization charge for each period is recognized in profit or loss. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least annually.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement ('Loss on disposals of non-current asset') when the asset is derecognized.

## **Goodwill**

Goodwill is recognized for the future economic benefits arising from net assets acquired that are not individually identified and separately recognised. Goodwill is the difference between the considerations transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the non-controlling interest is measured at its fair value, goodwill includes amounts attributable to the non-controlling interest. If the non-controlling interest is measured at its proportionate share of identifiable net assets, goodwill includes only amounts attributable to VimpelCom.

Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not subject to amortization but is tested for impairment annually as of October 1 and as necessary when circumstances indicate that the carrying value may be impaired. Goodwill impairment is identified by assessing the recoverable amount, being the higher of Value in Use and Fair Value less Cost of Disposal, of each CGU (or group of CGUs) as more fully described below. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized for the difference. Impairment losses relating to goodwill cannot be reversed in future periods.

## ***Impairment of assets***

Property and equipment, intangible assets and investments in associates and joint ventures are tested for impairment in accordance with IAS 36 'Impairment of Assets', unless classified as held for sale. Pursuant to IAS 36, the Company assesses, at the end of each reporting period, whether there are any indicators that an asset may be impaired. If there are such indicators, the Company estimates the recoverable amount of the asset. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Unless otherwise disclosed, recoverable amount represents value in use.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGUs. These budgets and forecast calculations are available for a period of five years. For longer periods, a long term growth rate is calculated and applied in order to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the income statement in a separate line item.

For assets other than goodwill, an assessment is made at each reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement in the same line item where impairment was originally recorded unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

### ***Financial instruments***

#### **Derivative financial instruments and hedge accounting**

The Company uses derivative instruments such as forwards, interest rate swaps and forward rate agreements, futures, options and others in line with its Risk Management guidelines. The Company does not enter into any derivative instruments for trading or speculative purposes. Such derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

When a contract is entered into, the instrument is initially recognized at fair value, with subsequent changes in fair value being recognized as a financial component of income. Where a hedge relationship is identified and the derivative financial instrument is designated as a hedge, subsequent changes in fair value are accounted for in accordance with the specific criteria discussed below. The relationship between each derivative qualifying as a hedging instrument and the hedged item is documented to include the risk management objective, the strategy for covering the hedge and the means by which the hedging instrument's effectiveness will be assessed. An assessment of the effectiveness of each hedge is made when each derivative financial instrument becomes active and throughout the hedge term.

When the hedge refers to changes in the fair value of a recognized asset or liability (a fair value hedge), the changes in the fair value of the hedging instrument and those of the hedged item are both recognized in profit or loss. If the hedge is not fully effective, the non-effective portion is treated as finance income or expense for the year in the income statement.

For a cash flow hedge, the fair value changes of the derivative are subsequently recognized, limited to the effective portion, in other comprehensive income (cash flow hedge reserve). A hedge is normally considered highly effective if from the beginning and throughout its life the changes in the expected cash flows for the hedged item are substantially offset by the changes in the fair value of the hedging instrument. When the economic effects deriving from the hedged item are realized, the reserve is reclassified to the income statement together with the economic effects of the hedged item. Whenever the hedge is not highly effective, the non-effective portion of the change in fair value of the hedging instrument is immediately recognized as a financial component of the profit or loss for the year. The Company designated cash flow hedges with respect to certain obligations denominated in USD for the entities which functional currency is EUR or RUB and with respect to floating rate debt which was swapped to fixed rate. These obligations are translated at the year-end exchange rate and any resulting exchange gains and losses are offset in the income statement against the change in the fair value of the hedging instrument.

When hedged forecasted cash flows are no longer considered highly probable during the term of a derivative, the portion of the cash flow hedge reserve relating to that instrument is reclassified as a financial component of the profit or loss for the year. If instead the derivative is sold or no longer qualifies as an effective hedging instrument, the “cash flow hedge reserve” recognized to date remains as a component of equity and is reclassified to profit or loss for the year in accordance with the criteria of classification described above when the originally hedged transaction affects profit or loss.

### **Fair values**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management determines fair value based on a hypothetical transaction that would take place in the principal market or, in its absence, the most advantageous market. The principal market is the market with the greatest volume and level of activity for the asset or liability. The most advantageous market is the market that maximises the amount that would be received to sell the asset or minimises the amount that would be paid to transfer the liability, after taking into account transaction costs and transport costs.

Fair value measurement is based on the assumptions of market participants (that is, it is not a Group-specific measurement). Market participants are buyers and sellers in the principal (or most advantageous) market for the asset or liability that are independent, knowledgeable, able and willing to transact in the asset or liability.

The fair value hierarchy ranks fair value measurements based on the type of inputs; it does not depend on the type of valuation techniques used:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: inputs are unobservable inputs for the asset or liability

Any put options granted to non-controlling interests give rise to a financial liability, which are measured at the present value of the redemption amount. Subsequently, the put option is measured in accordance with IAS 39.

### ***Inventories***

Inventories are valued at the lower of cost and net realizable value. The cost of inventories is comprised of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories are expensed by applying the weighted-average cost method.

### ***Trade and other receivables***

Trade and other receivables include invoiced amounts less appropriate allowances for estimated uncollectible amounts. Estimated uncollectible amounts are based on the ageing of the receivable balances, payment history and other evidence of collectability. Receivable balances are written off when management deems them not to be collectible.

### ***Cash and cash equivalents***

Cash and cash equivalents in the statement of financial position is comprised of cash at banks and on hand and highly liquid investments that are readily convertible to known amounts of cash, are subject to only an insignificant risk of changes in value and have an original maturity of less than 92 days.

### ***Convertible preference shares (“CPS”)***

Both a liability and an equity component are recorded for CPS. The value of the liability is equal to the present value of the redemption amount, which represents the value of USD 0.001 per share. The equity value is the residual amount after deducting the debt value from the fair value of the entire instrument.

### ***Provisions***

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. In the case of litigation against VimpelCom, no provision is made when the legal procedures are at too early stage to estimate the outcome with any reliability.

The amount recognized as a provision is the best estimate of the expenditure required to settle the obligation at the balance sheet date. Provisions are discounted to their present value if the effect of the time value of money is material. In order to calculate the present value, a pre-tax risk free rate that reflects current market assessments of the time value of money and the risks specific to the liability is used. In some cases, a part or all of the expenditure required to settle a provision is expected to be reimbursed by another party. The reimbursement is recognized only if it is virtually certain that the reimbursement will be received when the obligation is settled. The reimbursement is treated as a separate asset.

Contingent liabilities and assets are not recognized on the statement of financial position.

### *Share-based payments*

Certain of the Group's employees are entitled to equity-settled share-based payments. These payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the grant date. The fair value determined at the grant date is recognized as a compensation expense, and as a corresponding increase in equity. Compensation expense is recorded on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. The income statement expense or credit for a period represents the movement in cumulative expense recognized as of the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions for which vesting are conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

VimpelCom uses the Black-Scholes model and Monte-Carlo simulation for determining the fair value at the grant date.

The Company also has share-based compensation in the form of cash settled stock appreciation rights ("SARs") and Phantom plans which it offers to a selected group of directors and senior management. The cost of these instruments is recorded as a liability on the basis that settlement will be cash based. The cost of these share plans is re-measured based on fair value of the instruments on each reporting date and is required to be recognized over the period during which the employees are required to provide services in exchange for the equity-based compensation. Any changes in fair value at the date of settlement are recognized in the income statement.

## **4 Significant accounting judgments, estimates and assumptions**

### **Accounting judgments**

#### **Accounting for investment in Globalive Investment Holding (“GIHC”)**

As part of the Wind Telecom S.p.A. (“**Wind Telecom**”) acquisition in 2011, VimpelCom acquired Global Telecom Holding S.A.E.’s (“**GTH**”) (former name Orascom Telecom Holding or “**OTH**”) investment in GIHC, which is the 100% parent company of Globalive Wireless Management Corporation (“**GWMC**”), a telecommunications operator in Canada. The two main shareholders of GIHC are GTH and AAL Holdings Corporation (“**AAL**”). As of 31 December 2013, GTH owns 32% of voting equity but 65% of total equity of GIHC, whereas AAL owns 67% of voting equity and 34% of total equity of GIHC (Note 28). VimpelCom has performed an analysis under IFRS 10 and, prior to the adoption of IFRS 10, using IAS 27, to assess whether the Company has control over GWMC. This assessment is considered a judgmental area. As a result of the analysis, the Company made a significant judgment that it does not have an ability to control the activities of GWMC’s since it does not control the actions of the Board of Directors of GWMC. The GWMC Board of Directors makes all significant decisions and is the main governing body to decide on day-to-day and strategic operational decisions of GWMC. As such VimpelCom does not consolidate GWMC (refer to Note 12).

### **Critical accounting estimates**

A critical accounting estimate is an estimate that is both important to the presentation of the Group’s financial position and requires management’s most difficult, subjective or complex judgments, often as a result of the need to determine estimates and develop assumptions about the outcome of matters that are inherently uncertain. Management evaluates such estimates on an on-going basis, based upon historical results, historical experience, trends, consultations with experts, forecasts of the future, and other methods which management considers reasonable under the circumstances. Management considers the accounting estimates discussed below to be its critical accounting estimates, and, accordingly, provides an explanation of each.

#### ***Revenue Recognition***

The Group’s revenue primarily consist of revenue from sale of services and periodic subscriptions. The Group offers customers, via MEAs (‘bundles’) or otherwise, a number of different services with different price plans, and provides discounts in various types and forms, often in connection with different campaigns, over the contractual or average customer relationship period. Determining the fair value of each deliverable can require complex estimates due to the nature of the goods and services provided. The Group also sells wholesale products to other operators and vendors in different countries and across borders. Management has to make estimates related to revenue recognition, relying to some extent, on information from other operators regarding values of services delivered. Management also makes estimates for the final outcome in instances where the other parties dispute the amounts charged. Furthermore, management has to estimate the average customer relationship for revenue that is initially recognised as deferred revenue in the statement of financial position and is thereafter recognised in the income statement over a future period, e.g. connection fees. Management also applies judgment in evaluating gross or net presentation of revenue and associated fees. In this case, among others, the main factor is whether the Company is considered as the primary obligor in the transactions.

### ***Business combinations***

We have entered into certain acquisitions in the past and may make additional acquisitions in the future. For the larger acquisitions, third-party valuation experts are engaged to assist in determining and allocating the fair values of the assets acquired and liabilities assumed. Our financial statements are impacted by the manner in which we allocate the purchase price in a business combination, as assets that are considered to be subject to depreciation will reduce future operating results, whereas goodwill and certain other intangible assets are of a non-amortizing nature, therefore there is no income statement impact. As part of our purchase price allocation, it is necessary to determine the purchase price paid, which includes the fair value of securities issued and an estimate for any contingent consideration.

After the purchase price is established, we allocate it to the underlying assets acquired and liabilities assumed. Therefore, assets and liabilities that are not originally reflected in the acquired entity need to be assessed and valued. This process requires significant judgment on our part as to what those assets and liabilities are and how they should be valued. Significant acquired intangible assets that have been recognised by the Group in connection with business combinations include customer bases, customer contracts, brands, licenses, service concession rights, roaming agreements and software. The significant tangible assets primarily include networks. The valuation of the individual assets, in particular intangible assets, such as customer intangibles, brands, and so forth requires us to make significant assumptions, including, among others, the expected future cash flows, the appropriate interest rate to value those cash flows and expected future customer churn rates. All of these factors, which are generally developed in conjunction with the guidance and input of professional valuation specialists, require judgment and estimates. A change in any of these estimates or judgments could change the amount of the purchase price to be allocated to the particular asset or liability. The resulting change in the purchase price allocation to a non-goodwill asset or liability has a direct impact on the residual amount of the purchase price that cannot be allocated, referred to as “goodwill.” See Note 6 for further information about significant business combinations.

### ***Impairment of non-current assets***

The Group has made significant investments in property and equipment, intangible assets, goodwill and other investments.

Pursuant to IAS 36, goodwill and other intangible assets with indefinite useful lives and intangible assets not yet brought into use must be tested for impairment annually or more often if indicators of impairment exist. Other assets are tested for impairment when circumstances indicate there may be a potential impairment.

Estimating recoverable amounts of assets and CGUs must, in part, be based on management’s evaluations, including the determination of the appropriate CGUs, the discount rate, estimates of future performance, the revenue generating capacity of the assets, timing and amount of future purchases of property and equipment, assumptions of the future market conditions and the long-term growth rate into perpetuity (terminal value). Changing the assumptions selected by management, in particular, the discount rate and growth rate assumptions used to estimate the recoverable amounts of assets, could significantly impact the Group’s impairment evaluation and hence results.



A significant part of the Group's operations is in countries with emerging markets. The political and economic situation in these countries may change rapidly and recession may potentially have a significant impact on these countries. On-going recessionary effects in the world economy, and increased macroeconomic risks, impact our assessment of cash flow forecasts and the discount rates applied.

There are significant variations between different markets with respect to growth, mobile penetration, ARPU, market share and similar parameters, resulting in differences in earnings before interest, tax, depreciation and amortization ("**Adjusted EBITDA**") margins. The future developments of Adjusted EBITDA margins are important in the Group's impairment assessments, and the long-term estimates of Adjusted EBITDA margins are highly uncertain. In particular, this is the case for emerging markets that are still not in a mature phase.

See Note 10 for further information about the goodwill and other non-current assets impairment test.

#### ***Depreciation and amortization of non-current assets***

Depreciation and amortization expenses are based on management estimates of useful life, residual value and amortization method of property and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the amortization or depreciation charges. Technological developments are difficult to predict and our views on the trends and pace of development may change over time. Some of the assets and technologies, in which the Group invested several years ago, are still in use and provide the basis for the new technologies. Critical estimates in the evaluations of useful lives for intangible assets include, but are not limited to, the estimated average customer relationship based on churn, the remaining license or concession period and the expected developments in technology and markets. The useful lives of property and equipment and intangible assets are reviewed at least annually, taking into consideration the factors mentioned above and all other important relevant factors. Estimated useful lives for similar types of assets may vary between different entities in the Group due to local factors such as growth rate, maturity of the market, history and expectations for replacements or transfer of assets, climate and quality of components used. The actual economic lives of intangible assets may be different than our estimated useful lives, thereby resulting in a different carrying value of our intangible assets with finite lives. We continue to evaluate the amortization period for intangible assets with finite lives to determine whether events or circumstances warrant revised amortization periods. A change in estimated useful lives is a change in accounting estimate, and depreciation and amortization charges are adjusted prospectively. See Note 15 and 16 for further information.

#### ***Deferred tax assets and uncertain tax positions***

Deferred tax assets are recognised to the extent that it is probable that the assets will be realised. Significant judgment is required to determine the amount that can be recognised and depends foremost on the expected timing, level of taxable profits, tax planning strategies and the existence of taxable temporary differences. The estimates relate primarily to losses carried forward in

some of the Group's foreign operations. When an entity has a history of recent losses the deferred tax asset arising from unused tax losses is recognised only to the extent that there is convincing evidence that sufficient future taxable profit will be generated. Estimated future taxable profit is not considered such evidence unless that entity has demonstrated the ability by generating significant taxable profit for this year or there are certain other events providing sufficient evidence of future taxable profit. New transactions and the introduction of new tax rules may also affect the judgments due to uncertainty concerning the interpretation of the rules and any transitional rules.

Provisions for uncertain tax positions are recognized when it is probable that a tax position will not be sustained and the amount can be reliably measured. The expected resolution of uncertain tax positions is based upon managements' judgment of the likelihood of sustaining a position taken through tax audits, tax courts and/or arbitration, if necessary. Circumstances and interpretations of the amount or likelihood of sustaining a position may change through the settlement process. Furthermore, the resolution of uncertain tax positions is not always within the control of the Group and it is often dependent on the efficiency of the legal processes in the relevant taxing jurisdictions in which the Group operates. Issues can, and often do, take many years to resolve. See Note 13 and Note 25 for further information.

#### ***Fair value of financial instruments***

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques, including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but when this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 17 for further information.

#### ***Provisions***

The Group is subject to various legal proceedings, disputes and claims, including regulatory discussions related to the Group's business, licenses, tax positions and investments and the outcomes are subject to significant uncertainty. Management evaluates, among other factors, the degree of probability of an unfavourable outcome and the ability to make a reasonable estimate of the amount of loss. Unanticipated events or changes in these factors may require the Group to increase or decrease the amount recorded or to be recorded for a matter that has not been previously recorded because it was not considered probable.

For certain operations in emerging markets, the Group is involved in legal proceedings and regulatory discussions. Management's estimates relating to legal proceedings and regulatory discussions in these countries involve a high level of uncertainty. See Note 25 and 27 for further information.

#### ***Events after the reporting period***

The financial statements present, among other things, the Company's financial position at the end of the reporting period. In certain circumstances, it is appropriate to adjust the financial statements for events that occurred subsequent to the end of the

reporting period but prior to the date the financial statements are authorized for issue, where the events offer greater clarity concerning the conditions that existed at the end of the reporting period. Reported amounts in certain cases should be adjusted for 'adjusting events' that provide evidence of conditions that existed at the end of the reporting period, whereas in other cases ('non-adjusting events'), the Company is not required to change reported amounts, but is required to disclose the nature of the non-adjusting events in the financial statements. Judgment is needed to distinguish between adjusting and non-adjusting events. Refer to Notes 27 and 28 for the subsequent events identified by the Company as requiring adjustment or disclosure by the Company.

## **5 Financial risk management**

The Group's principal financial liabilities, other than derivatives, comprise of loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has loans given and other receivables, trade and other receivables, and cash and short-term deposits that derive directly from its operations. The Company views derivative instruments as risk management tools and does not use them for trading or speculative purposes.

The Group is exposed to market risk, credit risk and liquidity risk.

The Company's senior management oversees the management of these risks. The Company's senior management is supported by the treasury department that advises on financial risks and the appropriate financial risk governance framework for the Company. The Financial Committee provides assurance to the Company's senior management that the Group's financial risk management activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and Group risk appetite. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The Group Executive Board of the Company reviews and agrees policies for managing each of these risks which are summarized below.

### ***Market risk***

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk, and credit risk. Financial instruments affected by market risk include loans and borrowings, deposits, and derivative financial instruments. The sensitivity analyses in the following sections relate to the position as of 31 December in 2013 and 2012. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2013 and 2012 respectively. The analyses exclude the impact of movements in market variables on the carrying value of pension and other post-retirement obligations (insignificant for the Group), provisions and on the non-financial assets and the translation risk of liabilities of foreign operations. The analyses of sensitivity with respect to the derivatives over non-controlling interests in subsidiaries are described in Note 17.

### ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company long-term debt obligations with floating interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To further manage this, the Company enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations.

At 31 December 2013, after taking into account the effect of interest rate swaps, approximately 93% of the Company's borrowings are at a fixed rate of interest (2012: 93%).

### **Interest rate sensitivity**

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on loans and borrowings, taking into account the related derivative financial instruments, and cash and cash equivalents and current deposits. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings and cash and the Company's equity is affected through the impact of a parallel shift of the yield curve on the fair value of derivatives to which cash flow hedge accounting is applied as follows:

	<u>Increase/decrease in basis points</u>	<u>Effect on profit before tax</u>	<u>Effect on equity</u>
<b>2013</b>			
Euro	+100	(4)	234
US Dollar	+100	6	(205)
Algerian Dinar	+100	26	—
Bangladeshi Taka	+100	(3)	—
Uzbekistan Som	+100	3	—
Other currencies	+100	1	—
Euro	-100	4	(235)
US Dollar	-100	(6)	214
Algerian Dinar	-100	(26)	—
Bangladeshi Taka	-100	3	—
Uzbekistan Som	-100	(3)	—
Other currencies	-100	(1)	—
<b>2012</b>			
Euro	+100	(3)	283
US Dollar	+100	15	(215)
Algerian Dinar	+100	18	—
Pakistani Rupee	+100	(3)	—
Other currencies	+100	4	—
Euro	-100	3	(296)
US Dollar	-100	(15)	226
Algerian Dinar	-100	(18)	—
Pakistani Rupee	-100	3	—
Other currencies	-100	(4)	—

### **Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the debt at subsidiary level denominated in currencies other than the functional currency, the Company's operating activities (predominantly capital expenditures at subsidiary level denominated in a different currency from the subsidiary's functional currency) and the Company's net investments in foreign subsidiaries.

The Company manages its foreign currency risk by selectively hedging cash flow exposures that are expected to occur within a maximum 18-month period.

The Company hedges part of its exposure to fluctuations on the translation into US dollar of its foreign operations by holding net borrowings in foreign currencies and can use foreign currency swaps and forwards for this purpose as well.

### ***Foreign currency sensitivity***

The following table demonstrates the sensitivity to a reasonably possible change in the RUB ('Russian ruble'), EUR ('EURO currency'), DZD ('Algerian Dinar') and BDT ('Bangladeshi Taka') exchange rates against the USD with all other variables held constant. The table shows the effect on the Company's profit before tax (due to changes in the value of monetary assets and liabilities, including non-designated foreign currency derivatives) and equity (due to the effect on the cash flow hedge reserve). The Company's exposure to foreign currency changes for all other currencies is not material.

	<b>Change in foreign exchange rate</b>	<b>Effect on profit before tax</b>	<b>Effect on equity</b>
<b>2013</b>	10% depreciation currencies against USD	(285)	141
	10% appreciation currencies against USD	313	(155)
<b>2012</b>	10% depreciation currencies against USD	(226)	183
	10% appreciation currencies against USD	244	(244)

The movement on the profit / (loss) before tax is a result of a change in the fair value of foreign currency derivative financial instruments not designated in a hedging relationship and monetary assets and liabilities denominated in currencies other than the functional currency of the entity. Although the derivatives have not been designated in a hedge relationship, they act as a commercial hedge and will partly offset the underlying transactions when they occur.

### ***Credit risk***

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. See Note 21 for further information on restrictions on cash balances.

Trade accounts receivable consist of amounts due from customers for airtime usage and amounts due from dealers and customers for equipment sales. In certain circumstances, VimpelCom requires deposits as collateral for airtime usage. In addition, VimpelCom has introduced a prepaid service GSM network. Equipment sales are typically paid in advance of delivery, except for

equipment sold to dealers on credit terms. VimpelCom's credit risk arising from its trade accounts receivable from customers is mitigated as a result of 92% of its active customers being subscribed to a prepaid service as of 31 December 2013 (2012: 96%) and, accordingly, not giving rise to credit risk.

VimpelCom's credit risk arising from its trade accounts receivable from dealers is mitigated due to the large number of dealers. Management periodically reviews the history of payments and credit worthiness of the dealers. The Company also has receivables from other local and international operators from interconnect and roaming services provided to their customers, as well as receivables from customers using fixed-line services, such as business services, wholesale services and services to residents. Receivables from other operators for roaming services are settled through clearing houses which mitigates credit risk in this regard.

VimpelCom holds available cash in bank accounts, as well as other financial assets with financial institutions in countries where it operates. To manage credit risk associated with such asset holdings, VimpelCom allocates its available cash to a variety of local banks and local affiliates of international banks within the limits set forth by its treasury policy. Management periodically reviews the credit worthiness of the banks with which it holds assets. In respect of financial instruments used by the Company's treasury function, the aggregate credit risk the Group may have with one counterparty is limited by reference to, amongst others, the long-term credit ratings assigned for that counterparty by Moody's, Fitch Ratings and Standard & Poor's and CDS spreads of that counterparty.

VAT is recoverable from tax authorities by offsetting it against VAT payable to the tax authorities on VimpelCom's revenue or direct cash receipts from the tax authorities. Management periodically reviews the recoverability of the balance of input value added tax and believes it is fully recoverable.

VimpelCom issues advances to a variety of its vendors of property and equipment for its network development. The contractual arrangements with the most significant vendors provide for equipment financing in respect of certain deliveries of equipment. VimpelCom periodically reviews the financial position of vendors and their compliance with the contract terms.

#### **Trade receivables**

Concentrations of credit risk with respect to trade receivables are limited given that the Group's customer base is large and unrelated. Due to this management believes there is no further credit risk provision required in excess of the normal provision for bad and doubtful receivables.

#### **Financial instruments and cash deposits**

Credit risk from financial assets held with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty, which have been set as a function of the current banking relationship, the credit rating of the counterparty and the legal group it belongs to and the balance sheet total of the counterparty. Counterparty credit limits are reviewed and approved by the Company's CFO. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2013 and 2012 is the carrying amounts as illustrated in Note 17.

### Liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares, financial and operating leases. The Company's policy is that not more than 35% of borrowings should mature in a single year. 6% of the Company's debt will mature in less than one year at 31 December 2013 (2012: 10%) based on the carrying value of bank loans, equipment financing and loans from others reflected in the financial statements. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and the Company's policy is to diversify the funding sources where possible. Refer to Note 28 for subsequent changes to the maturity schedule following the refinancing in Italy and other financing transactions.

At 31 December 2013, the Company has Revolving Credit Facilities and Vendor Financing Facilities of which the availability is maturing in the period from November through December 2014. The facilities are for the amounts of USD 995 (2012: USD 725), EUR 205 (2012: EUR 205) and RUB 15,000 (2012: RUB 15,000), or an aggregate of USD 1,734 (2012: USD 1,489) equivalent and are utilized at 31 December 2013 in the amount of USD 190 (not utilized at 31 December 2012). WIND Telecomunicazioni S.p.A. ("Wind Italy") has a separate Revolving Credit Facility available, which matures in November 2016. This facility is for the amount of EUR 400 (2012: EUR 400), of which EUR 100 (2012: EUR 100) is utilized, resulting in USD equivalent 412 (2012: USD 396) not being utilized. Refer to Note 28 for the changes in the Revolving Credit Facilities after the reporting period.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments. The total amounts in the table differ from the carrying amounts as stated in Note 17 as the below table includes both notional amounts and interest while the carrying amounts are based on amongst others notional amounts, fair value adjustments and unamortized fees.

	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>More than 5 years</b>	<b>Total</b>
<b>At 31 December 2013</b>					
Bank loans and bonds	3,637	8,493	17,459	6,163	35,752
Equipment financing	216	279	150	93	738
Loans from others	108	98	42	53	301
Derivatives over non-controlling interest	—	—	330	—	330
Derivative financial instruments					
- Gross cash inflows	(574)	(791)	(4,163)	(604)	(6,132)
- Gross cash outflows	632	868	4,187	636	6,323
Trade and other payables	4,733	—	—	—	4,733
	<u>8,752</u>	<u>8,947</u>	<u>18,005</u>	<u>6,341</u>	<u>42,045</u>



	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
<b>At 31 December 2012</b>					
Bank loans and bonds	4,210	8,184	14,366	8,989	35,750
Equipment financing	228	264	140	48	681
Loans from others	134	147	65	58	404
Derivatives over non-controlling interest	297	—	330	—	627
Derivative financial instruments					
- Gross cash inflows	(358)	(717)	(2,718)	(1,731)	(5,523)
- Gross cash outflows	451	787	2,623	1,702	5,562
Trade and other payables and dividend payables	5,859	—	—	—	5,859
	<u>10,821</u>	<u>8,665</u>	<u>14,806</u>	<u>9,066</u>	<u>43,360</u>

## Capital management

The primary objective of the Company's capital management is to ensure that it maintains at least a BB/Ba3 credit rating, with an aim to improve this, and healthy capital ratios in order to secure access to debt and capital markets at all times and maximise shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 31 December 2012. In January 2014, our Supervisory Board approved a dividend policy pursuant to which from 2014 the Company aims to pay annual dividends of USD 0.035 per share until the Company reaches a group Net Debt to EBITDA ratio of less than 2 times. The Supervisory Board also decided that the Company will not make a final 2013 dividend payment.

The Net Debt to Adjusted EBITDA ratio is an important measure to assess the capital structure in light of maintaining a strong credit rating. Net Debt represents the amount of interest-bearing debt at amortized costs and guarantees given less cash and cash equivalents and current and non-current bank deposits adjusted for derivatives designated as hedges. Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortization and impairment, loss on disposals of non-current assets, other non-operating losses and shares of profit/ (loss) of associates and joint ventures).

The Net Debt to Adjusted EBITDA ratio relevant to the Company's Russian subsidiary OJSC VimpelCom, which holds and/or guarantees a major part of the debt of the Company, at 31 December 2013 and 2012 was 2.8x and 2.4x respectively. The required ratio is <3.5x (2012: <3.5x) for a portion of the debt. The ratio is calculated based on the consolidated financial statements of OJSC VimpelCom prepared under IFRS.

Another major part of the debt of the Company is held and/or guaranteed by Wind Italy, to which the Net Debt to Adjusted EBITDA ratio of 4.67x (2012:4.44x) is relevant. The required ratio is 4.95x until 31 December 2013 and then 4.80x until 31 March 2014 (2012:< 4.95x). The ratio is calculated based on consolidated financial statements of Wind Italy prepared under IFRS.

**Collateral**

The Company provides security for some lenders which is described for individual loans in Note 27.

## 6 Business combinations and other significant transactions

There were no significant business combinations during 2013 and 2012. Other significant transactions in 2013 and 2012 are discussed below.

### *Other transactions in 2013*

#### **Sotelco**

In late 2012, the Company decided it would dispose of its entire indirect 90.0% stake in Sotelco Ltd. (“**Sotelco**”), its Cambodian subsidiary and operator, and formalized a plan to do so. Pursuant to IFRS 5 *Non-current assets held for sale and discontinued operations* the assets and liabilities of Sotelco were classified as held for sale in the Statement of Financial Position as of 31 December 2012. On 5 April 2013, VimpelCom entered into a sale and purchase agreement for its stake in Sotelco and on 19 April the disposal was completed leading to an immaterial loss on disposal for the Group.

Sotelco’s (100%) carrying values presented as held for sale were as follows:

	As of 31 December 2012
Property and equipment	17
Intangible assets	26
Other non-current assets	15
Other current assets	6
<b>Total assets</b>	<b>64</b>
Non-current liabilities	17
Current liabilities	20
<b>Total liabilities</b>	<b>37</b>

#### **Telecel Globe**

On 29 March 2013, VimpelCom signed an SPA to dispose of its entire indirect 100% stake in Telecel Globe (“**Telecel**”) subject to usual closing conditions. Telecel includes operations in Central African Republic and Burundi. Pursuant to IFRS 5 *Non-current assets held for sale and discontinued operations* the assets and liabilities of Telecel are classified as held for sale in the Statement of Financial Position as of 31 December 2013. Telecel’s (100%) consolidated carrying values presented as held for sale are as follows:

	As of 31 December 2013
Property and equipment	86
Intangible assets	32
Other non-current assets	2
Other current assets	22
<b>Total assets</b>	<b>142</b>
Non-current liabilities	18
Current liabilities	52
<b>Total liabilities</b>	<b>70</b>

#### **Rascom**

On 15 July 2013, OJSC VimpelCom, the Russian subsidiary of VimpelCom Ltd, obtained control over CJSC Rascom, an entity which had until then, been a joint venture accounted for using the equity method of accounting. The investment and its consolidation is not material for the Group and accounts for 0.1% of the Group revenue.

### **ION transaction**

On 5 December 2013, VimpelCom Holdings B.V. has entered into a legally binding Share Purchase Agreement to acquire 100% of the retail business of ION Group in Russia in the year 2017. The acquisition would be executed in the price range of USD 80 - 140 based on the financial results of ION Group for the year ended 31 December 2016 and is subject to an extensive list of conditions precedents to be satisfied.

### ***Other transactions in 2012***

#### **Joint venture arrangement with Megafon**

On 7 December 2012, VimpelCom acquired 0.1% of the shares of Euroset to increase its ownership interest from 49.9% to 50%. The shares were issued by Euroset to the Company simultaneous with the acquisition of the other 50% of the shares of Euroset by Megafon. Euroset is a strategic partner for VimpelCom and a significant distribution and customer service channel.

As a result of the transaction, VimpelCom and Megafon each own 50% of Euroset, effectively establishing a joint venture with equal shareholder rights. The investment in Euroset was classified as a joint venture under IAS 31 and, accordingly, was accounted for using the equity method. The overall impact and the accounting treatment in 2012 and 2013 following the application of IFRS 11 is explained in Note 3.

#### **OTH spin-off (current name GTH)**

On 16 February 2012, VimpelCom completed the spin-off of certain OTH assets with a carrying value of USD 650 to Weather Investment II S.a.r.l. (“**Weather II**”), the 72.65% shareholder of Wind Telecom prior to completion of the acquisition of Wind Telecom. The principal spin-off assets included OTH’s investments in ECMS and Mobinil in Egypt and Koryolink in North Korea. The completion of this transaction fulfils VimpelCom’s spin-off obligations in connection with its acquisition of Wind Telecom from Weather II. No gain or loss was recorded as a result of this transaction.

#### **GTEL-Mobile**

On 23 April 2012, VimpelCom completed the sale of its entire indirect 49.9% stake in GTEL Mobile to GTEL Transmit and Infrastructure Service One Member Company Limited, or “GTEL Transmit,” a related party of our former Vietnamese local partner, Global Telecommunications Corporation, or “GTEL,” for cash consideration of USD 45 resulting in an immaterial loss on sale. VimpelCom has no further obligations or liabilities to GTEL or GTEL Mobile as a result of the completion of the sale.

## 7 Segment information

Management analyses the Company's operating segments separately because of different economic environments and stages of development in different geographical areas, requiring different investment and marketing strategies. Management does not analyse assets or liabilities by reportable segments. The segment data for acquired operations are reflected herein from the date of their respective acquisition.

Management evaluates the performance of the Company's segments on a regular basis, primarily based on earnings before interest, tax, depreciation, amortization, impairment loss, loss on disposals of non-current assets, other non-operating losses and shares of profit/ (loss) of associates and joint ventures ("adjusted EBITDA").

Starting 1 January 2013, Management changed the name of its Europe and North America segment to Italy. This was done to better reflect the nature of the segment and the source of the segment revenue. There are no changes to the figures reported because the operations in Canada (the only source of North America data) are accounted for using the equity method and its results are therefore not included in the revenue, adjusted EBITDA or capital expenditures of the segment.

Financial information by reportable segment for 2013, 2012 and 2011 is presented in the following tables.

### Year ended 31 December 2013

	Russia	Italy	Africa and Asia	Ukraine	CIS	Total	HQ, adjustments and other eliminations	Group
Revenue								
External customers	9,007	6,614	3,506	1,546	1,863	22,533	10	22,546
Inter-segment	102	4	—	64	83	253	(253)	—
<b>Total revenue</b>	<b>9,109</b>	<b>6,618</b>	<b>3,506</b>	<b>1,610</b>	<b>1,946</b>	<b>22,789</b>	<b>(243)</b>	<b>22,546</b>
<b>Adjusted EBITDA</b>	<b>3,815</b>	<b>2,598</b>	<b>405</b>	<b>781</b>	<b>856</b>	<b>8,455</b>	<b>(195)</b>	<b>8,260</b>
Other disclosures								
Capital expenditures	1,822	1,287	610	211	369	4,299	7	4,306

### Year ended 31 December 2012

	Russia	Italy	Africa and Asia	Ukraine	CIS	Total	HQ, adjustments and other eliminations	Group
Revenue								
External customers	9,102	6,977	3,723	1,595	1,664	23,061	—	23,061
Inter-segment	88	5	—	81	91	265	(265)	—
<b>Total revenue</b>	<b>9,190</b>	<b>6,982</b>	<b>3,723</b>	<b>1,676</b>	<b>1,755</b>	<b>23,326</b>	<b>(265)</b>	<b>23,061</b>
<b>Adjusted EBITDA</b>	<b>3,878</b>	<b>2,658</b>	<b>1,738</b>	<b>859</b>	<b>813</b>	<b>9,946</b>	<b>(178)</b>	<b>9,768</b>
Other disclosures								
Capital expenditures	1,853	1,415	400	232	384	4,284	—	4,284

## Year ended 31 December 2011

	Russia	Italy	Africa and Asia	Ukraine	CIS	Total	HQ, adjustments and other eliminations	Group
<b>Revenue</b>								
External customers	8,982	5,584	2,684	1,548	1,470	20,268	(6)	20,262
Inter-segment	82	—	4	93	119	298	(298)	—
<b>Total revenue</b>	<b>9,064</b>	<b>5,584</b>	<b>2,688</b>	<b>1,641</b>	<b>1,589</b>	<b>20,566</b>	<b>(304)</b>	<b>20,262</b>
<b>Adjusted EBITDA</b>	<b>3,641</b>	<b>2,312</b>	<b>1,087</b>	<b>873</b>	<b>703</b>	<b>8,616</b>	<b>(318)</b>	<b>8,298</b>
<b>Other disclosures</b>								
Capital expenditures	2,007	2,673	760	284	626	6,350	—	6,350

The following table provides the reconciliation of consolidated Adjusted EBITDA to consolidated profit/(loss) for the years ended 31 December:

	2013	2012	2011
<b>Adjusted EBITDA</b>	<b>8,260</b>	<b>9,768</b>	<b>8,298</b>
Depreciation	(3,050)	(2,926)	(2,726)
Amortization	(1,791)	(2,080)	(2,059)
Impairment loss	(2,973)	(386)	(527)
Loss on disposals of non-current assets	(100)	(205)	(90)
Finance costs	(2,150)	(2,029)	(1,587)
Finance income	91	154	120
Other non-operating losses/(gains)	172	75	308
Shares of loss/(profit) of associates and joint ventures accounted for using the equity method	(159)	(9)	(35)
Net foreign exchange (gain)/ loss	20	70	(190)
Income tax expense	(2,064)	(906)	(585)
Others	—	—	(42)
<b>Profit/(loss) for the period</b>	<b>(4,088)</b>	<b>1,376</b>	<b>269</b>

The following table provides the breakdown of net operating revenue from external customers by mobile and fixed line services for the years ended 31 December:

	2013	2012	2011
Mobile	19,094	19,442	17,073
Fixed line	3,452	3,619	3,189
<b>Total</b>	<b>22,546</b>	<b>23,061</b>	<b>20,262</b>

These business activities include the following operations: mobile primarily includes providing wireless telecommunication services to the Company's customers and other operators, fixed line primarily includes all activities for providing wireline telecommunication services, broadband and consumer internet. VimpelCom provides both mobile and fixed line services in Russia, Italy, Ukraine, CIS, Pakistan, Burundi and the Central African Republic. The operations in Burundi and the Central African Republic are intended for disposal, as explained in Note 6.

## 8 Other revenue

Other revenue of USD 292 for of the year ended 31 December 2013 (2012: USD 262, 2011 USD 167) includes the amounts received for the settlement of agreements reached between Wind Italy and certain vendors.

## 9 Selling, general and administrative expenses

Selling, general and administrative expenses include the following amounts relating to employee benefits for the years ended 31 December:

	2013	2012	2011
Salaries and wages including bonus payments	1,758	1,726	1,780
Share based payments (Note 24)	16	12	15
Other employee benefits	28	31	40
<b>Employee benefits</b>	<b><u>1,802</u></b>	<b><u>1,769</u></b>	<b><u>1,835</u></b>

The following table sets forth the number of our employees at 31 December:

	2013	2012	2011
Russia	26,843	24,400	31,471
Italy	6,903	6,707	7,830
Africa and Asia	11,625	13,818	13,129
Ukraine	4,510	5,001	6,134
CIS	7,729	8,075	7,631
Other	232	183	149
<b>Total</b>	<b><u>57,842</u></b>	<b><u>58,184</u></b>	<b><u>66,344</u></b>

## 10 Impairment

### *Carrying amount of goodwill and cash-generating units*

Goodwill acquired through business combinations has been allocated to CGUs for impairment testing as follows:

CGU	2013	2012
Italy	5,554	5,301
Russia	4,279	4,590
Ukraine	1,377	3,460
Algeria	1,933	1,935
Pakistan	449	493
Kazakhstan	383	391
Kyrgyzstan	272	278
Uzbekistan	248	257
Armenia	121	141
Other	93	118
<b>Total</b>	<b><u>14,709</u></b>	<b><u>16,964</u></b>

There were no changes to the methodology of goodwill allocation to CGUs in 2013.

The Company performed its annual goodwill impairment test as of 1 October. The Company considers the relationship between market capitalization and its book value, changes in country risk premiums and significant decreases in the operating results of its CGUs versus budgeted amounts among other factors, when reviewing for indicators of impairment. As of the impairment test date the market capitalization of the Group was not below the book value of its equity.

The recoverable amounts of the CGUs, except for Algeria, have been determined based on a value in use calculation using cash flow projections from business plans covering three years and extrapolated for another two years, all as approved by the Group's senior management. The key assumptions and outcome of the impairment test is discussed separately below.

### **Key assumptions**

The key assumptions and inputs used by the Company in undertaking the impairment test are the discount rate, average revenue growth rate (excluding perpetuity period), terminal growth rate, average operating margin and average capital expenditure as a percentage of revenue. Operating margin is defined as the ratio of operating income to revenue. Capital expenditure is defined as additions to property and equipment and intangible assets other than goodwill.

The discount rates used in the impairment test were initially determined in USD based on the risk free rate for 20-year maturity bonds of the United States Treasury adjusted for a risk premium to reflect both the increased risk of investing in equities and the systematic risk of the specific CGU relative to the market as a whole. The equity market risk premium used was 6.00% (2012: 6.75%) and the systematic risk, beta, represents the median of the raw betas of the entities comparable in size and geographic footprint with the ones of the Company ("**Peer Group**"). The debt risk premium is the median of Standard & Poors long term credit rating of the Peer Group. The weighted average cost of capital is determined based on forward-looking debt-to-equity ratios representing the median historical five-year capital structure for each entity from the Peer Group. The discount rate in functional currency is adjusted for the long-term inflation forecast of the respective country in which the business operates, as well as the applicable country risk premium.

The Company estimates revenue growth rates and operating margin calculated based on Adjusted EBITDA less Amortization, Depreciation and Impairment divided by Total Operating Revenue for each CGU and each future year.

The revenue growth rates vary based on numerous factors, including size of market, GDP (Gross Domestic Product), foreign currency projections, traffic growth, market share and others.

Terminal growth rate is estimated based on an amount that is lower than or equal to the country long-term inflation forecast, depending on the CGU.

The forecast of operating income margin is based on the budget of the following year and assumes cost optimization initiatives which are part of on-going operations, as well as, regulatory and technological changes known to date, such as telecommunication license issues and price regulation among others. Similarly, the capital expenditures are based on the budget of the following year and network roll-out plans.



	2013	2012
<b>Discount rate (functional currency)</b>		
Italy	11,9%	11,9%
Russia	15,0%	12,1%
Ukraine	23,1%	16,9%
Algeria	n.a.	n.a.
Pakistan	28,1%	23,5%
Kazakhstan	14,8%	14,5%
Kyrgyzstan	18,6%	16,0%
Uzbekistan	12,3%	11,4%
Armenia	14,4%	14,0%
	<b>2013</b>	<b>2012</b>
<b>Average revenue growth rate during forecasted period</b>		
Italy	1,5%	1,0%
Russia	4,4%	4,9%
Ukraine	0,1%	4,1%
Algeria	n.a.	n.a.
Pakistan	11,8%	12,1%
Kazakhstan	3,7%	4,4%
Kyrgyzstan	8,6%	10,0%
Uzbekistan	3,1%	1,9%
Armenia	-1,3%	-0,8%
	<b>2013</b>	<b>2012</b>
<b>Terminal growth rate</b>		
Italy	1,0%	1,0%
Russia	3,0%	4,4%
Ukraine	3,0%	5,0%
Algeria	n.a.	n.a.
Pakistan	11,8%	8,0%
Kazakhstan	3,0%	3,0%
Kyrgyzstan	3,0%	3,0%
Uzbekistan	2,3%	2,0%
Armenia	4,0%	4,0%
	<b>2013</b>	<b>2012</b>
<b>Average operating margin</b>		
Italy	17,6%	19,5%
Russia	28,5%	25,5%
Ukraine	32,0%	35,7%
Algeria	n.a.	n.a.
Pakistan	27,6%	23,0%
Kazakhstan	36,0%	29,9%
Kyrgyzstan	38,9%	37,4%
Uzbekistan	25,8%	14,8%
Armenia	15,7%	7,5%

	2013	2012
<b>Average capital expenditure as a percentage of revenue</b>		
Italy	15,84%	16,00%
Russia	18,18%	20,00%
Ukraine	12,79%	13,00%
Algeria	n.a.	n.a.
Pakistan	15,76%	21,50%
Kazakhstan	12,87%	12,80%
Kyrgyzstan	12,66%	18,90%
Uzbekistan	20,08%	27,20%
Armenia	13,57%	12,64%

### Sensitivity to changes in assumptions

Other than as disclosed below, there is no reasonably possible change in any of the above key assumptions, which would cause the carrying value of any CGU to exceed its recoverable amount.

The carrying value of the Ukraine CGU is equal to its estimated recoverable amount; consequently, any adverse change in key assumptions would, in isolation, cause a further impairment loss to be recognized. An increase of WACC by one p.p. or deterioration of operating margin by one p.p. or decrease in revenue growth by one p.p. would result in additional impairments of USD 219, USD 91, or USD 132, respectively.

The following tables illustrate the headroom derived from the impairment test using the assumptions disclosed above, and, for reasonably possible changes, the amount by which each key assumption must change in isolation in order for the estimated recoverable amount to equal its carrying value.

2013 CGU	Headroom	Increase of discount rate by	Decrease in Average Revenue Growth by	Decrease in Average Operating margin	Increase in Average Capital Expenditure
Italy	646	0.4 p.p.	1.0 p.p.	1.0 p.p.	1.0 p.p.
2012 CGU	Headroom	Increase of discount rate by	Decrease in Average Revenue Growth by	Decrease in Average Operating margin	Increase in Average Capital Expenditure
Italy	2,679	2.1 p.p.,	0.7 p.p.	12.4 p.p.	16.1 p.p.
Ukraine	470	1.2 p.p.	0.5 p.p.	2.6 p.p.	2.6 p.p.

## **Algeria business**

FVLCD was chosen to assess the recoverability of the Algeria business, since, as more fully discussed in Note 28, the Company together with its subsidiary GTH entered into a sale and purchase agreement ('SPA') to settle the disputes with the Algerian State and sell a non-controlling 51% interest in OTA to the Algerian National Investment Fund subject to conditions precedent. The Company determined that the valuation placed on the business by the Company and the Algerian Government, pursuant to the settlement discussions, was the best available evidence of FVLCD (level 3 valuation). This valuation exceeded the Algeria CGU's book value. The same valuation approach was used in the 2012 annual impairment test for the Algeria business when the Company was negotiating with the Algerian Government on the potential settlement and sale. Costs of disposal are immaterial in the context of this valuation.

## **Impairment losses**

### **2013**

In its assessment of possible impairment triggering events in the fourth quarter, the Company determined that fourth quarter increases in the country risk premium and the increasingly volatile economic and political landscape in Ukraine required an impairment assessment to be made at 31 December 2013 for the Ukraine CGU. As a result of this 31 December 2013 impairment assessment, the Company recorded an impairment of goodwill in the Ukraine CGU in an amount of USD 2,085. The impairment was driven by macro-economic developments and the increases in the country risk premium, as well as weakening operational performance that resulted in the reassessment of the Ukraine CGU's long-term forecast. The recoverable amount was determined based on a value in use calculation using the latest cash flow projections and a pre-tax discount rate of 23.1%. These assumptions reflect the increase in the risks inherent in the estimated future cash flows attributable to the current economic and political volatility in the country, which became more pronounced during the fourth quarter of 2013. Given the volatility in Ukraine, particularly approaching 31 December 2013, the Company in determining the appropriate discount rate, considered that the rating downgrades suffered by Ukraine in November, contained negative outlooks and were already likely superseded by then current events. Additionally the Company referred to credit default swap spreads during the fourth quarter. Based on all of the available information the Company concluded that the discount rate of 23.1% appropriately reflects the return an investor would seek from the Ukraine CGU.

The political and economic environment in Ukraine remains very volatile and unpredictable, as indicated by the events that have occurred in the Ukraine after year-end. Depending on the developments in the Ukraine that may occur in the near future, additional impairments may need to be recognized.

Other impairments recorded in 2013 related to the CGUs Armenia and Laos in an amount of USD 20 and USD 25 respectively, due to weakening operational performance. The Armenia CGU is part of the "CIS" reportable segment while the Laos CGU is part of the "Africa and Asia" reportable segment. The recoverable amounts were calculated as value in use using the latest available cash flow projections, and a pre-tax discount rate of 14.4% and 18.1% respectively. Changes in the critical estimates such as WACC, operating margin or revenue growth rate by one p.p. for these CGUs would not result in any additional material impairment.

There were no other goodwill impairments recorded during 2013.

Also during 2013, the Company fully impaired its investment in WIND Mobile Canada (“GWMC”) in an amount of USD 764, mainly related to the reassessment of the future prospects of GWMC’s continuing operations in the country, which resulted from the strategic decision to withdraw from the January 2014 4G/LTE spectrum auction in the fourth quarter of 2013. In withdrawing from the spectrum auction, GWMC effectively curtailed its ability to execute its business plan and generate the cash flows necessary to repay the amounts owed by GWMC to the Company.

In addition the Company recorded an impairment for other long-term assets for the total amount of USD 79.

## 2012

The results of the impairment test in 2012 indicated an impairment of goodwill and other assets of CGUs belonging to the “Africa and Asia” operating segment in the amount of USD 21.

In 2012, the Company also recorded an impairment for GWMC in an amount of USD 344.

## 11 Other non-operating losses/(gains)

Other non-operating losses/(gains) consisted of the following for the years ended 31 December:

	2013	2012	2011
Change in fair value of derivatives over non-controlling interests (see Note 17)	46	9	(2)
Change in fair value of embedded derivatives (see Note 17)	(71)	(31)	249
Ineffective portion of hedges	119	—	—
Remeasurement of previously held investment in Rascom	(18)	—	—
Non-operating provisions, net of indemnity claims	100	70	—
Reclassification to profit or loss of exchange differences on translation of foreign operations for equity interest in acquiree in business combination achieved in stages	—	—	43
Remeasurement of previously held investment in GTEL-Mobile	—	—	40
Other gains/losses	(4)	27	(22)
	<u>172</u>	<u>75</u>	<u>308</u>

On 15 April 2011, the Company, Wind Telecom and Weather Investments II Sarl (“Weather II”) have concluded an Amended and Restated Share Sale and Exchange Agreement (“SSEA”) for the sale of Wind Telecom and subsidiaries (“WIND”) to the Company. In this agreement, Weather provides certain guarantees concerning the legal and financial position of WIND at the time of closing of the transaction. Weather II indemnifies the Company for any losses, liabilities, claims and fines incurred by VIP Ltd. from any breach of the guarantees made by Weather.

On 14 October 2012, the Company has notified Weather II that it has to indemnify the Company against several pending/potential tax claims against WIND subsidiaries in several jurisdictions, which proved to be existing at the time of the closing of the deal.

In July 2013, VIP Ltd and Weather II concluded a Settlement and Release Agreement to settle certain of such indemnity claims, as a result of which, the Company received an amount of USD 84 , distributed from an escrow account established at the time of the WIND acquisition.

The ineffective portion of hedges in 2013 relates to the restructuring of the derivative positions in Italy in September 2012, which resulted in the amortization of the cash flow hedge reserve from that point.

Refer to Note 17 for further details on the changes in the fair value of embedded derivatives.

## 12 Investments

### 12.1 Information about subsidiaries

The consolidated financial statements of the Group include the following subsidiaries:

Name of significant subsidiaries	Country of incorporation	Nature of the subsidiary	Equity interest in %	
			2013	2012
VimpelCom Amsterdam BV	Netherlands	Holding	100%	100%
Wind Telecom S.p.A.	Italy	Holding	100%	100%
WIND Acquisition Holdings Finance S.p.A	Italy	Holding	100%	100%
WIND Retail S.r.l.	Italy	Operating	100%	100%
WIND Telecomunicazioni S.p.A.	Italy	Operating	100%	100%
VimpelCom Holdings BV	Netherlands	Holding	100%	100%
OJSC VimpelCom	Russia	Operating	100%	100%
“Kyivstar” PJSC	Ukraine	Operating	100%	100%
Limnotex Developments Limited	Cyprus	Holding	71.5%	71.5%
LLP “KaR-Tel”	Kazakhstan	Operating	71.5%	71.5%
LLP “TNS-Plus”	Kazakhstan	Operating	49.0%	49.0%
LLC “Tacom”	Tajikistan	Operating	98.0%	98.0%
PJSC “UkrainianRadioSystems”	Ukraine	Operating	100%	100%
LLC “Golden Telecom”	Ukraine	Operating	100%	100%
LLC “Unitel”	Uzbekistan	Operating	100%	100%
LLC “Mobitel”	Georgia	Operating	80.0%	80.0%
CJSC “ArmenTel”	Armenia	Operating	100%	100%
LLC “Sky Mobile”	Kyrgyzstan	Operating	71.5%	71.5%
VimpelCom Lao Co. Ltd.	Lao PDR	Operating	78.0%	78.0%
Weather Capital S.à r.l.	Luxembourg	Holding	100%	100%
Weather Capital Special Purpose 1 S.A.	Luxembourg	Holding	100%	100%
Global Telecom Holding S.A.E. (former name Orascom Telecom Holding S.A..E.)	Egypt	Holding	51.9%	51.9%
Orascom Telecom Algérie S.p.A.	Algeria	Operating	50.3%	50.3%
Pakistan Mobile Communications Limited	Pakistan	Operating	51.9%	51.9%
Orascom Telecom Bangladesh Limited	Bangladesh	Operating	51.9%	51.9%
U-com Burundi S.A.	Burundi	Operating	51.9%	51.9%
Telecel Centrafrique S.A.	C.A.R.	Operating	51.9%	51.9%

On 5 April 2013 the Company disposed of its entire indirect 90,0% stake in Sotelco Ltd, (“**Sotelco**”), its Cambodian subsidiary and operator (Note 6).

## 12.2 Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests are provided below:

Name of significant subsidiaries	Country of operation	Equity interest held by non-controlling interest in %	
		2013	2012
LLP “KaR-Tel”	Kazakhstan	28.5%	28.5%
Global Telecom Holding S.A.E.	Egypt	48.1%	48.1%
<b>Book values of material non-controlling interests</b>			
LLP “KaR-Tel”		141	—
Global Telecom Holding S.A.E.		(881)	513
<b>Profit/(loss) allocated to material non-controlling interests</b>			
LLP “KaR-Tel”		39	47
Global Telecom Holding S.A.E.		(1,476)	(216)

The summarised financial information of these subsidiaries before inter-company eliminations is as follows:

Summarised statement of comprehensive income for 2013:

	LLP “KaR-Tel”	Global Telecom Holding S.A.E.
Operating revenue	776	3,470
Operating expenses	(586)	(4,131)
Other costs/income	21	(1,434)
<b>Profit/(loss) before tax</b>	211	(2,095)
Income tax expense	(58)	(988)
<b>Profit/(loss) for the year</b>	153	(3,083)
Attributed to non-controlling interest	39	(1,476)
Dividends paid to non-controlling interest	—	—

Summarised statement of comprehensive income for 2012:

	LLP “KaR-Tel”	Global Telecom Holding S.A.E.
Operating revenue	790	3,659
Operating expenses	(601)	(3,026)
Other costs/income	17	(948)
<b>Profit/(loss) before tax</b>	206	(315)
Income tax expense	(40)	(154)
<b>Profit/(loss) for the year</b>	166	(469)
Attributed to non-controlling interest	47	(216)
Dividends paid to non-controlling interest	—	—

Summarised statement of financial position 2013:

	<u>LLP "KaR-Tel"</u>	<u>Global Telecom Holding S.A.E.</u>
Property and equipment	515	2,093
Intangible assets	161	4,696
Other non-current assets	123	88
Trade and other receivables	27	226
Cash and cash equivalents	263	2,839
Other current assets	200	1,236
Financial liabilities	59	5,184
Provisions	9	201
Other liabilities	177	1,982
<b>Total equity</b>	<b>1,044</b>	<b>3,811</b>
Attributed to equity holders of parent	903	3,913
Non-controlling interest	141	(102)

Summarised statement of financial position 2012:

	<u>LLP "KaR-Tel"</u>	<u>Global Telecom Holding S.A.E.</u>
Property and equipment	485	2,433
Intangible assets	197	4,970
Other non-current assets	133	857
Trade and other receivables	40	233
Cash and cash equivalents	218	2,026
Other current assets	87	1,065
Financial liabilities	73	4,758
Provisions	8	187
Other liabilities	169	1,916
<b>Total equity</b>	<b>910</b>	<b>4,723</b>
Attributed to equity holders of parent	910	4,757
Non-controlling interest	—	(34)

Summarised cash flow statement 2013:

	<u>LLP "KaR-Tel"</u>	<u>Global Telecom Holding S.A.E.</u>
Operating	270	1,166
Investing	(221)	(508)
Financing	—	159
Effect of exchange rate changes on cash and cash equivalents	(4)	22
Cash included as held for sale	—	(26)
<b>Net increase/(decrease) in cash equivalents</b>	<b>45</b>	<b>813</b>

Summarised cash flow statement 2012:

	<u>LLP "KaR-Tel"</u>	<u>Global Telecom Holding S.A.E.</u>
Operating	314	1,190
Investing	(124)	(580)
Financing	(9)	461
Effect of exchange rate changes on cash and cash equivalents	1	(59)
<b>Net increase/(decrease) in cash equivalents</b>	<b>182</b>	<b>1,012</b>

### 12.3 Investments in Associates

The Company has the following investments in and carrying values of associates as of 31 December:

	<u>Percentage of ownership</u>	<u>2013</u>	<u>2012</u>
<b>Associates</b>			
GWMC	65,1%	—	—
Others	—	35	26
<b>Total</b>		<u>35</u>	<u>26</u>

The following is a reconciliation of Shares of loss / (profit) of associates for the year ended 31 December:

	<u>Percentage of ownership</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Associates</b>				
Globalive	65.1%	139	100	93
Euroset	49.9%	—	(67)	(69)
Others	diff	(22)	(3)	11
<b>Total</b>		<u>117</u>	<u>30</u>	<u>35</u>

### GWMC

The Company has an equity investment in and long term loans provided to its associate in Canada, GWMC. Due to the recurring losses of GWMC, the equity investment has been reduced to zero and VimpelCom's share of GWMC's excess losses are recorded against the value of the outstanding loans to WIND Mobile Canada., The loans are classified as current and non-current other financial assets depending on maturity of the loans. The loans were subject to an impairment of USD 344 in 2012 and the remaining balance of USD 764 was fully impaired in 2013, as more fully explained in Note 10.



The following is a summary of GWMC's financial position and results of operations:

	<u>2013</u>	<u>2012</u>	
Non-current assets	834	942	
Current assets	115	85	
Non-current liabilities	84	(1,619)	
Current liabilities	1,813	(110)	
<b>Total equity</b>	<b>(948)</b>	<b>(702)</b>	
Proportion of the Group's ownership	(616)	(457)	
Carrying amount of the investment	—	—	
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenue	271	250	134
Operating expenses	(391)	(409)	(316)
Other costs/income	(181)	(193)	(169)
<b>Profit / (loss) before tax</b>	<b>(301)</b>	<b>(352)</b>	<b>(351)</b>
Income tax expense	—	(1)	—
<b>Profit / (loss) for the year</b>	<b>(301)</b>	<b>(353)</b>	<b>(351)</b>
Other comprehensive income / (loss)	—	—	—
<b>Total comprehensive income / (loss)</b>	<b>(301)</b>	<b>(353)</b>	<b>(351)</b>
<b>Elimination of intercompany transactions</b>	<b>57</b>	<b>130</b>	<b>59</b>
<b>Group's share of profit for the year</b>	<b>(139)</b>	<b>(100)</b>	<b>(93)</b>

## 12.4 Investments in Joint Ventures

The Company does not have any material individual investments in joint ventures. The aggregate carrying value of the investments in joint ventures is as follows:

	<u>2013</u>	<u>2012</u>
<b>Joint ventures</b>		
All joint ventures	414	519

The following is the aggregate financial information of the investments in joint ventures:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Profit/(loss) before tax</b>	<b>(18)</b>	<b>236</b>	<b>—</b>
Income tax expense	(42)	(47)	—
<b>Profit/(loss) for the year</b>	<b>(60)</b>	<b>189</b>	<b>—</b>
Other comprehensive income	—	—	—
<b>Total comprehensive income/(loss)</b>	<b>(60)</b>	<b>189</b>	<b>—</b>
Elimination of intercompany transactions	(24)	(14)	
<b>Group's share of profit for the year</b>	<b>(42)</b>	<b>88</b>	
Less Group's share of profit for the year before Euroset transaction (Note 6)	—	(67)	
<b>Group's share of profit for the year from investment in Joint Ventures</b>	<b>(42)</b>	<b>21</b>	

### 13 Income taxes

Income tax expense consisted of the following for the years ended 31 December:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Current tax</b>			
Current year	1,228	1,099	876
Adjustments of previous year	562	(67)	34
	<u>1,790</u>	<u>1,032</u>	<u>910</u>
<b>Deferred tax</b>			
Origination / (reversal) of temporary difference	(100)	(346)	(548)
Changes in tax rates	9	(8)	7
Current year tax losses unrecognized	142	319	86
Recognition and utilization of previously unrecognized tax loss/ tax credit	(94)	(21)	(21)
Expiration of tax losses	21	11	14
Derecognition of previously recognized tax losses	7	12	—
Write off / (reversal of write off) of deferred tax asset temporary differences	159	(155)	142
Adjustments of previous years	37	5	(20)
Unrecognized other carry forwards	93	57	36
Other deferred tax effects	—	—	(21)
	<u>274</u>	<u>(126)</u>	<u>(325)</u>
<b>Income tax expense</b>	<u>2,064</u>	<u>906</u>	<u>585</u>

The table below outlines the reconciliation between the statutory tax rate in the Netherlands (25%) and effective corporate income tax rates for the Group, together with the corresponding amounts:

	<u>Year ended 31 December 2013</u>	<u>Year ended 31 December 2012</u>	<u>Year ended 31 December 2011</u>
<b>Reconciliation between statutory and effective income tax:</b>			
Profit/(loss) before taxes	(2,024)	2,282	854
Income tax (expense)/benefit computed on profit before taxes at statutory tax rate	(506)	571	213
<b>Difference due to the effects of:</b>			
Different tax rates in different jurisdictions	(42)	(168)	(99)
Non-deductible expenses	1,072	242	177
Non-taxable income	(45)	(76)	(42)
Prior year adjustments	599	(62)	14
Change in recognition of deferred tax assets	404	224	257
Withholding taxes	473	97	63
Tax claims	112	85	(4)
Change in Income tax rate	9	(8)	7
Other	(12)	1	(1)
<b>Income tax charge for the period</b>	<u>2,064</u>	<u>906</u>	<u>585</u>

The effective tax rate amounts to (101.9)% in 2013 (2012: 39.7% and 2011: 68.5%).

## **Explanatory notes to the effective tax rate**

### *Permanent differences*

The non-deductible expenses have an increasing effect on the effective tax rate (USD 1,072). The expense relating to the impairment of intangible assets in the Ukraine is non-deductible for tax purposes. The effective tax rate increased due to this non deductibility by USD 396.

The expense relating to the Bank of Algeria claim is non-deductible having an increasing impact on the effective tax rate of USD 317.

Subnational income taxes in Italy that use a different taxation basis have an increasing impact on the effective tax rate of USD 72. Furthermore the non-deductible share in the result (loss) of non-consolidated subsidiaries and other non-deductible expenses (e.g. interest, bad debt losses and non-deductible taxes) increased the effective tax rate by USD 289.

The non-taxable income reduced the effective tax rate by USD 45.

### *Change in recognition of deferred tax assets*

The effective tax rate increased by USD 404 due to the change of recognition of deferred tax assets.

The effective tax rate increased as a result of tax losses in Egypt, the Netherlands and Bangladesh for which no deferred tax asset is recognized having an impact of USD 152. Furthermore, Italy is not able to recognize a deferred tax asset on future deductible interest expenses having an impact of USD 173. Impairment on loan receivables created future tax deductible expenses for which no deferred tax asset on temporary differences is recognized increasing the effective tax rate by USD 155 together with other Business Units that were not able to recognize deferred tax assets (increase of the effective tax rate by USD 16).

The tax rate decreased as a result of recognized deferred tax asset on previous year tax losses (Ukraine and Luxembourg) by USD (92).

### *Withholding taxes*

The effect of withholding taxes on undistributed earnings resulted in a tax charge of USD 473. The amount of 473 includes a one off tax charge of USD 120 USD relating to Russian withholding taxes on dividends. In 2013, the restrictions to distribute the available retained earnings of the Company's Russian operations were lifted. As a consequence, the company is able to distribute dividends in the near future, although withholding tax needs to be paid upon distribution of such dividends. These dividends will be distributed in tranches (until 2016). The Company has accrued already in 2013 for the USD 120 of withholding taxes that will have to be paid upon distribution of these future dividends.

The amount also includes a one off tax charge of USD 205 relating to Algerian withholding taxes on dividends. In 2014 an agreement is reached with the Algerian government that allows the company's Algerian operations to distribute dividends. The company accrued USD 205 of dividend withholding taxes that will have to be paid upon distribution of these future dividends. Furthermore, the amount includes USD 41 accrued Algerian capital gain tax that will have to be paid upon sale of the 51% shares OTA.

### Prior year adjustments

The effect of prior year adjustments of USD 601 increased the effective tax rate and mainly relate to the settlement with the Algerian government, resulting in a write off of a tax receivable by USD 551, and a settlement with the Italian tax authorities (USD 41 income tax charge). Furthermore, previous year tax adjustments in Russia increased the effective tax rate by 10M USD.

### Tax claims

The tax claims are reserves for uncertain income tax positions. See Note 4 'Significant accounting judgments, estimates and assumptions – Deferred tax assets and uncertain tax positions' for further discussion.

The amount of current and deferred taxes reported outside the profit and loss account amounts to USD 8 (USD 0 current tax; USD 8 deferred tax).

### Deferred taxes

As per 31 December 2013 and 31 December 2012, the Group reported the following deferred tax assets and liabilities on the balance sheet:

	31 December 2013	31 December 2012
Deferred tax assets as of 31 December	<u>294</u>	<u>312</u>
Deferred tax liabilities as of 31 December	<u>(1,641)</u>	<u>(1,416)</u>

The following table shows the movements of the deferred tax assets and liabilities in 2013:

	Movements in Deferred taxes							Ending balance
	Opening balance	P/L movement	OCI movement	Acquisition/ Divestment	Other comprehensive income & Other	Currency translation	Tax rate changes	
Property, plant and equipment, net	(683)	(94)	0	(8)	0	44	3	(739)
Other intangible assets, net	(1,255)	117	0	0	0	(23)	4	(1,157)
Trade accounts receivable	187	(69)	0	0	0	4	(1)	121
Other assets	59	622	0	0	8	15	(1)	703
Provisions	67	(5)	0	0	0	0	0	62
Long-term debt	175	(306)	0	0	0	(2)	(1)	(136)
Accounts payable	154	(207)	0	0	(2)	(2)	(1)	(56)
Other liabilities	79	(0)	0	0	0	(3)	(2)	75
Other movements and temporary differences	26	10	0	0	0	0	(2)	35
Deferred subnational income taxes and other	(124)	46	0	0	3	(4)	0	(79)
Withholding tax on undistributed earnings	(120)	(319)	0	0	0	0	0	(439)
	<u>(1,435)</u>	<u>(206)</u>	<u>0</u>	<u>(8)</u>	<u>9</u>	<u>31</u>	<u>(1)</u>	<u>(1,612)</u>
Tax losses and other carry forwards	1,675	1,153	0	0	0	0	(7)	2,821
Non recognized deferred tax assets on losses and credits	(1,332)	(1,059)	0	0	0	0	0	(2,391)
Non recognized deferred tax assets on temporary differences	(12)	(153)	0	0	0	0	0	(166)
Net deferred tax position	<u>(1,104)</u>	<u>(266)</u>	<u>0</u>	<u>(8)</u>	<u>9</u>	<u>31</u>	<u>(8)</u>	<u>(1,347)</u>

The following table shows the movements of the deferred tax assets and liabilities in 2012:

	Movements in Deferred taxes							Ending balance
	Opening balance	P/L movement	OCI movement	Acquisition/ Divestment	Other comprehensive income & Other	Currency translation	Tax rate changes	
Property, plant and equipment, net	(645)	(26)	0	(1)	—	(11)	—	(683)
Other intangible assets, net	(1,400)	119	0	—	(2)	13	15	(1,255)
Trade accounts receivable	169	15	0	—	—	3	—	187
Other assets	158	(127)	0	—	28	—	—	59
Provisions	38	28	0	—	—	1	—	67
Long-term debt	201	(9)	0	—	(17)	—	—	175
Accounts payable	125	22	0	—	4	4	(1)	154
Other liabilities	132	(53)	0	—	—	1	(1)	79
Other movements and temporary differences	(6)	39	0	—	—	(5)	(2)	26
Deferred subnational income taxes and other	(96)	(32)	0	—	5	(2)	1	(124)
Withholding tax on undistributed earnings	(59)	(59)	0	—	(2)	—	—	(120)
	(1,383)	(83)	0	(1)	16	4	12	(1,435)
Tax losses and other carry forwards	1,289	400	0	1	1	(12)	(4)	1,675
Non recognized deferred tax assets on losses and credits	(984)	(348)	0	—	—	—	—	(1,332)
Non recognized deferred tax assets on temporary differences	(160)	148	0	—	—	—	—	(12)
Net deferred tax position	<u>(1,238)</u>	<u>117</u>	<u>0</u>	<u>—</u>	<u>17</u>	<u>-8</u>	<u>8</u>	<u>(1,104)</u>

VimpelCom recognizes a deferred tax asset for the carry forward of unused tax losses and other carry forwards to the extent that it is probable that the deferred tax asset will be utilized. The amount and expiry date of deductible temporary differences, unused tax losses and other carry forwards for which no deferred tax asset is recognized are as follows as per December 2013:

	recognized losses	recognized DTA	non recognized losses	non recognized DTA
<b>Tax losses year of expiration</b>				
0 - 5 years	(339)	97	(1,047)	268
6 - 10 years	—	—	(1,175)	273
> 10 years	—	—	—	—
Indefinitely	(930)	346 <sup>1</sup>	(6,228)	1,836
<b>total</b>	<b>(1,269)</b>	<b>443</b>	<b>(8,450)</b>	<b>2,377</b>
	recognized credits	recognized DTA	non recognized credits	non recognized DTA
<b>Other carry forwards year of expiration</b>				
Indefinitely	—	—	(1,777)	489
Total	—	—	(1,777)	489

These other carry forwards mainly relate to non-deductible interest in Italy that may be carried forward indefinitely to future years.

As of 31 December 2013, the amount of deductible temporary differences for which no deferred tax asset is recognized amounts to USD 675 (with a resulting non-recognized deferred tax asset of USD 163).

The following tables show the recognized and not recognized deferred income tax assets as per December 2012 for comparison purposes:

	recognized losses	recognized DTA	non recognized losses	non recognized DTA
<b>Tax losses year of expiration</b>				
0 - 5 years	(299)	75	(1,246)	308
6 - 10 years	(7)	1	(787)	175
> 10 years	—	—	—	—
Indefinitely	(679)	267	(2,074)	526
<b>total</b>	<b>(985)</b>	<b>343</b>	<b>(4,107)</b>	<b>1,009</b>
	recognized credits	recognized DTA	non recognized credits	non recognized DTA
<b>Other carry forwards year of expiration</b>				
Indefinitely	—	—	(1,196)	323
Total	—	—	(1,196)	323

VimpelCom reports the tax effect of the existence of undistributed profits that will be distributed in the foreseeable future. During 2013, the Company has recorded a deferred tax liability of USD 439 relating to the tax effect of the undistributed profits that will be distributed in the foreseeable future, primarily in relation to its Russian and Algerian operations. At 31 December 2013, undistributed earnings of VimpelCom's foreign subsidiaries (outside the Netherlands) which are indefinitely invested and that will not be distributed in the foreseeable future, amounted to approximately USD 2,515 (2012: USD 7,693; 2011: USD 7,464). Accordingly, no deferred tax liability is recognized for this amount of undistributed profits.

<sup>1</sup> The amount contains both deferred tax assets on 'national' taxes (430) and 'subnational' taxes (13).

## 14 Earnings per share

Earnings per common share for all periods presented has been determined in accordance with IAS 33. Earnings per Share, by dividing profit available to common shareholders by the weighted average number of common shares outstanding during the period.

The following table sets forth the computation of basic and diluted earnings per share:

	Year ended 31 December		
	2013	2012	2011
	(In millions of US dollars, except share amounts)		
<b>Numerator:</b>			
Profit/(loss) for the period attributable to VimpelCom	(2,625)	1,539	543
<b>Denominator:</b>			
Denominator for basic earnings per share – weighted average common shares outstanding (millions)	1,711	1,618	1,524
Effect of dilutive securities: Employee stock options (millions)	1	1	—
<b>Denominator for diluted earnings per share – assumed conversions (millions)</b>	<u>1,712</u>	<u>1,619</u>	<u>1,524</u>
<b>Basic earnings per share</b>	<u>\$ (1.53)</u>	<u>\$ 0.95</u>	<u>\$ 0.36</u>
<b>Diluted earnings per share</b>	<u>\$ (1.53)</u>	<u>\$ 0.95</u>	<u>\$ 0.36</u>

Employee stock options (representing 1,194,542 shares) that are out of the money as of 31 December 2013, but that could potentially dilute basic EPS in the future, were excluded in the computation of diluted EPS because inclusion of the options would have been antidilutive for the periods presented.

## 15 Property and equipment

Property and equipment, at cost, consisted of the following:

	Telecommunications equipment	Land, buildings and constructions	Office and measuring equipment	Other Equipment	Equipment not installed and assets under construction	Total
<b>Cost</b>						
<b>At 1 January 2012</b>	<b>17,645</b>	<b>750</b>	<b>1,050</b>	<b>765</b>	<b>2,838</b>	<b>23,048</b>
Acquisition of a subsidiary	20	—	—	—	—	20
Divestments of a subsidiary	(142)	(29)	(14)	(24)	(19)	(228)
Reclassification to AHFS	(113)	(3)	(5)	(15)	(2)	(138)
Additions	1,271	53	57	26	2,115	3,522
Disposals	(920)	(45)	(69)	(94)	(83)	(1,211)
Transfer	2,108	25	291	(111)	(2,313)	—
Translation adjustment	367	20	66	26	74	553
<b>At 31 December 2012</b>	<b>20,236</b>	<b>771</b>	<b>1,376</b>	<b>573</b>	<b>2,610</b>	<b>25,566</b>
Acquisition of a subsidiary	35	3	—	1	—	39
Reclassification to AHFS	(156)	(6)	(5)	(6)	(6)	(179)
Additions	829	17	41	24	2,479	3,390
Disposals	(1,130)	(11)	(57)	(27)	(43)	(1,268)
Transfer	2,521	62	207	142	(2,932)	—
Translation adjustment	(206)	(30)	(44)	(19)	(47)	(346)
<b>At 31 December 2013</b>	<b>22,129</b>	<b>806</b>	<b>1,518</b>	<b>688</b>	<b>2,061</b>	<b>27,202</b>
<b>Depreciation and impairment</b>						
<b>At 1 January 2012</b>	<b>(6,658)</b>	<b>(197)</b>	<b>(625)</b>	<b>(375)</b>	<b>(28)</b>	<b>(7,883)</b>
Divestments of a subsidiary	109	33	11	20	19	192
Reclassification to AHFS	103	3	3	12	—	121
Depreciation charge for the year	(2,601)	(48)	(226)	(51)	—	(2,926)
Disposals	846	8	19	41	—	914
Impairment (Note 10)	(30)	—	(2)	—	(17)	(49)
Translation adjustment	(257)	(1)	(11)	(4)	4	(269)
<b>At 31 December 2012</b>	<b>(8,488)</b>	<b>(202)</b>	<b>(831)</b>	<b>(357)</b>	<b>(22)</b>	<b>(9,900)</b>
Reclassification to AHFS	82	3	4	4	—	93
Transfer	7	—	1	—	(8)	—
Depreciation charge for the year	(2,714)	(51)	(210)	(75)	—	(3,050)
Disposals	1,056	7	54	16	—	1,133
Impairment (Note 10)	(45)	—	—	—	(2)	(47)
Translation adjustment	14	10	23	12	3	62
<b>At 31 December 2013</b>	<b>(10,088)</b>	<b>(233)</b>	<b>(959)</b>	<b>(400)</b>	<b>(29)</b>	<b>(11,709)</b>
<b>Net book value</b>						
<b>At 1 January 2012</b>	<b>10,987</b>	<b>553</b>	<b>425</b>	<b>390</b>	<b>2,810</b>	<b>15,165</b>
<b>At 31 December 2012</b>	<b>11,748</b>	<b>569</b>	<b>545</b>	<b>216</b>	<b>2,588</b>	<b>15,666</b>
<b>At 31 December 2013</b>	<b>12,041</b>	<b>573</b>	<b>559</b>	<b>288</b>	<b>2,032</b>	<b>15,493</b>

None of the assets were used as collateral and no assets have restrictions on title. The Company is not party to significant finance leases.

### Change in estimate

Our subsidiary in Pakistan, Pakistan Mobile Communications Limited, committed to a network modernization program that will be executed in 2014. Accordingly, the existing network equipment, which is comprised of approximately 9,000 cell sites, will be replaced with a new generation of network equipment. A decision to upgrade the network triggered a reassessment of the useful lives of the existing network equipment and resulted in additional depreciation expense in the amount of USD 110 in 2013.



### Capitalized borrowing costs

During 2013 VimpelCom capitalized interest in the cost of property and equipment in the amount of USD 48 (2012: USD 191). During 2013 the interest rates applicable to capitalized borrowing costs is ranging from 7.86% to 8.75% (2012: ranging from 4.6% to 13.1%).

### Revision to amounts capitalized

The Company has identified approximately USD 72 million of expenditures, which had been improperly capitalized in prior periods by its business in Uzbekistan. These items were expensed in the 2013 consolidated income statement.

### 16 Intangible assets

The total gross carrying value and accumulated amortization of VimpelCom's intangible assets consisted of the following:

	Telecommunications licenses, frequencies and permissions	Goodwill	Software	Brands and trademarks	Customer relationships	Telephone line capacity	Other intangible assets	Total
<b>Cost</b>								
<b>At 1 January 2012</b>	<b>4,916</b>	<b>16,902</b>	<b>1,236</b>	<b>2,323</b>	<b>4,087</b>	<b>143</b>	<b>3,312</b>	<b>32,919</b>
Acquisition of a subsidiary	9	17	1	—	—	—	—	27
Divestments of a subsidiary	(146)	(126)	(7)	—	—	(1)	—	(280)
Reclassification to AHFS	(43)	—	(5)	—	—	—	—	(48)
Additions	67	—	199	3	—	1	492	762
Disposals	(31)	—	(27)	—	—	(13)	(85)	(156)
Translation adjustment	82	180	76	51	169	48	108	714
<b>At 31 December 2012</b>	<b>4,854</b>	<b>16,973</b>	<b>1,473</b>	<b>2,377</b>	<b>4,256</b>	<b>178</b>	<b>3,827</b>	<b>33,938</b>
Acquisition of a subsidiary	—	18	—	—	23	—	—	41
Reclassification to AHFS	(27)	—	(3)	(6)	(23)	—	—	(59)
Additions	135	—	284	—	—	6	491	916
Disposals	(30)	—	(26)	—	(5)	—	(6)	(67)
Transfer	1,807	—	432	(252)	637	—	(2,624)	—
Translation adjustment	58	(147)	(72)	44	13	(7)	29	(83)
<b>At 31 December 2013</b>	<b>6,797</b>	<b>16,844</b>	<b>2,088</b>	<b>2,163</b>	<b>4,901</b>	<b>177</b>	<b>1,717</b>	<b>34,687</b>
<b>Amortization and impairment</b>								
<b>At 1 January 2012</b>	<b>(1,371)</b>	<b>(126)</b>	<b>(857)</b>	<b>(123)</b>	<b>(1,335)</b>	<b>(88)</b>	<b>(418)</b>	<b>(4,318)</b>
Divestments of a subsidiary	144	126	6	—	—	—	—	276
Reclassification to AHFS	20	—	2	—	—	—	—	22
Amortization charge for the year	(406)	—	(155)	(132)	(983)	(18)	(386)	(2,080)
Disposals	2	—	80	1	—	3	30	116
Impairment (Note 10)	—	(9)	—	—	—	—	—	(9)
Translation adjustment	(11)	—	(97)	(21)	(165)	(27)	(59)	(380)
<b>At 31 December, 2012</b>	<b>(1,622)</b>	<b>(9)</b>	<b>(1,021)</b>	<b>(275)</b>	<b>(2,483)</b>	<b>(130)</b>	<b>(833)</b>	<b>(6,373)</b>
Reclassification to AHFS	14	—	1	6	6	—	—	27
Amortization charge for the year	(418)	—	(318)	(116)	(669)	(16)	(254)	(1,791)
Disposals	27	—	22	—	5	—	—	54
Impairment (Note 10)	(31)	(2,130)	—	—	—	—	—	(2,161)
Transfer	(1)	—	1	—	(22)	—	22	—
Translation adjustment	(20)	4	45	(12)	(21)	5	102	103
<b>At 31 December, 2013</b>	<b>(2,051)</b>	<b>(2,135)</b>	<b>(1,270)</b>	<b>(397)</b>	<b>(3,184)</b>	<b>(141)</b>	<b>(963)</b>	<b>(10,141)</b>
<b>Net book value</b>								
<b>At 1 January 2012</b>	<b>3,545</b>	<b>16,776</b>	<b>379</b>	<b>2,200</b>	<b>2,752</b>	<b>55</b>	<b>2,894</b>	<b>28,601</b>
<b>At 31 December 2012</b>	<b>3,232</b>	<b>16,964</b>	<b>452</b>	<b>2,102</b>	<b>1,773</b>	<b>48</b>	<b>2,994</b>	<b>27,565</b>
<b>At 31 December 2013</b>	<b>4,746</b>	<b>14,709</b>	<b>818</b>	<b>1,766</b>	<b>1,717</b>	<b>36</b>	<b>754</b>	<b>24,546</b>

As of 31 December 2013, other intangible assets primarily include the right of way for using the infrastructure of third parties and capitalized customer acquisition costs in Italy with the book value of USD 420 and USD 149, respectively. As of 31 December 2012, other intangible assets primarily include LTE telecommunication licenses in Italy and Russia in the amount of USD 1,660, for which the business operations have not yet commenced, and industrial patents and intellectual property rights with the book value of USD 394. None of the assets were used as collateral and no assets have restrictions on title.

During 2013, VimpelCom did not capitalize interest in the cost of intangible assets (2012: 150). During 2012 the interest rates applicable to capitalized borrowing costs ranged from 4.6% to 13.1%.

## 17 Financial assets and liabilities

### *Financial assets*

The Company has the following financial assets as of 31 December:

	<u>2013</u>	<u>2012</u>
<b>Financial instruments at fair value through profit or loss</b>		
Derivatives not designated as hedges		
Cross-currency and Interest rate exchange contracts	2	58
Foreign exchange contracts	1	4
Embedded derivatives in notes	154	77
Derivatives over non-controlling interest	35	81
<b>Financial instruments at fair value</b>		
Derivatives designated as cash flow hedges		
Cross-currency and Interest rate exchange contracts	9	110
Interest rate exchange contracts	1	—
Available for sale financial instruments	20	—
<b>Total financial Instruments at fair value</b>	<u>222</u>	<u>330</u>
<b>Loans granted, deposits and other financial assets at amortized cost</b>		
Loans granted to GWMC (Note 12)	—	781
Short term deposits	396	66
Interest receivable	6	8
Other investment	36	62
Other loans granted	42	114
<b>Total loans granted, deposits and other financial assets</b>	<u>480</u>	<u>1,031</u>
<b>Total other financial assets</b>	<u>702</u>	<u>1,361</u>
Total current	440	270
Total non-current	262	1,091

## ***Financial liabilities***

The Company has the following financial liabilities as of 31 December:

	<u>2013</u>	<u>2012</u>
<b>Financial instruments at fair value through profit or loss/ or equity</b>		
Derivatives not designated as hedges		
Derivatives over non-controlling interest via equity	204	442
Foreign exchange contracts	—	12
<b>Financial instruments at fair value</b>		
Derivatives designated as cash flow hedges		
Foreign exchange contracts	—	20
Cross-currency and Interest rate exchange contracts	171	36
Interest rate exchange contracts	100	181
<b>Total financial Instruments at fair value</b>	<u>475</u>	<u>691</u>
<b>Other financial liabilities at amortised cost</b>		
Bank loans and bonds		
Bank loans and bonds, principle	26,507	25,643
Unamortised fair value adjustment under acquisition method of accounting	665	794
Interest accrued	594	526
Discounts, unamortized fees	50	73
Equipment financing	272	591
Loans from others		
Loans from others, principal	654	754
Interest accrued	11	9
<b>Total other financial liabilities at amortised cost</b>	<u>28,753</u>	<u>28,390</u>
<b>Total other financial liabilities</b>	<u>29,228</u>	<u>29,081</u>
Total current	2,426	3,388
Total non-current	26,802	25,693

The unamortized fair value adjustment under the acquisition method of accounting relates to the fair value re-measurement of listed debt acquired in the business combination with Wind Telecom. This adjustment will be amortized on a straight-line basis over six years by reducing interest expense.

## ***Description of derivative financial instruments***

VimpelCom uses derivative instruments, including swaps, forward contracts and options to manage certain foreign currency and interest rate exposures. The Company views derivative instruments as risk management tools and does not use them for trading or speculative purposes. The Company has designated the majority of its derivative contracts, which mainly relate to hedging the interest and foreign exchange risk of external debt, as formal hedges and applies hedge accounting on these derivative contracts.

All derivatives are accounted for on a fair value basis and the changes in fair value are recorded in profit or loss, except for put options over non-controlling interests not providing a present ownership interest in the outstanding shares, and derivative instruments which are accounted for using cash flow hedge accounting. Cash flows from derivative instruments are reported in the statement of cash flows in the same line where the underlying cash flows are recorded.

## **Foreign exchange contracts**

OJSC VimpelCom enters into short-term forward and zero-cost collar agreements with several banks in order to protect cash flows of its short-term financial and non-financial obligations denominated in USD from adverse USD-RUB movements. As of 31 December 2013, the notional amount outstanding of these derivative contracts (only zero-cost collars) was USD 130 (2012: USD 1,105) with an average cap rate of 33.79 (2012: 34.52) and an average floor rate of 31.74 (2012: 31.08).

The Company also enters into short-term forward agreements in order to protect the balance sheet position of its financial receivables denominated in CAD relating to loan to GWMC, from adverse USD-CAD movements. As of 31 December 2013, the notional amount outstanding of these derivative contracts was USD 146.

## ***Embedded derivatives in notes***

The Notes issued by the Company's Italian subsidiary, Wind Acquisition Finance S.A. ("WAF") in July 2009, November 2010, April 2012 and April 2013 and in the PIK Notes issued by another Italian subsidiary, Wind Acquisition Holdings Finance S.A. ("WAHF") in December 2009, include early repayment options. Accordingly, these companies can repay the debt at certain dates prior to the maturity date at agreed redemption prices. These embedded derivatives are accounted for as a financial asset at fair value through profit or loss.

## ***Derivatives over non-controlling interest – Put and call options***

### **Limnotex**

On 24 August 2011, the Company entered into put and call agreements representing up to 28.5% of the shares in its indirect subsidiary Limnotex, which owns 100% of KaR-Tel, the Company's Kazakhstan operator and 100% of Sky Mobile, the Company's Kyrgyzstan operator. Based on the agreement, Crowell, the noncontrolling shareholder of Limnotex, holds two put options for Limnotex shares: the first put option for 13.5% at a fixed price of USD 297 expired on 31 December 2013 and the second put option for 15% is exercisable during 2017 at a fixed price of USD 330. The put options granted to Crowell give rise to a financial liability which is initially measured at the present value of the redemption amount. Due to the expiration of the first put option, the related liability of USD 297 has been reclassified into non-controlling interest. The Company continues to account for the remaining put option of USD 204 as a liability as of 31 December 2013, classified as non-current financial liabilities. The liability for these arrangements in the prior year amounted to USD 442. The fair value of the liability represents the underlying redemption amount. The change in fair value of the put option is recorded in equity since VimpelCom does not have present access to benefits over the shares held by Crowell. The outcome of the fair value measurement is dependent on the discount rate at the time of measurement – in case the rate increases by 1 pp the liability will decrease by USD 10, in case the rate decreases for 1 pp the liability will increase by USD 11. The discount rate used at 31 December 2013 was 12.7% (2012: 13.0%).

The call options allow the Company to acquire the total of 28.5% of Limnotex shares held by Crowell at a multiple of Adjusted EBITDA. Both options are exercisable until May 2018. The call options do not give the Company present ownership rights. Therefore the options are accounted for as a financial asset at fair value through profit or loss and were recorded in other financial assets in the amount of USD 35 and USD 81 as of 31 December 2013 and 2012, respectively. The fair value of the options was determined based on the expected exercise period in May 2018, an estimated exercise price of USD 1,453 and dividend yield of 7.3%. The outcome is influenced by changes in exercise period, exercise price and dividend yield, but variations in these variables are not expected to have a material impact on the results of operations of the Company.

#### **Cross currency and interest rate exchange contracts**

In 2009, the Company's Italian subsidiary, Wind Acquisition Finance S.A. ("WAF") entered into 10 Cross-Currency Interest Rate Swap agreements with several banks to reduce the volatility of cash flows on USD denominated debt in the amount of USD 2,000 to EUR 1,428 and related interest from 13 July 2009 to 15 July 2017. Pursuant to these agreements, WAF pays a fixed EUR rate equal to on average 11.73% and receives a fixed USD rate of 11.75%.

In November 2010, WAF entered into a further 11 Cross-Currency Interest Rate Swap agreements with several banks to reduce the volatility of cash flows on USD denominated debt in the amount of USD 1,300 to EUR 961 and related interest from 26 November 2010 to 15 February 2018. Pursuant to these agreements, WAF pays a fixed EUR rate equal to on average 7.46% and receives a fixed USD rate of 7.25%.

In April 2012, WAF entered into four Cross-Currency Interest Rate Swap agreements with several banks to reduce the volatility of cash flows on USD denominated debt in the amount of USD 400 to EUR 305 and related interest from 13 April 2012 to 15 February 2018. Pursuant to these agreements, WAF pays a fixed EUR rate equal to on average 7.33% and receives a fixed USD rate of 7.25%.

In April 2013, WAF entered into five Cross-Currency Interest Rate Swap agreements with several banks to reduce the volatility of cash flows on USD denominated debt in the amount of USD 550 to EUR 420 and related interest from 29 April 2013 to 30 April 2020. Pursuant to these agreements, WAF pays a floating rate of EURIBOR 6 month plus on average 5.13% and receives a fixed USD rate of 6.50%.

The Company's Pakistan subsidiary, Pakistan Mobile Communications Limited, entered into several Cross-Currency Interest Rate Swap Agreements to reduce the volatility of cash flows on USD and EUR denominated debt with current outstanding balances of USD 11 and EUR nil (2012: USD 129 and EUR 17) to PKR 878 (2012: PKR 9,600), and related interest with maturities until 15 December 2017. Pursuant to these agreements, the Company's Pakistan subsidiary pays floating 6 months KIBOR rates plus a spread between (0.32)% and 0.72%.

#### **Interest rate exchange contracts**

In November and December 2010, the Company's Italian subsidiary WIND Telecomunicazioni S.p.A. entered into Interest Rate Swap agreements to reduce the volatility of cash flows on interest payments for variable-rate debt. In September 2012, the majority

of these Interest Rate Swaps were restructured for the upcoming 12-18 months and additionally two basis swaps have been added to the portfolio. This restructuring was done to benefit from the basis swap spread between EURIBOR 1 month and EURIBOR 6 month floating rates. In April and September 2013, the swaps have been restructured to align them with the underlying floating rate debt portfolio. Pursuant to these agreements, WIND Telecomunicazioni S.p.A. pays a fixed rate equal to on average 2.24% and receives EURIBOR 3/6 month floating rate on a notional amount of EUR 2,770 until maturity (between 26 March 2014 and 30 April 2020).

In August and November 2012, the Company has unwound its interest rate swaps related to its USD 500 6.2546% notes due March 2017 and its interest rate swaps related to its USD 1,500 7.5043% notes due March 2022. As a result of the unwind, the Company will pay interest at the fixed rates of the previously mentioned notes. With the unwind, the Company has locked in the current low USD interest rates, resulting in a reduction of the effective interest rate on the notes due March 2017 of approximately 1.5% and on the notes due March 2022 of approximately 2.0%. As a result of the unwind, the Company has received a cash amount of USD 253, which is included within Interest Received in the Statement of Cash Flows, representing the approximate fair value of the derivatives when they were unwound.

### ***Interest-bearing bank loans and bonds***

The Company has the following principal amounts outstanding for interest-bearing loans and bonds as of 31 December:

<b>Lender</b>	<b>Interest rate</b>	<b>Maturity</b>	<b>Currency</b>	<b>2013</b>	<b>2012</b>
Senior Secured Notes	3m Euribor + 5.3%;6.5-7.4%	2018-2020	EUR/USD	5,136	4,273
Eurobonds	6.5-9.1%	2016-2021	USD	3,100	3,901
Senior Facility Agreement	1m Euribor + 4.0-4.5%	2016-2017	EUR	3,236	3,865
Senior Notes 2017	11.8%	2017	EUR/USD	3,718	3,649
Sberbank	8.8-9.0%	2015-2018	RUB	2,304	2,805
Ruble Bonds	7.4-8.9%	2014-2015	RUB	1,986	2,469
Notes	3m Libor + 4.0%; 5.2-9.0%	2014-2023	USD/RUB	4,167	2,200
PIK Notes	12.3%	2017	EUR/USD	1,640	1,432
Other loans				1,220	1,049
<b>Total bank loans and bonds</b>				<b><u>26,507</u></b>	<b><u>25,643</u></b>
Less current portion				(1,668)	(2,218)
<b>Long-term portion of bank loans and bonds</b>				<b><u>24,839</u></b>	<b><u>23,425</u></b>

### Loans from others

The Company has the following principal amounts outstanding for loans from other parties as of 31 December:

	Interest rate	Maturity	Currency	2013	2012
Debt to Italian Government (LTE license)	Rendistato+1%	2016	EUR	334	427
Annuity loans	1.1-7.7%	2014-2016	EUR	122	214
Other loans				198	113
<b>Total loans from others</b>				<b><u>654</u></b>	<b><u>754</u></b>
Less current portion				(197)	(221)
<b>Long-term loans from others</b>				<b><u>457</u></b>	<b><u>533</u></b>

### Hedging activities and derivatives

#### Derivatives under hedge accounting

The Company uses cross currency interest rate swaps, interest rate swaps, foreign exchange forwards/swaps and zero cost collars to manage its transaction exposures and/or interest exposure related to loans and borrowings. Most of these derivative contracts are either designated as cash flow or fair value hedges and are entered into for periods up to the maturity date of the hedged loans and borrowings.

The company uses the following types of hedge accounting:

- Cash flow hedge accounting used to hedge the risk on future foreign currency cash flows and floating interest rate cash flows;
- Fair value hedge accounting used to convert the USD fixed interest rate on financial liabilities into USD floating interest rate.

The Company's hedge accounting is summarized below:

	Risk being hedged	Nominal value	Fair value assets	Fair value liabilities
<b>At 31 December 2013</b>				
<b>Cash flow hedge accounting</b>				
Cross currency and interest rate exchange contracts	Currency	4,250	9	171
Interest rate exchange contracts	Interest	3,807	1	100
Foreign exchange contracts	Currency	55	—	—
<b>No hedge accounting</b>				
Cross currency and interest rate exchange contracts	Currency	11	2	—
Foreign exchange contracts	Currency	248	1	—

	Risk being hedged	Nominal value	Fair value assets	Fair value liabilities
<b>At 31 December 2012</b>				
<b>Cash flow hedge accounting</b>				
Cross currency and interest rate exchange contracts	Currency	3,700	110	36
Interest rate exchange contracts	Interest	3,846		181
Foreign exchange contracts	Currency	980		20
<b>No hedge accounting</b>				
Cross currency and interest rate exchange contracts	Currency	152	58	
Foreign exchange contracts	Currency	170	4	12

The following table shows the periods in which the cash flows of the derivatives, to which cash flow hedge accounting applies, are expected to occur:

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
<b>At 31 December 2013</b>					
Cash flows	(61)	(77)	(22)	(5)	(165)
Cash flow hedge reserve	—	—	—	—	(212)

	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
<b>At 31 December 2012</b>					
Cash flows	(92)	(71)	(21)	(1)	(185)
Cash flow hedge reserve	—	—	—	—	(313)

#### Derivatives not designated as hedging instruments

The Company uses foreign currency denominated borrowings and forward currency contracts to manage its transaction exposures. These currency forward contracts are not designated as cash flow, fair value or net investment hedges and are entered into for periods consistent with currency transaction exposures, generally from one to six months. Although the derivatives have not been designated in a hedge relationship, they act as a commercial hedge and offset the underlying transaction when they occur.



## Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the consolidated financial statements as of 31 December (based on future cash flows discounted at current market rates):

	Carrying value		Fair value	
	2013	2012	2013	2012
<b>Financial assets</b>				
<b>Financial instruments at fair value through profit or loss</b>				
Derivatives not designated as hedges				
Cross-currency and Interest rate exchange contracts	2	58	2	58
Foreign exchange contracts	1	4	1	4
Embedded derivatives in notes	154	77	154	77
Derivatives over non-controlling interest	35	81	35	81
<b>Financial instruments at fair value</b>				
Derivatives designated as cash-flow hedges				
Cross-currency and Interest rate exchange contracts	9	110	9	110
Interest rate exchange contracts	1	—	1	—
Available for sale financial instruments	20	—	20	—
<b>Total financial Instruments at fair value, assets</b>	<b>222</b>	<b>330</b>	<b>222</b>	<b>330</b>
<b>Loans granted, deposits and other financial assets</b>				
Long term-loans granted to GWMC	—	781	—	781
Bank deposits	396	66	396	66
Interest receivable	6	8	6	8
Other investment	36	62	36	62
Other loans granted	42	114	42	114
<b>Total loans granted, deposits and other financial assets</b>	<b>480</b>	<b>1,031</b>	<b>480</b>	<b>1,031</b>
Trade and other receivables	2,283	2,495	2,283	2,495
Cash and cash equivalents	4,454	4,949	4,454	4,949
<b>Total financial assets</b>	<b>7,439</b>	<b>8,805</b>	<b>7,439</b>	<b>8,805</b>
<b>Financial instruments at fair value through profit or loss</b>				
Bank loans and bonds at fair value		—		—
Derivatives not designated as hedges				
Derivatives of non-controlling interest	204	442	204	442
Foreign exchange contracts	—	12	—	12
Derivatives designated as cash flow hedges				
Foreign exchange contracts	—	20	—	20
Cross-currency and Interest rate exchange contracts	171	36	171	36
Interest rate exchange contracts	100	181	100	181
<b>Total financial Instruments at fair value, liabilities</b>	<b>475</b>	<b>691</b>	<b>475</b>	<b>691</b>
<b>Total other financial liabilities at amortised cost</b>	<b>28,753</b>	<b>28,390</b>	<b>29,531</b>	<b>29,302</b>
Trade and other payables	4,733	5,859	4,733	5,859
<b>Total financial liabilities</b>	<b>33,961</b>	<b>34,940</b>	<b>34,739</b>	<b>35,852</b>

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair values were estimated based on quoted market prices of our bonds, derived from market prices or by using discounted cash flows under the agreement at the rate applicable for the instruments with similar maturity and risk profile.

### ***Fair value hierarchy***

As of 31 December 2013 and 2012 the Company held financial instruments carried at fair value on the statement of financial position in accordance with IAS 39.

The Company measures the fair value of derivatives except for options over non-controlling interests and embedded derivatives in notes on a recurring basis, using observable inputs (Level 2), such as LIBOR, EURIBOR, swap curves, basis swap spreads, foreign exchange rates and credit default spreads of both counterparties and our own entities, using present value techniques, Monte Carlo simulation and/or Black-Scholes model.

The Company measures the fair value of options over non-controlling interests and embedded derivatives in notes on a recurring basis, using unobservable inputs (Level 3), such as projected redemption amounts, volatility, the fair value of underlying shares using an income valuation approach with present value techniques and Black-Scholes valuation model.

The following table provides the disclosure of fair value measurements separately for each major class of assets and liabilities measured at fair value.

<b>As of 31 December 2013</b>			
<b>Description</b>	<b>(Level 1)</b>	<b>(Level 2)</b>	<b>(Level 3)</b>
<b>Financial instruments at fair value through profit or loss</b>			
Derivatives not designated as hedges			
Cross-currency and Interest rate exchange contracts		2	
Foreign exchange contracts		1	
Embedded derivatives in notes			154
Derivatives over non-controlling interest			35
<b>Financial instruments at fair value</b>			
Derivatives designated as cash-flow hedges			
Cross-currency and Interest rate exchange contracts		9	
Interest rate exchange contracts		1	
Available for sale financial instruments			20
<b>Total financial Instruments at fair value, assets</b>		<b>13</b>	<b>209</b>
<b>Assets for which fair values are disclosed</b>			
Loans granted, deposits and other financial assets			
Bank deposits		396	
Interest receivable		6	
Other investment		36	
Other loans granted		42	
Trade and other receivables		2,283	
Cash and cash equivalents		4,454	
<b>Total assets for which fair values are disclosed</b>		<b>7,217</b>	<b>—</b>

<b>Financial instruments at fair value through profit or loss</b>			
Derivatives not designated as hedges			
Derivatives over non-controlling interest			204
Derivatives designated as hedges			
Cross-currency and Interest rate exchange contracts		171	
Interest rate exchange contracts		100	
<b>Total financial Instruments at fair value, liabilities</b>		<u>271</u>	<u>204</u>
<b>Liabilities for which fair values are disclosed</b>			
Financial liabilities at amortized cost	20,327	9,204	
Trade and other payables		4,733	
<b>Total liabilities for which fair values are disclosed</b>	<u>20,327</u>	<u>13,937</u>	

**As of 31 December 2012**

Description	(Level 1)	(Level 2)	(Level 3)
<b>Financial instruments at fair value through profit or loss</b>			
Derivatives not designated as hedges			
Cross-currency and Interest rate exchange contracts	—	58	—
Foreign exchange contracts	—	4	—
Embedded derivatives in notes	—	—	77
Derivatives of non-controlling interest	—	—	81
<b>Financial instruments at fair value</b>			
Derivatives designated as cash-flow hedges			
Cross-currency and Interest rate exchange contracts	—	110	—
<b>Total financial Instruments at fair value, assets</b>	<u>—</u>	<u>172</u>	<u>158</u>
<b>Financial instruments at fair value through profit or loss</b>			
Derivatives not designated as hedges			
Derivatives over non-controlling interest	—	—	442
Foreign exchange contracts	—	12	—
Derivatives designated as hedges			
Foreign exchange contracts	—	20	—
Cross-currency and Interest rate exchange contracts	—	36	—
Interest rate exchange contracts	—	181	—
<b>Total financial Instruments at fair value, liabilities</b>	<u>—</u>	<u>249</u>	<u>442</u>

The movement of financial instruments measured at the fair value using unobservable inputs (Level 3) is presented below:

	As of 31 Dec. 2012	Currency translation adjustment	Change in fair value reported in earnings	Change in fair value reported in equity	Purchased	Sold/Settled/ Expired	As of 31 Dec. 2013
<b>Financial instruments at fair value through profit or loss</b>							
Derivatives not designated as hedges	—	—	—	—	—	—	—
Embedded derivatives in notes	77	—	77	—	—	—	154
Derivatives of non-controlling interest	81	—	(46)	—	—	—	35
<b>Total financial instruments at fair value, assets</b>	<u>158</u>	<u>—</u>	<u>31</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>189</u>
Loans granted, deposits and other financial assets for which fair values are disclosed	796	(51)	(862)	—	117	—	—
<b>Financial instruments at fair value through equity</b>							
Derivatives of non-controlling interest	442	—	—	59	—	(297)	204
<b>Total financial instruments at fair value, liabilities</b>	<u>442</u>	<u>—</u>	<u>—</u>	<u>59</u>	<u>—</u>	<u>(297)</u>	<u>204</u>
<b>Liabilities for which fair values are disclosed</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Financial instruments at fair value through profit or loss</b>							
Derivatives not designated as hedges							
Embedded derivatives in notes				41	36		77
Derivatives of non-controlling interest				73	8		81
<b>Total financial instruments at fair value, assets</b>				<u>114</u>	<u>44</u>		<u>158</u>
<b>Financial instruments at fair value through profit or loss</b>							
Derivatives of non-controlling interest				391		51	442
<b>Total financial instruments at fair value, liabilities</b>				<u>391</u>		<u>51</u>	<u>442</u>

Description of significant unobservable inputs to valuation:

	Valuation technique	Significant unobservable input	Range	Sensitivity of the input
Derivatives of non-controlling interest	Black-Scholes option model	volatility based on peer group	Volatility +/- 10 p. p.	Every p. p. increase in volatility results in USD 4 higher fair value

## 18 Current and non-current other financial assets and liabilities

Other non-current non-financial assets consisted of the following as of:

	31 December 2013	31 December 2012
Deferred costs related to connection fees	9	4
Long-term input VAT	—	14
Other long-term assets	9	—
	<u>18</u>	<u>18</u>

Other current non-financial assets consisted of the following as of:

	31 December 2013	31 December 2012
Advances to suppliers	348	368
Input value added tax	91	126
Prepaid taxes	196	739
Deferred costs related to connection fees	20	24
Indemnification assets	125	27
Others	10	6
	<u>790</u>	<u>1,290</u>

Prepaid taxes at 31 December 2012 include the OTA tax receivable discussed further under ‘Algerian tax claims’ (Notes 27 and 28).

Other non-current non-financial liabilities consisted of the following as of:

	31 December 2013	31 December 2012
Long-term deferred revenue	198	172
Provision for pensions and other post-employment benefits	110	109
Governmental grants	46	45
Payables for intangibles	52	60
Other non-current liabilities	27	24
	<u>433</u>	<u>410</u>

Other current non-financial liabilities consisted of the following as of:

	<b>31 December 2013</b>	<b>31 December 2012</b>
Customer advances, net of VAT	874	878
Customer deposits	79	96
Other taxes payable	554	664
Other payments to authorities	104	110
Due to employees	223	261
Short-term deferred revenue	89	89
Other liabilities	178	145
	<u><u>2,101</u></u>	<u><u>2,243</u></u>

## 19 Inventories

Inventory consisted of the following as of:

	<b>31 December 2013</b>	<b>31 December 2012</b>
Telephone handsets and accessories for sale	170	128
SIM-Cards	18	16
Other inventory	4	23
Total	<u><u>192</u></u>	<u><u>167</u></u>

Write-off of inventories for the years ended 31 December 2013, 2012 and 2011 was not material.

## 20 Trade and other receivables

Trade and other receivables consisted of the following as of 31 December:

	2013	2012
Trade accounts receivable, gross	3,017	3,147
Allowance for doubtful accounts	<u>(795)</u>	<u>(717)</u>
Trade accounts receivable, net	2,219	2,430
Roaming discounts	<u>61</u>	<u>65</u>
	<u><u>2,280</u></u>	<u><u>2,495</u></u>

As of 31 December 2013, trade receivables with an initial value of USD 795 (2012: USD 717) were impaired and, thus, fully provided for. See below the movements in the provision for the impairment of receivables:

	2013	2012
Balance as of 1 January	717	780
Acquisition of subsidiaries	—	7
Provision for bad debts	208	279
Accounts receivable written off	<u>(135)</u>	<u>(350)</u>
Foreign currency translation adjustment	<u>5</u>	<u>1</u>
Balance as of 31 December	<u><u>795</u></u>	<u><u>717</u></u>

As of 31 December, the aging analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired		
			< 30 days	30–120 days	> 120 days
2013	2,219	1,372	217	151	479
2012	2,430	1,246	466	217	501

## 21 Cash and cash equivalents

Cash and cash equivalents consisted of the following items as of 31 December:

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents at banks and on hand	3,929	3,248
Short-term deposits with an original maturity of less than 90 days	525	1,701
<b>Total cash and cash equivalents</b>	<b><u>4,454</u></b>	<b><u>4,949</u></b>

Cash at banks earns interest at floating rates based on bank deposit rates, Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

The cash balances as of 31 December 2013 in Algeria of USD 2,651 (2012: 1,856) and Uzbekistan of USD 256 (2012: USD 105) are restricted due to local government or central bank regulations. Refer to Note 28 for a discussion of the settlement of our disputes with the Algerian Government, including around currency controls.

The Company is not able to repatriate the cash balance of certain entities in Luxembourg and Italy as of 31 December 2013 of USD 197 (2012: USD 176) due to existing covenants under borrowing facilities.



## 22 Issued capital and reserves

As of 31 December 2013, the Company had 2,759,171,827 authorized common shares (2012: 2,630,639,827) with a nominal value of USD 0.001 per share, of which 1,756,731,135 shares were issued and outstanding (2012: 1,628,199,135). The holders of common shares are, subject to our bye-laws and Bermuda law, generally entitled to enjoy all the rights attaching to common shares. Each fully paid common share entitles its holder to (a) participate in shareholder meetings, (b) have one vote on all issues voted upon at a shareholder meeting, except for the purposes of cumulative voting for the election of the Supervisory Board, in which case each common share shall have the same number of votes as the total number of members to be elected to the Supervisory Board and all such votes may be cast for a single candidate or may be distributed between or among two or more candidates, (c) receive dividends approved by the Supervisory Board, (d) in the event of our liquidation, receive a pro rata share of our surplus assets; and (e) exercise any other rights of a common shareholder set forth in our bye-laws and Bermuda law.

As of 31 December 2013, the Company also had 305,000,000 authorized convertible voting preferred shares with a nominal value of USD 0.001 per share, of which 305,000,000 shares were issued and outstanding at 31 December 2013 (2012: 433,532,000). The redemption value of convertible preference shares are reflected in other financial liabilities. Each convertible preference share entitles its holder to one vote per convertible preferred share, voting together with the common shares as a single class, except where cumulative voting applies when electing directors. Convertible preferred shares do not have dividend rights. The holders of convertible preferred shares, in the event of our winding-up or dissolution, are not entitled to any payment or distribution in respect of our surplus assets. The holders of convertible preferred shares are, subject to our bye-laws and Bermuda law, entitled to convert their convertible preferred shares, at their option, at any time (a) after the date which is two years and six calendar months after the date of issue of the relevant convertible preferred shares but before the date which is five years after such date of issue and (b) during the period between the date on which a mandatory offer for all common and preferred shares is announced and the final business day such offer is open for acceptance, in each case, in whole or in part, into common shares on the basis of one common share for one convertible preferred share. Upon conversion, the converting shareholder must pay to VimpelCom a conversion premium per share equal to the greater of (a) the closing mid market price of VimpelCom common ADSs on the NASDAQ on the date of the conversion notice, and (b) the 30 day volume weighted average price on the NASDAQ of VimpelCom common ADSs on the date of the conversion notice. Any convertible preferred shares not redeemed five years after their issue will be immediately redeemed by the company at a redemption price of USD 0.001 per share.

In the accompanying financials and in these notes, shares held by the Company or its subsidiaries are treated as “treasury shares”. Treasury shares amount to 8,487,396 shares of common stock as of 31 December 2013 (2012: 8,996,457).

Share options exercised in each respective year have been settled using the treasury shares of the Company. The reduction in the treasury shares equity component is equal to the cost incurred to acquire the shares, on a weighted average basis. Any excess between the cash received from employees and reduction in treasury shares is recorded in capital surplus. On 21 December 2012 Altime Coöperatief issued notice to VimpelCom Ltd. pursuant to Section 4.3(d) of its bye-laws, stating its present intention to convert 128,532,000 convertible preferred shares to common shares at the ratio of one convertible preferred share to one common share. The conversion took place on 16 April 2013, resulting in cash proceeds to the Company of USD 1,392 million.

## *Nature and purpose of reserves*

### **Other capital reserves**

The other capital reserve is used to recognise the value of equity-settled share-based payment transactions provided to employees, including key management personnel, as part of their remuneration (Refer to the Note 24) and to record the accumulated impact of derivatives designated as cash flow hedges (Note 17).

### *Foreign currency translation reserve*

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operations.

### **23 Dividends paid and proposed**

Pursuant to Bermuda law, VimpelCom is restricted from declaring or paying a dividend if there are reasonable grounds for believing that (a) VimpelCom is, or would after the payment be, unable to pay its liabilities as they become due, or (b) the realizable value of VimpelCom assets would, as a result of the dividend, be less than the aggregate of VimpelCom liabilities.

On 5 November 2013, the Supervisory Board authorized the payment of an interim cash dividend relating to its 2013 results from its freely distributable reserves in the amount of USD 0.45 per common share (representing a total dividend payment of approximately USD 791 million). The dividend was paid on 13 December 2013.

On 18 April 2013 the Supervisory Board authorized the payment of VimpelCom's final dividend of USD 0.35 per ADS, or USD 615 million, in relation to the Company's final 2012 results. The dividend was paid in May 2013. The Supervisory Board also approved an extraordinary dividend of USD 0.79 per ADS in relation to the USD 1,393 million the Company received following Altimo's conversion of its preferential shares into common shares. Each ADS represents one common share. The extraordinary dividend was also paid in May 2013.

In March 2012, the Supervisory Board of the Company declared the payment of a final dividend of USD 0.35 per ADS in relation to its 2011 results.

On 17 December 2012, the Supervisory Board authorized the payment of USD 0.45 per ADS in relation to the Company's interim 2012 results and of, the in March 2012 already announced, final dividend of USD 0.35 per ADS in relation to its 2011 results. The dividend payable was accrued as of 31 December 2012 in the amount of USD 1,295, gross of withholding tax, and was paid in January 2013.

## 24 Share-based payments

### Stock Option Plans

#### *Background*

The Company adopted stock option plans, the 2000 Stock Option Plan and the 2010 Stock Option Plan, under which it grants options to certain of its, and its subsidiaries', affiliates, officers, employees, directors and consultants to acquire shares of common stock of VimpelCom Ltd. The Group also grants stock options to certain employees in accordance with their employment agreements.

Options are granted by VC ESOP N.V., indirect wholly owned subsidiary administrating the Stock Option Plan.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Options granted under both the 2000 and 2010 Stock Option Plans are conditional on the grantee completing a specific period of service (vesting period) and meeting specific pre-defined KPIs, which vary depending on the grantee. The share options granted will not vest if the KPI is not met.

The contractual option terms are different per grantee and vary between 3 to 5 years.

#### *Movements during the year*

The following table illustrates the number, weighted average exercise prices and movements during the year of the Company's stock options:

	2013	2012	2011
Options outstanding, beginning of year	2,620,295	4,583,040	5,018,915
Weighted-average exercise price of options outstanding, USD per option	15.37	16.25	18.41
Weighted-average grant-date fair value at the beginning of the year, USD per option	1.77	2.22	1.78
The number of options granted	275,834	609,166	3,001,945
Weighted-average exercise price of options granted	7.32	13.60	16.33
Weighted-average grant-date fair value of options granted during the year, USD per option	9.04	0.40	0.16
The number of options exercised	—	—	(130,000)
The number of options forfeited/modified/converted to SARs	(1,319,087)	(2,571,911)	(3,307,820)
Weighted-average exercise price of options forfeited, USD per option	14	16.51	19.83
The number of options outstanding, end of year	1,577,042	2,620,295	4,583,040
Weighted-average exercise price of options outstanding, USD per option	13.26	15.37	16.25
Weighted-average grant-date fair value at the end of the year, USD per option	1.72	1.77	2.22
Out of the options outstanding at the end of the year the number of options fully vested and exercisable	1,321,486	2,104,445	1,675,540
Weighted average remaining contractual life of the options outstanding, in years	1.66	1.52	1.76

## Valuation

The fair value of the options has been estimated using a Black Scholes option pricing model. The fair value of each grant is estimated on the date of grant (or date of modification). In estimating the fair value of the options, the Company applied significant assumptions.

The expected term of the options was determined based on an analysis of the historical behaviour of stock option participants. Expected volatility of VimpelCom's shares was estimated based on the historical volatility of the shares on the New York Stock Exchange (since September 2013 – NASDAQ) over the period equal to the expected life of the option granted and other factors.

The dividend yield was included into the model based on expected dividend payments. The risk free rate was determined using the rate on the United States Government Bonds, having a remaining term to maturity equal to the expected life of the options, approximated where applicable. Forfeiture rate was determined as an average for the historic experience for all grants.

The following table illustrates the major assumptions of the Black Scholes model for the options for the years ended 31 December:

	2013	2012	2011
Expected volatility	31%-184%	32%-184%	91%-184%
The weighted-average expected term (in years)	1.98	1.79	1.48
Expected dividend yield	1.8%-6.7%	1.8%-6.7%	1.8%-2.2%
Risk free interest rate	0.27%-11.2%	0.3%-11.2%	5.3%-11.2%
Forfeiture rate	0.12	0.45	0.07

## SAR plan

### Background

In 2009 OJSC VimpelCom's Board adopted a SAR plan for members of senior management and employees. Following the completion of the Exchange Offer in 2011, the plan was modified to provide that it will be administered by OJSC VimpelCom's General Director and board of directors, which determines the aggregate number of SARs that may be granted. A SAR, upon vesting, entitles the holder to receive a cash amount per SAR equal to any excess of the NASDAQ closing price of ADS on the exercise date over the price at which such SAR was granted. The Group also grants SAR's to certain employees in accordance with their employment agreements.

The SAR granted is conditional on the grantee completing a specific period of service (vesting period) and meeting specific pre-defined KPIs, which vary depending on the grantee. The SAR will not vest if the KPI is not met.

The obligation under this plan is classified in other non-financial liabilities in the balance sheet.

### Movements during the year

The following table illustrates the number, weighted average exercise prices and movements during the year:

	2013	2012	2011
SARs outstanding, beginning of year	2,674,020	1,868,460	1,590,660
Weighted-average exercise price SARs outstanding, USD per SAR	12.5	13.92	13.37
Weighted-average grant-date fair value at the beginning of the year, USD per SAR	1.04	8.23	11.73
The number of SARs granted	—	1,440,000	580,000
Weighted-average exercise price of SARs granted, USD per SAR	—	11.38	15.59
Weighted-average grant-date fair value of SARs granted during the year, USD per SAR	—	1.60	0.38
The number of SARs exercised	(130,000)	(250,000)	(90,960)
The number of SARs forfeited/modified/converted to SARs	(1,856,645)	(384,440)	(211,240)
Weighted-average exercise price of SARs forfeited, USD per SAR	12.23	13.42	14.73
The number of SARs outstanding, end of year	687,375	2,674,020	1,868,460
Weighted-average exercise price of SARs outstanding, USD per SAR	13.04	12.50	13.92
Weighted-average grant-date fair value at the end of the year, USD per SAR	1.37	1.04	8.23
Out of the SARs outstanding at the end of the year the number of SARs fully vested and exercisable	687,375	984,020	1,288,460
Weighted average remaining contractual life of the SARs outstanding, in years	2.19	3	3.5

### Valuation

The valuation principles and assumptions made, incl. sensitivities are the same as discussed above for the Stock Option Plans.

### Phantom option plans

In addition to the Stock Option Plans and SARs, members of the Supervisory Board and Management Board who are not employees participate in a “phantom” stock plan. The details of the plan and the movements are described in Note 27 “Related parties”. There were no new grants under this plan in the last four years.

### Shares Awards

Certain members of senior management can be awarded with shares according to their specific employment contracts. There were no shares awarded in 2013. There were 200,000 shares awarded in 2012 and 700,000 in 2011. There were no grants prior to those years.

### Executive and Director Investment Plan

In March 2012, The Company adopted the VimpelCom Ltd. Executive Investment Plan, or “EIP”, in which certain members of our senior management may participate, and in August 2012, the Company adopted the VimpelCom Ltd. Director Investment Plan, or “DIP,” in which members of our Supervisory Board may participate. Under the EIP and DIP, participants are invited to personally invest in our common shares. At the same time as their investment, participants will be awarded matching options to acquire a number of matching shares at the end of a specified performance period if, at the end of that performance period, certain performance conditions and other conditions set out in the plan documents have been met. If all conditions to vesting have been met, the number of matching shares that participants will receive when they exercise their options will be based on a multiple of their initial investment.

The EIP and DIP are administered by the Compensation Committee of the Supervisory Board. The Compensation Committee determines the timing of awards, the performance conditions and performance period for the vesting of the matching options. In the case of the EIP, the Compensation Committee also determines which members of our senior management will receive invitations.

In June 2012, the Compensation Committee made an offer to certain members of senior management to participate in the EIP, and in August 2012, the Compensation Committee made an offer to members of our Supervisory Board to participate in the DIP. The matching options awarded in connection with these offers will be subject to a two-year performance period and performance conditions set out in the plan's documents, as well as the terms of the plan.

*Movements during the year for the Directors Investment Plan*

	<u>2013</u>	<u>2012</u>
The number of options granted	107,406	107,406
Weighted-average exercise price of options granted, USD per option	10.45	10.45
Weighted-average grant-date fair value of options granted during the year, USD per option	19.65	19.65
The number of options exercised	—	—
The number of options forfeited/modified	—	—
Weighted-average exercise price of options forfeited, USD per option	—	—
The number of options outstanding, end of year	107,406	107,406
Weighted-average exercise price of options outstanding, USD per option	10.45	10.45
Weighted-average grant-date fair value at the end of the year, USD per option	19.65	19.65
Out of the options/SARs outstanding at the end of the year the number of options/SARs fully vested and exercisable	—	—
Weighted average remaining contractual life of the options outstanding, in years	1	2

*Movements during the year for the Executive Investment Plan*

	<u>2013</u>	<u>2012</u>
The number of options/SARs outstanding, beginning of year	550,311	—
Weighted-average exercise price of options/SARs outstanding, USD per option/SAR	7.61	—
Weighted-average grant-date fair value at the beginning of the year, USD per option/SAR	14.46	—
The number of options granted or converted from ESOP	329,945	550,311
Weighted-average exercise price of options granted, USD per option	11.93	7.61
Weighted-average grant-date fair value of options granted during the year, USD per option	18.77	14.46
The number of options exercised	(44,449)	—
The number of options forfeited/modified	(39,369)	—
Weighted-average exercise price of options forfeited, USD per option	7.61	—
The number of options outstanding, end of year	796,438	550,311
Weighted-average exercise price of options outstanding, USD per option	9.40	7.61
Weighted-average grant-date fair value at the end of the year, USD per option	16.24	14.46
Out of the options outstanding at the end of the year the number of options fully vested and exercisable	—	—
Weighted average remaining contractual life of the options outstanding, in years	1.4	2

## Valuation

The fair value of the awards has been estimated using a Monte Carlo simulation model. The fair value of each award is estimated on the date of grant (or date of modification) and represents the expected pay-out. In estimating the fair value, the Company used significant assumptions taking into account the total shareholder return threshold on the VIP share performance (including dividend).

## General information

The average share price for the years ended 31 December 2013, 2012 and 2011 was USD 11.53 per share, USD 10.24 per share and USD 12.5 per share respectively.

The total expenses recognized in these consolidation financial statements with respect to stock-based compensation were USD 16, USD 12 and USD 15 for the years ended 31 December 2013, 2012 and 2011 respectively (Note 9). The total unrecognized expenses with respect to stock-based compensation were USD 7 as of 31 December 2013 (2012: USD 8, 2011: USD 5).

## 25 Provisions

The following table summarizes the movement in provisions for the years ended 31 December 2012 and 2013:

	Income taxes provisions	Tax provisions other than for income tax	Provision for decommissioning	Legal provisions	Other provisions	Total provisions
<b>At 1 January 2012</b>	<b>60</b>	<b>82</b>	<b>176</b>	<b>64</b>	<b>202</b>	<b>584</b>
Arising during the year	100	29	26	13	43	211
Utilised	—	—	(3)	(15)	(42)	(60)
Reclassification	74	93	(7)	6	(98)	68
Unused amounts reversed	(15)	(29)	—	(19)	(19)	(82)
Translation adjustments and other	3	3	18	1	(6)	19
<b>At 31 December 2012</b>	<b>222</b>	<b>178</b>	<b>210</b>	<b>50</b>	<b>80</b>	<b>740</b>
Current 2012	51	60	—	4	77	192
Non-current 2012	171	118	210	46	3	548
<b>At 1 January 2013</b>	<b>222</b>	<b>178</b>	<b>210</b>	<b>50</b>	<b>80</b>	<b>740</b>
Arising during the year	228	224	17	25	1,311	1,805
Utilised	(3)	(40)	(2)	(23)	(34)	(102)
Reclassification	(106)	45	1	25	35	0
Unused amounts reversed	(58)	(36)	(1)	(7)	(10)	(112)
Discount rate adjustment and imputed interest (change in estimates)	—	—	(15)	—	—	(15)
Translation adjustments and other	(8)	(3)	(8)	(1)	1	(19)
<b>At 31 December 2013</b>	<b>275</b>	<b>368</b>	<b>202</b>	<b>69</b>	<b>1,383</b>	<b>2,297</b>
Total current	218	368	—	12	1,282	1,880
Total non-current	57	—	202	57	101	417

At 31 December 2013, other provisions include the claim from Bank of Algeria of USD 1,266 as further discussed in Notes 27 and 28.

The timing of payments in respect of non-current provisions is, with few exceptions, not contractually fixed and cannot be estimated with certainty. Key assumptions and sources of uncertainty are discussed in Note 4.

Significant tax and legal proceedings are discussed in Note 27 below. Given the uncertainties inherent in such proceedings, there can be no guarantee that the ultimate outcome will be in line with VimpelCom's current view.

## 26 Related parties

### *Shareholders and other related parties*

As of 31 December 2013 the Company is primarily owned by two major shareholders: Altimo Coöperatief (a member of the Alfa group of companies, hereafter Altimo) and Telenor East Holding II AS (hereafter Telenor). The Company has no ultimate controlling shareholder.

The following table provides the total amount of transactions that have been entered into with related parties and balances of accounts with them for the relevant financial years:

	For the year ended and as of 31 December 2013	For the year ended and as of 31 December 2012	For the year ended and as of 31 December 2011
Revenue from Altimo	11	11	10
Revenue from Telenor	4	50	62
Revenue from associates	43	89	86
Revenue from Weather	1	—	—
Finance income from associates	39	681	164
Wind International Services Spa	—	27	86
Wind International Services Sarl	—	—	36
SPAL TLC SpA	38	18	—
Revenue from other related parties	—	4	37
	<u>136</u>	<u>880</u>	<u>481</u>
Services from Altimo	11	12	8
Services from Telenor	6	44	57
Services from associates	72	202	221
Services from Weather	—	—	—
Wind International Services Spa	—	—	343
Wind International Services Sarl	—	—	13
SPAL TLC SpA	49	—	—
Services from other related parties	—	30	42
	<u>138</u>	<u>288</u>	<u>684</u>
Cash and cash equivalent	52	112	69
Accounts receivable from Altimo	1	1	1
Accounts receivable from Telenor	7	7	10
Accounts receivable from Weather	5	—	—
Wind International Services Spa	—	26	17
Wind International Services Sarl	—	—	14
SPAL TLC SpA	11	46	—
Accounts receivable from associates	13	61	81
Financial asset receivable from associates	—	781	964
Accounts receivable from other related parties	—	3	38
	<u>89</u>	<u>1,037</u>	<u>1,194</u>



Non-current account receivable from associates	—	—	2
Accounts payable to Altimio	—	—	—
Accounts payable to Telenor	3	3	10
Accounts payable to Weather	—	—	—
Wind International Services Spa	—	—	4
Wind International Services Sarl	—	—	5
SPAL TLC SpA	9	10	—
Accounts payable to associates	11	40	25
Accounts payable to other related parties	—	9	38
	<u>23</u>	<u>62</u>	<u>82</u>

Outstanding balances and transactions with Altimio relate to operations with Altimio, its consolidated subsidiaries, its direct owners and their consolidated subsidiaries. VimpelCom has contracts with Alfa Insurance to provide the Company with medical, property and equipment liability insurance. VimpelCom has also entered into a general service agreement with Altimio Management Services Ltd. for provision of management advisory services, technical assistance and maintenance of network systems and equipment and other services. The Company also has contracts to provide fixed telecommunication service to Altimio and its subsidiaries. Refer to Note 28 for new financing transactions with Alfa Bank.

Outstanding balances and transactions with Telenor relate to operations with VimpelCom's shareholder Telenor East Holding II AS, its consolidated subsidiaries, its direct owners and their consolidated subsidiaries. VimpelCom has also entered into a services agreement with Telenor for provision of financial and administrative services.

Outstanding balances and transactions with Weather II relate to operations with VimpelCom's shareholder Weather II, its consolidated subsidiaries, its direct owners and their consolidated subsidiaries. In particular, Wind International Services (subsidiary of Weather II) provides call termination and related services to VimpelCom subsidiaries pursuant to a framework agreement.

Effective from 15 August 2012, all entities affiliated with Weather Investments II S.à r.l. are no longer considered to be related to VimpelCom as a result of a change in VimpelCom's shareholder structure on that date.

Outstanding balances and transactions with associates relate to operations with VimpelCom's equity investees (Note 12). Loans receivable mainly represent outstanding balances from GWMC (Note 17). Euroset transactions mainly represent sales of telephones and accessories, dealer commission payments for the acquisition of new customers and commission for payments receipts.

#### ***Terms and conditions of transactions with related parties***

Outstanding balances at the year-end, other than the loans from GWMC, are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended 31 December 2013, 2012 and 2011, VimpelCom has not recorded any impairment of receivables relating to amounts owed by related parties, other than the loans from GWMC (Note 17). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

### ***Compensation of key management personnel of the Company***

Members of the Supervisory Board and Management Board of the Company are the key management personnel. The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Short-term employee benefits	27	31	34
Long-term employee benefits	12	—	—
Share-based payment transactions	11	1	20
Termination benefits	1	—	—
<b>Total compensation paid to key management personnel</b>	<u>51</u>	<u>32</u>	<u>54</u>

Each of our unaffiliated directors currently receives an annual retainer of EUR 100,000. Each affiliated director receives an annual retainer of EUR 40,000, and our current chairman of the Supervisory Board receives an additional annual retainer of EUR 4,000. In addition, each unaffiliated director who serves as head of any of the official committees of our Supervisory Board receives additional annual compensation of EUR 25,000 per committee headed. All of our directors are reimbursed for expenses incurred in connection with service as a member of our Supervisory Board.

For this purpose, the term “unaffiliated director” means a director that is not an “Affiliate” (as defined in our bye-laws) nor employed by an Affiliate of the company and “affiliated director” means a director who is not an “unaffiliated director”.

In addition, our directors who are not employees may participate in a phantom stock plan, pursuant to which they each receive up to a maximum of 20,000 phantom ADSs per year, with an additional 10,000 phantom ADSs granted to the chairman of the Supervisory Board and an additional 10,000 phantom ADSs granted to each director for serving as head of any official committee of the Supervisory Board. The number of phantom ADSs actually granted to each director is determined by the Supervisory Board. Phantom ADSs do not involve actual ADSs or common shares, and the amount paid to a director upon redemption may not exceed USD 3.00 per ADS per year for each one-year term served by the director. Phantom ADSs vest at a rate of 1/12 of the grant amount for every month of service to our Company as a director after the grant date. Any vested phantom ADSs may be redeemed for cash only during the first open trading window period to occur after the date the director ceases to serve on the Supervisory Board; provided, however, that directors who are re-elected to subsequent terms on the Supervisory Board may also redeem any phantom ADSs related to previous periods of service during any open trading window that occurs while serving their subsequent terms. A director, upon exercise of a phantom ADS, will receive, for each phantom ADS, cash in an amount equal to:

- the amount that the average sales price of one of our ADSs quoted on the NASDAQ for the 30-day period immediately prior to the date of exercise, exceeds;
- the average sales price of one of our ADSs quoted on the NASDAQ for the 30-day period immediately prior to the date preceding the grant date of the phantom ADS; provided, however, that the amount paid to a director upon redemption may not exceed USD 3.00 per ADS per year for each one-year term served by the director.

In 2011, an aggregate of 230,000 phantom ADSs, with an exercise price of USD 13.64, were granted to our directors in connection with their service on our Supervisory Board. In addition, in connection with the completion of the VimpelCom Ltd. Transaction, as of 21 April 2010, all OJSC VimpelCom directors who became members of our Supervisory Board waived their rights to any outstanding phantom ADSs they held under the OJSC VimpelCom phantom stock program in exchange for substitute phantom ADSs granted under the VimpelCom Ltd. phantom stock program.

Of the total number of phantom ADSs granted in 2011, none were exercised and no payment was made in 2011. As of 31 December 2011, an aggregate of 1,640,000 phantom ADSs were outstanding, 1,410,000 of which were exercisable as of that date and within 60 days after.

In 2013 and 2012 there was no additional phantom ADS granted.

Our senior managers are eligible to participate in our stock option plans and SARs.

### ***2013-2015 Cash Based Long Term Incentive Plan***

In 2013, a new cash based Long Term Incentive Plan was adopted for senior management. Under the Long Term Incentive Plan, the target amount that can be earned during the 3 year performance period is determined at the time of the grant. The actual amount that can be earned is subject to the attainment of KPIs, which KPIs are set at the grant date for the duration of the three year performance period. The bonus vests in three annual tranches, assuming a full time participation in the plan as of January 1, 2013 up to and including 2015. Participants joining in 2014 and 2015 will have a different vesting schedule.

## **27 Commitments, contingencies and uncertainties**

### **Risks**

#### **Currency control risks**

The imposition of currency exchange controls or other similar restrictions on currency convertibility in Algeria and CIS countries (particularly in Uzbekistan) could limit VimpelCom's ability to convert local currencies or repatriate local cash in a timely manner or at all, as well as, remit dividends from the respective countries. Any such restrictions could have a material adverse effect on VimpelCom's business, financial condition and results of operations. The continued success and stability of the economies of these countries will be significantly impacted by their respective governments' continued actions with regard to supervisory, legal and economic reforms. Refer to Note 28 for further information regarding the Company's agreement to resolve its disputes, including as it relates to currency restrictions, with the Algerian Government subsequent to year-end.

#### **Domestic and global economy risks**

The economies of countries where VimpelCom operates are vulnerable to market downturns and economic slowdowns elsewhere in the world. The respective governments of these countries continue to take measures to support the economies in order to overcome the consequences of the global financial crisis. Despite some indications of recovery, there continues to be uncertainty regarding further economic growth, access to capital and cost of capital, which could negatively affect the Company's future financial position, results of operations and business prospects.

In addition, the Company has significant operations in the Ukraine, which represents 7.6% and 7.7% of the Company's revenues and assets, respectively. The Ukraine is currently experiencing a period of significant political and macroeconomic volatility, the outcome of which cannot be predicted and could negatively affect the Company's financial position, results of operations and business prospects.

While management believes it is taking the appropriate measures to support the sustainability of VimpelCom's business in the current circumstances, unexpected further deterioration in the areas could negatively affect the Company's results and financial position in a manner not currently determinable.

See also Note 28 regarding events after the reporting period pertaining to currency devaluations and other events in Russia and Ukraine.

## **Legislation risks**

In the ordinary course of business, VimpelCom may be party to various legal and tax proceedings, including as it relates to compliance with the rules of the telecom regulators in the countries in which VimpelCom operates, competition law and anti-bribery and corruption laws, including the U.S. Foreign Corrupt Practices Act (“FCPA”). Non-compliance with such rules and laws may cause VimpelCom to be subject to claims, certain of which may relate to the developing markets and evolving fiscal and regulatory environments in which VimpelCom operates. In the opinion of management, VimpelCom’s liability, if any, in all pending litigation, other legal proceeding or other matters, other than what is discussed in this Note, will not have a material effect upon the financial condition, results of operations or liquidity of VimpelCom.

VimpelCom’s operations and financial position will continue to be affected by political developments in the countries in which VimpelCom operates including the application of existing and future legislation, and telecom and tax regulations. These developments could have a significant impact on VimpelCom’s ability to continue operations. VimpelCom does not believe that these contingencies, as related to its operations, are any more significant than those of similar enterprises in such countries.

## **Tax risks**

The tax legislation in the markets VimpelCom operates in are unpredictable and give rise to significant uncertainties, which could complicate our tax planning and business decisions. Tax laws in many of the emerging markets in which we operate have been in force for a relatively short period of time as compared to tax laws in more developed market economies. Tax authorities in our markets are often somewhat less advanced in their interpretation of tax laws, as well as in their enforcement and tax collection methods.

Any sudden and unforeseen amendments of tax laws or changes in the tax authorities’ interpretations of the respective tax laws and/or double tax treaties, could have a material adverse effect on our future results of operations, cash flows or the amounts of dividends available for distribution to shareholders in a particular period (e.g. introduction of transfer pricing rules and Controlled Foreign Corporation (“CFC”) legislation).

Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, VimpelCom has accrued tax liabilities based on management’s best estimate. From time to time, we may also identify tax contingencies for which we have not recorded an accrual. Such unaccrued tax contingencies could materialize and require us to pay additional amounts of tax.

## **Commitments**

### **Telecom Licenses Capital Commitments**

VimpelCom’s ability to generate revenues in the countries it operates is dependent upon the operation of the wireless telecommunications networks authorized under its various licenses under GSM-900/1800 and “3G” (UMTS / WCDMA) mobile radiotelephony communications services and “4G” (LTE). Under the license agreements operating companies are subject to certain commitments, such as territory or population coverage, level of capital expenditures, and number of base stations to be fulfilled within a certain timeframe. After expiration of the license, our operating companies might be subject to additional payments for renewals, as well as new license capital and other commitments.

In July 2012, OJSC VimpelCom was awarded a mobile license, a data transmission license, a voice transmission license and a telematic license for the provision of LTE services in Russia. The roll-out of the LTE network will occur through a phased approach

based on a pre-defined schedule pursuant to the requirements of the license. The LTE services were launched in the middle of 2013 and offered in six regions in Russia by the end of the year. The services will be extended to a specific number of additional regions each year through to 1 December 2019 by when services must cover all of Russia. OJSC VimpelCom is required to comply with the following conditions among others under the terms of the license: (i) invest at least RUB 15 billion in each calendar year (for which the Company complied to date) in the construction of its federal LTE network until the network is completed, which must occur before 1 December 2019; (ii) provide certain data transmission services in all secondary and higher educational institutions in specified areas; and (iii) provide interconnection capability to telecommunications operators that provide mobile services using virtual networks in any five regions in Russia not later than 25 July 2016.

## Apple

On 4 October 2013, OJSC VimpelCom and Apple RUS (“Apple”) signed an agreement regarding VimpelCom’s purchase of iPhones from Apple (the “Agreement”). Under the Agreement, a specified number of iPhones handsets are to be ordered by OJSC VimpelCom each quarter between 4 October 2013 and 30 June 2016 according to a schedule (the “Schedule”). Pursuant to the Agreement, OJSC VimpelCom must acquire a minimum of 600,000 iPhone handsets during the period of the Agreement. If OJSC VimpelCom does not comply with the Schedule and certain other terms of the Agreement, then according to the Agreement, OJSC VimpelCom could become liable for the shortfall in orders of iPhone handsets.

## Operating lease commitments

Operating lease commitments are as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Less than 1 year	297	244	155
Between 1 and 5 years	478	303	244
More than 5 years	315	275	185
<b>Total</b>	<b><u>1,090</u></b>	<b><u>822</u></b>	<b><u>584</u></b>

Operating lease commitments mainly relate to the lease of base station sites and office spaces. Operating leases can be renewed but may be subject to renegotiations with lessors.

## Contingencies and uncertainties

### *Algerian Tax Claims*

OTA has been subject to tax claims by the Algerian tax authority with respect to payment of taxes during its taxation periods, between 2004 and 2009.

### *Claims for August 2004 to August 2007 Period*

In 2001, when OTA signed its investment agreement with the Algerian Investment Promotion Organization in connection with its GSM license, OTA was granted favorable tax treatment for a period of five years starting in August 2002 and ending in August 2007. OTA has been charged by the Algerian Direction des Grandes Entreprises (“DGE”) with a final tax reassessment for 2004 in April 2009 and has been ordered to pay approximately DZD 4.5 billion, including penalties (equal to approximately USD 56.3 at the exchange rate as of 31 December 2013).

In November 2009, OTA received a further final tax reassessment for the years 2005 through 2007 from the DGE ordering it to pay approximately DZD 47.5 billion, including penalties (equal to approximately USD 594.7 at the exchange rate as of 31 December 2013). The DGE has alleged, among other things, that (i) OTA did not keep proper manual accounts during these years notwithstanding that OTA's accounts were fully audited and approved by both OTA's international auditors and its local statutory auditors, and (ii) OTA deducted certain expenses such as management and bad debt expenses and therefore understated the taxable income.

In Algeria, the tax authorities are able to raise additional tax assessments up to four years after the end of the relevant tax period. OTA has received the final tax assessment for the years 2004 through 2007. OTA filed a tax claim objection (tax appeal) on the 2004 through 2007 final tax assessments.

On 2 March 2010 OTA received a rejection on its submitted administrative appeal filed on 24 December 2009 against the notice of reassessment dated 16 November 2009 received from the DGE in respect of the tax years 2005, 2006 and 2007. OTA's administrative appeal in relation to the 2004 tax reassessment was also rejected (on 21 January 2010). OTA appealed these rejections before the Commission Centrale de Recours on 9 March 2010, which notified OTA of its rejection decision in writing on 31 March 2010. On 4 April 2010, OTA filed a petition before the Algiers Administrative Tribunal (the "ATA") disputing the 2004 and 2005-2007 tax reassessments. Its claims were rejected in April 2012. OTA appealed the decision of the ATA before the Conseil d'Etat (State Council) in July 2012; these proceedings remain pending.

In 2011 OTA received an additional tax notification from the DGE in respect of the penalties for claims for the 2005-2007 period, in the amount of approximately DZD 2.8 billion (equal to approximately USD 34.5 at the exchange rate as of 31 December 2013). OTA has disputed these penalties as part of its appeal against the tax assessments.

#### ***Claims for 2008 and 2009 Tax Years***

On 29 September 2010, OTA received a preliminary tax notification from the DGE in respect of the years 2008 and 2009, in which the DGE re-assessed taxes alleged to be owed by OTA in the amount of approximately DZD 17.1 billion (equal to approximately USD 218 at the exchange rate as of 31 December 2013), despite the fact that OTA has already paid the taxes due for these years.

The tax audit for these years was initiated in early 2010 following the tax filing for 2009.

This reassessment was based primarily on the allegation that OTA did not keep proper manual accounts for the years 2008 and 2009 notwithstanding that OTA's accounts were fully audited and approved by both OTA's international auditors and its local statutory auditors.

OTA received a final tax notification from the DGE in respect of the years 2008 and 2009 in December 2010 and OTA appealed the notification. OTA's administrative appeal before the DGE in January 2011 was rejected on 20 April 2011 and its appeal before the Commission Centrale de Recours was also rejected in March 2012 (of which OTA was formally notified in June 2012). OTA

appealed this rejection before the ATA in October 2012. The ATA rejected the appeal in July 2013. OTA is waiting for the ATA to release its decision but intends to appeal the decision to the Conseil d'Etat, which will be the final right of appeal. The timing for the hearing of the appeal and resulting decision by the Conseil d'Etat is uncertain.

OTA continues to appeal all of the tax claims and continues to believe that the assessments are unjustified. Without prejudice to its rights and the rights of its shareholders under its investment agreement with the Algerian Investment Promotion Organization, applicable bilateral investment treaty and applicable laws, OTA was required to prepay claimed amounts and penalties totaling approximately DZD 71.9 billion (equal to approximately USD 955 using the average annual exchange rates according to the years in which amounts were prepaid).

Notwithstanding that management considers the tax assessments as unfair and unjustified, the Company has agreed, effective at closing of the transaction with the Algerian Government further described in Note 28, that OTA will discontinue (with no admission of wrongdoing or liability) all pending proceedings relating to the above-described tax claims. As a result, after considering tax credits of USD 130 that the Algerian Government agreed could be used from the prepaid taxes, the balance of the tax receivable of USD 551 was written off as of 31 December 2013. Refer to Note 28 for more details.

### ***Other Algerian Claims***

#### ***Bank of Algeria Claim***

On 15 April 2010, an injunction by the Bank of Algeria came into effect that restricts all Algerian banks from engaging in foreign banking transactions on behalf of OTA. OTA has challenged this injunction in the Algerian courts but the case is still pending. As a result of the injunction OTA is prevented from importing equipment from foreign suppliers, save for a recent limited exemption allowing the importation of 3G equipment, and is prevented from transferring funds outside of Algeria. After the injunction was imposed, the Algerian authorities alleged breaches of foreign exchange regulations by OTA and a member of its senior management.

On 28 March 2012, the Algerian Criminal Court of First Instance handed down a judgment against OTA and a member of OTA's senior executive team. The judgment consists of fines of DZD 99 billion (approximately USD 1,266 at the exchange rate as of 31 December 2013) including a criminal custodial sentence against a member of OTA's senior executive team. On 5 April 2012, OTA and its senior executive appealed the Criminal Court's judgment and on 27 May 2012, the Algerian Criminal Court of Appeal handed down judgment on the day of the hearing, confirming the judgment against OTA, suspending the criminal custodial sentence previously ordered against OTA's senior executive and transferring the burden of payment of the USD 80.5 fine ordered against the senior executive to OTA. On 31 May 2012, OTA lodged a final appeal against the 27 May 2012 judgment before the Algerian Supreme Court, which is still pending.

OTA maintains that OTA and its senior executive have acted in compliance with the law, however the Company has agreed that OTA will pay the fines (with no admission of liability or wrongdoing) at closing of the transaction with the Algerian Government further described in Note 28. Consequently the provision for the full amount was recorded in the financial statements.

### ***Arbitration following Tax Reassessments and Bank of Algeria litigation***

On 12 April 2012, GTH submitted a formal Notice of Arbitration against the Algerian State in respect of unfair actions taken by the Algerian State against OTA. The claim in the Notice of Arbitration is being made under the arbitration rules of the United Nations Commission on International Trade Law. In the arbitration, GTH asserts that since 2008 its rights under the Agreement on the Promotion and Reciprocal Protection of Investments between Egypt and Algeria have been violated by actions taken by the Algerian Government against OTA, including the Algerian Criminal Court of First Instance's 28 March 2012 judgment against OTA and a member of its senior executive team and the tax reassessments. Following an extensive exchange and submissions of documents, the arbitration hearing was scheduled to begin on 22 April 2014. As further described in Note 28, upon signing the SPA, GTH suspended the arbitration against the Algerian Government and, upon closing of the transaction with the Algerian Government further described in Note 28, the parties to the arbitration have agreed to terminate the arbitration and all claims relating thereto.

### ***SIM-card Users***

In 2010, the Algerian government issued a new finance law, where in case of failure to identify the SIM card user, a penalty amounting to DZD 100,000 (equivalent to USD 0.0013) for each unidentified SIM is paid for the first year and increase to DZD 150,000 (equivalent to USD 0.0019) for the second year. Although the exposure cannot currently be estimated, it is not expected to have a material impact on the financial statements.

### **Algerian Business**

The Algerian Government had announced its intention to unilaterally purchase OTA, alleging that it had the right to do so under the pre-emption right contained in the 2009 Finance Act and the 2010 Supplemental Finance Act. Pursuant to this legislation, the value of OTA was to be determined by a valuation advisor retained by the Algerian Government. As further described in Note 28 the Company, together with its subsidiary GTH, entered into the SPA to settle the disputes with the Algerian State and sell a 51% interest in OTA to the Algerian National Investment Fund subject to conditions precedent for a cash consideration of USD 2,643 which effectively resolves this matter.

Should the transaction with the Algerian Government not close and the Algerian Government resumes its attempt to unilaterally purchase OTA, this could have a material adverse effect on the financial condition and results of operations of the Company.

### **Iraqna Litigation**

On 19 November 2012, Atheer Telecom Iraq Limited ("**Atheer**", an affiliate of the Zain Group) initiated English High Court proceedings against Orascom Telecom Iraq Ltd. ("**OTIL**") and GTH in relation to a dispute arising out of the sale by OTIL of its Iraqi mobile subsidiary, Iraqna, in 2007 to Atheer. Atheer's claim is founded on the tax covenants in the underlying 2007 share purchase agreement ("**2007 SPA**") between the parties. In particular, Atheer is seeking declarations from the Court that OTIL and GTH are liable to indemnify it in respect of three alleged tax liabilities: (1) a capital gains tax liability in the sum of IQD 219 billion (equal to approximately USD 197 as of 31 December 2013) in respect of the transaction that formed the subject-matter of the 2007 SPA; (2) an income tax liability in the sum of approximately IQD 96 billion (equal to approximately USD 86 as of 31 December 2013) in respect of the years 2004-2007; and (3) a withholding tax liability in the sum of approximately IQD 7 billion (equal to approximately USD 6 as of 31 December 2013).

The dispute is currently pending before the English High Court (Queen's Bench Division) in London and is listed for hearing on 17 November 2014. OTIL and GTH are vigorously defending the claims, which are viewed without merit by the Company, and thus no provision has been recorded for this matter.



## **LLC Summa Telecom**

LLC Summa Telecom (“**Summa**”) filed a claim with the Moscow City Arbitration Court against the Federal Service for Supervision Communications, Information Technology, and Mass Media (“**Roskomnadzor**”), the State Commission for Radio Frequencies, and LLC Scartel regarding the competitive tender for LTE licenses in the Russian federation. Under its decision of 7 June 2013, the Moscow City Arbitration Court brought the Ministry of Communications and Mass Media, OJSC VimpelCom, OJSC MegaFon, and OJSC MTS into the proceedings as third parties. Summa’s claim was dismissed by the Moscow City Arbitration Court on 15 August 2013. Summa’s subsequent appeal to the Ninth Arbitration Court of Appeals was dismissed on 16 December 2013. Summa filed a cassation appeal which was dismissed on 25 February 2014, and then an application for a review of the courts’ exercise of its supervisory power which was dismissed on 24 April 2014. Summa have no further rights of appeal so the matter is now considered closed.

## **KaR-Tel litigation with Ex-Shareholders**

On 10 January 2005, KaR-Tel, the Company’s operator and subsidiary in Kazakhstan, received an “order to pay” (“**Order to Pay**”) issued by The Savings Deposit Insurance Fund, a Turkish state agency responsible for collecting state claims arising from bank insolvencies (the “**Fund**”), in the amount of TRY 7.55 billion (the equivalent of approximately USD 3.5 billion at the exchange rate as of 31 December 2013). Through various court proceedings since 2005, the Company has petitioned for an annulment of the Order to Pay.

On 25 October 2010, the 4th Administrative Court of Istanbul reviewed KaR-Tel’s petition to annul the Order to Pay and ruled in favor of KaR-Tel. The court decision has been appealed by the Fund. The court file was sent by the Court to the Council of State for the appeal proceedings.

On 22 March 2012 the Fund’s and KaR-Tel’s appeals on the decision of the 4th Administrative Court of Istanbul dated 25 October 2010 were reviewed by the Prosecution Office of the Council of State and have been sent to the 13th Chamber of the Council of State for review on the merits.

The Company continues to believe that the Fund’s claim is without merit, and KaR-Tel will take whatever further actions it deems necessary and appropriate to protect itself against the Fund’s claim. No provision has been made in relation to this case.

## **Italian Competition Authority Investigation**

On 13 September 2012, the Italian Competition Authority (the “**ICA**”) opened an anti-trust investigation in respect of three Italian mobile network operators (Telecom Italia, Vodafone and WIND) and carried out dawn raids on their premises. The investigation was started following a claim by Italian mobile virtual network operators, Bip Mobile. Bip Mobile alleged that Telecom Italia, Vodafone and WIND had entered into an agreement which was aimed at preventing the entry of Bip Mobile into the Italian mobile market through collusive pressure on the multi-brand point of sales starting as of June 2012. WIND is currently defending its conduct against Bip Mobile’s allegations and cooperating with the ICA in accordance with usual legal and procedural steps. The investigation was initially due to conclude on 30 September 2013 but the deadline was postponed to 30 March 2014 pursuant to the ICA’s decision of 23 September 2013.

Pursuant to its decision of 20 December 2013, the ICA extended its investigation to possible vertical agreements between Telecom Italia and WIND and their respective multi-brand dealers aimed at excluding competitors. Pursuant to this decision, the deadline for the conclusion of the investigation has been further postponed to 20 October 2014.

Pursuant to Section 15 of Italian Law no. 287 of October 10, 1990, as amended, in the most serious cases, depending on the gravity and the duration of the infringement assessed, the ICA may decide to impose a fine up to 10% of the turnover of each undertaking over the previous fiscal year.

At this time, the Company is unable to assess the likelihood of the ultimate outcome of this investigation and its effect on the Company's operating results and financial condition. No provision has been recorded.

### ***Contingent tax liabilities***

Multinational groups of the size of VimpelCom are exposed to varying degrees of uncertainty related to tax planning changes in tax law and periodic tax audits. VimpelCom accounts for its income taxes on the basis of its own internal analyses, supported by external advice. VimpelCom continually monitors its global tax position, and whenever uncertainties arise, VimpelCom assesses the potential consequences and either accrues the liability or discloses a contingent liability in its financial statements, depending on the strength of the Company's position and the resulting risk of loss.

### ***GTH***

The Egyptian Large Taxpayers Office (the "**LTO**") conducted a review of GTH's tax filings for tax years 2000-2004. The LTO concluded that certain investments made by GTH during this period were actually license fees paid to foreign governments for which Egyptian withholding tax was due according to Egyptian tax laws. The LTO accordingly assessed EGP 1.9 billion (equal to approximately USD 327 at the exchange rates as of 31 December 2010) in additional tax liabilities against GTH for these tax years. GTH challenged the LTO's assessment in a proceeding before an appellate committee of the Egyptian Ministry of Finance. On 15 May 2012, the appellate committee cancelled the LTO's assessment for certain of the tax years. Based on the appellate committee's decision and subsequent assessments issued to GTH, GTH's assessed liability as of 29 November 2012 stood at approximately EGP 323.0 million (approximately USD 53 at the exchange rate as of 29 November 2012) in back taxes for the relevant years and approximately EGP 430.5 million in penalties and interest (approximately USD 70 at the exchange rate as of 29 November 2012). In addition, as a result of the appellate committee's decision, the LTO assessed additional tax liabilities in subsequent tax periods relating to the carry forward losses of GTH. As of 31 December 2013, GTH has paid approximately EGP 381.4 million (approximately USD 55 at the exchange rate as of 31 December 2013) toward the assessed amounts while it continues to challenge them. The LTO has also challenged the appellate committee's decision and is seeking to reinstitute its original assessment.

The Company has recorded a liability of USD 2 for remaining instalments in relation to this matter and a provision of USD 8.

## **Egyptian tax returns 2008-2009**

In 2013 the LTO conducted a review of GTH tax filings for the years 2008 and 2009. On 24 February 2014, GTH received the initial assessment from the LTO for the years 2008-2009 seeking a total tax of EGP 2.9 billion (USD 420 as of that date) based on the LTO's calculation of GTH's taxable income for the periods in question. The taxable income has been revised by EGP 7.1 billion (USD 1,021 as of that date) subject to 20% additional income taxes (EGP 1.4 billion or USD 207) excluding penalties and interest. The LTO alleged that GTH wrongfully claimed tax deductions and tax exemptions in connection with corporate income taxes and withholding taxes, which GTH firmly denies. GTH filed an objection on the same day, 24 February 2014, to the LTO's assessment. A tax provision of EGP 186 million (USD 27 as of 31 December 2013) has been recorded for this matter.

## **Italian Tax Audits**

### ***Wind Telecom Tax Audit***

In the first quarter of 2013, the Agenzia delle Entrate ("ADE") (Italian tax authority) initiated an audit on Wind Telecom for the tax year 2009 relating to certain tax deductions taken by the company in connection with the disposal of Wind Hellas Telecommunications S.A.. In July 2013, Wind Telecom settled the audit by agreeing to pay the sum of approximately EUR 31 million to the ADE (approximately USD 42 at the then exchange rate). Pursuant to the terms of the settlement, EUR 15 million of the settlement amount was paid within 20 days of the settlement date with the balance coming due in quarterly instalments through to 10 July 2016.

Pursuant to the indemnities contained in the share sale and exchange agreement between the Company and Orascom TMT Investments S.a.r.l. (formerly, Weather Investments II S.a.r.l.) ("OTMTI") (the "SSEA Indemnity"), the Company is pursuing reimbursement of a significant portion of the settlement from OTMTI and has recorded the amount as an indemnification asset.

### ***Wind and WAHF Tax Audits***

In December 2013, the ADE issued a tax assessment for the year 2008 relating to the non-application of withholding taxes by Wind in connection with the senior credit agreement dated 26 May 2005. In December 2013, the Guardia di Finanza ("GDF") issued a report challenging the non-application of withholding taxes for tax year 2009 by WAHF in connection with the PIK loan agreement dated 11 August 2005. Wind and WAHF have denied the claims while discussing with the ADE the possibility of finding a settlement of the claims without prejudice to their rights to challenge such claims in court.

In the event Wind or WAHF pay any amounts to the ADE in respect of the withholding tax audits, the Company will pursue reimbursement of a significant portion of those amounts from OTMTI pursuant to the SSEA indemnity.

On 5 March 2014, the GDF issued a report challenging the deduction by WAHF of interest and other financial costs for tax years 2005 and 2009-12, and the non-taxation of additional income for tax year 2009. WAHF is assessing its options in respect of the report. The ADE has challenged the non-application of substitute tax by senior lenders to Wind under the senior facilities agreement dated 24 November 2010, which in turn has resulted in Wind paying the amount claimed by the ADE to the senior lenders pursuant to contractual indemnification provisions. These assessments have been appealed by the senior lenders in coordination with Wind.

## **Investigation of the operations in Uzbekistan**

In June 2007, Takilant, Ltd. ("Takilant") purchased from the Company a 7% interest in the Company's business in Uzbekistan for USD 20 and entered into a shareholders agreement with the Company. In September 2009, Takilant exercised its option to put its 7% interest to the Company for USD 57.5, an amount specified in the shareholders agreement. In addition, the Company had agreements with Takilant relating to the acquisition of frequency spectrum (including with respect to 3G and LTE) and channels in Uzbekistan pursuant to which the Company paid Takilant an aggregate of USD 57.

It has been reported in the press that Takilant is currently being investigated in Sweden and Switzerland on allegations that it and certain persons associated with it have committed acts of bribery and money-laundering connected with their activities in Uzbekistan, and also that Takilant is being investigated in The Netherlands and perhaps other jurisdictions. These investigations may, in part, involve the Company.

As a result of concerns arising from press reports regarding Takilant, the Company commenced an internal investigation with respect to its operations in Uzbekistan, including its relations with Takilant, and in 2013 the Company retained external counsel with expertise relating to the U.S. Foreign Corrupt Practices Act ("FCPA") and other anti-corruption laws and regulations to conduct such investigation.

In March 2014, the Company disclosed that the United States Securities and Exchange Commission ("SEC"), the United States Department of Justice ("DOJ") and the Dutch public prosecutor's office are conducting investigations related to the Company. Also in March 2014, the Company's headquarters in Amsterdam were visited by representatives of the Dutch authorities, including the Dutch public prosecutor's office, who obtained documents and informed the Company that it was the focus of a criminal investigation

in The Netherlands. The investigations by these authorities appear to be concerned with the Company's operations in Uzbekistan, including relations with Takilant.

Following notice of the investigations by the SEC, the DOJ and the Dutch public prosecutor's office, the Company established a Special Committee of the Supervisory Board in March 2014, consisting of three outside directors, to oversee the internal investigation being conducted by the Company's external counsel and the Company's response to the inquiries by various authorities. While the initial focus of the investigation being conducted by the Company's external counsel was related to the Company's Uzbekistan operations, including relations with Takilant, and whether there was any conduct in the Company's operations in Uzbekistan that may have violated the anti-bribery provisions of the FCPA, the FCPA's books and records and internal controls provisions, applicable local laws and/or the Company's own internal policies, the investigation is also reviewing the Company's operations in additional countries.

In 2013, the Company reported revenues, Adjusted EBITDA and total assets from its Uzbekistan operations of USD 673, USD 347 and USD 1,133, respectively, which equals 3.0%, 4.2% and 2.3% of the Company's revenues, Adjusted EBITDA and total assets, respectively.

The Company expects that it will incur costs related to the requests for information and testimony in connection with the investigations and in conducting the internal investigation, which costs will be expensed as incurred.

The SEC, DOJ and Dutch investigations, as well as the Company's own investigation, are continuing, and the Company is presently unable to predict the duration, scope or results of these investigations or how the results of these investigations may impact the Company's internal controls, business, and the results of operations or financial condition. Further, there can be no assurance that such investigations will not be broader in scope than they currently appear, or that new investigations will not be commenced in these or other jurisdictions, or that there will not be litigation commenced against the Company.

One or more enforcement actions could be instituted in respect of the matters that are the subject of some or all of the investigations. The DOJ and SEC have a broad range of civil and criminal sanctions under the FCPA and other laws and regulations, including, but not limited to, fines, penalties, and disgorgement of profits. The Dutch public prosecutor's office and enforcement authorities in other jurisdictions also have a range of sanctions under the relevant laws and regulations. The imposition of any of these sanctions or remedial measures could have a material adverse effect on the Company's results of operations or financial condition. At this time, no provision for any such fines, penalties, or disgorgements has been recorded, as management does not yet have enough information to reasonably estimate such amounts.

## **Other contingencies and uncertainties**

In addition to the individual matters discussed above, the Company is also involved in legal proceedings relating to the normal conduct of its business, such as claims for regulatory and employment issues as well as general liability. The Company believes it has provided for all probable liabilities deriving from the normal course of business. The Company does not expect any liability arising from any other of these legal proceedings to have a material effect on the results of operations, liquidity, capital resources or financial position of the Company.

## **Kyrgyzstan settlement**

Sky Mobile was one of fourteen defendants to litigation proceedings in the High Court of the Isle of Man brought by affiliates of Mobile TeleSystems (the “**MTS Claimants**”). The claim arose from a dispute in 2005 between the claimants and Fellowes International Holdings Limited (“**Fellowes**”) over the ownership of Bitel, a Kyrgyz telecommunications company. The MTS Claimants alleged that a Kyrgyz judgment in 2005, which determined that Fellowes rather than the MTS Claimants was the rightful owner of Bitel, was wrongfully obtained. The MTS Claimants further alleged that a sale of Bitel’s assets to Sky Mobile in 2006 was wrongful.

On June 22, 2013, the parties to the litigation reached an agreement to settle all claims against one another and terminate the court proceedings. VimpelCom made a payment of USD 25.5 million by way of contribution towards the settlement.

## **Pledges and guarantees**

As of 31 December 2013 and 2012, the collateral pledged by the Company and its subsidiaries as security for their financial liabilities was as follows:

### ***Wind Telecom***

Wind Telecom pledge its shares in WAHF in favour of the Bank of New York Mellon as Trustee (BNY Corporate Trustee Services Limited) as a security of the notes issued by WIND Acquisition Holding Finance SA.

### ***WAHF Group***

WAHF pledged 146,100,000 ordinary shares without nominal value representing 100% of the corporate capital of the subsidiary WIND Telecomunicazioni SpA in favour of the Guaranteed Creditors pursuant to the related Deed of pledge over the shares. WIND Telecomunicazioni SpA pledged 6,200 shares representing 100% of the corporate capital of the subsidiary Wind Acquisition Finance SA in favour of a pool of banks pursuant to the related share pledge agreement.

WAHF issued a special lien pursuant to article 46 of the Consolidated Banking Law of Italy on certain assets, present and future, belonging to the subsidiary Wind Italy as specified in the relevant deed, in favour of the banking syndicate party to the Senior Facility Agreement and other creditors specified in the relevant deed. Also in order to provide a guarantee for its obligations, Wind Italy has pledged as security its trade receivables, receivables arising from intercompany loans and receivables relating to insurance policies, present and future, as described in the specific instrument, its receivables arising from the Put and Call option dated May 26, 2005 as described in the relevant deed and the subsidiary WIND Telecomunicazioni SpA’s trademarks and intellectual property rights, as specified in the relevant deed, to the banking syndicate in accordance with the Senior Facility Agreement, expiring in 2016-2017, and

the other lending parties specified in the supplemental deed related to the respective contract as a guarantee for and in favour of the customers to the Senior Notes, expiring in 2017, issued on July 13, 2009 by Wind Acquisition Finance SA and in favour of the customers to the Senior Secured Notes, expiring in 2018-2020, issued on November 26, 2010, April 13, 2012 and April 29, 2013 by Wind Acquisition Finance SA.

The guarantees and sureties have been received by WAHF Group from banks and insurance companies on behalf of the WAHF Group and in favour of third parties in respect of commitments of various kinds at the amount approximately EUR 344 million as of 31 December 2013 (2012: EUR 525 million) (USD 473 and USD 693 hereafter in this paragraph at the exchange rate as of 31 December 2013 and 2012 respectively), out of which (a) EUR 10 million (approximately USD 13) (2012: EUR 22 million (approximately USD 29)) issued by insurance companies, of which EUR nil million (USD nil) (2012: EUR 14 million (USD 19)) in favour of the Rome Tax Revenue Office, as security against the WAHF Group's excess VAT receivable which was offset in 2008 for EUR 30 million (or USD 39) and in 2009 for EUR 14 million (or USD 18) as part of the special procedure envisaged by Presidential Decree no. 633 of October 26, 1972 and subsequent amendments and (b) EUR 334 million (approximately USD 459) (2012: EUR 503 million (approximately USD 664)) issued by banks, relating to participation in tenders, of which EUR 277 million (USD 380) (2012: EUR 439 million (USD 579)) in favour of the Minister for Economic Development for the participation in the tender procedure it had been awarded the frequency use rights in the 800, 1800, 200 and 2600 MHz bands, to sponsorships, property leases, operations regarding prize competitions, events and excavation licenses.

### **Collateral**

Telecom Ventures, a subsidiary of the Company, has short term deposits as per 31 December 2013 for USD 186 (2012: nil) with Standard Chartered Bank as security for the bridge facility provided by the same bank to Bangladesh Digital Communications Ltd. VimpelCom Amsterdam B.V. has pledged cash and cash equivalents as per 31 December 2013 for USD 47 (2012: nil) with Citibank and Crédit Agricole as security for the Hermes loans of OTA, B.V. VimpelCom Finance S. à r.l. has pledged short term deposits as per 31 December 2013 for USD 20 (2012: 20) with ANZ Bank as security for the loan provided by the same bank to VimpelCom Lao Ltd.

## **28 Events after the reporting period**

### **Sale of 51% shareholding in Orascom Telecom Algeria (OTA) and settlement of disputes with the Algerian State**

The Company, together with its subsidiary GTH, has agreed to settle its disputes with the Algerian Government and has entered into an SPA to sell a non-controlling 51% interest in OTA to the Fonds National d'Investissement (the "Algerian National Investment Fund" or "FNI") subject to conditions precedent for a cash consideration of USD 2,643.

Also, upon signing of the SPA, GTH suspended its current arbitration against the Algerian Government and, upon closing of the transaction ("Closing"), the parties to the arbitration will terminate the arbitration and all claims relating thereto.

The Company, GTH and the FNI will enter into a shareholders agreement ("SHA"), effective as of Closing, which will govern the relationship of GTH and the FNI as shareholders in OTA going forward. GTH will continue to exercise operational control over OTA and, as a result, both GTH and VimpelCom will continue to consolidate OTA. Accordingly, the gain upon sale will be recorded directly in equity as a transaction between the owners acting in their capacity as shareholders upon Closing of the SPA.

Prior to the completion of the sale, OTA will pay a dividend to GTH in the amount at a minimum of USD 1,862 equivalent. VimpelCom recorded a deferred income tax liability related to withholding taxes on these dividends in its consolidated income statement for the year ended 31 December 2013.

Prior to Closing and in order to facilitate the Closing, OTA will contribute its operations to Optimum Telecom Algérie S.p.A. ("Optimum"), a wholly-owned subsidiary of OTA. In addition, at or prior to Closing, Optimum intends to establish a credit facility with a syndicate of local banks in an amount of up to DZD 82,000 (USD 1,000 equivalent) to finance its operations.

As part of the transaction, the Company agreed, effective at Closing, that OTA will waive its tax receivable from the Algeria tax authorities in an amount of DZD 43,198 million (USD 551 equivalent), and pay with no admission of liability or wrongdoing, the fines from the Bank of Algeria of up to DZD 99,000 million (USD 1,266 equivalent) for alleged breaches of foreign exchange regulations in Algeria. As a condition precedent to Closing, the Bank of Algeria would lift the injunction that restricts all Algerian banks from engaging in foreign banking transactions on behalf of OTA, which will allow OTA to import the necessary equipment to improve the quality of the existing network, and pay dividends.

The waiver of the tax receivable and the payment of the claim from the Bank of Algeria are contingent upon Closing and are integral part of the SPA.

Settling both disputes as part of entering into the SPA was considered an adjusting subsequent event under IAS 10 "Events after the Reporting Period". Consequently, the waiver of the tax receivable of DZD 43,198 million (USD 551 equivalent) and the BofA payment of DZD 99,000 million (USD 1,266 equivalent) were recorded in the consolidated income statement for the year ended 31 December 2013 as Income tax expense and Selling, general and administrative expenses, respectively. Also, deferred tax liabilities and related income tax expense were recorded for temporary difference on undistributed reserves in OTA of USD 246, representing the future withholding tax on the dividend to be paid prior to closing and relating to the future capital gain tax. Additional tax charges of USD 88 were accounted for in 2013, due to the adverse tax impact of recording a provision for above mentioned claim from Bank of Algeria. As a result, the Group took a one-off cumulative charge of USD 2,151 in its 2013 consolidated income statement.

As part of the transaction, GTH will have an option to sell (a “Put Option”) all (and not less than all) of the OTA shares it holds to the FNI at the then fair market value. The Put Option is exercisable solely at the discretion of GTH during the three month period between 1 July 2021 and 30 September 2021 as well as upon occurrence of certain events. Concurrently, the FNI will have an option to buy (a “Call Option”) from GTH all (and not less than all) of the OTA shares GTH owns at the then fair market value. The Call Option is exercisable solely at the discretion of the FNI during the three month period between 1 October 2021 and 31 December 2021 as well as upon the occurrence of certain events.

In order to effect the sale transaction with the FNI, GTH has signed a Framework Agreement with Cevital S.p.A. (“Cevital”), which holds just over 3% of OTA shares under which the existing OTA shareholder arrangements will be terminated and GTH will acquire Cevital’s OTA shares. In exchange for a purchase consideration of USD 178 (equivalent to the implied price at which the FNI is acquiring its 51% stake) and the right to USD 56 from OTA’s pre-Closing dividend, GTH will transfer to Cevital the shares of a wholly-owned subsidiary which will hold a five year convertible bond issued by VimpelCom in the amount of USD 234. This bond will pay interest at an annual rate of 3.75% and will be convertible six months after the issuance date, up until three months before maturity date, into VimpelCom ADSs at a conversion price equal to a premium of 40% above the prevailing ADS price at the time of issue.

As part of the Cevital transaction, GTH will grant Cevital a right to repurchase 3.43% of OTA shares for a fixed amount of USD 178. Such right may be exercised on the fifth anniversary of Closing (as well as upon the occurrence of certain specific events prior to that time) or at any time between the fifth and seventh anniversaries of Closing. The Cevital transaction is conditional upon negotiation and execution of definitive documentation, receipt of requisite governmental approvals and on Closing of the transaction with the FNI. VimpelCom will guarantee the obligations of GTH in the Cevital transaction. In case the Closing does not take place, GTH and Cevital have also agreed in principle to negotiate agreements under which GTH will pay Cevital 3.43% of the net amount, if any, collected by GTH in the arbitration against the Algerian State in exchange for Cevital transferring all of its OTA shares to GTH and terminating the current OTA shareholder arrangements.

### **Currency devaluations**

Since 1 January 2014, the RUB has gradually devalued against the USD and other major currencies by approximately 9%. A 10% change in the RUB to USD exchange rate has a decreasing impact on the Revenue and EBITDA of approximately 4%.

Since 1 January 2014, due to an unstable political and macroeconomic situation in Ukraine, the Ukrainian currency has significantly devalued against the USD and other major currencies by approximately 43%. A 10% change in the Hryvnia to USD exchange rate has a decreasing impact on the Revenue and EBITDA of 1%. These and any further negative developments in Ukraine could adversely impact results and the financial position of the Group and its Ukrainian subsidiaries in a manner not currently determinable.



On 11 February 2014, the exchange rate of the Kazakh Tenge to the USD and other major currencies was devalued by the local Central Bank by approximately 19%, however the impact on the Revenue and EBITDA is not material.

Since 1 January 2014, the Kyrgyzstan Som gradually devalued against the USD and other major currencies by approximately 10%. However, the impact on the Group's Revenue and EBITDA is not material.

## **Italy**

On 2 January 2014, Fastweb served to WIND Italy a damages claim based on the antitrust proceedings No. A/357 – which in August 2007 condemned WIND Italy and Telecom Italia for abuse of their dominant positions in the wholesale termination market in favor of their respective internal commercial divisions and to the detriment of the competitors in the fixed market. At this time, the Company is unable to assess the likelihood of the ultimate outcome of this litigation and its effect on the Company's operating results and financial condition. No provision has been recorded.

## **Refinancing in Italy**

On 23 April 2014, WAF issued EUR 1,750 million 7.00% Euro denominated Senior Notes due 2021 and USD 2,800 7.375% U.S. dollar denominated Senior Notes due 2021 (together, the "2021 Notes"). The 2021 Notes are guaranteed by Wind Telecomunicazioni S.p.A. The USD 2,800 U.S. dollar denominated Senior Notes are hedged with Cross Currency Interest Rate Swaps to EUR for an amount of EUR 2,030 million. The maturity date of the 2021 Notes and the related Cross Currency Interest Rate Swaps is 23 April 2021. Pursuant to these Cross Currency Interest Rate Swaps, WAF receives a fixed USD rate of 7.375% and pays a fixed EUR rate equal to on average 6.4364% on EUR 1,450 million principal amount and a floating EUR rate equal to 6 months Euribor plus on average 5.0688% on EUR 580 million principal amount.

WAF issued an Offer to Purchase all amounts outstanding under its 11.75% Senior Notes due 2017 using a portion of the proceeds of its offering of 2021 Notes. Of the outstanding amounts of EUR 1,250 million and USD 2,000, notes for amounts of EUR 1,084 million and USD 1,890 were tendered and settled on 23 April 2014. The remaining outstanding notes will be called as per 15 July 2014. On 23 April 2014, funds have been placed in escrow accounts to fulfil those payments. The Cross Currency Interest Rate Swaps related to the USD 2,000 11.75% Senior Notes due 2017 have been restructured to become part of the aforementioned Cross Currency Interest Rate Swaps related to the 2021 Notes.

WAF issued an Offer to Purchase all amounts outstanding under its 12.25% Senior Notes due 2017 using, indirectly, a portion of the proceeds of the offering of 2021 Notes by WAF, as well as a EUR 500 million indirect cash injection from VimpelCom, which was settled on 17 April 2014. Of the outstanding amounts of EUR 528 million and USD 1,015, notes for amounts of EUR 468 million and USD 976 were tendered and settled on 23 April 2014. The remaining outstanding notes will be called as per 15 July 2014. On 23 April 2014, funds have been placed in escrow accounts to fulfill those payments.

The income statement impact of the repayment of these notes is expected to be immaterial.

Related to the aforementioned refinancing transaction, Wind Telecomunicazioni S.p.A. has requested, and was granted, consent from the lenders in the Senior Facility Agreement (“SFA”) to enable, among other matters, a re-leveraging of Wind Telecomunicazioni S.p.A. and an upstream loan to its parent WAHF, the adjustment of the financial covenant ratios and extension of the tenors of the SFA, settlement of an intercompany loan with Wind Telecom S.p.A., and modification of the change of control definition in exchange for a consent fee and an increase of the margin by 0.25%.

#### **New financing transactions VimpelCom Amsterdam B.V.**

On each of 2 April 2014 and 18 April 2014, VimpelCom Amsterdam B.V. signed a credit facility agreement with OAO “Alfa-Bank”, each for a total principal amount of USD 500 (each an “Alfa-Bank Credit Facility”). Each Alfa-Bank Credit Facility has a three-year term, bears interest at a rate of LIBOR plus 3.25% per annum (subject to adjustments in accordance with the terms of the agreement) and is guaranteed by VimpelCom Holdings B.V. On 3 April 2014 and 23 April 2014, VimpelCom Amsterdam B.V. drew down USD 500, and USD 500 under the respective Alfa-Bank Credit Facilities.

On 7 April 2014, VimpelCom Amsterdam B.V. also signed a revolving credit facility agreement with 11 international banks for a total principal amount of USD 1,650, with an option to increase the principal amount of the facility by up to USD 150 within 6 months after the date of signing (the “2014 RCF”). The 2014 RCF has a three year tenor, bears interest at a rate of LIBOR plus 2.25% per annum (subject to adjustments in accordance with the terms of the agreement) and is guaranteed by VimpelCom Holdings B.V. On 23 April 2014, VimpelCom Amsterdam B.V. drew down USD 1,000 under the 2014 RCF.

On 16 April 2014 and with effect as from 25 April 2014, VimpelCom cancelled the existing USD 225 and EUR 205 million (equivalent to an aggregate approximate USD 508 as of 25 April 2014) revolving credit facility that VimpelCom Amsterdam B.V., as borrower, had entered into in 2011.

#### **New financing transaction Banglalink Digital Communications Ltd.**

On 25 April 2014, our Bangladesh subsidiary Banglalink issued USD 300 8.625% Senior Notes due 2019 (the “BDC Notes”). The BDC Notes were issued at a re-offer price of 99.008%, with a re-offer yield to maturity of 8.875% and settled on 6 May 2014. Interest is payable semi-annually. The BDC Notes mature in five years.

During May 2014, BDC will repay all amounts outstanding under its 17 December 2013 bridge facility from Standard Chartered Bank, using a remaining portion of the proceeds of its offering of BDC Notes.

Also during May 2014, using a further portion of the proceeds of the offering of BDC Notes and other funds available to it, Banglalink will repay 13.5% senior BDT notes, its additional Hermes facility from Standard Chartered Bank and three other smaller facilities, each of which had been subject to a common terms agreement dated 13 June 2007, as amended, and related intercreditor and security agreements.

#### **Mobilink 3G license granted**

On 24 April 2014, Mobilink, the Company’s subsidiary in Pakistan, acquired a 3G license with a term of 15 years for USD 301.

Amsterdam, 15 May 2014

VimpelCom Ltd.

## EXHIBIT LIST

Exhibit No.	Description
1.1	Bye-laws of VimpelCom Ltd. adopted on April 20, 2010 and Amended and Restated on September 25, 2013. *
2.1	Form of Deposit Agreement (common shares) between VimpelCom Ltd. and The Bank of New York Mellon, as depositary.**
2.2	Agreement to furnish instruments relating to long-term debt.†
2.3	Registration Rights Agreement, dated as October 4, 2009, between and among VimpelCom Ltd., Eco Telecom Limited, Altimo Holdings & Investments Ltd., Altimo Coöperatief U.A., Telenor Mobile Communications AS and Telenor East Invest AS.***
2.4	Assignment, Assumption and Amendment Agreement to the Registration Rights Agreement, dated as of November 27, 2013, by and among VimpelCom Ltd., Altimo Holdings & Investments Ltd., Altimo Coöperatief U.A., Telenor Mobile Communications AS, Telenor East Invest AS and Telenor East Holding II AS.****
2.5	Indenture, dated as of April 23, 2014, by and among Wind Acquisition Finance S.A., WIND Telecomunicazioni S.p.A., BNY Mellon Corporate Trustee Services Limited, The Bank of New York Mellon, London Branch, The Bank of New York Mellon and The Bank of New York Mellon (Luxembourg) S.A.†
4.1	Form of Indemnification Agreement.+
4.2	Executive Investment Plan.++
4.3	Director Investment Plan.+++
8.	List of Subsidiaries.†
12.1	Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, 15 U.S.C. Section 7241.†
12.2	Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, 15 U.S.C. Section 7241.†
13.1	Certification of CEO and CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.†
15.1	Consent of Ernst & Young Accountants LLP.†
15.2	Letter from Ernst & Young Accountants LLP on Item 16 F.†

\* Incorporated by reference to Exhibit 99.2 of the Report of Foreign Private Issuer on Form 6-K of VimpelCom Ltd., filed on September 27, 2013.

\*\* Incorporated by reference to Exhibit 4.1 to the Registration Statement on Form F-4 (Registration No. 333-164770) of VimpelCom Ltd., filed on February 8, 2010.

\*\*\* Incorporated by reference to Exhibit 2.3 to the Registration Statement on Form F-4 (Registration No. 333-164770) of VimpelCom Ltd., filed February 8, 2010.

\*\*\*\* Incorporated by reference to Exhibit 99.1 to the Schedule 13D filed by Telenor East Holding II AS on December 5, 2013

+ Incorporated by reference to Exhibit 4.3 to the Annual Report on Form 20-F of VimpelCom Ltd. for the fiscal year ended December 31, 2010, filed on June 30, 2011.

++ Incorporated by reference to Exhibit 4.3 of the Registration Statement on Form S-8 (Registration No. 333-180368) of VimpelCom Ltd., filed on March 27, 2012.

+++ Incorporated by reference to Exhibit 4.3 of the Registration Statement on Form S-8 (Registration No. 333-183294) of VimpelCom Ltd., filed on August 14, 2012.

† Filed herewith.

AGREEMENT TO FURNISH INSTRUMENTS RELATING TO LONG-TERM DEBT

Jeffrey D. McGhie  
Group General Counsel  
& Chief  
Corporate Affairs Officer  
VimpelCom Ltd.  
The Rock Bld.  
Claude Debussylaan 88  
1082 MD Amsterdam  
The Netherlands  
Tel: + 31 20 797 7200  
Fax: +31 20 797 7201

Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549  
United States of America

May 15, 2014

Re: VimpelCom Ltd. Annual Report on Form 20-F for the fiscal year ended December 31, 2013 File No. 001-468091

Dear Sirs:

Except as filed in exhibits to the Annual Report on Form 20-F of VimpelCom Ltd. (the "Company"), neither the Company nor any of its consolidated subsidiaries has outstanding any instrument with respect to its long-term debt under which the total amount of securities authorized exceeds 10% of the total assets of the Company and its subsidiaries on a consolidated basis as of March 31, 2014. In accordance with paragraph 2(b)(i) of the Instructions as to Exhibits on Form 20-F, the Company hereby agrees to furnish to the Securities and Exchange Commission, upon request, a copy of any instrument that defines the rights of holders of long-term debt issued by the Company or any of its consolidated subsidiaries.

Very truly yours,

VimpelCom Ltd.

By: /s/ Jeffrey D. McGhie

Name: Jeffrey D. McGhie

Title: Group General Counsel & Chief Corporate  
Affairs Officer

---

**WIND ACQUISITION FINANCE S.A.**

**as Issuer**

**WIND TELECOMUNICAZIONI S.P.A.**

**as Guarantor**

**BNY MELLON CORPORATE TRUSTEE SERVICES LIMITED**

**as Trustee**

**THE BANK OF NEW YORK MELLON, LONDON BRANCH**

**as Principal Paying Agent**

**THE BANK OF NEW YORK MELLON**

**as U.S. Paying Agent**

**and**

**THE BANK OF NEW YORK MELLON (LUXEMBOURG) S.A.**

**as Luxembourg Listing Agent, Transfer Agent, Luxembourg Paying Agent and Registrar**

---

**INDENTURE**

**Dated as of April 23, 2014**

---

**7% Senior Notes Due 2021**  
**7 3/8% Senior Notes Due 2021**

This Indenture is entered into with the benefit of and subject to the terms of the Priority Agreement (as defined herein). The rights and benefits of HY Notes Creditors (as defined in the Priority Agreement) are limited by and subject to the terms of the Priority Agreement. The Senior Creditors and Hedging Banks (each as defined in the Priority Agreement), acting through agents or trustees, have third party beneficiary rights in respect of such statements.

## TABLE OF CONTENTS

Page

### ARTICLE 1 DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.01	Definitions.	1
Section 1.02	Other Definitions.	39
Section 1.03	Incorporation by Reference of Trust Indenture Act.	39
Section 1.04	Rules of Construction.	40

### ARTICLE 2 THE NOTES

Section 2.01	Form and Dating.	40
Section 2.02	Execution and Authentication.	42
Section 2.03	Paying Agent, Registrars and Transfer Agents.	43
Section 2.04	Paying Agent to Hold Money.	43
Section 2.05	Holder Lists.	44
Section 2.06	Transfer and Exchange.	44
Section 2.07	Replacement Notes.	51
Section 2.08	Outstanding Notes.	51
Section 2.09	Temporary Notes.	51
Section 2.10	Cancellation.	51
Section 2.11	Defaulted Interest.	51
Section 2.12	Further Issues.	52
Section 2.13	CUSIP, ISIN or Common Code Number.	52

### ARTICLE 3 REDEMPTION AND PREPAYMENT

Section 3.01	Notices to Trustee.	52
Section 3.02	Selection of Notes to Be Redeemed.	53
Section 3.03	Notice of Redemption.	53
Section 3.04	Effect of Notice of Redemption.	54
Section 3.05	Deposit of Purchase or Redemption Price.	55
Section 3.06	Notes Redeemed in Part.	55
Section 3.07	Optional Redemption.	55
Section 3.08	Optional Redemption upon Sale of Towers Infrastructure Assets.	56
Section 3.09	Redemption for Changes in Withholding Tax.	56
Section 3.10	Mandatory Redemption.	57
Section 3.11	Offer to Purchase by Application of Excess Proceeds.	58

### ARTICLE 4 COVENANTS

Section 4.01	Payment of Notes.	59
Section 4.02	Maintenance of Office or Agency.	60
Section 4.03	Reports and Other Information.	60
Section 4.04	Compliance Certificate.	62
Section 4.05	Taxes.	62
Section 4.06	Stay, Extension and Usury Laws.	63
Section 4.07	Limitations on Restricted Payments.	63

Section 4.08	Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries.	67
Section 4.09	Limitation on Incurrence of Indebtedness and Issuance of Preferred Stock.	69
Section 4.10	Asset Sales.	73
Section 4.11	Transactions with Affiliates.	75
Section 4.12	Liens.	78
Section 4.13	Business Activities.	78
Section 4.14	[Reserved].	78
Section 4.15	Offer to Repurchase Upon Change of Control.	78
Section 4.16	Anti-Layering.	79
Section 4.17	Designation of Restricted and Unrestricted Subsidiaries.	80
Section 4.18	Limitation on Issuance of Guarantees of Indebtedness.	80
Section 4.19	Additional Amounts; Annual Information Statement.	81
Section 4.20	Maintenance of Listing.	83
Section 4.21	Limitations with Respect to the Issuer.	83
Section 4.22	No Impairment of Security Interests.	84
Section 4.23	Security.	85
Section 4.24	Restrictions on Amendment to Transaction Documents.	85
Section 4.25	Payments for Consent.	85
Section 4.26	Suspension of Certain Covenants when Notes Rated Investment Grade.	86

## ARTICLE 5 SUCCESSORS

Section 5.01	Merger, Consolidation or Sale of Assets.	86
Section 5.02	Successor Corporation Substituted.	88

## ARTICLE 6 DEFAULTS AND REMEDIES

Section 6.01	Events of Default.	88
Section 6.02	Acceleration.	90
Section 6.03	Other Remedies.	90
Section 6.04	Waiver of Past Defaults.	90
Section 6.05	Control by Majority.	91
Section 6.06	Limitation on Suits.	91
Section 6.07	Rights of Holders of Notes to Receive Payment.	91
Section 6.08	Collection Suit by Trustee.	91
Section 6.09	Trustee May File Proofs of Claim.	92
Section 6.10	Priorities.	92
Section 6.11	Undertaking for Costs.	92
Section 6.12	Proof.	93
Section 6.13	Agents to Act for Trustee.	93

## ARTICLE 7 TRUSTEE

Section 7.01	Duties of Trustee.	93
Section 7.02	Rights of Trustee.	94
Section 7.03	Individual Rights of Trustee.	96
Section 7.04	Trustee's Disclaimer.	96
Section 7.05	Notice of Defaults.	96
Section 7.06	Reports by Trustee to Holders of the Notes.	97
Section 7.07	Compensation and Indemnity.	97
Section 7.08	Replacement of Trustee.	98
Section 7.09	Successor Trustee by Merger, etc.	98

Section 7.10	Eligibility; Disqualification.	98
Section 7.11	USA PATRIOT Act.	99

ARTICLE 8  
LEGAL DEFEASANCE AND COVENANT DEFEASANCE

Section 8.01	Option to Effect Legal Defeasance or Covenant Defeasance.	99
Section 8.02	Legal Defeasance and Discharge.	99
Section 8.03	Covenant Defeasance.	100
Section 8.04	Conditions to Legal or Covenant Defeasance.	100
Section 8.05	Deposited Money and Government Securities Held in Trust; Other Miscellaneous Provisions.	101
Section 8.06	Repayment to Issuer.	102
Section 8.07	Reinstatement.	102

ARTICLE 9  
AMENDMENT, SUPPLEMENT AND WAIVER

Section 9.01	Without Consent of Holders of Notes.	103
Section 9.02	With Consent of Holders of Notes.	104
Section 9.03	Revocation and Effect of Consents.	105
Section 9.04	Notation on or Exchange of Notes.	106
Section 9.05	Trustee to Sign Amendments.	106

ARTICLE 10  
SECURITY

Section 10.01	Security Documents.	106
Section 10.02	Release of Collateral.	107
Section 10.03	Authorization of Actions to Be Taken by the Trustee.	107
Section 10.04	Authorization of Receipt of Funds by the Trustee Under the Security Documents.	107
Section 10.05	Termination of Security Interest.	108
Section 10.06	Further Action.	108

ARTICLE 11  
NOTE GUARANTEES

Section 11.01	Guarantee.	109
Section 11.02	Subordination of Note Guarantee.	110
Section 11.03	Limitation on Guarantor Liability.	110
Section 11.04	Execution and Delivery of Note Guarantee.	111
Section 11.05	Guarantors May Consolidate, etc., on Certain Terms.	111
Section 11.06	Releases.	112

ARTICLE 12  
SUBORDINATION AND PRIORITY AGREEMENT

Section 12.01	Agreement to Subordinate.	112
Section 12.02	Notice.	113
Section 12.03	Turnover.	113
Section 12.04	Authorization to Effect Subordination.	113
Section 12.05	Reliance by Holders of Senior Debt.	113
Section 12.06	Priority Agreement.	113
Section 12.07	Priority Agreement; Additional Priority Agreements.	114



ARTICLE 13  
SATISFACTION AND DISCHARGE

Section 13.01 Satisfaction and Discharge.	115
Section 13.02 Application of Trust Money.	116

ARTICLE 14  
MISCELLANEOUS

Section 14.01 Notices.	116
Section 14.02 Communications by Holders of Notes with Other Holders of Notes.	118
Section 14.03 Certificate and Opinion as to Conditions Precedent.	118
Section 14.04 Statements Required in Certificate or Opinion.	118
Section 14.05 Rules by Trustee and Agents.	119
Section 14.06 Agent for Service; Submission to Jurisdiction; Waiver of Immunities.	119
Section 14.07 No Personal Liability of Directors, Officers, Employees and Shareholders.	119
Section 14.08 Governing Law.	119
Section 14.09 No Adverse Interpretation of Other Agreements.	119
Section 14.10 Successors.	120
Section 14.11 Severability.	120
Section 14.12 Counterpart Originals.	120
Section 14.13 Table of Contents, Headings, etc.	120
Section 14.14 Judgment Currency.	120
Section 14.15 Prescription.	120

EXHIBITS

Exhibit A	FORM OF NOTE
Exhibit B	FORM OF CERTIFICATE OF TRANSFER
Exhibit C	FORM OF CERTIFICATE OF EXCHANGE
Exhibit D	FORM OF NOTATION OF GUARANTEE
Exhibit E	FORM OF SUPPLEMENTAL INDENTURE
Exhibit F	FORM OF CEO/CFO SOLVENCY CERTIFICATE

INDENTURE dated as of April 23, 2014 by and among Wind Acquisition Finance S.A., a public limited liability company (*société anonyme*) organized and existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 18-20, Rue Edward Steichen, L-2540, Luxembourg and registered with the Luxembourg trade and companies register under number B109.825, as Issuer. WIND Telecomunicazioni S.p.A., a joint stock company organized as a *società per azioni* under the laws of the Republic of Italy and subject to the direction and coordination of VimpelCom Limited, as Guarantor, BNY Mellon Corporate Trustee Services Limited, as Trustee, The Bank of New York Mellon, London Branch as Principal Paying Agent, The Bank of New York Mellon, as U.S. Paying Agent and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg Listing Agent, Luxembourg Paying Agent, Transfer Agent and Registrar.

The Issuer and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders (as defined below) of the U.S. dollar-denominated 7 <sup>3</sup>/<sub>8</sub>% Senior Notes due 2021 (the “*Dollar Notes*”) and the euro-denominated 7% Senior Notes due 2021 (the “*Euro Notes*” and together with the Dollar Notes, the “*Notes*”) and the Holders of any Additional Notes (as defined below).

ARTICLE 1  
DEFINITIONS AND INCORPORATION  
BY REFERENCE

Section 1.01 *Definitions.*

“*144A Dollar Global Note*” means a Global Note bearing the Global Note Legend and the Private Placement Legend deposited with the Custodian and registered in the name of Cede & Co., as nominee for DTC, that will be issued in an initial amount equal to the principal amount of the Dollar Notes sold in reliance on Rule 144A.

“*144A Euro Global Note*” means a Global Note bearing the Global Note Legend and the Private Placement Legend and deposited with and registered in the name of, The Bank of New York Depository (Nominees) Limited as nominee for Euroclear and Clearstream that will be issued in an initial amount equal to the principal amount of the Euro Notes sold in reliance on Rule 144A.

“*144A Global Note*” means the 144A Dollar Global Note and the 144A Euro Global Note.

“*2010 Indenture*” means that certain indenture, dated as of November 26, 2010 and as amended or waived from time to time, by and between, among others, the Issuer, Wind, as guarantor, Deutsche Bank Trust Company Americas, as trustee (as successor trustee to Deutsche Trustee Company Limited), Deutsche Bank Luxembourg S.A., as transfer agent and registrar, Deutsche Bank AG, London Branch, as principal paying agent, Deutsche Bank Trust Company Americas, as U.S. paying agent, U.S. registrar and transfer agent, and Deutsche Bank Luxembourg S.A., as Luxembourg paying agent.

“*2010 Indenture Senior Secured Notes*” means (1) the €1,750,000,000 in aggregate principal amount of the Issuer’s 7 <sup>3</sup>/<sub>8</sub>% Senior Secured Notes due 2018 and the additional €200,000,000 in aggregate principal amount of the Issuer’s 7 <sup>3</sup>/<sub>8</sub>% Senior Secured Notes due 2018 and (2) the \$1,300,000,000 in aggregate principal amount of the Issuer’s 7 <sup>1</sup>/<sub>4</sub>% Senior Secured Notes due 2018 and the additional \$400,000,000 in aggregate principal amount of the Issuer’s 7 <sup>1</sup>/<sub>4</sub>% Senior Secured Notes due 2018 issued under the 2010 Indenture.

“*2010 Intercompany Loans*” means the loans from the Issuer to Wind dated as of November 26, 2010 and April 13, 2012, and all loans directly or indirectly replacing or refinancing such loan(s) or any portion thereof.

“2013 Indenture” means that certain indenture, dated as of April 19, 2013 and as amended or waived from time to time, by and between, among others, the Issuer, Wind, as guarantor, Deutsche Bank Trust Company Americas, as trustee, U.S. paying agent, U.S. registrar and transfer agent, Deutsche Bank AG, London Branch, as principal paying agent and calculation agent and Deutsche Bank Luxembourg S.A., as Luxembourg listing agent, transfer agent and registrar.

“2013 Indenture Senior Secured Notes” means the Issuer’s €150,000,000 Senior Secured Floating Rate Notes due 2019 and \$550,000,000 6 1/2% Senior Secured Fixed Rate Notes due 2020 issued under the 2013 Indenture.

“2013 Intercompany Loan” means the loans from the Issuer to Wind dated as of April 29, 2013 and all loans directly or indirectly replacing or refinancing such loan(s) or any portion thereof.

“2014 Consent Solicitation Statement” means the consent solicitation statement of the Issuer, dated as of March 27, 2014, with respect to, among other things, entry into one or more supplemental indentures.

“2014 Consent Refinancing Transaction” means, collectively, each of the transactions described in the Offering Memorandum under the caption “Summary—Recent Developments—2014 Refinancing Transactions.”

“Acquired Debt” means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged, consolidated, amalgamated or otherwise combined with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging, consolidating, amalgamating or otherwise combining with or into, or becoming a Restricted Subsidiary of, such specified Person; and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

“Additional Dollar Notes” means additional Dollar Notes (other than the Initial Dollar Notes) issued under this Indenture in accordance with Section 2.02 and 2.12 hereof, as part of the same series as the Initial Dollar Notes.

“Additional Euro Notes” means additional Euro Notes (other than the Initial Euro Notes) issued under this Indenture in accordance with Section 2.02 and 2.12 hereof, as part of the same series as the Initial Euro Notes.

“Additional Notes” means any Additional Dollar Notes and Additional Euro Notes.

“Affiliate” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, “control,” as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise and the terms “controlling,” “controlled by” and “under common control with” have correlative meanings.

“Agent” means any Registrar, co-registrar, Transfer Agent, Authenticating Agent, Paying Agent or additional paying agent.

“Applicable Dollar Note Premium” means, with respect to any Dollar Note on any redemption date applicable to the redemption of such Dollar Note, the greater of:

(1) 1.0% of the principal amount of the Dollar Note; or

(2) the excess of:

(a) the present value at such redemption date of (i) the redemption price of the Dollar Note at April 23, 2017 (such redemption price being set forth in the table in Section 3.07(c) and being calculated exclusive of accrued and unpaid interest and Additional Amounts), *plus* (ii) all required interest payments due on the Dollar Note through April 23, 2017 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; *over*

(b) the principal amount of the Dollar Note, if greater.

“*Applicable Euro Note Premium*” means, with respect to any Euro Note on any redemption date applicable to the redemption of such Euro Note, the greater of:

(1) 1.0% of the principal amount of the Euro Note; and

(2) the excess of:

(a) the present value at such redemption date of (i) the redemption price of the Euro Note at April 23, 2017 (such redemption price being set forth in the table in Section 3.07(c) and being calculated exclusive of accrued and unpaid interest and Additional Amounts) *plus* (ii) all required interest payments due on the Euro Note through April 23, 2017 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate as of such redemption date plus 50 basis points; *over*

(b) the principal amount of the Euro Note, if greater.

“*Applicable Premium*” means, (1) with respect to a Euro Note, the Applicable Euro Note Premium, and (2) with respect to a Dollar Note, the Applicable Dollar Note Premium.

“*Applicable Procedures*” means, with respect to any transfer or exchange of or for Book-Entry Interests in any Global Note, the procedures of DTC, Euroclear and Clearstream that apply to such transfer or exchange.

“*Asset Acquisition Transaction*” means a transaction pursuant to which Wind or one of its Restricted Subsidiaries acquires assets either directly or indirectly after the acquisition of such assets by the Parent and the subsequent transfer of such assets from the Parent to Wind or one or more of its Restricted Subsidiaries.

“*Asset Sale*” means:

(1) the sale, lease, conveyance or other disposition of any assets or rights; and

(2) the issuance of Equity Interests in any of Wind’s Restricted Subsidiaries or the sale of Equity Interests in any of its Subsidiaries,

*provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of Wind and its Restricted Subsidiaries taken as a whole will be governed by the provisions of Section 4.15 and/or Section 5.01 and not by the provisions of Section 4.10.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

- (1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than €25.0 million;
- (2) a transfer of assets between or among Wind and its Restricted Subsidiaries;
- (3) an issuance, sale or other disposition of Equity Interests by a Restricted Subsidiary of Wind to Wind or to a Restricted Subsidiary of Wind;
- (4) the sale, lease, conveyance or other dispositions of products, services, equipment, inventory or accounts receivable in the ordinary course of business and any sale or other disposition of damaged, worn-out, surplus or obsolete assets in the ordinary course of business;
- (5) the sale or other disposition of cash or Cash Equivalents;
- (6) a Restricted Payment that does not violate Section 4.07 or a Permitted Investment (including any amendment, modification or supplement, including any waiver, set off or discharge (including by way of exchange, sale or substitution), by Wind or any Restricted Subsidiary of any arrangement connected to the Wind Telecom Loan provided that no actual transfer of cash may be made by Wind or any Restricted Subsidiary as part of such arrangement);
- (7) the foreclosure, condemnation or similar action with respect to property or other assets, including the sale or disposition of any assets or property received as a result of a foreclosure by Wind or any of its Restricted Subsidiaries on any secured Investment or any other transfer of title with respect to any secured Investment in default;
- (8) the disposition or abandonment of intellectual property of Wind or any Restricted Subsidiary, in each case, that is no longer economically practicable to maintain or is no longer used or useful in the ordinary course of the business of Wind or any Restricted Subsidiary;
- (9) the grant of licenses to intellectual property rights to third parties (other than Affiliates of Wind or any of its Restricted Subsidiaries) on an arm's length basis in the ordinary course of business;
- (10) dispositions constituting Liens permitted to be incurred under this Indenture (but not, for the avoidance of doubt, a foreclosure on, a Lien);
- (11) the issuance or sale of securities constituting Preferred Stock that is issued by a Subsidiary in a transaction permitted by Section 4.09;
- (12) the disposition of assets to a Person who is providing services (the provision of which have been or are to be outsourced by the Issuer, Wind or any Restricted Subsidiary of Wind to such Person) related to such assets;
- (13) the lease, assignment or sublease of any real or personal property in the ordinary course of business; and
- (14) sales or dispositions of receivables in connection with any Qualified Receivables Financing.

“*Bankruptcy Law*” means (a) Title 11 of the U.S. Code or (b) any other law of the United States (or any political subdivision thereof), Italy (or any political subdivision thereof), Luxembourg (or any political subdivision thereof) or the laws of any other jurisdiction or any political subdivision thereof relating to bankruptcy, insolvency, winding up, liquidation, reorganization or relief of debtors (including, without limitation, in relation to Luxembourg and any corporate entity incorporated under the laws of Luxembourg, bankruptcy (*faillite*), its judicial liquidation (*liquidation judiciaire*), composition with creditors (*concordat préventif de faillite*), reprieve from payment (*sursis de paiement*) or controlled management (*gestion contrôlée*).

“*Beneficial Owner*” has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular “person” (as that term is used in Section 13(d)(3) of the Exchange Act), such “person” will be deemed to have beneficial ownership of all securities that such “person” has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms “Beneficially Owns” and “Beneficially Owned” have a corresponding meaning.

“*Board of Directors*” means:

(1) with respect to a corporation, the board of directors (or analogous governing body) of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the Board of Directors of the general partner of the partnership;

(3) with respect to a limited liability company, the managing member or members (or analogous governing body) or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board of directors (or analogous governing body) or committee of such Person serving a similar function.

“*Book Entry Interest*” means one or more Euro Book Entry Interests and Dollar Book Entry Interests.

“*Bund Rate*” means, with respect to any relevant date, the rate per annum equal to the equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

(1) “*Comparable German Bund Issue*” means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to April 23, 2017, and that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of Euro denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to April 23, 2017; *provided, however*, that, if the period from such redemption date to April 23, 2017, is less than one year, a fixed maturity of one year shall be used;

(2) “*Comparable German Bund Price*” means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Parent obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(3) “*Reference German Bund Dealer*” means any dealer of German Bundesanleihe securities appointed by the Parent in consultation with the Trustee; and

(4) “*Reference German Bund Dealer Quotations*” means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Parent of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Parent by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany, time on the third business day in Frankfurt preceding the relevant date.

“*Business Day*” means a day (other than Saturday or Sunday) on which banks and financial institutions are open in New York and London.

“*Capital Lease Obligation*” means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with IFRS, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

“*Capital Markets Debt*” means any Indebtedness that is not Non-Public Debt.

“*Capital Stock*” means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

“*Cash Distribution*” means a cash distribution or dividend out of distributable reserves, including the share premium reserve, or loan to the Parent to effect the transactions as set forth in the Offering Memorandum under the caption “*Use of Proceeds*” plus an aggregate amount equal to (without double counting) associated transaction costs, fees (including consent fees), expenses, stamp duty or other similar taxes, call premium, accrued but unpaid interest (including payment of accrued and unpaid interest through July 15, 2014 and the pre-payment premium thereon to the extent not otherwise included thereon).

“*Cash Equivalents*” means:

(1) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the Pre-Expansion European Union (including any agency or instrumentality thereof) or of the United States of America (including any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the Pre-Expansion European Union or the United States of America, as the case may be, and which are not callable or redeemable at the issuer’s option;

(2) overnight bank deposits, time deposit accounts, certificates of deposit, banker's acceptances and money market deposits with maturities (and similar instruments) of 12 months or less from the date of acquisition issued by a bank or trust company which is organized under, or authorized to operate as a bank or trust company under, the laws of a member state of the Pre-Expansion European Union or of the United States of America or any state thereof; *provided* that such bank or trust company has capital, surplus and undivided profits aggregating in excess of €250 million (or the foreign currency equivalent thereof as of the date of such investment) and whose long-term debt is rated "A-3" or higher by Moody's or "A-" or higher by S&P or the equivalent rating category of another internationally recognized rating agency;

(3) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (1) and (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above;

(4) commercial paper having at the time of acquisition one of the two highest ratings obtainable from Moody's or S&P or the equivalent rating category of another internationally recognized rating agency and, in each case, maturing within one year after the date of acquisition;

(5) securities maturing not more than one year after the date of acquisition issued by, or unconditionally guaranteed by, the government of any state, commonwealth or territory (including any agency or instrumentality thereof) of any member state of the Pre-Expansion European Union or of the United States of America, the payment of which is backed by the full faith and credit of the relevant state, commonwealth or territory and which is rated "P-2" (or, if such ratings categories are changed, the substantially equivalent ratings) or higher by to Moody's or "A-1" (or, if such ratings categories are changed, the substantially equivalent ratings) or higher by to S&P's or the equivalent rating category of another internationally recognized rating agency; and

(6) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (5) of this definition.

"*Change of Control*" means the occurrence of any of the following:

(1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of Wind and its Subsidiaries taken as a whole to any "person" (as that term is used in Section 13(d) of the Exchange Act) other than a Permitted Holder and/or a Related Party of a Principal;

(2) the adoption of a plan for the liquidation or dissolution of the Issuer or Wind;

(3) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" (as that term is used in Section 13(d) of the Exchange Act), other than a Permitted Holder and/or any of its Related Parties, becomes the Beneficial Owner, directly or indirectly of more than 50% of the Voting Stock of Wind, measured by voting power rather than number of shares;

(4) if at any time (a) the Issuer shall not constitute a direct Restricted Subsidiary of Wind or (b) Wind shall fail to directly own all of the Capital Stock of the Issuer directly owned by Wind on the Issue Date or acquired by Wind after the Issue Date other than in a transaction that complies with Section 5.01; or



(5) after an initial public offering of Wind or any Parent Holdco of Wind, the first day on which a majority of the members of the Board of Directors of Wind are not Continuing Directors.

provided that, in the case of the preceding clauses (1), (3) and (5), a Change of Control shall not be deemed to have occurred if such Change of Control is a Specified Change of Control Event.

“*Clearstream*” means Clearstream Banking, *société anonyme*.

“*Collateral*” means any and all assets from time to time in which a security interest has been or will be granted on the Issue Date or thereafter pursuant to any Security Document to secure the Obligations under this Indenture, the Notes and/or any Note Guarantee.

“*Commission*” means the U.S. Securities and Exchange Commission.

“*Common Depositary*” means The Bank of New York Mellon, London Branch.

“*Company Share Pledge Agreement*” means each of the following agreements pursuant to which the Parent pledged the Capital Stock of Wind (1) the share pledge dated August 11, 2005, (2) the deed of amendment dated September 29, 2005, (3) the share pledge dated February 8, 2006, (4) the deed of acknowledgement dated December 21, 2006, and, certain other deeds of acknowledgements executed prior to the Issue Date (5) the supplemental deed dated November 26, 2010, (6) the deed of confirmation and extension dated April 13, 2012, (7) the supplemental deed dated April 29, 2013, (8) the supplemental deed dated April 30, 2013, (9) the supplemental deed dated on or around the Issue Date and (10) any other agreement governing the a Lien on the Capital Stock of Wind on or after the Issue Date.

“*Consolidated Cash Flow*” means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period *plus*, without duplication:

(1) an amount equal to any extraordinary loss plus any net loss realized by such Person or any of its Restricted Subsidiaries in connection with an Asset Sale, to the extent such losses were deducted in computing such Consolidated Net Income; *plus*

(2) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; *plus*

(3) the Fixed Charges of such Person and its Restricted Subsidiaries for such period, to the extent that such Fixed Charges were deducted in computing such Consolidated Net Income, and Receivables Fees; *plus*

(4) depreciation, amortization (including amortization of intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash expenses (excluding any such non-cash expense to the extent that it (a) represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period or (b) is an Identified Non-Cash Expense) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash expenses (including any Identified Non-Cash Expenses) were deducted in computing such Consolidated Net Income; *plus*

(5) the cumulative effect of a change in accounting principles; *plus*

- (6) any non-cash compensation charge arising from any grant of stock, stock options or other equity based awards; *plus*
- (7) all deferred financing costs written off and premiums paid in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness; *plus*
- (8) any goodwill or other intangible asset impairment charge; *minus*
- (9) non-cash items increasing such Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with IFRS.

Notwithstanding the preceding, the provision for taxes based on the income or profits of, and the depreciation and amortization and other non-cash expenses (including any Identified Non-Cash Expenses) of, such specified Person or any Restricted Subsidiary of such specified Person will be added to Consolidated Net Income to compute Consolidated Cash Flow of any such Person only to the extent (and in the same proportion) that the Net Income of such Restricted Subsidiary was included in the calculation of Consolidated Net Income.

“*Consolidated Leverage*” means, with respect to any Person as of any date of determination, the sum without duplication of (1) the total amount of Indebtedness of such Person and its Restricted Subsidiaries on a consolidated basis, *plus* (2) an amount equal to the greater of the liquidation preference or the maximum fixed redemption or repurchase price of all Disqualified Stock of such Person and all Preferred Stock of Restricted Subsidiaries of such Person (but not giving effect to any additional Indebtedness to be incurred on the date of determination as part of the same transaction or series of transactions pursuant to Section 4.09(b) other than any such additional Indebtedness incurred under clause (xiv) of Section 4.09(b), for purposes of calculating the Consolidated Leverage Ratio pursuant to either (a) the definition of a Specified Change of Control Event, or (b) clause (xv) of Section 4.07(b), the incurrence of which is itself subject to the Consolidated Leverage Ratio); *provided* that, solely for purposes of calculating the Consolidated Leverage Ratio for purposes of (a) clause (xiv) of the definition of Permitted Debt or (b) the definition of Specified Change of Control Event, the Consolidated Leverage shall be calculated by deducting from the Consolidated Leverage the amount of cash and cash equivalents (other than cash or cash equivalents received upon the incurrence of Indebtedness by such Person or any of its Restricted Subsidiaries and not immediately or subsequently applied or used for any purpose not prohibited by this Indenture) that would be stated on the balance sheet of such Person and its Restricted Subsidiaries as of such date in accordance with IFRS; *provided further*, in all cases, to the extent any amount is irrevocably held by a note trustee or escrow agent for application by it against any Indebtedness on a designated repayment date then, to the extent such amount does not constitute cash, for the purposes of this definition only, such amount shall be treated as cash and Cash Equivalents.

“*Consolidated Leverage Ratio*” means, with respect to any specified Person as of any date of determination, the ratio of (a) the Consolidated Leverage of such Person on such date to (b) the Consolidated Cash Flow of such Person for the four most recent full fiscal quarters ending immediately prior to such date for which financial statements are available; *provided, however*, that for purposes of calculating the Consolidated Cash Flow for such period:

- (1) acquisitions of any Person, business or group of assets that constitutes an operating unit or division of a business that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers, consolidations, amalgamations or otherwise, or by any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Restricted Subsidiaries, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries (including Persons who

become Restricted Subsidiaries as a result of such increase), during the four quarter reference period or subsequent to such reference period and on or prior to the date on which the event for which the calculation of the Consolidated Leverage Ratio is made (the “*Calculation Date*”) (including transactions giving rise to the need to calculate such Consolidated Leverage Ratio) will be given *pro forma* effect as if they had occurred on the first day of the four quarter reference period;

(2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of on or prior to the Calculation Date (including transactions giving rise to the need to calculate such Consolidated Leverage Ratio), will be excluded;

(3) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four quarter period; and

(4) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four quarter period.

For purposes of this definition, whenever *pro forma* effect is to be given to an Asset Sale, Investment or acquisition, the amount of income or earnings relating thereto or the amount of Consolidated Cash Flow associated therewith, the *pro forma* calculation (which may include anticipated expense and cost reduction synergies) shall be determined in good faith by a responsible financial or accounting Officer of Wind. In determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect will be given to any incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge or Indebtedness on such date.

“*Consolidated Net Income*” means, with respect to any specified Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with IFRS; *provided* that:

(1) the Net Income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary of the Person;

(2) solely for the purpose of determining the amount available for Restricted Payments under Section 4.07(a)(iii)(A), the Net Income of any Restricted Subsidiary will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its shareholders; *provided, however*, that the Net Income of any Restricted Subsidiary of the specified Person subject to any such restriction shall not be excluded to the extent such restriction is permitted pursuant to Section 4.08(b)(i), (ii), (iii), (iv), (viii) or (ix) or such restriction has been waived or otherwise released, *provided further*, that the specified Person’s equity in the Net Income of any such Restricted Subsidiary for such period will be included in the calculation of Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the specified Person or another Restricted Subsidiary of the specified Person as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary of the specified Person, to the limitation contained in this clause);

(3) the cumulative effect of a change in accounting principles will be excluded;

(4) any capitalized interest on Subordinated Shareholder Debt of Wind will be excluded;

(5) the impact of any Refinancing Transactions and the costs related thereto (including, but not limited to fees (legal, accounting, agency or otherwise), consent fees, issue discount and hedging costs) incurred in connection with the Refinancing Transactions (but, for the avoidance of doubt, excluding the nominal interest accrued or paid on the principal amount of Indebtedness raised in such Refinancing Transactions and the Credit Agreement) will be excluded; and

(6) notwithstanding clause (1) above, the Net Income of any Unrestricted Subsidiary will be excluded, whether or not distributed to the specified Person or one of its Subsidiaries.

“*Consolidated Senior Secured Net Leverage*” means, with respect to any Person as of any date of determination, (1) the sum without duplication of the total amount of Senior Secured Debt of such Person and its Restricted Subsidiaries on a consolidated basis, less (2) the amount of cash and cash equivalents (other than cash or cash equivalents received upon the incurrence of Indebtedness by such Person or any of its Restricted Subsidiaries and not immediately or subsequently applied or used for any purpose not prohibited by this Indenture) that would be stated on the balance sheet of such Person and its Restricted Subsidiaries as of such date in accordance with IFRS; provided that, in all cases, to the extent any amount is irrevocably held by a note trustee or escrow agent for application by it against any Indebtedness on a designated repayment date then, to the extent such amount does not constitute cash, for the purposes of this definition only, such amount shall be treated as cash and Cash Equivalents.

“*Consolidated Senior Secured Leverage Ratio*” means, with respect to any specified Person as of any date of determination, the ratio of (a) the Consolidated Senior Secured Net Leverage of such Person on such date to (b) the Consolidated Cash Flow of such Person for the four most recent full fiscal quarters ending immediately prior to such date for which financial statements are available; provided, however, that for purposes of calculating the Consolidated Cash Flow for such period:

(1) acquisitions of any Person, business or group of assets that constitutes an operating unit or division of a business that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers, consolidations, amalgamations or otherwise, or by any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Restricted Subsidiaries, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries (including Persons who become Restricted Subsidiaries as a result of such increase), during the four quarter reference period or subsequent to such reference period and on or prior to the date on which the event for which the calculation of the Consolidated Senior Secured Leverage Ratio is made (the “*Calculation Date*”) (including transactions giving rise to the need to calculate such Consolidated Leverage Ratio) will be given *pro forma* effect as if they had occurred on the first day of the four quarter reference period;

(2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of on or prior to the Calculation Date (including transactions giving rise to the need to calculate such Consolidated Senior Secured Leverage Ratio), will be excluded;

(3) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four quarter period; and

(4) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four quarter period.

For purposes of this definition, whenever *pro forma* effect is to be given to an Asset Sale, Investment or acquisition, the amount of income or earnings relating thereto or the amount of Consolidated Cash Flow associated therewith, the *pro forma* calculation (which may include anticipated expense and cost reduction synergies) shall be determined in good faith by a responsible financial or accounting Officer of Wind. In determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect will be given to any incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge or Indebtedness on such date.

“*Consolidated Total Assets*” means the consolidated total assets of Wind and its Restricted Subsidiaries as shown on the consolidated balance sheet of Wind prepared in accordance with, and as provided for by, IFRS.

“*Continuing Directors*” means, as of any date of determination, any member of the Board of Directors of Wind who:

(1) was a member of such Board of Directors on the date of this Indenture; or

(2) was nominated for election, elected or appointed to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election or appointment, or was designated or appointed by a Permitted Holder and/or any Related Parties.

“*Corporate Reorganization Transactions*” shall have the meaning assigned to such term in the Offering Memorandum under the caption “*Currency Presentation and Definitions*” which for the avoidance of doubt includes the Issuer Expansion Activities and the Issuer Distribution.

“*Credit Agreement*” means that certain agreement, dated November 26, 2010 and as amended and/or restated from time to time, relating to credit facilities of €3,930,000,000 for Wind arranged by the financial institutions named therein with The Royal Bank of Scotland PLC, Milan Branch as facility agent and security agent, including any related notes, bonds, debentures, guarantees, collateral documents, instruments, indenture, trust deed and agreements executed in connection therewith, and, in each case, as amended, restated, modified, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced in whole or in part from time to time without limitation as to amount outstanding or committed, the identity of the lenders or investors, or the maturity, terms, conditions, covenants or other provisions thereof in accordance with Section 4.09.

“*Credit Agreement Agent*” means the Facility Agent, as defined in the Credit Agreement.

“*Credit Agreement Business Day*” shall have the meaning assigned to the term “Business Day” in the Credit Agreement.

“*Credit Facilities*” means one or more debt facilities (including, without limitation, debt facilities made available under, or in accordance with, the Credit Agreement) or commercial paper facilities or indentures or trust deeds or note purchase agreements, in each case, with banks or other institutional lenders or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to other entities formed to borrow from such lenders against such receivables) letters of credit, bonds, notes, debentures or other corporate debt instruments, in each case, as amended, extended, restated, modified, supplemented, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time by one or more credit agreements or debt facilities (and whether or not with the parties to the Credit Agreement) without limitation as to amount outstanding or committed, the identity of the lenders or investors, or the maturity, terms, conditions, covenants or other provisions thereof.

“*Currency Exchange Protection Agreement*” means, in respect of any Person, any foreign exchange contract, currency swap agreement, currency option, cap, floor, ceiling or collar or agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates as to which such Person is a party.

“*Custodian*” means, with respect to the Dollar Global Notes, The Bank of New York Mellon, New York Branch, and any and all successors thereto appointed as Custodian hereunder and having become such pursuant to the applicable provision of this Indenture.

“*Default*” means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

“*Definitive Registered Note*” means a certificated Note registered in the name of the Holder thereof and issued in accordance with Sections 2.06, 2.07 and 2.09, substantially in the form of **Exhibit A** hereto and bearing the Private Placement Legend, except that such Note shall not bear the Global Note Legend and shall not have the “Schedule of Exchanges of Interests in the Global Note” attached thereto.

“*Designated Non-Cash Consideration*” means the Fair Market Value of non-cash consideration received by Wind or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as “Designated Non-Cash Consideration” pursuant to an Officer’s Certificate, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of such Designated Non-Cash Consideration.

“*Depository*” means, with respect to the Notes issuable or issued in whole or in part in global form, DTC, in respect of the Dollar Notes, or Euroclear and Clearstream, in respect of the Euro Notes, in each case, including any and all successors thereto appointed as Depository hereunder and having become such pursuant to the applicable provision(s) of this Indenture.

“*Designated Senior Debt*” means (1) any Indebtedness outstanding under the Credit Agreement; and (2) any other Indebtedness permitted under this Indenture, the aggregate principal amount of which is €100.0 million or more (including the amount of all undrawn commitments and matured and contingent reimbursement obligations), in each case, that is designated by Wind in an Officer’s Certificate delivered to the Trustee as “*Designated Senior Debt*” for purposes of this Indenture.

“*Direction and Coordination*” and the expression “*Direct and Coordinate*” shall have the meaning given to the expression “*direzione e coordinamento*” under and for the purpose of Article 2497 *et seq.* of the Italian Civil Code, it being understood, however, that the possible triggering of a *prima facie* presumption under Article 2497 *sexies* as a consequence of the consolidation of the Issuer’s accounts and Wind’s accounts shall in no event constitute “*Direction and Coordination*” for the purposes indicated herein.

“*Director*” means a member of the Board of Directors.

“*Disqualified Stock*” means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require Wind to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that Wind may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or

redemption complies with Section 4.07. The amount of Disqualified Stock deemed to be outstanding at any time for purposes of this Indenture will be the maximum amount that Wind and its Restricted Subsidiaries may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock, exclusive of accrued dividends.

“*dollar*” or “\$” means the lawful currency of the United States of America.

“*Dollar Book-Entry Interest*” means a beneficial interest in a Dollar Global Note held by or through a Participant.

“*Dollar Definitive Registered Note*” means a Definitive Registered Note in respect of the Dollar Notes bearing the Private Placement Legend in a minimum principal amount at maturity of \$200,000 and integral multiples of \$1,000 above \$200,000.

“*Dollar Global Note*” means the 144A Dollar Global Notes and the Regulation S Dollar Global Notes.

“*Dollar Notes*” means the Dollar Global Notes and the Dollar Definitive Registered Notes.

“*DTC*” means The Depository Trust Company, a limited-purpose trust company under New York law.

“*Eligible Acquiror*” means:

- (1) any company or corporation:
  - (a) the shares of which are listed upon any “Recognised Investment Exchange” (as defined by the UK Financial Services and Markets Act 2000, as amended or supplemented from time to time), any “Recognised Overseas Investment Exchange” (as defined by the UK Financial Services and Markets Act 2000, as amended or supplemented from time to time) or any “Designated Investment Exchange” (as designated as such by the UK Financial Conduct Authority, or any successor thereto); and
  - (b) which has a Market Capitalization that is equal to or greater than VimpelCom Limited’s Market Capitalization; and
  - (c) which holds (or a Subsidiary of which holds) any licence to provide mobile telephony services in (i) a member state of the European Union, (ii) Canada, (iii) Switzerland and/or (iv) the United States of America; and/or
- (2) any one or more Subsidiaries of a person falling within the preceding clause (1).

“*Equity Interests*” means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

“*euro*” or “€” means the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union.

“*Euro Book-Entry Interest*” means a beneficial interest in a Euro Global Note held by or through a Participant.

“*Euro Definitive Registered Note*” means a Definitive Registered Note in respect of the Euro Notes bearing the Private Placement Legend in a principal amount of €100,000 and integral multiples of €1,000 above €100,000.

“*Euro Equivalent*” means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in the *Financial Times* in the “Currency Rates” section (or, if the *Financial Times* is no longer published, or if such information is no longer available in the *Financial Times*, such source as may be selected in good faith by Wind) on the date of such determination. Except as expressly provided otherwise, whenever it is necessary to determine whether Wind or any of its Restricted Subsidiaries have complied with any covenant or other provision in this Indenture or if there has occurred an Event of Default and an amount is expressed in a currency other than euro, such amount will be treated as the Euro Equivalent determined as of the date such amount is initially determined in such non-euro currency.

“*Euro Global Note*” means the 144A Euro Global Notes and the Regulation S Euro Global Notes, collectively.

“*Euro MTF Market*” means the Euro MTF Market, the alternative market of the Luxembourg Stock Exchange.

“*Euro Notes*” means the Euro Global Notes and the Euro Definitive Registered Notes, collectively.

“*Euro-zone*” means the region composed of member states of the European Union that at the relevant time have adopted the euro.

“*Euroclear*” means Euroclear Bank, S.A./N.V. as operator of the Euroclear system.

“*European Union*” means the European Union, including any country which is as of the Issue Date, or becomes after the Issue Date, a member of the European Union.

“*Excess Proceeds*” means any Net Proceeds from an Asset Sale that are not applied or invested as provided, and within the time period set forth, in Section 4.10(b).

“*Excluded Contribution*” means net cash proceeds received by Wind as capital contributions to Wind after the Issue Date (other than any such cash proceeds, property or assets that are Excluded Amounts) or from the issuance or sale (other than to a Subsidiary) of Capital Stock (other than Disqualified Stock) of Wind or a share capital increase or the incurrence by Wind of Subordinated Shareholder Debt, in each case, to the extent designated as an Excluded Contribution on the date on which such Excluded Contribution was received pursuant to an Officer’s Certificate of Wind.

“*Existing Indebtedness*” means Indebtedness of Wind and its Subsidiaries (other than Indebtedness under the Credit Agreement) in existence on the date of this Indenture, until such amounts are repaid, including, without limitation, Indebtedness under the Notes, the 2010 Indenture and the 2013 Indenture.

“*Fair Market Value*” means the value that would be paid by a willing buyer to an unaffiliated willing seller in an arm’s length transaction not involving distress or necessity of either party, determined in good faith by the Board of Directors of Wind (unless otherwise provided in this Indenture).



“*Finance Company*” means the Issuer and any corporation, association or business entity, one of the purposes of which, among other things, is for borrowing funds or issuing securities and lending the proceeds to Wind.

“*Fitch*” means Fitch Ratings.

“*Fixed Charges*” means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers’ acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations in respect of interest rates; *plus*

(2) the consolidated interest expense (but excluding such interest on Subordinated Shareholder Debt) of such Person and its Restricted Subsidiaries that was capitalized during such period; *plus*

(3) any interest on Indebtedness of another Person that is guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries, whether or not such guarantee or Lien is called upon; *plus*

(4) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of Preferred Stock of such Person or any of its Restricted Subsidiaries, other than dividends on Equity Interests payable in Equity Interests of such Person (other than Disqualified Stock) or to such Person or a Restricted Subsidiary of such Person, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, federal, state, regulatory and local (as applicable) statutory tax rate of such Person, expressed as a decimal, in each case, determined on a consolidated basis in accordance with IFRS.

Notwithstanding any of the foregoing, Fixed Charges shall not include (i) any interest accrued, capitalized or paid in respect of Subordinated Shareholder Debt, (ii) any commissions, discounts, yield and other fees and charges related to Qualified Receivables Financing and (iii) any payments on any operating leases, including without limitation any payments on any lease, concession or license of property (or guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date.

“*Global Note Legend*” means the legend set forth in Section 2.06(f)(ii), which is required to be placed on all Global Notes issued under this Indenture.

“*Global Notes*” means, individually and collectively, each of the Global Notes, substantially in the form of **Exhibit A** hereto, bearing the Private Placement Legend and the Global Note Legend, issued in accordance with Sections 2.01, 2.06(b), 2.06(d) or 2.06 (e).

“*Government Securities*” means securities that are:

(1) issued or directly and fully and unconditionally guaranteed or insured by the United States government, or any agency or instrumentality thereof, the securities of which are unconditionally guaranteed as a full faith and credit obligation of such government; or

(2) issued or directly and fully and unconditionally guaranteed or insured by a member state of the European Union, or any agency or instrumentality thereof, the securities of which are unconditionally guaranteed as a full faith audit obligation of such government;

which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the U.S. Securities Act), as custodian with respect to any such Government Securities or a specific payment of principal of or interest on any such Government Securities held by such custodian for the account of the holder of such depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Securities or the specific payment of principal of or interest on the Government Securities evidenced by such depository receipt.

“*guarantee*” means a guarantee other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

“*Guarantor*” means each of (1) Wind and (2) any other Person that executes a Note Guarantee in accordance with the provisions of this Indenture and the Priority Agreement.

“*Hedging Obligations*” means, with respect to any specified Person, the obligations of such Person under:

- (1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;
- (2) other agreements or arrangements intended to manage interest rates or interest rate risk;
- (3) other agreements or arrangements intended to protect such Person against fluctuations in currency exchange rates or commodity prices; and
- (4) other agreements or arrangements intended to protect such Person against operating exposures (including but not limited to hedging in respect of energy prices and inflation risk).

“*Holder*” means a Person in whose name a Note is registered in the Register.

“*Identified Non-Cash Expense*” means, with respect to any specified Person for any period, allowances for doubtful accounts expense, provisions for charges related to Universal Service Contributions, other recurring operating accruals and any other similar expenses or charges.

“*IFRS*” means International Financial Reporting Standards promulgated from time to time by the International Accounting Standards Board (or any successor board or agency) and as adopted by the European Union and in effect on the Issue Date, or, with respect to Section 4.03 as in effect from time to time.

“*Indebtedness*” means, with respect to any specified Person, any indebtedness of such Person (excluding (a) accrued expenses and trade payables and (b) Subordinated Shareholder Debt), whether or not contingent:

- (1) in respect of borrowed money;

- (2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);
- (3) in respect of banker's acceptances;
- (4) representing Capital Lease Obligations;
- (5) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed;
- (6) representing any Hedging Obligations; or
- (7) representing the maximum fixed purchase price of Disqualified Stock,

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet (excluding the footnotes thereto) of the specified Person prepared in accordance with IFRS. In addition, the term "Indebtedness" includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the guarantee by the specified Person of any Indebtedness of any other Person.

"*Indenture*" means this indenture, as it may be amended, modified or supplemented from time to time.

"*Indirect Participant*" means a Person who holds a Book-Entry Interest in a Global Note through a Participant.

"*Initial Dollar Notes*" means the first \$2,800,000,000 aggregate principal amount of Dollar Notes issued under this Indenture on the date hereof.

"*Initial Euro Notes*" means the first €1,750,000,000 aggregate principal amount of Euro Notes issued under this Indenture on the date hereof.

"*Initial Notes*" means the Initial Dollar Notes and the Initial Euro Notes.

"*Initial Intercompany Loan*" means the loan from the Issuer to Wind on the Issue Date pursuant to the Intercompany Loan Agreement.

"*Intercompany Loans*" means (1) the Initial Intercompany Loan and (2) any other loan from the Issuer to Wind of the proceeds from the issuance of Indebtedness permitted by this Indenture pursuant to a loan agreement with such terms and conditions that do not violate this Indenture or the Priority Agreement.

"*Intercompany Loan Agreement*" means that certain loan agreement, dated as of the Issue Date, by and between the Issuer and Wind pursuant to which the Initial Intercompany Loan was made, as the same may be amended from time to time in accordance with the terms of this Indenture.

"*Intercompany Loan Assignment Agreements*" means the security assignments relating to the assignment of the rights under the Intercompany Loans, the 2010 Intercompany Loans and/or the 2013 Intercompany Loan.

"*Interest Period*" means the period commencing on and including an interest payment date and ending on and including the day immediately preceding the next succeeding interest payment date, with the exception that the first Interest Period shall commence on and include the Issue Date and end on and exclude October 23, 2014.

“*Investments*” means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including guarantees or other obligations), advances or capital contributions (excluding commission, travel, payroll and similar advances to directors, officers, employees, consultants and agents made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS. If Wind or any Subsidiary of Wind sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of Wind such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of Wind, Wind will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of Wind’s Investments in such Subsidiary that were not sold or disposed of in an amount determined as provided in Section 4.07(c). The acquisition by Wind or any Subsidiary of Wind of a Person that holds an Investment in a third Person will be deemed to be an Investment by Wind or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in Section 4.07(c). Except as otherwise provided in this Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value.

“*Issue Date*” means the first date on which any Notes are issued.

“*Issuer*” means Wind Acquisition Finance S.A. until a successor replaces it in accordance with the provisions of this Indenture, after which, “*Issuer*” shall mean such successor.

“*Issuer Distribution*” means the payment of dividends or the making of distributions by the Issuer to Wind from time to time.

“*Issuer Expansion Activities*” means the expansion of the scope of business activities of the Issuer, among other things, (i) to provide certain services to Wind and/or other members of the Wind Telecom Group on terms no less favorable than those that could reasonably have been obtained in a comparable arms’ length arrangement between the Issuer and an unaffiliated party; (ii) to incur Hedging Obligations; (iii) to make investments of the kind set out in the definition of “*Permitted Investments*”; (iv) to incur (or allowing another finance company to incur) Indebtedness in compliance with this Indenture; (v) to guarantee (or allowing another finance company to guarantee) other Indebtedness of Wind and its Restricted Subsidiaries that is otherwise permitted to be incurred under this Indenture; and (vi) allow the payment by Wind to the Issuer of a guarantee fee in exchange for the incurrence by the Issuer of any Issuer guarantee permitted by (v) above and allow the payment by the Issuer of a guarantee fee to Wind for any guarantees of its Indebtedness.

“*Italian Civil Code*” means the Italian *Codice Civile* as approved by Italian Royal Decree No. 262 of March 16, 1942, as amended from time to time.

“*Lien*” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing or similar statement under the laws of any jurisdiction; *provided* that, for the avoidance of doubt, in no event will an operating lease constitute a lien.

“*listed*” means, in relation to the Euro MTF Market, the admission to trading of the Notes and the listing of the Notes on the Official List of the Luxembourg Stock Exchange, and “*listing*” shall be construed accordingly.

“*Luxembourg*” means the Grand Duchy of Luxembourg.

“*Market Capitalization*” means:

- (1) with respect to an Eligible Acquiror, the average of the daily closing share price of such company for the 10 day period prior to the announcement of the sale or merger transaction *multiplied* by the number of issued shares and, where necessary, converted into euro on the date of announcement of the sale or merger transaction;
- (2) with respect to VimpelCom Limited, the average of the daily closing share price of such company for the 10 day period prior to March 19, 2014 *multiplied* by the number of issued shares and, where necessary, converted into euro on the date of discharge of the PIK Notes in accordance with the indenture governing the PIK Notes.

For the purposes of the foregoing clauses (1) and (2) of this definition, where necessary, the amount should be determined (a) for so long as the Credit Agreement remains outstanding, by using the Credit Agreement Agent’s spot rate of exchange or (b) if the Credit Agreement is not outstanding, pursuant to the definition of Euro Equivalent set forth in this Indenture.

“*Moody’s*” means Moody’s Investors Service, Inc.

“*Net Income*” means, with respect to any specified Person, the net income (loss) of such Person, determined in accordance with IFRS and before any reduction in respect of Preferred Stock dividends, excluding, however:

- (1) any gain or loss, together with any related provision for taxes on such gain or loss, realized in connection with: (a) any Asset Sale; or (b) the disposition of any securities by such Person or any of its Restricted Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Restricted Subsidiaries; and
- (2) any extraordinary gain or loss, together with any related provision for taxes on such extraordinary gain or loss.

“*Net Proceeds*” means the aggregate cash proceeds received by Wind or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of the costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements, and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with IFRS.

“*Non-Public Debt*” means:

- (1) Indebtedness represented by promissory notes or similar evidence of Indebtedness under bank loans or similar financing agreements, including private placements to insurance companies and mezzanine lenders; and
- (2) any other Indebtedness; *provided* that it (a) is not listed, quoted or tradeable on any exchange or market, including any market for securities eligible for resale pursuant to Rule 144A under the U.S. Securities Act, (b) does not clear or settle through the facilities of the Euroclear, Clearstream, DTC or any similar facilities, (c) is not issued or sold by means of any prospectus, offering memorandum (but not an information memorandum of the type used in a bank syndication) or similar document typically used in connection with road show presentations, (d) is not marketed in an underwritten securities offering and (e) if placed with or through an agent, the agent does not place it with its high yield bond accounts.

“*Non-Recourse Debt*” means Indebtedness:

(1) as to which neither Wind nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender;

(2) no default with respect to which (including any rights that the holders of the Indebtedness may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness of Wind or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment of the Indebtedness to be accelerated or payable prior to its Stated Maturity; and

(3) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of Wind or any of its Restricted Subsidiaries.

“*Note Guarantee*” means the guarantee by each Guarantor of the Issuer’s obligations under this Indenture and the Notes, executed pursuant to the provisions of this Indenture.

“*Notes*” has the meaning assigned to it in the preamble to this Indenture. The Initial Notes and the Additional Notes shall be treated as a single class for all purposes under this Indenture (except as otherwise provided in this Indenture), and unless the context otherwise requires, all references to the Notes shall include the Initial Notes and any Additional Notes.

“*Non-U.S. Person*” means a Person who is not a U.S. Person.

“*Obligations*” means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities or amounts payable under the documentation governing any Indebtedness.

“*Offering Memorandum*” means the final Offering Memorandum, dated April 8, 2014, relating to the initial offer of the Notes.

“*Officer*” means the Chairman of the Board, any Managing Director, the President, any Vice President, the Treasurer or the Secretary of a Person or any equivalent position.

“*Officer’s Certificate*” means a certificate signed by an Officer.

“*Opinion of Counsel*” means an opinion in writing from and signed by legal counsel who is reasonably acceptable to the Trustee, that meets the requirements of Section 14.04. The counsel may be an employee of or counsel to the Issuer, Wind, any Restricted Subsidiary of Wind or the Trustee.

“*outstanding*” means, in relation to the Notes of any series as of any date of determination, all the Notes of such series issued other than:

(1) Notes of such series which have been redeemed pursuant to this Indenture;

(2) Notes of such series in respect of which the date for redemption in accordance with this Indenture has occurred and the redemption moneys including premium, if any, and all interest and Additional Amounts, if any, payable thereon have been duly paid to the Trustee or to the Principal Paying Agent in the manner provided herein (and where appropriate notice to that effect has been given to the relative Holders) and remain available for payment against presentation of the relevant Notes of such series;

- (3) Notes of such series which have been purchased and cancelled in accordance with Sections 3.09, 4.10 or 4.15;
- (4) mutilated or defaced Notes of such series which have been surrendered and cancelled and in respect of which replacements have been issued in accordance with Section 2.07;
- (5) (for the purpose only of ascertaining the principal amount of the Notes of any series outstanding and without prejudice to the status for any other purpose of the relevant Notes of such series) Notes of such series which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued; and
- (6) any Global Note of such series to the extent that it shall have been exchanged for another Global Note of such series or for Definitive Registered Notes of such series pursuant to its provisions;

*provided* that for each of the following purposes, namely:

- (1) the right to vote of any Holders in respect of any direction, waiver or consent delivered in accordance with the terms of this Indenture;
- (2) the determination of how many and which Notes of any series are for the time being outstanding for the purposes of Sections 6.01 through 6.06 (inclusive), 6.11, 7.08 and 9.02;
- (3) any discretion, power or authority (whether contained in this Indenture or vested by operation of law) which the Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the Holders or any of them; and
- (4) the determination by the Trustee whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to (or, as the case may be, adversely affects) the interests of the Holders or any of them,

Notes (if any) of any series which at such date of determination are held by or on behalf of the Issuer or any Affiliate of the Issuer shall be deemed not to remain outstanding, except that, in determining whether the Trustee will be protected in relying on any such request, demand, authorization, direction, notice, consent or waiver, only Notes of such series which a Responsible Officer of the Trustee actually knows to be so owned will be so disregarded.

“*Parent*” means Wind Acquisition Holdings Finance S.p.A., a *società per azioni* incorporated and existing under the laws of Italy and the direct parent entity of Wind and any successor (including any successor direct parent entity).

“*Parent Holdco*” means any Person (other than a natural person) which legally and beneficially owns more than 50% of the Voting Stock and/or Capital Stock of Wind, either directly or through one or more Subsidiaries.

“*Parent PIK Debt*” means the proceeds loans related to the proceeds of, and the guarantee by the Parent of, the PIK Notes issued by Wind Acquisition Holdings Finance S.A., issued under that certain Indenture dated as of December 15, 2009, the proceeds of which were lent to the Parent pursuant to an intercompany loan dated December 15, 2009.

“*Pari Passu Indebtedness*” means (1) any Indebtedness of the Issuer that is *pari passu* in right of payment to the Notes and (2) with respect to any Note Guarantee, Indebtedness which ranks *pari passu* in right of payment to such Note Guarantee.

“*Participant*” means, with respect to the Depository, Euroclear or Clearstream, a Person who has an account with the Depository, Euroclear or Clearstream, respectively (and, with respect to DTC, shall include Euroclear and Clearstream).

“*Permitted Business*” means (1) any business in which Wind or any of its Restricted Subsidiaries are engaged in on the Issue Date; (2) any business activity relating to the providing of telecommunications services; and (3) any other business that is a reasonable extension, development or expansion of, or ancillary or complementary to, any of the foregoing, in each case, to the extent such business activity is conducted in any member state of the European Union, Switzerland, Canada or the United States.

“*Permitted Collateral Liens*” means a Lien on any Collateral to secure, directly or indirectly, Indebtedness (including Additional Notes) of Wind or any of its Restricted Subsidiaries that is permitted to be incurred:

- (1) under Section 4.09(a) or clause (i), (ii), (iv) (to the extent, in the case of clause (4), such Permitted Refinancing Indebtedness is in exchange for or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge the Indebtedness secured with a Permitted Collateral Lien in compliance with this Indenture) or (xvi) of Section 4.09(b) (including any guarantee thereof permitted by the terms of the Indenture) and, in each case, such Indebtedness is permitted to be secured under clause (1) of the definition of Permitted Liens;
- (2) under Section 4.09(a) or clauses (iv) (to the extent, in the case of clause (iv), such Permitted Refinancing Indebtedness is an exchange for or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge Indebtedness secured with a Permitted Collateral Lien in compliance with the Indenture), (xvi) or (xviii) of Section 4.09(b) (including any guarantee thereof permitted by the terms of this Indenture);
- (3) under Hedging Obligations under clause (vii) of Section 4.09(b) to the extent such Hedging Obligations relate to Indebtedness referred to in the preceding clauses (1) and (2) or clause (4) below; or
- (4) Liens on the Collateral to secure the Notes (including any Additional Notes) and/or the related Note Guarantees.

*provided that:*

- (a) if such Indebtedness is Senior Debt, (i) such Lien ranks equal to all other Liens on the Collateral securing Senior Debt of Wind and its Restricted Subsidiaries (except that a Lien in favor of Senior Debt need not rank equally with Liens in favor of other Senior Debt if such Senior Debt does not rank equally with such other Senior Debt) by the Issuer and (ii) to the extent an Intercompany Loan has been funded, such Intercompany Loan will have been assigned in favor of Holders of the Notes on substantially the same terms as the assignment of the Initial Intercompany Loan and ranking in priority behind all other Liens on such Intercompany Loan securing Senior Debt, and
- (b) if such Indebtedness ranks *pari passu* in right of payment to the Notes or any Note Guarantee, (i) such Lien must rank *pari passu* with the Liens on the Collateral



securing the Obligations under the Notes or any Note Guarantee, (ii) any Lien on any assets or other security pledged or assigned by Wind or any of its Restricted Subsidiaries to secure, directly or indirectly, any such Indebtedness shall be pledged or assigned to secure the Obligations under the Notes and any Note Guarantee on an equal and ratable basis and (iii) to the extent an Intercompany Loan has been funded, such Intercompany Loan will have been assigned in favor of Holders of the Notes on substantially the same terms as the Intercompany Loan Assignment Agreement and on an equal and ratable basis with any Lien on such loan securing such Indebtedness, and,

in any such case, and for the avoidance of doubt, (A) Section 4.22(b) is complied with and (B) no Lien shall be a Permitted Collateral Lien for purposes of this definition if it secures, directly or indirectly, Indebtedness that is expressly subordinated in right of payment to the Notes, any Note Guarantee or any Intercompany Loan.

“*Permitted Holder*” means (1) VimpelCom Limited or any of its Subsidiaries (but, for the avoidance of doubt, not any shareholder of VimpelCom Limited) or (2) an Eligible Acquiror or (3) any person or group whose acquisition of beneficial ownership constitutes (a) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture or (b) a Change of Control which is also a Specified Change of Control Event, will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

“*Permitted Investments*” means:

- (1) any Investment in Wind or in a Restricted Subsidiary of Wind;
- (2) any Investment in cash or Cash Equivalents;
- (3) any Investment by Wind or any Restricted Subsidiary of Wind in a Person, if as a result of such Investment:
  - (a) such Person becomes a Restricted Subsidiary of Wind; or
  - (b) such Person is merged, consolidated, amalgamated or otherwise combined with or into, or transfers or conveys all or substantially all of its assets to, or is liquidated into, Wind or a Restricted Subsidiary of Wind;
- (4) any Investment made as a result of the receipt of non-cash consideration from (i) an Asset Sale that was made in compliance with Section 4.10, or (ii) any other dispositions of property or assets or the issuance or sale of Equity Interests not constituting an Asset Sale and otherwise not prohibited by this Indenture;
- (5) any acquisition of assets or Capital Stock in exchange for (i) the issuance of Equity Interests (other than Disqualified Stock) of Wind or Equity Interests of any Parent Holdco or (ii) Subordinated Shareholder Debt;
- (6) any Investments received in compromise or resolution of (a) obligations of trade creditors or customers that were incurred in the ordinary course of business of Wind or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (b) litigation, arbitration or other disputes with Persons who are not Affiliates;
- (7) Investments represented by Hedging Obligations;

(8) loans or advances to officers, directors or employees made in the ordinary course of business of Wind or any of its Restricted Subsidiaries in an aggregate principal amount not to exceed €10.0 million at any one time outstanding;

(9) Investments in (a) the Notes, the 2010 Indenture Senior Secured Notes or the 2013 Indenture Senior Secured Notes and (b) any Indebtedness or securities which are a securitization of, or relate to an economic participation or interest in, the Notes of the type referred to in the preceding clause (a);

(10) Investments represented by bank deposits, trade credit, advances to customers, and accounts and notes receivable created or acquired in the ordinary course of business;

(11) Investments existing on the date of this Indenture (or in respect of which a binding commitment to make such Investment exists on the date of this Indenture in any Person in a Permitted Business) and any extension, modification or renewal of such Investments or commitments, but only to the extent such extension, modification or renewal does not involve additional (or in the case of commitments, increase the amount of committed) advances, contributions or other Investments (other than as a result of the accrual or accretion of interest or original issue discount or the issuance by such investee of pay-in-kind securities, in each case, pursuant to the terms of such Investment or commitment as in effect on the date of this Indenture);

(12) Investments where such Investment was acquired by Wind or any of its Restricted Subsidiaries (a) in exchange for any other Investment or accounts receivable held by Wind or any Restricted Subsidiary in connection with or as a result of a bankruptcy, workout, reorganization or recapitalization of the issuer of such other Investment or accounts receivable or (b) as a result of a foreclosure by Wind or any of its Restricted Subsidiaries with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

(13) Investments to the extent such Investments consist of prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and other similar deposits made in the ordinary course of business by Wind or any of its Restricted Subsidiaries;

(14) Investments held by a Person that becomes a Restricted Subsidiary, *provided* that such Investments were not acquired in contemplation of the acquisition of such Person;

(15) Investments consisting of deposits made in connection with self-insurance;

(16) Investments in an entity formed for the primary purpose of issuing securities or other indebtedness the gross or net proceeds of which will be on-lent to Wind or a Restricted Subsidiary;

(17) Investments consisting of (a) guarantees of Indebtedness permitted to be incurred under Section 4.09, and (b) performance guarantees that do not constitute Indebtedness entered into by Wind or any of its Restricted Subsidiaries in the ordinary course of business and consistent with past practice;

(18) any Investment made as a result of the contribution of the Towers Infrastructure into a Towers Entity (including any Investment in a Towers Entity where such Investment was acquired by Wind or any of its Restricted Subsidiaries in exchange for the contribution of the Towers Infrastructure into a Towers Entity) and any Investment constituting Equity Interests in a Towers Entity and, in each case, to the extent such

transaction resulting in the relevant Investment would have constituted an Asset Sale but for clause (6) of the second paragraph of the definition thereof, such transaction would have complied with Section 4.10;

(19) other Investments in any Person in a Permitted Business having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (19) that are at the time outstanding not to exceed €300.0 million;

(20) any Investments as part of a Cash Distribution, and the amendment, modification or supplement, including any waiver, maturity extension, set off or discharge (including by way of exchange, sale or substitution), by Wind or any Restricted Subsidiary of any arrangement connected to such Investment; and

(21) any amendment, modification or supplement, including any waiver, set off or discharge (including by way of exchange, sale or substitution), by Wind or any Restricted Subsidiary of any arrangement connected to the Wind Telecom Loan provided that no actual transfer of cash may be made by Wind or any Restricted Subsidiary as part of such arrangement.

“*Permitted Liens*” means:

(1) Liens on (a) assets of Wind or any of its Restricted Subsidiaries and (b) shares of Wind, in each case, securing (i) Senior Debt incurred pursuant to clause (i) or clause (xvi) of the definition of Permitted Debt, (ii) Senior Debt incurred pursuant to Section 4.09(a) if on the date of such incurrence and on a *pro forma* basis (including a *pro forma* application of the proceeds therefrom) the Consolidated Senior Secured Leverage Ratio of Wind is less than 3.25 to 1.0, (iii) the 2010 Indenture Senior Secured Notes and the 2013 Indenture Senior Secured Notes and any Permitted Refinancing Indebtedness in exchange for or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge the 2010 Indenture Senior Secured Notes and/or the 2013 Indenture Senior Secured Notes and/or (iv) any Senior Debt constituting Hedging Obligations;

(2) Liens in favor of the Issuer, Wind or any of its Restricted Subsidiaries that is a Guarantor;

(3) Liens on property of a Person existing at the time such Person is merged with or into or consolidated, amalgamated or otherwise combined with Wind or any Subsidiary of Wind; *provided* that such Liens were in existence prior to, and not incurred in contemplation of, such merger or consolidation and do not extend to any assets of Wind or any of its Restricted Subsidiaries other than those of the Person merged with or into or consolidated, amalgamated or combined with Wind or the Subsidiary;

(4) Liens on property (including Capital Stock) existing at the time of acquisition of the property by Wind or any Subsidiary of Wind; *provided* that such Liens were in existence prior to, and not incurred in contemplation of, such acquisition and do not extend to any assets of Wind or any of its Restricted Subsidiaries other than those on the acquired property;

(5) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business;

(6) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by clause (iii) of the definition of Permitted Debt covering only the assets acquired with or financed or refinanced by such Indebtedness or affixed or appurtenant thereto;

(7) Liens existing on the date of this Indenture;

(8) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or thereafter can be paid without penalty or that are being contested in good faith by appropriate proceedings; *provided* that any reserve or other appropriate provision as is required in conformity with IFRS has been made therefor;

(9) Liens imposed by law, such as carriers', warehousemen's, landlord's and mechanics' Liens, Liens of employees and pension plan administrators, and other similar Liens in each case, incurred in the ordinary course of business;

(10) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair the use of such property in the operation of the business of such Person;

(11) Liens created for the benefit of (or to secure) the Notes or any Note Guarantee (including any Liens granted pursuant to the Security Documents);

(12) Liens to secure obligations in respect of any Permitted Refinancing Indebtedness permitted to be incurred under this Indenture; *provided, however*, that:

(a) the new Lien shall be limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

(b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;

(13) Permitted Collateral Liens;

(14) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security or other insurance (including workers' compensation) or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance, return-of-money bonds and other similar obligations;

(15) leases or subleases granted to others not interfering with the ordinary conduct of the business of Wind or any of its Restricted Subsidiaries;

(16) Liens with respect to bankers' liens, rights of set-off or similar rights or remedies in respect of cash maintained in bank accounts or certificates of deposit;

(17) Liens consisting of a right of first refusal or option to purchase an ownership interest in any Restricted Subsidiary of Wind or to purchase assets of Wind or any Restricted Subsidiary of Wind;

(18) Liens arising under judgments not giving rise to an Event of Default so long as such Lien is in the good faith determination of Wind adequately bonded;

(19) Liens granted to the Trustee for its compensation and indemnities pursuant to this Indenture or Priority Agreement (or any additional intercreditor agreement or priority agreement entered into pursuant to the terms of the Priority Agreement or this Indenture);

(20) Liens to secure any refinancing, refunding, extension, renewal or replacement or successive refinancing, refundings, extensions, renewals or replacements) as a whole, or in part, of any Indebtedness secured by any Lien referred to in the foregoing clauses (1)(ii), (3), (4) and (7); *provided, however*, that (a) such new Lien shall be limited to all or part of the same property that secured the original Lien, and (b) the Indebtedness secured by such Lien at such time is not increased to any amount greater than the sum of (i) the outstanding principal amount or, if greater, committed amount of the Indebtedness described under clauses (1)(ii), (3), (4) and (7) at the time the original Lien became a Permitted Lien under this Indenture, and (ii) an amount necessary to pay any fees and expenses, including premiums, related to such refinancing, refunding, extension, renewal or replacement;

(21) Liens on assets or property of a Restricted Subsidiary of Wind other than a Guarantor or the Issuer securing Indebtedness of such Restricted Subsidiary;

(22) Liens on Receivables Assets Incurred in connection with a Qualified Receivables Financing or Liens securing Indebtedness or other obligations of a Receivables Subsidiary;

(23) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures; and

(24) Liens incurred in the ordinary course of business of Wind or any Subsidiary of Wind with respect to obligations that do not exceed €50.0 million at any one time outstanding.

“*Permitted Maintenance Payments*” means, without duplication as to amounts:

(1) payments to any Parent Holdco to the extent required to permit such Parent Holdco to pay reasonable franchise taxes owed by it and other amounts required to be paid by it to maintain its corporate existence or to pay reasonable accounting, legal and administrative expenses of such Parent Holdco or to pay any other amounts permitted to be paid by Wind to such Parent Holdco pursuant to the terms of the Priority Agreement other than as set forth in clause (2) below, in an aggregate amount not to exceed €2.0 million per annum;

(2) amounts payable by the Parent to any Person for withholding tax obligations arising in respect of Parent PIK Debt; *provided* that the Parent shall use its best efforts to obtain a refund of such withholding tax promptly upon becoming entitled to apply for such refund and shall ensure that if the proceeds of any such refund are received by the Parent, the proceeds are promptly contributed to Wind by the Parent subscribing in cash for shares in Wind (or otherwise by way of cash equity contribution to Wind); and

(3) for so long as Wind is a member of a group filing a consolidated or combined tax return with any Parent Holdco, payments to such Parent Holdco in respect of an allocable

portion of the tax liabilities of such group that is attributable to Wind and its Subsidiaries (“*Tax Payments*”) in the amount not to exceed the lesser of (a) the amount of the relevant tax (including any penalties and interest) that Wind would owe if Wind were filing a separate tax return (or a separate consolidated or combined return with its Subsidiaries that are members of the consolidated or combined group), taking into account any carryovers and carrybacks of tax attributes (such as net operating losses) of Wind and such Subsidiaries from other taxable years and (b) the net amount of the relevant tax that the Parent Holdco actually owes to the appropriate taxing authority. Any Tax Payments received from Wind shall be paid over to the appropriate taxing authority within 30 days of the Parent Holdco’s receipt of such Tax Payments or refunded to Wind; provided that the Parent Holdco shall pay to the appropriate taxing authority all such Tax Payments received before they become due under the rules of the relevant taxing authority, or as soon as commercially reasonable if received after such date.

“*Permitted Refinancing Indebtedness*” means any Indebtedness of Wind or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge other Indebtedness of Wind or any of its Restricted Subsidiaries (other than intercompany Indebtedness); *provided that*:

(1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

(2) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is not Senior Debt, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged;

(3) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is subordinated in right of payment to the Notes or the Note Guarantees, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and is subordinated in right of payment to, the Notes or the Note Guarantees, as applicable, on terms at least as favorable to the Holders of Notes and the Note Guarantees, as applicable, as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged; and

(4) if the Issuer or any Guarantor was the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged, such Indebtedness is incurred either by the Issuer or a Guarantor (including, for the avoidance of doubt, a Finance Company).

“*Permitted Wind Telecom Management Payments*” means payments made by Wind under the Wind Telecom Management Services Agreement in an aggregate amount not to exceed (1) prior to a Public Equity Offering, €20,000,000 (or its equivalent in other currencies) per annum and (2) following a Public Equity Offering of Wind, Wind Telecom S.p.A. or any other Subsidiary of Wind Telecom S.p.A. that is a Parent Holdco of Wind, €50,000,000 (or its equivalent in other currencies) per annum (in each case, plus reasonable costs and out-of-pocket expenses).

“*Person*” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

“*PIK Notes*” means the €325,000,000 original issuance aggregate principal amount of the Wind Acquisition Holdings Finance S.A.’s (“*WAHF SA*”) 12 1/4% Senior Notes due 2017 and \$625,000,000 original issuance aggregate principal amount of *WAHF SA*’s 12 1/4% Senior Notes due 2017 issued under that certain indenture, dated as of December 10, 2009.

“*Pre-Expansion European Union*” means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after January 1, 2004.

“*Preferred Stock*” of any Person means any Equity Interests of such Person that have any rights which are preferential to the rights of any other Equity Interests of such Person with respect to dividends or redemptions or upon liquidation.

“*Priority Agreement*” means, that certain Priority Agreement, dated as of November 26, 2010 and as the same may be amended from time to time in accordance with the terms of this Indenture, by and among, *inter alios*, the Parent, Wind, the Issuer and the Security Agent and as acceded to by the Trustee on or prior to the Issue Date.

“*Private Placement Legend*” means the legend set forth in Section 2.06(f)(i) to be placed on all Notes issued under this Indenture except where otherwise permitted by the provisions of this Indenture.

“*Public Equity Offering*” means a bona fide underwritten public offering of the Capital Stock (other than Disqualified Stock) of Wind or a Parent Holdco of Wind, either:

(1) pursuant to a flotation on the Milan Stock Exchange or any other nationally recognized stock exchange or listing authority in a member state of the European Union; or

(2) pursuant to an effective registration statement under the U.S. Securities Act (other than a registration statement on Form S-8 or otherwise relating to Equity Interests issued or issuable under any employee benefit plan).

“*Public Market*” means any time after:

(1) a Public Equity Offering has been consummated; and

(2) at least 20% of the total issued and outstanding ordinary shares or common equity of Wind or a Parent Holdco of Wind has been distributed to investors other than the Permitted Holders or any of their respective Affiliates or any other direct or indirect shareholders of the Parent as of the Issue Date pursuant to one or more Public Equity Offerings.

“*QIB*” means a “qualified institutional buyer” as defined in Rule 144A.

“*Qualified Receivables Financing*” means any Receivables Financing of a Receivables Subsidiary that meets the following conditions: (1) an Officer or the Board of Directors of Wind shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to Wind and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by an Officer or the Board of Directors of Wind), and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by Wind) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of Wind or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) to secure Indebtedness under Credit Facilities or Indebtedness in respect of the Notes shall not be deemed a Qualified Receivables Financing.

“*Receivable*” means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit, as determined on the basis of IFRS.

“*Receivables Assets*” means any assets that are or will be the subject of a Qualified Receivables Financing.

“*Receivables Fees*” means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

“*Receivables Financing*” means any transaction or series of transactions that may be entered into by Wind or any of its Subsidiaries pursuant to which Wind or any of its Subsidiaries may sell, convey or otherwise transfer to (1) a Receivables Subsidiary (in the case of a transfer by Wind or any of its Subsidiaries), or (2) any other Person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of Wind or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by Wind or any such Subsidiary in connection with such accounts receivable.

“*Receivables Repurchase Obligation*” means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

“*Receivables Subsidiary*” means a wholly-owned Subsidiary of Wind (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with Wind in which Wind or any Restricted Subsidiary of Wind makes an Investment and to which Wind or any Restricted Subsidiary of Wind transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of Wind and its Restricted Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of Wind (as provided below) as a Receivables Subsidiary and:

- (1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (1) is guaranteed by Wind or any other Restricted Subsidiary of Wind (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (2) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by Wind or any other Restricted Subsidiary of Wind, (3) is recourse to or obligates Wind or any other Restricted Subsidiary of Wind in any way other than pursuant to Standard Securitization Undertakings, or (4) subjects any property or asset of Wind or any other Restricted Subsidiary of Wind, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;



- (2) with which neither Wind nor any other Restricted Subsidiary of Wind has any contract, agreement, arrangement or understanding other than on terms which Wind reasonably believes to be no less favorable to Wind or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of Wind; and
- (3) to which neither Wind nor any other Restricted Subsidiary of Wind has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of Wind shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of Wind giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

*"Refinancing Transactions"* means the 2014 Consent Refinancing Transaction and the issuance of the Notes and any future refinancing transactions undertaken in accordance with the terms of this Indenture.

*"Regulation S"* means Regulation S promulgated under the U.S. Securities Act.

*"Regulation S Dollar Global Note"* means a Dollar Global Note bearing the Global Note Legend and the Private Placement Legend and deposited with the Custodian and registered in the name of Cede & Co., as nominee for DTC, that will be issued in an initial amount equal to the principal amount of the Dollar Notes sold in reliance on Regulation S.

*"Regulation S Euro Global Note"* means a Global Note bearing the Global Note Legend and the Private Placement Legend and deposited with or on behalf of and registered in the name of The Bank of New York Depository (Nominees) Limited as nominee for Euroclear and Clearstream that will be issued in an initial amount equal to the principal amount of the Euro Notes initially sold in reliance on Regulation S.

*"Regulation S Global Note"* means one or more of the Regulation S Dollar Global Note and the Regulation S Euro Global Note.

*"Related Party"* means:

(1) if a Permitted Holder is an individual, the parents or spouse of such Permitted Holder, the parents of such Permitted Holder's spouse and any of such Permitted Holder's spouse's or their parents' direct descendants; or

(2) any trust, corporation, partnership, limited liability company or other entity, the beneficiaries, shareholders, partners, members, owners or Persons beneficially holding a 50.1% or more controlling interest of which consist of any one or more Permitted Holder and/or such other Persons referred to in the immediately preceding clause (1),

*provided, however*, that Weather Capital S.à r.l., Orascom Telecom Holding S.A.E. and any of their Subsidiaries shall not be deemed a Related Party.

*"Responsible Officer,"* when used with respect to the Trustee, means any vice president, assistant vice president, senior trust officer, trust officer or any other officer within the Corporate Trust department of the Trustee (or any successor group of the Trustee) or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of this Indenture.

“*Restricted Investment*” means an Investment other than a Permitted Investment.

“*Restricted Period*” means the 40-day distribution compliance period, as defined in Regulation S.

“*Restricted Subsidiary*” of a Person means any Subsidiary (other than a Subsidiary that is engaged in any business other than Permitted Businesses) of the referent Person that is not an Unrestricted Subsidiary.

“*Rule 144A*” means Rule 144A promulgated under the U.S. Securities Act.

“*Rule 903*” means Rule 903 promulgated under the U.S. Securities Act.

“*Rule 904*” means Rule 904 promulgated the U.S. Securities Act.

“*S&P*” means Standard and Poor’s Ratings Group.

“*Security Agent*” means The Royal Bank of Scotland plc, acting as agent pursuant to the Security Documents or any successor or replacement Security Agent, acting in such capacity.

“*Security Documents*” means (1) the Company Share Pledge Agreement and (2) the Intercompany Loan Assignment Agreements and any other agreement or instrument from time to time governing a grant of a security interest permitted under this Indenture and the Priority Agreement to secure the Obligations under the Notes.

“*Senior Debt*” means:

- (1) all Indebtedness of the Issuer, Wind or any other Guarantor outstanding under Credit Facilities, the 2010 Indenture Senior Secured Notes, the 2013 Indenture Senior Secured Notes and all Hedging Obligations with respect thereto;
- (2) any other Indebtedness of the Issuer, Wind or any other Guarantor permitted to be incurred under the terms of this Indenture, unless the instrument or other relevant finance document relating to such Indebtedness expressly provides that it is on a parity with or subordinated in right of payment to the Notes, any Note Guarantee or the Initial Intercompany Loan;
- (3) any other Indebtedness of the Issuer, the guarantee by Wind or a Guarantor of which is senior in right of payment to any Note Guarantee; and
- (4) all Obligations with respect to the items listed in the preceding clauses (1), (2) and (3).

Notwithstanding anything to the contrary in the preceding, Senior Debt will not include:

- (1) any liability for national, state, local or other taxes owed or owing by the Issuer, Wind or any of its Subsidiaries;
- (2) any intercompany Indebtedness of the Issuer, Wind or any of its Subsidiaries to any Guarantor or any of its Affiliates (other than a proceeds loan incurred from a Finance Company unless such proceeds loan or other relevant finance document relating to such Indebtedness expressly provides that the Indebtedness incurred thereunder is on a parity with or subordinated in right of payment to the Notes, any Note Guarantee or the Initial Intercompany Loan);

- (3) any trade payables;
- (4) the portion of any Indebtedness that is incurred in violation of the Indenture; or
- (5) Indebtedness which is classified as non-recourse in accordance with IFRS or any unsecured claim arising in respect thereof by reason of the application of any relevant bankruptcy or insolvency law, rule or regulation.

Notwithstanding anything to the contrary herein, including without limitation Section 11.02, no Indebtedness of the Issuer shall rank senior in right of payment to the Issuer's Obligations with respect to the Notes.

*"Senior Secured Debt"* means, with respect to any Person as of any date of determination, any Indebtedness of such Person and its Restricted Subsidiaries that is (1) secured by a Permitted Collateral Lien pursuant to clause (1) of the definition thereof (but excluding the Notes, any Additional Notes, or any other Indebtedness secured on a *pari passu* basis with the Notes or on a junior basis to the Notes); or (2) secured by a Permitted Lien pursuant to clause (1) of the definition thereof.

*"Significant Subsidiary"* means any Subsidiary which meets any of the following conditions:

(1) Wind and its Restricted Subsidiaries' investments in and advances to such Subsidiary exceed ten percent (10%) of the total consolidated assets of Wind as of the end of the most recently completed financial year; or

(2) Wind and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of such Subsidiary exceeds ten percent (10%) of the total consolidated assets of the Issuer as of the end of the most recently completed financial year; or

(3) Wind and its Restricted Subsidiaries' equity in the consolidated income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of such Subsidiary exceeds ten percent (10%) of such consolidated income of the Issuer for the most recently completed financial year; or

(4) has any Obligation with respect to the Notes or any Note Guarantee.

*"Specified Change of Control Event"* means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; *provided* that giving *pro forma* effect thereto, the Consolidated Leverage Ratio would not exceed 4.25 to 1.0. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Indenture after the Issue Date.

*"Standard Securitization Undertakings"* means representations, warranties, covenants, indemnities and guarantees of performance entered into by Wind or any Subsidiary of Wind which Wind has determined in good faith to be customary in a Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

*"Stated Maturity"* means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the date of this Indenture, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

“*Subordinated Shareholder Debt*” means any subordinated Indebtedness issued by Wind to any Parent Holdco or an Affiliate thereof that:

- (1) by its terms:
  - (a) does not (including upon the happening of any event) mature and is not (including upon the happening of any event) mandatorily redeemable, pursuant to a sinking fund obligation or otherwise (except on the winding up of Wind), or redeemable at the option of the holder, in whole or in part, and does not include any provision requiring repurchase by Wind or any Restricted Subsidiary of Wind (including upon the happening of any event) prior to the one-year anniversary of the latest date on which any Notes mature;
  - (b) does not (including upon the happening of any event) require or provide for the payment, in cash or otherwise, of interest or any other amounts prior to its final Stated Maturity (*provided* that interest may accrete while such subordinated Indebtedness is outstanding and any interest may be satisfied at any time by the issue to the holders thereof of additional Subordinated Shareholder Debt);
  - (c) does not provide (including upon the happening of any event) for the acceleration of its maturity or the exercise of remedies, including acceleration, placement on demand or the taking of any enforcement action (except on the winding up of Wind);
  - (d) is not secured by a Lien on any assets of Wind or any Restricted Subsidiary of Wind and is not guaranteed by any Restricted Subsidiary of Wind;
  - (e) does not (including upon the happening of any event) restrict the payment of amounts due in respect of Indebtedness of Wind or any of its Restricted Subsidiaries;
  - (f) is subject to release pursuant to the terms of the Priority Agreement to the same extent as Parent Debt (as defined in the Priority Agreement);
  - (g) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder, in whole or in part, prior to one year after the date on which the Notes mature other than into or for Capital Stock (other than Disqualified Shares) of Wind;
  - (h) a lien on such subordinated Indebtedness shall be granted to secure the Obligations under the Notes and any Note Guarantee; and
- (2) is contractually subordinated and junior in right of payment to the prior payment in full in cash of all Obligations of Wind pursuant to the Priority Agreement or another agreement which is substantially identical thereto or more favorable to the Holders of Notes, and, in any event, such that:
  - (a) Wind shall make no payment in respect of such subordinated Indebtedness (whether in cash, securities or otherwise, except as permitted by clause (1)(b) above) and may not acquire such subordinated Indebtedness except as permitted by this Indenture until the prior payment in full in cash of all obligations in respect of the Notes, any Note Guarantee and this Indenture;

- (b) upon any total or partial liquidation, dissolution or winding up of Wind or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to Wind or its property, the Holders of the Notes shall be entitled to receive payment in full in cash of the Obligations under the Notes or any Note Guarantee before the holders of such subordinated Indebtedness shall be entitled to receive any payment in respect of such subordinated Indebtedness;
- (c) such subordinated Indebtedness may not be amended such that it would cease to qualify as a Subordinated Shareholder Debt until a date that is after the prior payment in full in cash of all Obligations in respect of the Notes, any Note Guarantee and this Indenture;
- (d) the holders of such subordinated Indebtedness shall assign any rights to vote, including by way of power of attorney, in a bankruptcy, insolvency or similar proceeding to the Security Agent under this Indenture to the extent necessary to give effect to the priority and subordination provisions described in this definition; and
- (e) the holders of such subordinated Indebtedness shall agree that, in the event any payment on such subordinated Indebtedness is received by such holder in contravention of the terms of this Indenture and the Priority Agreement and/or any other applicable subordination agreement, then such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the Security Agent, on behalf of the Holders of the Notes (and any other senior Indebtedness of Wind);

*provided, however*, that any event or circumstance that results in such Subordinated Shareholder Debt ceasing to qualify as a Subordinated Shareholder Debt, such indebtedness shall constitute “Indebtedness” under the definition thereof and an incurrence of such Indebtedness by Wind, and any and all Restricted Payments made through the use of the net proceeds from the incurrence of such subordinated Indebtedness since the date of the original issuance of such Subordinated Shareholder Debt shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such Subordinated Shareholder Debt.

“*Subsidiary*” means, with respect to any specified Person, from time to time:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Voting Stock is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

“*Supplemental Indenture*” means a supplemental indenture in the form attached as Exhibit E hereto.

“*Tax*” means any tax, duty, levy, impost, assessment or other governmental charge (including penalties and interest and other additional amounts related thereto).

“*Taxes*” and “*Taxation*” shall be construed to have corresponding meanings.

“TIA” means the U.S. Trust Indenture Act of 1939 (15 U.S.C. §§ 77aaa-77bbbb) as in effect on the date of this Indenture.

“Towers Entity” means a Person formed for the primary purpose of operating the Towers Infrastructure.

“Towers Infrastructure” means assets constituting towers and other physical structures (including, without limitation, roof sites) on which telecommunications and/or other equipment is placed, but excluding, for the avoidance of doubt, any such equipment; *provided* that such towers are suitable for the placing of telecommunication and transmission equipment.

“Treasury Rate” means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to April 23, 2017; *provided, however*, that if the period from the redemption date to April 23, 2017, is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

“Trustee” means BNY Mellon Corporate Trustee Services Limited until a successor trustee replaces it in accordance with the applicable provisions of this Indenture, after which, “Trustee” shall mean such successor.

“Universal Service Contributions” means contributions payable under Article 3, paragraph 6, of Italian Presidential Decree no. 318 of September 19, 1997 which establishes a mechanism designed to distribute the net cost of providing certain universal telecommunications services throughout Italy (including the provision of fixed public voice telephony services, publication of telephone directories and provision of subscriber information services, public payphones, free emergency call services and special services for disabled or disadvantaged people) whenever the related obligations represent an unfair cost for the entity or entities assigned the responsibility for supplying the service.

“Unrestricted Subsidiary” means any Subsidiary of Wind (other than the Issuer) that is designated by the Board of Directors of Wind as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors, but only to the extent that at the time of such designation such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) except as permitted by Section 4.11, is not party to any agreement, contract, arrangement or understanding with Wind or any Restricted Subsidiary of Wind unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to Wind or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of Wind;

(3) is a Person with respect to which neither Wind nor any of its Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person’s financial condition or to cause such Person to achieve any specified levels of operating results; and

(4) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of Wind or any of its Restricted Subsidiaries.

In the event that Weather Capital S.à r.l., Orascom Telecom Holding S.A.E. or any of their Subsidiaries become a Subsidiary of Wind after the Issue Date in compliance with the terms of this Indenture, each such entity shall be designated as an Unrestricted Subsidiary for so long as it remains a Subsidiary of Wind.

“U.S. Dollars” or “\$” means and/or refers to the lawful currency of the United States.

“U.S. Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated pursuant thereto.

“U.S. Person” means a U.S. person as defined in Rule 902(o) under the U.S. Securities Act.

“U.S. Securities Act” means the U.S. Securities Act of 1933 and the rules and regulations of the Commission promulgated thereunder, as amended.

“Voting Stock” of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

“Weighted Average Life to Maturity” means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

- (1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by
- (2) the then outstanding principal amount of such Indebtedness.

“WI Newco” means a newly formed entity the Equity Interests of which are beneficially owned by one or more of the shareholders of Weather Investments S.p.A. as of the Issue Date.

“Wind” means WIND Telecomunicazioni S.p.A. and any successor entity to the extent permitted hereunder.

“Wind Telecom Group” means Wind Telecom S.p.A. and its Subsidiaries.

“Wind Telecom Loan” means the loan granted by Wind to Wind Telecom S.p.A. with an original scheduled maturity of December 31, 2013.

“Wind Telecom Management Services Agreement” means that certain Management Services Agreement, effective as of October 29, 2007, by and between Wind and Wind Telecom S.p.A. (formerly Weather Investments S.p.A.), as the same may be amended from time to time to the extent that any such amendment or amendments are no less favorable to Wind and its Restricted Subsidiaries nor more disadvantageous to the Holders of the Notes in any material respect than the management services agreement in effect on the Issue Date (other than any amendment that increases the Permitted Wind Telecom Management Payments in an amount contemplated by the definition thereof).

“WIS” means Wind International Services S.p.A.

Section 1.02 *Other Definitions.*

<u>Term</u>	<u>Defined in Section</u>
“Additional Amounts”	4.19
“Affiliate Transaction”	4.11
“Annual Information Statement”	4.19
“Applicable Rate”	2.13
“Asset Sale Offer”	3.10
“Authenticating Agent”	2.01
“Authentication Order”	2.02
“Authorized Agent”	14.06
“Calculation Date”	1.01
“Change of Control Offer”	4.15
“Change of Control Payment”	4.15
“Change of Control Payment Date”	4.15
“Covenant Defeasance”	8.03
“Event of Default”	6.01
“Excess Proceeds”	4.10
“FATCA”	4.19
“incur”	4.09
“Initial Lien”	4.12
“Initial Notes”	Preamble
“Interest Amount”	2.13
“Legal Defeasance”	8.02
“Offer Amount”	3.10
“Offer Period”	3.10
“Paying Agent”	2.03
“Payment Default”	6.01
“Permitted Debt”	4.09
“Principal Paying Agent”	2.03
“Protective Statement”	4.19
“Purchase Date”	3.10
“Register”	2.03
“Registrar”	2.03
“Restricted Payments”	4.07
“Successor Company”	5.01
“Tax Jurisdiction”	4.19
“Tax Redemption Date”	3.08
“Transfer Agent”	2.03
“U.S. Noteholder”	4.19

Section 1.03 *Incorporation by Reference of Trust Indenture Act.*

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture.

The following TIA terms used in this Indenture have the following meanings:

“*obligor*” on the Notes and any Note Guarantee means the Issuer and the relevant Guarantors, respectively, and any successor obligor upon the Notes and any Note Guarantee, respectively.

All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by Commission rule under the TIA have the meanings so assigned to them.



Section 1.04 *Rules of Construction.*

Unless the context otherwise requires:

- (a) a term has the meaning assigned to it;
- (b) an accounting term not otherwise defined has the meaning assigned to it in accordance with IFRS;
- (c) “or” is not exclusive;
- (d) words in the singular include the plural, and in the plural include the singular;
- (e) provisions apply to successive events and transactions;

(f) references to sections of or rules under the U.S. Securities Act shall be deemed to include substitute, replacement of successor sections or rules adopted by the Commission from time to time;

(g) all references to the principal, premium, interest or any other amount payable pursuant to this Indenture shall be deemed also to refer to any Additional Amounts which may be payable hereunder in respect of payments of principal, premium, interest and any other amounts payable pursuant to this Indenture or any undertakings given in addition thereto or in substitution therefor pursuant to this Indenture and express reference to the payment of Additional Amounts in any provisions hereof shall not be construed as excluding Additional Amounts in those provisions hereof where such express reference is not made;

(h) except as otherwise provided, whenever an amount is denominated in euro, it shall be deemed to include the Euro Equivalent amounts denominated in other currencies; and

(i) for purposes of this Indenture, the word “series”, when used in reference to any Notes, shall refer to whether such Notes are Euro Notes or Dollar Notes and each of the Euro Notes and Dollar Notes shall constitute a separate series of Notes; *provided however*, that the Euro Notes and Dollar Notes shall be treated as a single class for all purposes, including in respect of any amendment, waiver or other modification of this Indenture or any other action by the holders of the Notes hereunder.

ARTICLE 2  
THE NOTES

Section 2.01 *Form and Dating.*

(a) *General.*

The Notes and the certificates of authentication will be substantially in the form of **Exhibit A** hereto. The Notes may have notations, legends or endorsements required by law, stock exchange rule or usage and as provided herein. The Issuer shall approve the form of the Notes and any notation, legend or endorsement thereon. Each Note will be dated the date of its authentication. The terms and provisions contained in the Notes shall constitute, and are hereby expressly made, a part of this Indenture and the Issuer, Wind, as a Guarantor, and the Trustee or Authenticating Agent, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby. However, to the extent any provision of any Note conflicts with the express provisions of this Indenture, the provisions of this Indenture shall govern and be controlling.

(b) *Global Notes.*

Notes issued in global form will be substantially in the form of **Exhibit A** hereto (including the Global Note Legend thereon and a “Schedule of Exchanges of Interests in the Global Note” substantially in the form of **Schedule A** attached thereto). Each Global Note will represent such of the outstanding Notes as will be specified therein and each shall provide that it represents the aggregate principal amount of outstanding Notes from time to time endorsed thereon and that the aggregate principal amount of outstanding Notes represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges and redemptions and purchases and cancellations. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the aggregate principal amount of outstanding Notes represented thereby will be made by the Trustee or the Custodian or the Common Depository, at the written direction of the Trustee, in accordance with written instructions given by the Holder thereof as required by Section 2.06.

(c) *144A Global Notes and Regulation S Global Notes.*

Dollar Notes sold within the United States to QIBs pursuant to Rule 144A under the U.S. Securities Act shall be issued initially in the form of a 144A Dollar Global Note, which shall be deposited with the Custodian for DTC and registered in the name of Cede & Co., the nominee of DTC, duly executed by the Issuer and authenticated by the Trustee or the Authenticating Agent as hereinafter provided. The aggregate principal amount of the 144A Dollar Global Note may from time to time be increased or decreased by adjustments made on **Schedule A** to each such Global Note, as hereinafter provided.

Dollar Notes offered and sold in reliance on Regulation S shall be issued initially in the form of a Regulation S Dollar Global Note, which shall be deposited with the Custodian for DTC and registered in the name of Cede & Co., the nominee of DTC, duly executed by the Issuer and authenticated by the Trustee or Authenticating Agent as hereinafter provided. The aggregate principal amount of the Regulation S Dollar Global Note may from time to time be increased or decreased by adjustments made on **Schedule A** to each such Global Note, as hereinafter provided.

Euro Notes sold within the United States to QIBs pursuant to Rule 144A under the U.S. Securities Act shall be issued initially in the form of a 144A Euro Global Note, which shall be deposited with the Common Depository as custodian for Euroclear and Clearstream, duly executed by the Issuer and authenticated by the Trustee or Authenticating Agent as hereinafter provided. The aggregate principal amount of the 144A Euro Global Note may from time to time be increased or decreased by adjustments made on **Schedule A** to each such Global Note, as hereinafter provided.

Euro Notes offered and sold in reliance on Regulation S shall be issued initially in the form of a Regulation S Euro Global Note, which shall be deposited with the Common Depository as custodian for the Euroclear and Clearstream, duly executed by the Issuer and authenticated by the Trustee or Authenticating Agent as hereinafter provided. The aggregate principal amount of the Regulation S Euro Global Note may from time to time be increased or decreased by adjustments made on **Schedule A** to each such Global Note, as hereinafter provided.

(d) *Definitive Registered Notes.*

Definitive Registered Notes issued upon transfer of a Book-Entry Interest or a Definitive Registered Note, or in exchange for a Book-Entry Interest or a Definitive Registered Note, shall be issued in accordance with this Indenture.

Dollar Definitive Registered Notes shall not be issued upon transfer of, or in exchange for, Euro Book-Entry Interests or Euro Definitive Registered Notes, and Euro Definitive Registered Notes shall not be issued upon transfer of, or in exchange for, Dollar Book-Entry Interests or Dollar Definitive Registered Notes.

Notes issued in definitive registered form will be substantially in the form of Exhibit A hereto (excluding the Global Note Legend thereon and the “Schedule of Exchanges of Interests in the Global Note” in the form of Schedule A attached thereto).

(e) *Book-Entry Provisions.*

The Applicable Procedures shall be applicable to Book-Entry Interests in the Global Notes that are held by Participants through DTC, Euroclear or Clearstream.

(f) *Denomination.*

The Dollar Notes shall be in denominations of \$200,000 and integral multiples of \$1,000 above \$200,000. The Euro Notes shall be in denominations of €100,000 and integral multiples of €1,000 above €100,000.

Section 2.02 *Execution and Authentication.*

(a) One member of the Issuer’s Board of Directors shall attest to the Notes for the Issuer by manual or facsimile signature.

(b) If a member of the Issuer’s Board of Directors whose signature is on a Note no longer holds that office at the time a Note is authenticated, the Note shall nevertheless be valid.

(c) A Note shall not be valid until authenticated by the manual signature of the authorized signatory of the Trustee or the Authenticating Agent. The signature shall be conclusive evidence that the Note has been authenticated under this Indenture. Notwithstanding the foregoing, if any Note shall have been authenticated and delivered hereunder but never issued and sold by the Issuer, and the Issuer shall deliver such Note to the Trustee for cancellation as provided for in Section 2.10.

(d) Pursuant hereto, the Trustee will or cause the Authenticating Agent to, upon receipt of a written order of the Issuer signed by one duly authorized Director of the Issuer and delivered to the Trustee (an “*Authentication Order*”), authenticate (i) Initial Notes in the form of Dollar Global Notes or (ii) Dollar Definitive Registered Notes from time to time issued only in exchange for a like aggregate amount of Dollar Global Notes or Dollar Definitive Registered Notes up to an aggregate principal amount of \$2,800,000,000, except as provided in Section 2.07 and Section 2.12, *provided* that the Trustee shall be entitled to receive an Officer’s Certificate and an Opinion of Counsel of the Issuer in connection with such authentication of Notes. Such Officer’s Certificate shall specify the amount of Dollar Notes to be authenticated and the date on which the original issue of Dollar Notes is to be authenticated. The aggregate principal amount of Dollar Notes outstanding at any time may not exceed \$2,800,000,000, except as provided in Section 2.07 and Section 2.12.

(e) Pursuant hereto the Trustee will, upon receipt of an Authentication Order, authenticate (i) Initial Notes in the form of Euro Global Notes or (ii) Euro Definitive Registered Notes from time to time issued only in exchange for a like aggregate amount of Euro Global Notes or Euro Definitive Registered Notes up to an aggregate principal amount of €1,750,000,000 except as provided in Section 2.07 and Section 2.12, *provided* that the Trustee shall be entitled to receive an Officer’s Certificate and an Opinion of Counsel of the Issuer in connection with such authentication of Notes. Such Officer’s Certificate shall specify the amount of Euro Notes to be authenticated and the date on which the original issue of Euro Notes is to be authenticated. The aggregate principal amount of Euro Notes outstanding at any time may not exceed €1,750,000,000 except as provided in Section 2.07 and Section 2.12.

(f) The Trustee may appoint one or more authentication agents (each, an “*Authenticating Agent*”) acceptable to the Issuer to authenticate Notes. Such an agent may authenticate Notes

whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with Holders or an Affiliate of the Issuer. The Trustee hereby appoints The Bank of New York Mellon, London Branch as Authenticating Agent with respect to the Euro Notes (the “*Euro Notes Authenticating Agent*”) and The Bank of New York Mellon, London Branch with respect to the Dollar Notes (the “*Dollar Notes Authenticating Agent*”). The Bank of New York Mellon, London Branch hereby accepts such appointment and the Issuer hereby confirms that such appointment is acceptable to it.

#### Section 2.03 *Paying Agent, Registrars and Transfer Agents.*

The Issuer will maintain one or more paying agents (each a “*Paying Agent*”) for the Notes (the “*Principal Paying Agent*”), for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require. The Issuer will undertake to maintain a Paying Agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to the European Union Directive 2003/48 EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income, or any law implementing, or complying with or introduced in order to conform to, such directive.

The Issuer initially appoints The Bank of New York Mellon, London Branch in London, The Bank of New York Mellon in New York and The Bank of New York Mellon (Luxembourg) S.A. in Luxembourg to act as Paying Agents.

The Issuer will also maintain one or more registrars (each, a “*Registrar*”). The Issuer will also maintain a transfer agent (each a “*Transfer Agent*”). The Registrar will maintain a register (the “*Register*”) reflecting ownership of Notes outstanding from time to time and will make payments on and facilitate transfers of Definitive Registered Notes on behalf of the Issuer. The Registrar will send a copy of the register to the Issuer on the Issue Date and after any change to the register made by the Registrar, with such copy to be held by the Issuer and at its registered office. For purposes of Luxembourg law, ownership of the Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Notes. Each Transfer Agent shall perform the functions of a transfer agent.

The Issuer initially appoints The Bank of New York Mellon (Luxembourg) S.A. to act as Registrar and Transfer Agent in Luxembourg.

The Issuer may change any Paying Agents, the Registrars or Transfer Agent without prior notice to the Holders; *provided, however*, that in no event may the Issuer appoint a Principal Paying Agent in any member state of the European Union where the Principal Paying Agent would be obliged to withhold or deduct tax in connection with any payment made by it in relation to the Notes unless the Principal Paying Agent would be so obliged if it were located in all other member states. For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent in a newspaper having a general circulation in Luxembourg (currently expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by the rules and regulations of the Luxembourg Stock Exchange, posted on the official website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)), in accordance with Section 14.01.

#### Section 2.04 *Paying Agent to Hold Money.*

Each Paying Agent will hold for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal of, interest, premium and Additional Amounts, if any, on the Notes, and shall notify the Trustee of any Default by the Issuer in making any such payment.

While any such Default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Issuer at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Issuer, Wind or a Subsidiary) shall have no further liability for the money. Upon any insolvency, bankruptcy or reorganization proceedings relating to the Issuer (including, without limitation, its bankruptcy (*faillite*), voluntary or judicial liquidation (*liquidation volontaire ou judiciaire*), composition with creditors (*concordat préventif de faillite*), reprieve from payment (*sursis de paiement*), controlled management (*gestion contrôlée*), fraudulent conveyance (*action pauliana*), general settlement with creditors, reorganization or similar laws affecting the rights of creditors generally), the Trustee may serve as Paying Agent for the Notes.

#### Section 2.05 *Holder Lists.*

The Registrar shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of all Holders. If the Principal Paying Agent or the U.S. Paying Agent is not the Registrar, the Issuer shall furnish to the Trustee and each Paying Agent at least seven Business Days before each interest payment date and at such other times as the Trustee or the Principal Paying Agent may request in writing, a list of the names and addresses of the Holders of Notes in such form and as of such date as the Trustee or the Principal Paying Agent may reasonably require.

#### Section 2.06 *Transfer and Exchange.*

##### (a) *Transfer and Exchange of Global Notes.*

A Dollar Global Note may not be transferred except as a whole by a Depository to a Custodian or a nominee of such Custodian, by a Custodian or a nominee of such Custodian to such Depository or to another nominee or Custodian of such Depository, or by such Custodian or Depository or any such nominee to a successor Depository or Custodian or a nominee thereof.

A Euro Global Note may not be transferred except as a whole by a Depository to a Common Depository or a nominee of such Common Depository, by a Common Depository or a nominee of such Depository to such Depository or to another nominee or Common Depository of such Depository, or by such Common Depository or Depository or any such nominee to a successor Depository or Common Depository or a nominee thereof.

All Dollar Global Notes and Euro Global Notes, respectively, will be exchanged by the Issuer for Dollar Definitive Registered Notes and Euro Definitive Registered Notes, respectively:

(i) if DTC, in respect of the Dollar Global Notes, and Euroclear or Clearstream, in respect of the Euro Global Notes, notify the Issuer that they are unwilling or unable to continue to act as Depository and a successor Depository is not appointed by the Issuer within 120 days;

(ii) in whole, but not in part, if the Issuer or DTC, in respect of the Dollar Global Notes, or Euroclear or Clearstream, in respect of the Euro Global Notes, so request following a Default under this Indenture; or

(iii) if the holder of a Book-Entry Interest requests such exchange in writing delivered through DTC, in respect of the Dollar Global Notes, or through Euroclear or Clearstream, in respect of the Euro Global Notes, following a Default by the Issuer under this Indenture.

Upon the occurrence of any of the preceding events in clauses (i) through (iii) above, the Issuer shall issue or cause to be issued Definitive Registered Notes in such names as the relevant Depository shall instruct the Trustee.

Global Notes also may be exchanged or replaced, in whole or in part, as provided in Sections 2.07 and 2.09. A Global Note may not be exchanged for another Note other than as provided in this Section 2.06(a). Book-Entry Interests in a Global Note may be transferred and exchanged as provided in Section 2.06(b) or (c).

*(b) General Provisions Applicable to Transfer and Exchange of Book-Entry Interests in the Global Notes.*

Dollar Book-Entry Interests cannot be exchanged for, or transferred to Persons who take delivery thereof in the form of, Euro Book-Entry Interests or Euro Definitive Registered Notes. Euro Book-Entry Interests cannot be exchanged for, or transferred to Persons who take delivery thereof in the form of, Dollar Book-Entry Interests or Dollar Definitive Registered Notes. In all other cases, the transfer and exchange of Book-Entry Interests shall be effected through the relevant Depository, in accordance with the provisions of this Indenture and the Applicable Procedures.

Transfers of Book-Entry Interests shall be subject to restrictions on transfer comparable to those set forth herein to the extent required by the U.S. Securities Act. Transfers and exchanges of Book-Entry Interests for Book-Entry Interests also shall require compliance with either subparagraph (b)(i) or (b)(ii) below, as applicable, as well as either subparagraph (b)(iii) or (b)(iv) below, as applicable.

*(i) Transfer of Book-Entry Interests in the Same Global Note.* Dollar Book-Entry Interests in a Dollar Global Note may be transferred to Persons who take delivery thereof in the form of a Dollar Book-Entry Interest in a Dollar Global Note and Euro Book-Entry Interests in a Euro Global Note may be transferred to Persons who take delivery thereof in the form of a Euro Book-Entry Interest in a Euro Global Note, in each case in accordance with the transfer restrictions set forth in the Private Placement Legend; *provided, however*, that prior to the expiration of the Restricted Period, Book-Entry Interests in the Regulation S Global Notes will be limited to persons that have accounts with DTC, Euroclear or Clearstream or persons who hold interests through DTC, Euroclear or Clearstream, and any sale or transfer of such interest to U.S. persons shall not be permitted during the Restricted Period unless such resale or transfer is made pursuant to Rule 144A. No written orders or instructions shall be required to be delivered to the Trustee to effect the transfers described in this Section 2.06(b)(i).

*(ii) All Other Transfers and Exchanges of Book-Entry Interests in Global Notes.* A holder may transfer or exchange a Book-Entry Interest in Global Notes in a transaction not subject to Section 2.06(b)(i) above only if the Trustee receives either:

(A) both:

(1) a written order from a Participant or an Indirect Participant given to the Depository in accordance with the Applicable Procedures directing such Depository to credit or cause to be credited a Book-Entry Interest in another Global Note in an amount equal to the Book-Entry Interest to be transferred or exchanged; and

(2) instructions given by the Depository in accordance with the Applicable Procedures containing information regarding the Participant's account to be credited with such increase; or

(B) both:

(1) a written order from a Participant or an Indirect Participant given to the Depositary in accordance with the Applicable Procedures directing such Depositary to cause to be issued a Definitive Registered Note in an amount equal to the Book-Entry Interest to be transferred or exchanged; and

(2) instructions given by the Depositary to the Registrar containing information specifying the identity of the Person in whose name such Definitive Registered Note shall be registered to effect the transfer or exchange referred to in (1) above, the principal amount of such securities and the CUSIP, ISIN, Common Code or other similar number identifying the Notes,

*provided* that any such transfer or exchange is made in accordance with the transfer restrictions set forth in the Private Placement Legend.

(iii) *Transfer of Book-Entry Interests to Another Global Note.* A Book-Entry Interest in any Global Note may be transferred to a Person who takes delivery thereof in the form of a Book-Entry Interest in another Global Note if the transfer complies with the requirements of Section 2.06(b)(ii) above and the Trustee receives the following:

(A) if the transferee will take delivery in the form of a Book-Entry Interest in a 144A Global Note, then the transferor must deliver either a certificate in the form of **Exhibit B** hereto, including the certifications in item (1) thereof; and

(B) if the transferee will take delivery in the form of a Book-Entry Interest in a Regulation S Global Note, then the transferor must deliver a certificate in the form of **Exhibit B** hereto, including the certifications in item (2) thereof.

(c) *Transfer or Exchange of Book-Entry Interests in Global Notes for Definitive Registered Notes.* Book-Entry Interests in a Dollar Global Note cannot be exchanged for, or transferred to persons who take delivery thereof in the form of, a Euro Definitive Registered Note. Book-Entry Interests in a Euro Global Note cannot be exchanged for, or transferred to persons who take delivery thereof in the form of, a Dollar Definitive Registered Note. If any holder of a Book-Entry Interest in a Global Note proposes to exchange such Book-Entry Interest for a Definitive Registered Note or to transfer such Book-Entry Interest to a Person who takes delivery thereof in the form of a Definitive Registered Note, then, upon receipt by the Trustee and the Registrar of the following documentation:

(A) if the holder of such Book-Entry Interest in a Global Note proposes to exchange such Book-Entry Interest for a Definitive Registered Note, a certificate from such holder in the form of **Exhibit C** hereto, including the certifications in item (1) thereof;

(B) if such Book-Entry Interest is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in **Exhibit B** hereto, including the certifications in item (1) thereof;

(C) if such Book-Entry Interest is being transferred in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate to the effect set forth in **Exhibit B** hereto, including the certifications in item (2) thereof; or

(D) if such Book-Entry Interest is being transferred to the Issuer or any of its Subsidiaries, a certificate to the effect set forth in **Exhibit B** hereto, including the certifications in item (3) thereof,

the Trustee shall cause the aggregate principal amount of the applicable Global Note to be reduced accordingly pursuant to Section 2.06(g), and the Issuer shall execute and the Trustee or the Authenticating Agent shall authenticate and deliver to the Person designated in the instructions a Definitive Registered Note in the appropriate principal amount. Any Definitive Registered Note issued in exchange for a Book-Entry Interest in a Global Note pursuant to this Section 2.06(c) shall be registered by the Registrar in such name or names and in such authorized denomination or denominations as the holder of such Book-Entry Interest shall instruct the Registrar through instructions from the Depositary and the Participant or Indirect Participant. The Registrar shall deliver such Definitive Registered Notes to the Persons in whose names such Notes are so registered. Any Definitive Registered Note issued in exchange for a Book-Entry Interest in a Global Note pursuant to this Section 2.06(c) shall bear the Private Placement Legend and shall be subject to all restrictions on transfer contained therein.

(d) *Transfer and Exchange of Definitive Registered Notes for Book-Entry Interests in the Global Notes.* Dollar Definitive Registered Notes cannot be exchanged for, or transferred to persons who take delivery thereof in the form of, Book-Entry Interests in a Euro Global Note. If any Holder of a Definitive Registered Note proposes to exchange such Note for a Book-Entry Interest in a Global Note or to transfer such Definitive Registered Notes to a Person who takes delivery thereof in the form of a Book-Entry Interest in a Global Note, then, upon receipt by the Trustee and the Registrar of the following documentation:

(A) if the Holder of such Definitive Registered Note proposes to exchange such Note for a Book-Entry Interest in a Global Note, a certificate from such Holder in the form of **Exhibit C** hereto, including the certifications in item (2) thereof;

(B) if such Definitive Registered Note is being transferred to a QIB in accordance with Rule 144A, a certificate to the effect set forth in **Exhibit B** hereto, including the certifications in item (1) thereof;

(C) if such Definitive Registered Note is being transferred in an offshore transaction in accordance with Rule 903 or Rule 904, a certificate to the effect set forth in **Exhibit B** hereto, including the certifications in item (2) thereof;

(D) if such Definitive Registered Note is being transferred to the Issuer or any of its Subsidiaries, a certificate to the effect set forth in **Exhibit B** hereto, including the certifications in item (3) thereof; and

the Trustee will cancel the Definitive Registered Note, and the Trustee will increase or cause to be increased the aggregate principal amount of, in the case of clause (A) above, the appropriate Global Note, in the case of clause (B) above, the appropriate 144A Global Note, in the case of clause (C) above, the appropriate Regulation S Global Note, and in the case of clause (D) above, the appropriate 144A Global Note.

(e) *Transfer and Exchange of Definitive Registered Notes for Definitive Registered Notes.*

Dollar Definitive Registered Notes cannot be exchanged for, or transferred to persons who take delivery thereof in the form of Euro Definitive Registered Notes. Euro Definitive Registered Notes cannot be exchanged for, or transferred to persons who take delivery thereof in the form of, Dollar Definitive Registered Notes.



In all other cases, upon request by a Holder of Definitive Registered Notes, and such Holder's compliance with the provisions of this Section 2.06(e), the Transfer Agent or the Registrar will register the transfer or exchange of Definitive Registered Notes of which registration the Issuer will be informed of by the Transfer Agent or the Registrar (as the case may be). Prior to such registration of transfer or exchange, the requesting Holder must present or surrender to the Transfer Agent or the Registrar the Definitive Registered Notes duly endorsed and accompanied by a written instruction of transfer in a form satisfactory to the Transfer Agent or the Registrar duly executed by such Holder or its attorney, duly authorized to execute the same in writing. In the event that the Holder of such Definitive Registered Notes does not transfer the entire principal amount of Notes represented by any such Definitive Registered Note, the Transfer Agent or the Registrar will cancel or cause to be cancelled such Definitive Registered Note and the Issuer (who has been informed of such cancellation) shall execute and the Trustee or the Authenticating Agent shall authenticate and deliver to the requesting Holder and any transferee Definitive Registered Notes in the appropriate principal amounts. In addition, the requesting Holder shall provide any additional certifications, documents and information, as applicable, required pursuant to the following provisions of this Section 2.06(e).

Any Definitive Registered Note may be transferred to and registered in the name of Persons who take delivery thereof in the form of a Definitive Registered Note if the Registrar receives the following:

(A) if the transfer will be made pursuant to Rule 144A, then the transferor must deliver a certificate in the form of **Exhibit B** hereto, including the certifications in item (1) thereof; and

(B) if the transfer will be made pursuant to Rule 903 or Rule 904, then the transferor must deliver a certificate in the form of **Exhibit B** hereto, including the certifications in item (2) thereof.

(f) *Legends*. The following legends shall appear on the face of all Notes issued under this Indenture unless specifically stated otherwise in the applicable provisions of this Indenture.

(i) *Private Placement Legend*: Each Global Note and each Definitive Registered Note (and all Notes issued in exchange therefor or in substitution thereof) shall bear the legend in substantially the following form:

“THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE, PRIOR TO THE DATE (THE “**RESALE RESTRICTION TERMINATION DATE**”) WHICH IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR] [IN THE CASE OF REGULATION S NOTES: 40 DAYS] AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE) ONLY (A) TO THE ISSUER, THE GUARANTOR OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES

ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT (“**RULE 144A**”), TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATIONS UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER’S AND THE TRUSTEE’S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

TRANSFERS OF THIS NOTE IN THE REPUBLIC OF ITALY ARE ONLY PERMITTED IN COMPLIANCE WITH LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998, IN PARTICULAR, WITH ARTICLE 100-BIS THEREOF, AND WITH CONSOB IMPLEMENTING REGULATION NO. 11971/1999 AND NO. 16190/2007, IN EACH CASE AS AMENDED FROM TIME TO TIME.

(ii) *Global Note Legend.* Each Global Note shall bear a legend in substantially the following form:

“THIS GLOBAL NOTE IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.06 OF THE INDENTURE, (II) THIS GLOBAL NOTE MAY BE TRANSFERRED OR EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.06(a) OF THE INDENTURE AND (III) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.10 OF THE INDENTURE.”

(g) *Cancellation and/or Adjustment of Global Notes.* At such time as all Book-Entry Interests in a particular Global Note have been exchanged for Definitive Registered Notes or a particular Global Note has been redeemed, repurchased or cancelled in whole and not in part, each such Global Note shall be returned to or retained and cancelled by the Trustee in accordance with Section 2.10. At any time prior to such cancellation, if any Book-Entry Interest in a Global Note is

exchanged for or transferred to a Person who will take delivery thereof in the form of a Book-Entry Interest in another Global Note or for Definitive Registered Notes, the principal amount of Notes represented by such Global Note shall be reduced accordingly and an endorsement shall be made on such Global Note by the Trustee, the Custodian or the Common Depositary, at the direction of the Trustee, to reflect such reduction; and if the Book-Entry Interests is being exchanged for or transferred to a Person who will take delivery thereof in the form of a Book-Entry Interests in another Global Note, such other Global Note shall be increased accordingly and an endorsement shall be made on such Global Note by the Trustee or by the Custodian or the Common Depositary at the direction of the Trustee to reflect such increase.

*(h) General Provisions Relating to Transfers and Exchanges.*

(i) To permit registrations of transfers and exchanges, the Issuer shall execute and the Trustee or the Authenticating Agent shall authenticate Global Notes and Definitive Registered Notes upon receipt of an Authentication Order in accordance with Section 2.02 or at the Registrar's request.

(ii) No service charge shall be made by the Issuer or the Registrar to a holder of a Book-Entry Interest in a Global Note, a Holder of a Global Note or a Holder of a Definitive Registered Note for any registration of transfer or exchange, but the Issuer may require payment of a sum sufficient to cover any stamp duty, stamp duty reserve, documentary or other similar tax or governmental charge that may be imposed in connection therewith (other than any such transfer taxes or similar governmental charge payable upon exchange or transfer pursuant to Sections 2.09, 3.06, 4.10, 4.15 and 9.04).

(iii) No Transfer Agent or Registrar shall be required to register the transfer of or exchange any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part.

(iv) All Global Notes and Definitive Registered Notes issued upon any registration of transfer or exchange of Global Notes or Definitive Registered Notes shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Global Notes or Definitive Registered Notes surrendered upon such registration of transfer or exchange.

(v) The Issuer shall not be required to register the transfer into its register kept at its registered office of any Definitive Registered Notes: (A) for a period of 15 calendar days prior to any date fixed for the redemption of the Notes under Section 3.03; (B) for a period of 15 calendar days immediately prior to the date fixed for selection of Notes to be redeemed in part; (C) for a period of 15 calendar days prior to the record date with respect to any interest payment date; or (D) which the registered Holder of Notes has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Sale Offer. Any such transfer will be made without charge to the Holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

(vi) The Trustee, any Agent and the Issuer may deem and treat the Person in whose name any Note is registered as the absolute owner of such Note for the purpose of receiving payment of principal of, interest, and premium and Additional Amounts, if any, on such Notes and for all other purposes, and none of the Trustee, any Agent or the Issuer shall be affected by notice to the contrary.

(vii) All certifications, certificates and Opinions of Counsel required to be submitted to the Issuer, the Trustee or the Registrar pursuant to this Section 2.06 to effect a registration of transfer or exchange may be submitted initially by facsimile with originals to be delivered promptly thereafter to the Trustee.

Section 2.07 *Replacement Notes.*

(a) If any mutilated Note is surrendered to the Registrar, the Trustee or the Issuer and the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, the Issuer shall issue and the Trustee, upon receipt of an Authentication Order, shall authenticate or cause the Authenticating Agent to authenticate a replacement Note if the Trustee's requirements are met. If required by the Trustee or the Issuer, an indemnity bond must be supplied by the Holder that is sufficient in the judgment of the Trustee and the Issuer to protect the Issuer, the Trustee, any Agent and any authenticating agent from any loss that any of them may suffer if a Note is replaced. The Issuer may charge the Holder for its expenses in replacing a Note, including reasonable fees and expenses of counsel.

(b) Every replacement Note is an additional obligation of the Issuer and shall be entitled to all of the benefits of this Indenture equally and proportionately with all other Notes duly issued hereunder.

(c) The provisions of this Section 2.07 are exclusive and preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or wrongfully taken Notes.

Section 2.08 *Outstanding Notes.*

The Notes outstanding at any time shall be the Notes that fall within the definition of "outstanding" contained in Section 1.01.

Section 2.09 *Temporary Notes.*

(a) Until certificates representing Notes are ready for delivery, the Issuer may prepare and the Trustee, upon receipt of an Authentication Order, shall authenticate or cause the Authenticating Agent to authenticate temporary Notes. Temporary Notes shall be substantially in the form of definitive Notes but may have variations that the Issuer considers appropriate for temporary Notes and as such shall be reasonably acceptable to the Trustee. Without unreasonable delay, the Issuer shall prepare and the Trustee or the Authenticating Agent shall authenticate definitive Notes in exchange for temporary Notes.

(b) Holders of temporary Notes shall be entitled to all of the benefits of this Indenture.

Section 2.10 *Cancellation.*

The Issuer at any time may deliver Notes to the Trustee for cancellation. The Registrar, each Paying Agent and any Transfer Agent shall forward to the Trustee any Notes surrendered to them for registration of transfer, exchange or payment. The Trustee or, at the direction of the Trustee, the Registrar or the Paying Agent (other than the Issuer or a Subsidiary) and no one else shall cancel Notes surrendered for registration of transfer, exchange, payment, replacement or cancellation and shall destroy canceled Notes (subject to the record retention requirement of the U.S. Exchange Act). Certification of the destruction of all canceled Notes shall be delivered to the Issuer following a written request from the Issuer. The Issuer may not issue new Notes to replace Notes that it has paid or that have been delivered to the Trustee for cancellation. The Issuer undertakes to promptly inform the Luxembourg Stock Exchange (as long as the Notes are admitted to trading on the Euro MTF Market and listed on the official list of the Luxembourg Stock Exchange) on any such cancellation.

Section 2.11 *Defaulted Interest.*

If the Issuer defaults in a payment of interest on the Notes, it shall, unless the Trustee fixes another record date pursuant to Section 6.10, pay the defaulted interest in any lawful manner plus, to

the extent lawful, interest payable on the defaulted interest, to the Persons who are Holders on a subsequent special record date, which special record date shall be the fifteenth day next preceding the date fixed by the Issuer, in each case at the rate provided in the Notes and in Section 4.01. The Issuer shall notify the Trustee as soon as practicable in writing of the amount of defaulted interest proposed to be paid on each Note and the date of the proposed payment. The Issuer shall fix or cause to be fixed each such special record date and payment date, *provided* that no such special record date shall be less than 10 days prior to the related payment date for such defaulted interest. At least 15 days before the special record date, the Issuer (or, upon the written request of the Issuer, the Trustee in the name and at the expense of the Issuer) shall deliver to the Holders in accordance with Section 14.01 a notice that states the special record date, the related payment date and the amount of such interest to be paid. The Issuer undertakes to promptly inform the Luxembourg Stock Exchange (as long as the Notes are admitted to trading on the Euro MTF Market and listed on the official list of the Luxembourg Stock Exchange) on any such cancellation.

#### Section 2.12 *Further Issues.*

(a) Subject to compliance with Section 4.09, the Issuer may from time to time issue Additional Notes ranking *pari passu* with each of the Dollar Notes and the Euro Notes, respectively, and with the same terms as to status, redemption and otherwise as such Notes (save for payment of interest accruing prior to the issue date of such Additional Notes or for the first payment of interest following the issue date of such Additional Notes). The Additional Notes of each series will be consolidated and treated as a single class for all purposes under this Indenture, including, without limitation, waivers, amendments, redemptions, and offers to purchase.

(b) Whenever it is proposed to create and issue any Additional Notes, the Issuer shall give to the Trustee not less than 5 Business Days' notice in writing of its intention so to do stating the amount of Additional Notes proposed to be created and issued.

#### Section 2.13 *CUSIP, ISIN or Common Code Number.*

The Issuer in issuing the Notes may use a "CUSIP", "ISIN" or "Common Code" number and, if so, such CUSIP, ISIN or Common Code number shall be included in notices of redemption or exchange as a convenience to Holders; *provided*, however, that any such notice may state that no representation is made as to the correctness or accuracy of the CUSIP, ISIN or Common Code number printed in the notice or on the Notes, and that reliance may be placed only on the other identification numbers printed on the Notes.

The Issuer will promptly notify the Trustee of any change in the CUSIP, ISIN or Common Code number.

### ARTICLE 3 REDEMPTION AND PREPAYMENT

#### Section 3.01 *Notices to Trustee.*

If the Issuer elects to redeem Notes of any series pursuant to the optional redemption provisions of Section 3.07, it shall deliver to the Trustee (with a copy to the Paying Agent) in accordance with Section 14.01, at least 30 days but not more than 60 days before a redemption date, or more than 60 days prior to a redemption date if such redemption is in connection with a defeasance of the Notes or a satisfaction and discharge of this Indenture pursuant to Articles 8 or 13, an Officer's Certificate setting forth:

- (i) the clause of this Indenture pursuant to which the redemption shall occur;
- (ii) the redemption date and the record date;

- (iii) the principal amount of Notes of such series to be redeemed;
- (iv) the redemption price; and
- (v) the CUSIP, ISIN and or Common Code numbers of the Notes of such series, as applicable.

### Section 3.02 *Selection of Notes to Be Redeemed.*

If less than all of the Dollar Notes or the Euro Notes, as the case may be, are to be redeemed at any time, the Trustee will select the Notes for redemption on a *pro rata* basis unless otherwise required by law or applicable depository or stock exchange requirements. The Trustee will not be liable for selections made by it in accordance with this Section 3.02.

No Euro Notes of €100,000 or less or Dollar Notes of \$200,000 or less can be redeemed in part. If the Issuer elects to redeem the Notes, it shall deliver an Officer's Certificate to the Trustee (copying the Paying Agent) notifying the Trustee and the Paying Agent of the proposed redemption date, the principal amount of Notes to be redeemed and the provisions on which the Issuer relies to redeem. Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture. Any redemption and notice of redemption may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

Notices of purchase or redemption shall be given to each Holder pursuant to Section 14.01.

If any Dollar Note or Euro Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. In the case of certified Notes, a new Dollar Note or Euro Note, as the case may be, in principal amount equal to the unredeemed portion of the original Dollar Note or the Euro Note, as applicable, will be issued in the name of the Holder of Notes upon cancellation of the original Note, as applicable. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

In relation to Definitive Registered Notes, a new Note in principal amount equal to the unpurchased or unredeemed portion of any Note purchased or redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Note. On or after any purchase or redemption date, unless the Issuer defaults in payment of the purchase or redemption price, interest shall cease to accrue on Notes or portions thereof tendered for purchase or called for redemption.

### Section 3.03 *Notice of Redemption.*

(a) At least 30 days but not more than 60 days before a redemption date, the Issuer shall deliver, pursuant to Section 14.01, a notice of redemption to each Holder whose Notes are to be redeemed (and a copy of such notice of redemption shall be delivered to the Trustee pursuant to Section 14.01), except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of this Indenture pursuant to Articles 8 or 13. For Notes which are represented by global certificates held on behalf of Euroclear, Clearstream or DTC, notices may be given by delivery of the relevant notices to Euroclear or Clearstream or DTC for communication to entitled account holders in substitution for the aforesaid mailing. So long as any Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange so require, any such notice to the Holders of the relevant Notes shall also be published in a newspaper having a general circulation in Luxembourg

(which is expected to be the *Luxemburger Wort*) or, to the extent permitted by such rules, posted on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*) and, in connection with any redemption, the Issuer will forthwith notify the Luxembourg Stock Exchange of any change in the principal amount of Notes outstanding. Any redemption and notice of redemption may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

(b) The notice shall identify the Notes to be redeemed and corresponding CUSIP, ISIN or Common Code numbers, as applicable, and shall state:

(i) the redemption date and the record date;

(ii) the redemption price and the amount of accrued interest, if any, and Additional Amounts, if any to be paid;

(iii) if any Global Note is being redeemed in part, the portion of the principal amount of such Global Note to be redeemed and, that after the redemption date upon surrender of such Global Note, the principal amount thereof will be decreased by the portion thereof redeemed pursuant thereto;

(iv) if any Definitive Registered Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed, and that, after the redemption date, upon surrender of such Note, a new Definitive Registered Note or Definitive Registered Notes in principal amount equal to the unredeemed portion thereof shall be issued in the name of the Holder thereof upon cancellation of the Definitive Registered Note;

(v) the name and address of the Paying Agent(s) to which the Notes are to be surrendered for redemption;

(vi) that Notes called for redemption must be surrendered to the relevant Paying Agent to collect the redemption price, plus accrued and unpaid interest, if any, and Additional Amounts, if any;

(vii) that, unless the Issuer defaults in making such redemption payment, interest, and Additional Amounts, if any, on Notes called for redemption cease to accrue on and after the redemption date;

(viii) the paragraph of the Notes and/or Section of this Indenture pursuant to which the Notes called for redemption are being redeemed; and

(ix) that no representation is made as to the correctness or accuracy of the CUSIP, ISIN or Common Code numbers, if any, listed in such notice or printed on the Notes.

(c) At the Issuer's request, the Trustee shall give the notice of redemption in the Issuer's name and at its expense in accordance with Section 14.01; *provided, however*, that the Issuer shall have delivered to the Trustee, at least 45 days prior to the redemption date, an Officer's Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in Section 3.03(b).

#### Section 3.04 *Effect of Notice of Redemption.*

Once notice of redemption is given in accordance with Section 3.03 and Section 14.01, Notes called for redemption become irrevocably due and payable on the redemption date at the redemption price stated in the notice. A notice of redemption may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent. On and after a redemption date, interest shall cease to accrue on such Notes or portion of them called for redemption.

Section 3.05 *Deposit of Purchase or Redemption Price.*

(a) On the Business Day prior to the purchase or redemption date, the Issuer shall deposit with the Principal Paying Agent (or, if requested by the Trustee, the Trustee) money in U.S. Dollars with respect to the Dollar Notes or euro with respect to the Euro Notes sufficient to pay the redemption price of, and accrued interest, premium and Additional Amounts (if any) on, all Notes to be redeemed on that date. The Trustee or Principal Paying Agent shall promptly return to the Issuer any money deposited with the Trustee or Principal Paying Agent, as applicable, by the Issuer in excess of the amounts necessary to pay the redemption price of, and accrued interest on, and any Additional Amounts with respect to, all Notes to be purchased or redeemed.

(b) If the Issuer complies with the provisions of Section 3.05(a), on and after the redemption date, interest shall cease to accrue on the Notes or the portions of Notes called for redemption. If a Note is redeemed on or after a record date for the payment of interest but on or prior to the related interest payment date, then any accrued and unpaid interest shall be paid to the Person in whose name such Note was registered at the close of business on such record date. If any Note called for redemption shall not be so paid upon surrender for redemption because of the failure of the Issuer to comply with the Section 3.05(a), interest shall be paid on the unpaid principal, from the redemption date until such principal is paid, and to the extent lawful on any interest not so paid, in each case at the rate provided in the Notes and Section 4.01.

Section 3.06 *Notes Redeemed in Part.*

Upon surrender of a Definitive Registered Note that is redeemed in part, the Issuer shall issue and, upon the Issuer's written request, the Trustee or the Authenticating Agent shall authenticate for (and in the name of) the Holder at the expense of the Issuer a new Note equal in principal amount to the unredeemed portion of the Note surrendered; *provided* that any Dollar Definitive Registered Note shall be in a principal amount of \$200,000 or an integral multiple of \$1,000 above \$200,000 and any Euro Definitive Registered Note shall be in a principal amount of €100,000 or an integral multiple of €1,000 above €100,000.

Section 3.07 *Optional Redemption.*

(a) At any time prior to April 23, 2017, the Issuer may, at its option, on any one or more occasions redeem up to 35% of the aggregate principal amount of Notes (including any Additional Notes) issued under this Indenture at a redemption price of 107.000% of the principal amount for Euro Notes and at a redemption price of 107.375% of the principal amount for Dollar Notes, plus accrued and unpaid interest and Additional Amounts, if any, to such redemption date, with the net cash proceeds of a Public Equity Offering of common stock or ordinary shares of (1) Wind or (2) any Parent Holdco of Wind to the extent the proceeds from such Public Equity Offering are contributed to Wind's common equity capital or are paid to Wind as consideration for the issuance of common stock or ordinary shares of Wind; *provided* that:

(i) at least 65% of the aggregate principal amount of Euro Notes and at least 65% of the aggregate principal amount of the Dollar Notes originally issued under this Indenture (excluding Notes held by the Issuer, Wind and their respective Affiliates) remains outstanding immediately after the occurrence of such redemption; and

(ii) the redemption occurs within 90 days of the date of the closing of the relevant Public Equity Offering.

(b) At any time prior to April 23, 2017, the Issuer may at its option also redeem all or a part of the Euro Notes and/or the Dollar Notes, as the case may be, upon not less than 30 nor more than 60 days' prior notice pursuant to Section 3.03 and Section 14.01 at a redemption price equal to 100% of the principal amount of Notes redeemed plus the Applicable Premium (calculated as of a



date no more than three Business Days prior to the date of the relevant redemption notice) as of, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption (subject to the rights of Holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date).

(c) Except pursuant to subsections (a) and (b) of this Section 3.07 or as set forth in Section 3.08 or Section 3.09, the Notes will not be redeemable at the Issuer's option prior to April 23, 2017. On or after April 23, 2017, the Issuer may at its option redeem all or a part of the Euro Notes and/or the Dollar Notes, as the case may be, upon not less than 30 nor more than 60 days' notice delivered to each Holder pursuant to Section 3.03 and Section 14.01 at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and all Additional Amounts, if any, then due on the Notes redeemed, to the applicable redemption date, if redeemed during the twelve-month period beginning on April 23 of the years indicated below, subject to the rights of Holders of Notes on the relevant record date to receive interest on the relevant interest payment date:

Year	Euro Notes	Dollar Notes
2017	103.500%	103.688%
2018	101.750%	101.844%
2019 and thereafter	100.000%	100.000%

(d) Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

(e) Any redemption pursuant to this Section 3.07 shall be made pursuant to the provisions of Section 3.01 through Section 3.06.

(f) Any redemption and notice of redemption may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

#### Section 3.08 *Optional Redemption upon Sale of Towers Infrastructure Assets*

(a) To the extent permitted by Wind's Credit Agreement, the Issuer may on one occasion redeem up to €300.0 million of the aggregate principal amount of the Notes issued under the Indenture (in any combination of Euro Notes and/or Dollar Notes), upon not less than 30 nor more than 60 days' notice, at a redemption price of 103.00% of the principal amount of the relevant Notes redeemed, plus accrued and unpaid interest and Additional Amounts (if any) then due to the redemption date on the Notes redeemed, with the Net Proceeds (including if received by a reimbursement of an Intercompany Loan from Wind) from the sale of any Towers Infrastructure assets subject to the rights of Holders of Notes on the relevant record date to receive interest on the relevant interest payment date.

(b) Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

(c) Any redemption and notice of redemption may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

#### Section 3.09 *Redemption for Changes in Withholding Tax*

The Issuer may redeem the Notes, in whole but not in part, at its discretion at any time upon giving not less than 30 nor more than 60 days' prior notice of redemption to the Holders thereof pursuant to Section 3.03 and Section 14.01, at a redemption price equal to the principal amount thereof, together with accrued and unpaid interest to the date fixed by the Issuer for redemption (a "Tax Redemption Date") and all Additional Amounts (if any) then due and which will become due on

the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of Holders of the Notes on the relevant record date to receive interest due on the relevant Interest Payment Date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes, the Issuer has or would be required to pay Additional Amounts, and the Issuer cannot avoid any such payment obligation by taking reasonable measures available to it, as a result of:

(i) any change in, or amendment to, the laws or treaties (or any regulations, or rulings promulgated thereunder) of a relevant Tax Jurisdiction affecting taxation which change or amendment has not been publicly announced as formally proposed before and which becomes effective on or after the date of this Indenture (or, if the relevant Tax Jurisdiction has been added since the date of this Indenture, the date on which that relevant Tax Jurisdiction became a Tax Jurisdiction under this Indenture); or

(ii) any change in, or amendment to, the existing official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published administrative practice), which change, amendment, application or interpretation has not been publicly announced as formally proposed before and becomes effective on or after the date of this Indenture (or, if the relevant Tax Jurisdiction has been added since the date of this Indenture, the date on which that relevant Tax Jurisdiction became a Tax Jurisdiction under this Indenture).

The Issuer will not give any such notice of redemption earlier than 90 days prior to the earliest date on which the Issuer would be obligated to make such payment or withholding if a payment in respect of the Notes were then due. Notwithstanding the foregoing, the Issuer may not redeem the Notes under this provision if the relevant Tax Jurisdiction became a Tax Jurisdiction after the date of this Indenture and the Issuer is obligated to pay any Additional Amounts as a result of a change in, or an amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder), or any change in or amendment to, any official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings, of that relevant current Tax Jurisdiction which, at the time such Tax Jurisdiction became a Tax Jurisdiction under this Indenture, was publicly announced as formally proposed. Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to the foregoing and in accordance with Section 3.03, the Issuer will deliver to the Trustee an opinion of internationally recognized tax counsel, reasonably satisfactory to the Trustee, to the effect that there has been such change or amendment and otherwise in compliance with Section 14.04. In addition, before the Issuer publishes or mails notice of redemption of the Notes pursuant to the foregoing and in accordance with Section 3.03, it will deliver to the Trustee an Officer's Certificate to the effect that it cannot avoid its obligation to pay Additional Amounts by the Issuer taking reasonable measures available to it. The Trustee will accept such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the Holders. For the avoidance of doubt, the implementation of European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing, or complying with, or introduced in order to conform to, such directive will not be a change or amendment for such purposes.

#### Section 3.10 *Mandatory Redemption.*

The Issuer shall not be required to make mandatory redemption or sinking fund payments with respect to the Notes.

Section 3.11 *Offer to Purchase by Application of Excess Proceeds.*

(a) In the event that, pursuant to Section 4.10, the Issuer is required to commence an offer to all Holders to purchase Notes (an “*Asset Sale Offer*”), it will follow the procedures specified in this Section 3.11.

(b) The Issuer (or Wind on the Issuer’s behalf) will commence each Asset Sale Offer within 25 days after the date on which the Excess Proceeds exceed €35.0 million by delivering the notice required pursuant to Section 3.11(d). The Asset Sale Offer shall remain open for a period of 20 Business Days following its commencement and no longer, except to the extent that a longer period is required by applicable law (the “*Offer Period*”). No later than five Business Days after the termination of the Offer Period (the “*Purchase Date*”), the Issuer shall purchase the principal amount of Notes required to be purchased pursuant to Section 4.10 (the “*Offer Amount*”) or, if less than the Offer Amount has been tendered, all Notes tendered in response to the Asset Sale Offer. Payment for any Notes so purchased shall be made in the same manner as interest payments are made.

(c) If the Purchase Date is on or after a record date for the payment of interest and on or before the related payment date, any accrued and unpaid interest shall be paid to the Person in whose name a Note is registered at the close of business on such record date, and no interest shall be payable to Holders who tender Notes pursuant to the Asset Sale Offer.

(d) Upon the commencement of an Asset Sale Offer, the Issuer shall deliver a notice to the Trustee and each of the Holders pursuant to Section 14.01. The notice shall contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Asset Sale Offer. The Asset Sale Offer shall be made to all Holders. The notice, which shall govern the terms of the Asset Sale Offer, shall state:

(i) that the Asset Sale Offer is being made pursuant to this Section 3.11 and the length of time the Asset Sale Offer shall remain open;

(ii) the Offer Amount, the purchase price and the Purchase Date;

(iii) that any Note not tendered or accepted for payment shall continue to accrue interest;

(iv) that, unless the Issuer defaults in making such payment, any Note accepted for payment pursuant to the Asset Sale Offer shall cease to accrue interest after the Purchase Date;

(v) that Holders electing to have a Note purchased pursuant to an Asset Sale Offer may elect to have Notes purchased in integral multiples of \$1,000 or €1,000 only, as the case may be (provided that Dollar Notes of \$200,000 or less or Euro Notes of €100,000 or less may only be redeemed in whole and not in part);

(vi) that Holders electing to have a Note purchased pursuant to any Asset Sale Offer shall be required to surrender the Note, with the form entitled “*Option of Holder to Elect Purchase*” on the reverse of the Note completed, or transfer by book-entry transfer through the facilities of the Depositary, to the account of the Issuer, or the Paying Agent specified in the notice at least one Business Day before the Purchase Date;

(vii) that Holders shall be entitled to withdraw their election if the Issuer, the depositary or the Paying Agent, as the case may be, receives, not later than the expiration of the Offer Period, a facsimile transmission or letter setting forth the name of the Holder, the principal amount of the Note the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Note purchased;

(viii) that, if the aggregate principal amount of Notes and other *Pari Passu* Indebtedness surrendered by Holders exceeds the Offer Amount, the Issuer will select the Notes and other *Pari Passu* Indebtedness to be purchased as provided in Section 4.10 (with such adjustments as may be deemed appropriate by the Issuer so that only Notes in denominations of \$1,000 or €1,000, or integral multiples thereof, as the case may be, will be purchased (provided that Dollar Notes of \$200,000 or less or Euro Notes of €100,000 or less may only be redeemed in whole and not in part)); and

(ix) that Holders whose Definitive Registered Notes were purchased only in part shall be issued new Definitive Registered Notes equal in principal amount to the unpurchased portion of the Notes.

(e) On or before the Purchase Date, the Issuer shall, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Offer Amount of Notes or portions thereof tendered pursuant to the Asset Sale Offer, or if less than the Offer Amount has been tendered, all Notes tendered, and shall deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this Section 3.11. The Paying Agent shall promptly (but in any case not later than five days after the Purchase Date) deliver to each tendering Holder in the manner specified in the Notes an amount equal to the purchase price of the Notes tendered by such Holder and accepted by the Issuer for purchase. In connection with any purchase of Global Notes pursuant hereto, the Trustee shall endorse such Global Notes to reflect the decrease in principal amount of such Global Note resulting from such purchase. In connection with any partial purchase of Definitive Registered Notes, the Issuer shall promptly issue a new Definitive Registered Note, and the Trustee, upon written request from the Issuer shall authenticate and mail or deliver such new Definitive Registered Note to the tendering Holder, in a principal amount equal to any unpurchased portion of the Definitive Registered Note surrendered. Any Note tendered but not accepted shall be promptly mailed or delivered by the Issuer to the Holder thereof. The Issuer shall publicly announce and inform the Luxembourg Stock Exchange (for as long as the Notes (if any) are admitted to trading on the Euro MTF Market and listed on the official listing of the Luxembourg Stock Exchange) of the results of the Asset Sale Offer on the Purchase Date.

(f) Other than as specifically provided in this Section 3.11, any purchase pursuant to this Section 3.11 shall be made pursuant to the provisions of Sections 3.01 through 3.06.

#### ARTICLE 4 COVENANTS

##### Section 4.01 *Payment of Notes.*

The Issuer shall pay or cause to be paid the principal of, interest and premium and Additional Amounts, if any, on the Notes on the dates and in the manner provided in the Notes. Principal, interest, premium and Additional Amounts, if any, shall be considered paid on the date due if the Principal Paying Agent, receives such payment in the manner provided in the Notes. Principal, premium, if any, Additional Amounts, if any, and interest shall be considered paid on the date due if the Issuer holds, in an account with the Paying Agent, if other than the Issuer or a Subsidiary thereof, on the Business Day prior to the due date, money deposited by the Issuer in immediately available funds and designated for and sufficient to pay all principal, premium, Additional Amounts, if any, and interest then due.

On one business day prior to the due date of the principal, premium, if any, and interest on any Notes, the Issuer shall deposit in an account with the Principal Paying Agent money in immediately available funds sufficient to pay such principal, premium, if any, and interest so becoming due on the due date for payment under the Notes and subject to the receipt of such money, the Principal Paying Agent shall make payment on the Notes in accordance with this Indenture. Principal of, interest, premium and Additional Amounts, if any, on Global Notes will be payable at

the corporate trust office or agency of the Principal Paying Agent maintained in the City of London for such purposes, at the corporate trust office or agency of the Paying Agent maintained in the Borough of Manhattan, City of New York, for such purposes and, for as long as any Notes are admitted to trading on the Euro MTF Market and listed on the official list of the Luxembourg Stock Exchange, at the office of the Paying Agent appointed in Luxembourg. All payments on the Global Notes will be made by transfer of immediately available funds to an account of the Holder of the Global Notes in accordance with instructions given by that Holder.

Principal of, interest, premium and Additional Amounts, if any, on any Definitive Registered Notes will be payable at the corporate trust office or agency of any Paying Agent in any location required to be maintained for such purposes pursuant to Section 2.03. In addition, interest on Definitive Registered Notes may be paid by check mailed to the person entitled thereto as shown on the Register for such Definitive Registered Notes.

The Issuer shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal at the rate equal to 1% per annum in excess of the then applicable interest rate on the Notes to the extent lawful. The Issuer shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest (without regard to any applicable grace period) at the same rate to the extent lawful.

#### Section 4.02 *Maintenance of Office or Agency.*

The Issuer shall maintain the offices and agencies specified in Section 2.03. The Issuer shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Issuer shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the corporate trust office of the Trustee.

The Issuer may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided, however*, that no such designation or rescission shall in any manner relieve the Issuer of its obligation to maintain an office or agency as required by Section 2.03. The Issuer shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

The Issuer hereby designates the corporate trust office of the Trustee (the address of which is specified in Section 14.01) as one such office or agency of the Issuer in accordance with Section 2.03.

#### Section 4.03 *Reports and Other Information.*

(a) So long as any Notes are outstanding, the Issuer and Wind shall provide the Trustee (who, at the expense of the Issuer, will furnish by mail to the Holders, Common Depositary, Euroclear, Clearstream and DTC) for the benefit of the Holders of Notes and potential purchasers of Notes:

(i) within 120 days after the end of the Issuer's and Wind's fiscal year, annual reports containing the following information with a level of detail that is substantially comparable and similar in scope to the Offering Memorandum: (1) audited consolidated balance sheet of the Issuer and Wind, respectively, as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Issuer and Wind, respectively, for the three most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (2) *pro forma* income statement and balance sheet information, together with explanatory footnotes, for any material acquisitions or dispositions (including, without limitation, any acquisitions or disposition that, individually or in the aggregate when

considered with all other acquisitions or dispositions that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates, represent greater than 20% of the consolidated revenues, EBITDA, or assets of the Issuer and Wind, respectively, on a *pro forma* basis) or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates; (3) an operating and financial review of the audited financial statements, including a discussion of the results of operations including a discussion of subscribers, churn, ARPU and traffic and a breakout of revenue and EBITDA between the mobile and fixed-line business, financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; (4) a description of the industry, business, management and shareholders of the Issuer and Wind, all material affiliate transactions, Indebtedness and material financing arrangements and a description of all material contractual arrangements, including material debt instruments; and (5) risk factors and material recent developments;

(ii) within 60 days following the end of each of the first three fiscal quarters in each fiscal year of the Issuer and Wind, respectively, quarterly reports containing the following information: (1) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the quarterly and year to date periods ending on the unaudited condensed balance sheet date, and the comparable prior year periods for the Issuer and Wind, respectively, together with condensed footnote disclosure; (2) *pro forma* income statement and balance sheet information, together with explanatory footnotes, for any material acquisitions or dispositions (including, without limitation, any acquisition or disposition that, individually or in the aggregate when considered with all other acquisitions or dispositions that have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly report relates, represents greater than 20% of the consolidated revenues, EBITDA or assets of the Issuer and Wind, respectively, on a *pro forma* basis) or recapitalizations that have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly report relates; (3) an operating and financial review of the unaudited financial statements (including a discussion of subscribers, churn, ARPU and traffic and a breakout of revenue and EBITDA between the mobile and fixed-line businesses), including a discussion of the consolidated financial condition and results of operations of Wind and any material change between the current quarterly period and the corresponding period of the prior year; (4) material developments in the business of Wind and its Subsidiaries; (5) financial developments and trends in the business in which Wind and its Subsidiaries are engaged; and (6) material recent developments and any material changes to the risk factors disclosed in the most recent annual report with respect to the Issuer and Wind, respectively; and

(iii) promptly after the occurrence of (1) a material acquisition, disposition or restructuring (including any acquisition or disposition that would require the delivery of *pro forma* financial information pursuant to clauses (i) or (ii) above), (2) any senior management change at the Issuer and Wind, respectively, (3) any change in the auditors of the Issuer and Wind, respectively, (4) any resignation of a member of the Board of Directors of the Issuer and Wind, respectively, as a result of a disagreement with the Issuer or Wind, respectively, (5) the entering into an agreement that will result in a Change of Control or (6) any material events that the Issuer or Wind, respectively, announces publicly, in each case, a report containing a description of such events.

(b) If Wind has designated any of its Subsidiaries as Unrestricted Subsidiaries and such Subsidiaries are Significant Subsidiaries, then the quarterly and annual financial information required by Section 4.03(a) will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of Wind and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of Wind.

(c) For so long as any Notes remain outstanding and during any period during which Wind and the Issuer are not subject to Section 13 or 15(d) of the U.S. Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), Wind and the Issuer will furnish to the holders of a beneficial interest in the Notes and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

(d) Wind and the Issuer will also make available copies of all reports required by Section 4.03(a) (i) on Wind's website and (ii) if and so long as the Notes are listed on the Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange so require, at the specified office of the Paying Agent in Luxembourg.

#### Section 4.04 *Compliance Certificate.*

(a) The Issuer and each Guarantor shall deliver to the Trustee, within 90 days after the end of each fiscal year (without the need for any request by the Trustee) and (at any time) within 21 days of a request by the Trustee therefor, an Officer's Certificate stating that a review of the activities of the Issuer, Wind and its Subsidiaries during the preceding fiscal year or, as the case may be, during the 12-month period ending on the date of such request, has been made under the supervision of the signing Officers with a view to determining whether each of the Issuer and Wind has kept, observed, performed and fulfilled its obligations under this Indenture, and further stating, as to each such Officer signing such certificate, that to the best of his or her knowledge each of the Issuer and Wind has kept, observed, performed and fulfilled each and every covenant made by it contained in this Indenture, and is not (and has not been since the date of the last such certificate, or if none, since the Issue Date) in default in the performance or observance of any of the terms, provisions and conditions of this Indenture (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he or she may have knowledge and what action the Issuer and/or such Guarantor is taking or proposes to take with respect thereto) and that to the best of his or her knowledge no event has occurred and remains in existence by reason of which payments on account of the principal of, interest, premium and Additional Amounts, if any, on the Notes is prohibited or if such event has occurred, a description of the event and what action the Issuer and/or Wind is taking or proposes to take with respect thereto.

(b) So long as not contrary to customary practice applicable to the Issuer's and Wind's independent auditors, the year-end financial statements delivered pursuant to Section 4.03(a) above shall be accompanied by a written statement of the Issuer's and Wind's independent public accountants (which shall be a firm of established international reputation) that in making the examination necessary for certification of such financial statements, nothing has come to their attention that would lead them to believe that the Issuer, Wind or its Restricted Subsidiaries has violated any provisions of Article 4 or Article 5 or, if any such violation has occurred, specifying the nature and period of existence thereof, it being understood that such accountants shall not be liable directly or indirectly to any Person for any failure to obtain knowledge of any such violation.

(c) The Issuer and each Guarantor shall, so long as any of the Notes are outstanding, deliver to the Trustee, upon any Officer becoming aware of any Default or Event of Default, an Officer's Certificate specifying such Default or Event of Default and what action the Issuer is taking or proposes to take with respect thereto.

#### Section 4.05 *Taxes.*

The Issuer and Wind shall pay, and Wind shall cause each of its Subsidiaries to pay, prior to delinquency, all material taxes, assessments, and governmental levies except such as are contested in good faith and by appropriate proceedings or where the failure to effect such payment is not adverse in any material respect to the Holders of the Notes.

Section 4.06 *Stay, Extension and Usury Laws.*

Each of the Issuer and the Guarantors covenants (to the extent that it may lawfully do so) that they shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and each of the Issuer and any Guarantor (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it shall not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law has been enacted.

Section 4.07 *Limitations on Restricted Payments*

(a) The Issuer and Wind will not, and Wind will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(I) declare or pay any dividend or make any other payment or distribution on account of Wind's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving Wind or any of its Restricted Subsidiaries) or to the direct or indirect holders of Wind's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of Wind and other than dividends or distributions payable to Wind or a Restricted Subsidiary of Wind);

(II) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving Wind) any Equity Interests of Wind or any direct or indirect parent of Wind;

(III) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of the Issuer or any Guarantor that is contractually subordinated to the Notes or to any Note Guarantee (excluding any intercompany Indebtedness between or among Wind and any of its Restricted Subsidiaries (other than intercompany Indebtedness owed to the Issuer which is subordinated pursuant to the Priority Agreement)), except a payment of interest or principal (other than with respect to Subordinated Shareholder Debt) at the Stated Maturity thereof or the purchase, redemption, defeasance or other acquisition or retirement of any such subordinated obligations (other than with respect to Subordinated Shareholder Debt) purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of such purchase, redemption, defeasance or other acquisition or retirement; or

(IV) make any Restricted Investment,

(all such payments and other actions set forth in these clauses (i) through (iv) above being collectively referred to as "*Restricted Payments*"), unless, at the time of and after giving effect to such Restricted Payment:

(i) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(ii) Wind would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least €1.00 of additional Indebtedness pursuant to the Consolidated Leverage Ratio test set forth in Section 4.09(a); and



(iii) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by Wind and its Restricted Subsidiaries since the date of this Indenture (excluding Restricted Payments permitted by clauses (ii), (iii), (iv), (vi), (vii), (viii)(a), (viii)(b), (xii), (xvi) and (xvii) of Section 4.07(b); *provided* that the maximum exclusion under clause (viii)(b) shall be €20.0 million per annum), is less than the sum, without duplication, of:

(A) 50% of the Consolidated Net Income of Wind for the period (taken as one accounting period) from the beginning of the fiscal quarter commencing July 1, 2014 to the end of Wind's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*

(B) 100% of the aggregate net cash proceeds and the Fair Market Value of property or assets or marketable securities received by Wind since the date of this Indenture as a contribution to its common equity capital or from the issue or sale of Equity Interests of Wind (other than Disqualified Stock or Excluded Contributions) or from the issue or sale since the date of this Indenture of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of Wind or any Restricted Subsidiary of Wind that have been converted into or exchanged for such Equity Interests of Wind (other than (i) Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of Wind or (ii) Excluded Contributions) or from Subordinated Shareholder Debt; *plus*

(C) to the extent that any Restricted Investment that was made after the date of this Indenture is sold for cash and/or Cash Equivalents or otherwise liquidated or repaid for cash and/or Cash Equivalents, the lesser of (i) the cash return of capital with respect to such Restricted Investment (including any Cash Equivalents less the cost of disposition, if any) and (ii) the initial amount of such Restricted Investment; *plus*

(D) to the extent that any Unrestricted Subsidiary of Wind designated as such after the date of this Indenture is redesignated as a Restricted Subsidiary after the date of this Indenture, the lesser of (i) the Fair Market Value of Wind's Investment in such Subsidiary as of the date of such redesignation or (ii) such Fair Market Value as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary after the date of this Indenture; *plus*

(E) 100% of any dividends or distributions received by Wind or a Restricted Subsidiary of Wind after the date of this Indenture from an Unrestricted Subsidiary of Wind, to the extent that such dividends were not otherwise included in the Consolidated Net Income of Wind for such period.

Notwithstanding the foregoing, any amounts (such amounts, the "*Excluded Amounts*") that would otherwise be included in the calculation of the amount available for Restricted Payments pursuant to the preceding clause (3) will be excluded to the extent (i) such amounts result from the receipt of net cash proceeds or property or marketable securities received in contemplation of, or in connection with, an event that would otherwise constitute a Change of Control pursuant to the definition thereof, (ii) the purpose of, or the effect of, the receipt of such net cash proceeds or property or assets or marketable securities was to reduce the Consolidated Leverage Ratio so that there would be an occurrence of a Specified Change of Control Event that would not have been achieved without the receipt of such net cash proceeds or property or assets or marketable securities and (iii) no Change of Control Offer is made in connection with such Change of Control in accordance with the requirements of this Indenture.

(b) The provisions of Section 4.07(a) will not prohibit:

(i) the payment of any dividend or distribution or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or distribution or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of this Indenture;

(ii) the making of any Restricted Payment in exchange for, upon conversion of or out of the net cash proceeds of the sale within 30 days prior to such payment (other than to a Subsidiary of Wind) of, Equity Interests of Wind (other than Disqualified Stock or Excluded Amounts) or Subordinated Shareholder Debt or from the substantially concurrent contribution of common equity or ordinary share capital to Wind; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from Section 4.07(a)(iii)(B), will not constitute Excluded Contributions and will not be considered to be net cash proceeds from a Public Equity Offering for purposes of Section 3.07;

(iii) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Issuer or any Guarantor (other than Subordinated Shareholder Debt) that is referred to Section 4.07(a)(III) in exchange for, or with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness;

(iv) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary of Wind to the holders of its Equity Interests then entitled to participate in such dividends on a *pro rata* basis;

(v) the purchase, repurchase, redemption or other acquisition or retirement for value of any Equity Interests of Wind or any Restricted Subsidiary of Wind held by any current or former officer, director or employee of Wind or any of its Restricted Subsidiaries pursuant to any equity subscription agreement, compensation, retirement, disability, severance or benefit plan or arrangement, stock option or incentive plan or agreement, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed €7.5 million in any twelve-month period with unused amounts being carried over to any subsequent twelve-month period subject to a maximum aggregate amount of €15.0 million being available in any twelve-month period;

(vi) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;

(vii) the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of Wind or Preferred Stock of any Restricted Subsidiary of Wind issued on or after the date of this Indenture in accordance with the Consolidated Leverage Ratio test set forth in Section 4.09;

(viii) so long as no Default has occurred and is continuing or would be caused thereby, (a) Permitted Maintenance Payments; and (b) Permitted Wind Telecom Management Payments;

(ix) so long as no Default has occurred and is continuing or would be caused thereby, following a Public Equity Offering that results in a Public Market of the Capital Stock of Wind or any Parent Holdco of Wind, the payment of dividends on the Capital Stock of Wind up to 6% per annum of the net cash proceeds received by Wind in any such Public Equity Offering or any subsequent public offering of such Capital Stock, or the net cash

proceeds of any such Public Equity Offering or subsequent public offering of such Capital Stock of any Parent Holdco of Wind that are contributed in cash to Wind's equity (other than through the issuance of Disqualified Stock or Excluded Amounts); *provided*, that if such Public Equity Offering was of Capital Stock of a Parent Holdco of Wind, the net proceeds of any such dividend are used to fund a corresponding dividend in equal or greater amount on the Capital Stock of such Parent Holdco;

(x) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Issuer, Wind or any of its Restricted Subsidiaries that is contractually subordinated to the Notes or any Note Guarantee upon a Change of Control or an Asset Sale to the extent required by this Indenture or any agreement or instrument pursuant to which such subordinated Indebtedness was issued, but only if the Issuer (a) in the case of a Change of Control, has first purchased all Notes validly tendered and not withdrawn in the Change of Control Offer contemplated in Section 4.15 or (b) in the case of an Asset Sale, has first purchased all Notes validly tendered and not withdrawn in the Asset Sale Offer contemplated in Section 3.11;

(xi) the repurchase, redemption, or other acquisition for value (including, for the avoidance of doubt, cash payments in lieu of fractional shares) of Capital Stock of Wind representing fractional shares of such Capital Stock in connection with a share dividend, share distribution, share split, reverse share split, merger, consolidation, amalgamation or other business combination of Wind or such Restricted Subsidiary, in each case, as permitted under this Indenture; *provided* that such share dividend, share distribution, share split, reverse share split, merger, consolidation, amalgamation or other business combination is undertaken in good faith and not in anticipation of, or to facilitate the payment of, any dividend or other return of capital to the holders of, such Capital Stock;

(xii) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (xii);

(xiii) the redemption of Preferred Stock of a Restricted Subsidiary of Wind out of cash or the net cash proceeds of the incurrence within 45 days prior to such redemption of Indebtedness of Wind or a Restricted Subsidiary of Wind which Indebtedness is permitted to be incurred under this Indenture;

(xiv) so long as no Default has occurred and is continuing or would be caused thereby, other Restricted Payments in an aggregate amount not to exceed €75.0 million since the date of this Indenture;

(xv) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, any Restricted Payment; *provided* that the Consolidated Leverage Ratio on a *pro forma* basis after giving effect to any such dividend, distribution, advance, loan or other payment does not exceed 4.0 to 1.0;

(xvi) any Restricted Payment made in connection with any amendment and/or extension and/or offset and/or discharge (including by way of exchange, sale or substitution) or any other action in relation to the Wind Telecom Loan provided that no cash may be made by Wind or any Restricted Subsidiary as part of such Restricted Payment;

(xvii) the making of any Restricted Payment (including via an Investment) as part of a Cash Distribution; and

(xviii) payment of Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing.

(c) The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by Wind or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The Fair Market Value of any assets or securities that are required to be valued by this covenant will be determined by the Board of Directors of Wind.

Section 4.08 *Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries.*

(a) The Issuer and Wind will not, and Wind will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of (1) Wind to make payments to, or make loans or advances to, the Issuer or (2) any Restricted Subsidiary of Wind to:

(i) pay dividends or make any other distributions on its Capital Stock to Wind or any of its Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to Wind or any of its Restricted Subsidiaries;

(ii) make loans or advances to Wind or any of its Restricted Subsidiaries; or

(iii) sell, lease or transfer any of its properties or assets to Wind or any of its Restricted Subsidiaries.

(b) However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of or with respect to:

(i) agreements and instruments (including agreements or instruments governing Existing Indebtedness and Credit Facilities (including the Priority Agreement)) as in effect on the date of this Indenture and any amendments, extensions, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, extensions, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in such agreements and instruments on the date of this Indenture;

(ii) this Indenture and the Notes, the Note Guarantees and the Security Documents and any amendments, extensions, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, extensions, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in such agreements and instruments on the date of this Indenture;

(iii) applicable law, rule, regulation, or order or governmental license, permit or concession with respect to the operation of a Permitted Business;

(iv) any agreement or instrument (including agreement and instruments governing Indebtedness) or Capital Stock of a Person or assets acquired by Wind or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of

any Person, other than the Person, or the property or assets of the Person, so acquired and any amendments, extensions, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, extensions, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in the corresponding agreement on the date of such acquisition; *provided further* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of this Indenture to be incurred;

(v) customary non-assignment provisions in leases, contracts and licenses entered into by Wind and its Restricted Subsidiaries in the ordinary course of business;

(vi) purchase money obligations for property acquired in the ordinary course of business, Capital Lease Obligations and mortgage financings that impose restrictions on the property purchased or leased of the nature described in Section 4.08(a)(iii);

(vii) any agreement for the sale or other disposition of Equity Interests or property or assets of a Restricted Subsidiary of Wind (including by way of merger, consolidation, amalgamation or combination) that restricts the disposition of such Equity Interests, property or assets pending the sale or other disposition;

(viii) any agreement or instrument relating to Indebtedness permitted to be incurred after the Issue Date under Section 4.09 if the restriction and encumbrances contained in the relevant agreements governing such Indebtedness are (a) either (1) no more restrictive or (2) not materially less favorable to the Holders of the Notes, taken as a whole and determined in good faith by the Board of Directors of Wind, than the dividends and other payment restrictions contained in the Credit Agreement and the Priority Agreement, in each case, as in effect on the Issue Date, and (b) either (1) the final Stated Maturity of the Indebtedness is prior to the final Stated Maturity of the Notes or (2) such Indebtedness permits principal payments to be made to the Issuer to fund the repayment of the Notes at final Stated Maturity;

(ix) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(x) Liens permitted to be incurred under the provisions of Section 4.12 that limit the right of the debtor to dispose of the assets subject to such Liens;

(xi) provisions limiting the disposition or distribution of assets, property or Equity Interests in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements entered into with the approval of Wind's Board of Directors, which limitation is applicable only to the assets, property or Equity Interests that are the subject of such agreements;

(xii) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into by Wind and its Restricted Subsidiaries in the ordinary course of business; and

(xiii) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of an Officer or the Board of Directors of Wind, are necessary or advisable to effect such Qualified Receivables Financing.

Section 4.09 *Limitation on Incurrence of Indebtedness and Issuance of Preferred Stock*

(a) The Issuer and Wind will not, and Wind will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or guarantee (collectively, “*incur*”) any Indebtedness (including Acquired Debt), and Wind will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of Preferred Stock; *provided, however*, that (1) Wind may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock and (2) the Issuer and any other Restricted Subsidiary of Wind that is a Guarantor may incur Indebtedness (including Acquired Debt) or issue Preferred Stock, in each case, if on the date of such incurrence or issuance and on a *pro forma* basis (including a *pro forma* application of the Net Proceeds therefrom) the Consolidated Leverage Ratio of Wind is less than 5.0 to 1.0.

(b) Sections 4.09(a) will not prohibit the incurrence of any of the following items of Indebtedness (collectively, “*Permitted Debt*”):

(i) the incurrence by the Issuer, Wind or any other Restricted Subsidiary of Wind that is a Guarantor of Indebtedness and letters of credit under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (i) (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Issuer, Wind and Wind’s other Restricted Subsidiaries thereunder) not to exceed in aggregate the total of €2,955 million, *less* the aggregate amount of all Net Proceeds of Asset Sales applied by the Issuer, Wind or any of Wind’s other Restricted Subsidiaries since the Issue Date to repay any Indebtedness under Credit Facilities incurred pursuant to this Section 4.09(b)(i) and effect a corresponding commitment reduction thereunder pursuant to Section 4.10(b)(ii);

(ii) the incurrence by the Issuer, Wind and Wind’s other Restricted Subsidiaries of Existing Indebtedness outstanding on the Issue Date (including, for the avoidance of doubt, the Notes, the 2010 Indenture Senior Secured Notes and the 2013 Indenture Senior Secured Notes);

(iii) the incurrence by the Issuer, Wind or any of Wind’s other Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing or refinancing all or any part of the purchase price or cost of design, construction, lease, installation or improvement of property (real or personal), plant or equipment used or useful in the business of the Issuer, Wind or any of Wind’s other Restricted Subsidiaries, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred in exchange for, or the net proceeds of which were used to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (iii), in an aggregate amount at any time outstanding not to exceed the greater of (i) €250.0 million and (ii) 1.5% of Consolidated Total Assets;

(iv) the incurrence by the Issuer, Wind or any of Wind’s other Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by this Indenture to be incurred under Section 4.09 (a) or clauses (ii), (iv), or (xiv) of this Section 4.09(b);

(v) the incurrence by the Issuer, Wind or any of Wind’s other Restricted Subsidiaries of intercompany Indebtedness between or among the Issuer, Wind and any of Wind’s other Restricted Subsidiaries; *provided, however*, that:

(A) if any Guarantor or the Issuer is the obligor on such Indebtedness and the payee is not a Guarantor or the Issuer, such Indebtedness must be unsecured and

expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the relevant Note Guarantee or the Issuer's obligations under the Notes, as the case may be; and

(B) (1) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Issuer, Wind or any other Restricted Subsidiary of Wind and (2) any sale or other transfer of any such Indebtedness to a Person that is not either the Issuer, Wind or any other Restricted Subsidiary of Wind, will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Issuer, Wind or any other Restricted Subsidiary of Wind, as the case may be, that was not permitted by this clause (v);

(vi) the issuance by the Issuer or any of Wind's other Restricted Subsidiaries to Wind or by the Issuer or any of Wind's other Restricted Subsidiaries to the Issuer or any of Wind's other Restricted Subsidiaries of shares of Preferred Stock; *provided, however, that:*

(A) any subsequent issuance or transfer of Equity Interests that results in any such Preferred Stock being held by a Person other than the Issuer, Wind or any other Restricted Subsidiary of Wind; and

(B) any sale or other transfer of any such Preferred Stock to a Person that is not either Wind, the Issuer or any other Restricted Subsidiary of Wind,

will be deemed, in each case, to constitute an issuance of such Preferred Stock by the Issuer or such other Restricted Subsidiary that was not permitted by this clause (vi);

(vii) the incurrence by the Issuer, Wind or any of Wind's other Restricted Subsidiaries of Hedging Obligations in the ordinary course of business and not for speculative purposes;

(viii) the guarantee by the Issuer, Wind or any other Restricted Subsidiary of Wind of Indebtedness of the Issuer, Wind or any other Restricted Subsidiary of Wind that was permitted to be incurred by another provision of this Section 4.09; *provided* that if the Indebtedness being guaranteed is subordinated in right of payment to the Notes or any Note Guarantee, then such guarantee shall be subordinated substantially to the same extent as the relevant Indebtedness guaranteed;

(ix) the incurrence by the Issuer, Wind or any of Wind's other Restricted Subsidiaries of Indebtedness arising from (1) workers' compensation claims, self-insurance obligations, performance, surety, bid, judgment, appeal, advance payment, customs, VAT or other tax guarantees or other similar bonds, instruments or obligations and performance or completion bonds, guarantees and warranties provided by the Issuer, Wind or any of Wind's other Restricted Subsidiaries or relating to liabilities or obligations arising in the ordinary course of business and not in connection with the borrowing of money; (2) letters of credit, bankers' acceptances or other similar instruments or obligations issued or relating to liabilities or obligations in the ordinary course of business; *provided* that, upon demand being made under such reimbursement obligations, such demand is satisfied within five days of the date of such demand; and (3) the financing of insurance premiums in the ordinary course of business;

(x) the incurrence by the Issuer, Wind or any of Wind's other Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds, so long as such Indebtedness is extinguished or covered within five business days of Wind or the relevant Subsidiaries obtaining knowledge of such incurrence;

(xi) the incurrence by Wind of intercompany Indebtedness in the form of a loan from the Parent within 15 Credit Agreement Business Days of Wind becoming aware of, and for the purpose of curing, a breach of the financial covenants set forth in the Credit Agreement; *provided* that (1) the cure of such breach is permitted in such manner under the terms of the Credit Agreement; (2) the event of default arising from such breach under the relevant agreement will not be continuing after the loan has been made to Wind; (3) such Indebtedness is expressly subordinated in right of payment to any Intercompany Loan, the Notes and any Note Guarantee, may not be enforceable while the Notes or any Note Guarantee remains outstanding and is automatically cancelled upon any Default and (4) is, within 45 days after the date on which the consolidated quarterly financial statements of Wind to which the financial covenants relate were provided to the facility or administrative agent under the Credit Agreement, either converted into shares of common stock or ordinary shares of Wind or refinanced out of the proceeds from the issuance of shares of common stock or ordinary shares of Wind, in either case, without any cash payment from the Issuer, Wind or any of Wind's other Restricted Subsidiaries;

(xii) the incurrence by the Issuer, Wind or any of Wind's other Restricted Subsidiaries of Indebtedness arising from agreements of the Issuer, Wind or any other Restricted Subsidiary of Wind providing for indemnification, earn-out, adjustment of purchase price or similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business, assets or Capital Stock of a Subsidiary, other than, for the avoidance of doubt, guarantees of Indebtedness of the Subsidiary disposed of, or incurred or assumed by any Person acquiring all or any portion of such business, assets or Capital Stock for the purpose of financing such acquisition; *provided* that the maximum liability of the Issuer, Wind and Wind's other Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer, Wind and Wind's other Restricted Subsidiaries in connection with such disposition;

(xiii) customer deposits and advance payments received from customers for goods and services purchased in the ordinary course of business;

(xiv) Indebtedness of any Restricted Subsidiary of Wind that is not a Guarantor or the Issuer existing at the time such Restricted Subsidiary is merged, consolidated, amalgamated or otherwise combined with or into or becomes a Restricted Subsidiary of Wind (but, for the avoidance of doubt, excluding any Indebtedness incurred in connection with, or in contemplation of, such Restricted Subsidiary merging, consolidating, amalgamating or otherwise combining with or into, or becoming a Restricted Subsidiary of, Wind); *provided*, however, with respect to this Section 4.09(b)(xiv), that at the time of the acquisition or other transaction pursuant to which such Indebtedness was deemed to be incurred (A) Wind would have been able to incur €1.00 of additional Indebtedness pursuant to Section 4.09(a) after giving effect to the incurrence of such Indebtedness pursuant to this Section 4.09(b)(xiv); or (B) the Consolidated Leverage Ratio of Wind would not be greater than it was immediately prior to giving effect to such acquisition or other transaction;

(xv) Indebtedness of the Issuer, Wind and Wind's other Restricted Subsidiaries owed to their employees in connection with loan stock issued under employee stock purchase plans (including of a Parent Holdco) so long as the aggregate principal amount of all such Indebtedness shall not exceed €5.0 million at any time outstanding;

(xvi) the incurrence by the Issuer, Wind or any of Wind's other Restricted Subsidiaries of additional Indebtedness (including Acquired Debt) in an aggregate principal amount (or accreted value, as applicable) at any time outstanding not to exceed the greater of (i) €200.0 million and (ii) 1.5% of Consolidated Total Assets; *provided* that no more than €25.0 million of which at any time outstanding may be incurred by Restricted Subsidiaries of Wind that are not a Guarantor or the Issuer;



(xvii) Indebtedness Incurred by a Receivables Subsidiary in a Qualified Receivables Financing; and

(xviii) Indebtedness of the Issuer, Wind or any of Wind's other Restricted Subsidiaries in an aggregate outstanding principal amount which, when taken together with any Permitted Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness incurred pursuant to this Section 4.09(b)(xviii) and then outstanding, will not exceed 100% of the Net Proceeds received by Wind from the issuance or sale (other than to a Restricted Subsidiary of Wind) of its Subordinated Shareholder Debt or Capital Stock (other than Disqualified Stock, an Excluded Contribution or an Excluded Amount) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Excluded Amounts, or an Excluded Contribution) of Wind, in each case, subsequent to the Issue Date; *provided, however*, that (i) any such Net Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under Section 4.07(a) and Section 4.07(b)(ii) and (ix) to the extent the Issuer, Wind and Wind's other Restricted Subsidiaries incur Indebtedness in reliance thereon and (ii) any Net Proceeds that are so received or contributed shall be excluded for purposes of incurring Indebtedness pursuant to this Section 4.09(b)(xviii) to the extent the Issuer, Wind or any of Wind's other Restricted Subsidiaries makes a Restricted Payment under Section 4.07(a) and Section 4.07(b)(ii) and (ix) in reliance thereon.

(c) For purposes of determining compliance with this Section 4.09, in the event that an item of proposed Indebtedness may only be incurred by a Guarantor, such Indebtedness may be incurred by a Restricted Subsidiary of Wind that is not a Guarantor so long as such Restricted Subsidiary either becomes a Guarantor or is merged with and into a Guarantor, in either case, within 90 days of such incurrence of Indebtedness.

(d) For purposes of determining compliance with this Section 4.09, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (i) through (xvi) of Section 4.09(b), or is entitled to be incurred pursuant to Section 4.09(a), the Issuer and Wind will be permitted to classify all or any portion of such item of Indebtedness on the date of its incurrence in any manner that complies with this Section 4.09 and, other than with respect to Indebtedness incurred under clause (i) of the definition of Permitted Debt in Section 4.09(b), to reclassify from time to time all or any portion of such item of Indebtedness in any manner that then complies with this Section 4.09. Indebtedness under Credit Facilities outstanding on the date on which Notes are first issued and authenticated under this Indenture will initially be deemed to have been incurred on such date in reliance on the exception provided by clause (i) of the definition of Permitted Debt and may not be reclassified. The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of Preferred Stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Disqualified Stock in the form of additional shares of the same class of Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Stock for purposes of this Section 4.09; *provided*, in each such case, that the amount of any such accrual, accretion or payment is included in Fixed Charges of Wind as accrued. Notwithstanding any other provision of this Section 4.09, the maximum amount of Indebtedness that the Issuer, Wind or any other Restricted Subsidiary of Wind may incur pursuant to this Section 4.09 shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

- (e) The amount of any Indebtedness outstanding as of any date will be (without double counting):
- (i) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;
  - (ii) the principal amount of the Indebtedness, in the case of any other Indebtedness; and
  - (iii) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:
    - (A) the Fair Market Value of such assets at the date of determination; and
    - (B) the amount of the Indebtedness of the other Person,

*provided* that for purposes of determining Consolidated Leverage or Consolidated Senior Secured Leverage for purposes of clauses (i) and (ii), such amount of Indebtedness outstanding shall be equal to the amount of such Indebtedness that appears as a liability on the consolidated balance sheet prepared in accordance with IFRS of Wind and its Restricted Subsidiaries after adjustment for financial assets and financial liabilities.

(f) For purposes of determining compliance with any euro-denominated restriction on the incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency will be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness incurred under a revolving credit facility; *provided* that (1) if such Indebtedness is incurred to refinance other Indebtedness denominated in a currency other than euros, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction will be deemed not to have been exceeded so long as the principal amount of such Permitted Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced; (2) notwithstanding clause (3) below, for the purposes of determining Consolidated Leverage or Consolidated Senior Secured Leverage, the Euro Equivalent of the principal amount of any such Indebtedness will be calculated as of the last date of the most recent quarterly period in the four quarter period for which such determination is being made; and (3) other than for purposes of clause (2) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date will be calculated based on the relevant currency exchange rate in effect on the Issue Date. For the avoidance of doubt, for the purpose of determining the Consolidated Leverage or Consolidated Senior Secured Leverage, if any Indebtedness is subject to a Currency Exchange Protection Agreement, any amount that would be payable by the Issuer, Wind or any other Restricted Subsidiary of Wind upon termination or close out under such a Currency Exchange Protection Agreement to the extent such termination or close out has not occurred will not be taken into account to the extent such Indebtedness for which such a Currency Exchange Protection Agreement relates is calculated pursuant to the Currency Exchange Protection Agreement

#### Section 4.10 *Asset Sales.*

(a) The Issuer and Wind will not, and Wind will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

- (i) Wind or such Restricted Subsidiary receives consideration at the time of the Asset Sale at least equal to the Fair Market Value (including as to the value of all non-cash consideration) of the assets or Equity Interests issued or sold or otherwise disposed of as determined in good faith by the principal financial officer of Wind or, in the case of assets and Equity Interests having a value in excess of €15 million, as determined in good faith by the Board of Directors of Wind; and

(ii) at least 75% of the consideration received in the Asset Sale by Wind or such Restricted Subsidiary is in the form of cash and/or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:

(A) any liabilities, as shown on Wind's most recent consolidated balance sheet, of Wind or any Restricted Subsidiary (other than contingent liabilities, and liabilities (or the guarantees thereof) that are by their terms subordinated to the Notes or any Note Guarantee) that are assumed or repaid by another Person in connection with such Asset Sale; *provided* that Wind or such Restricted Subsidiaries are released from further liability;

(B) any securities, notes or other obligations received by Wind or any such Restricted Subsidiary from such transferee that are converted into cash or Cash Equivalents within 45 days of receipt thereof; and to the extent of the cash or Cash Equivalents received in that conversion;

(C) any stock or assets of the kind referred to in clauses (ii) or (iv) of Section 4.10(b);

(D) any Designated Non-Cash Consideration received by Wind or any of its Restricted Subsidiaries in such Asset Sales having an aggregate Fair Market Value, when taken together with all other Designated Non-Cash Consideration received pursuant to this clause (D) that is at that time outstanding, not to exceed €25.0 million, measured at the time of the receipt of such Designated Non-Cash Consideration (with the Fair Market Value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); and

(E) any combination of the foregoing.

(b) Within 365 days after the receipt of any Net Proceeds from an Asset Sale, Wind or any Restricted Subsidiary may:

(i) apply the Net Proceeds to (a) purchase the Notes pursuant to an offer made on a *pro rata* basis to all of the holders of Notes at a purchase price not less than 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (a "*Notes Offer*"), (b) redeem the Notes pursuant to the redemption provisions set forth in Section 3.07 and/or Section 3.08 or (c) make an Asset Sale Offer to all holders of the Notes and holders of other Indebtedness that is *pari passu* with the Notes or any Note Guarantees and that is not subordinated in right of payment to the Notes or any Note Guarantee;

(ii) apply the Net Proceeds to repay, prepay, redeem or purchase (a) Senior Debt, (b) Indebtedness that is secured by a Lien (other than a Permitted Collateral Lien) on the asset which is the subject of the Asset Sale or (c) with respect to assets of a Restricted Subsidiary that is not the Issuer or a Guarantor, Indebtedness of a Restricted Subsidiary that is not the Issuer or a Guarantor and if the Senior Debt repaid, prepaid, redeemed or purchased is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto;

(iii) apply the Net Proceeds to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of assets or Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary of Wind;

(iv) apply the Net Proceeds to make a capital expenditure;

(v) apply the Net Proceeds to acquire other assets that are not classified as current assets under IFRS and that are used or useful in a Permitted Business;

(vi) enter into a binding commitment to apply the Net Proceeds pursuant to clauses (i), (iii), (iv) or (v) of this paragraph; *provided* that such binding commitment shall be treated as a permitted application of the Net Proceeds from the date of such commitment until the earlier of (x) the date on which such acquisition or expenditure is consummated, and (y) the 180<sup>th</sup> day following the expiration of the aforementioned 365 day period; or

(vii) apply the Net Proceeds in any combination of the foregoing.

Pending the final application of any Net Proceeds, Wind may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by this Indenture.

(c) Any Net Proceeds from Asset Sales that are not applied or invested as provided in Section 4.10(b) will constitute “*Excess Proceeds*.” When the aggregate amount of Excess Proceeds exceeds €35.0 million, within 25 days thereof, the Issuer (or Wind on the Issuer’s behalf) will make an Asset Sale Offer in accordance with the procedures set forth in Section 3.11, to all Holders of Notes and creditors under any other *Pari Passu* Indebtedness containing provisions similar to those set forth in this Section 4.10 with respect to offers to purchase or redeem with the proceeds of sales of assets, to purchase the maximum principal amount (on a *pro rata* basis) of Notes and such other *Pari Passu* Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest and Additional Amounts then due, if any, to the date of purchase and will be payable in cash and, with respect to other *Pari Passu* Indebtedness, will be no more than 100% of the principal amount of such other *Pari Passu* Indebtedness plus accrued and unpaid interest and additional amounts then due, if any, to the date of purchase. To the extent the aggregate amount of Notes and such other *Pari Passu* Indebtedness tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Issuer and/or its Restricted Subsidiaries may use the remaining Excess Proceeds for any purposes not otherwise prohibited by this Indenture. If the aggregate principal amount of Notes and such other *Pari Passu* Indebtedness tendered by the Holders and the holders of such *Pari Passu* Indebtedness exceeds the Excess Proceeds, the Notes shall be selected for purchase on a *pro rata* basis and, in the case of such other *Pari Passu* Indebtedness, as the trustee or agent in relation thereto shall determine. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

(d) The Issuer will comply with the requirements of Rule 14e-1 under the U.S. Exchange Act and any other applicable securities laws, rules and regulations to the extent such laws or regulations are applicable in connection with the repurchase of the Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this Section 4.10, the Issuer will comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under this Section 4.10 by virtue of such compliance.

#### Section 4.11 *Transactions with Affiliates.*

(a) The Issuer and Wind will not, and Wind will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any

transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of Wind (each, an “Affiliate Transaction”) involving aggregate payments or consideration in excess of €5.0 million, unless:

(i) the Affiliate Transaction is on terms that are no less favorable, taken as a whole, to Wind or the relevant Restricted Subsidiary than those that could reasonably have been obtained in a comparable arm’s length transaction by Wind or such Restricted Subsidiary with a Person who is not an Affiliate of Wind or any of its Restricted Subsidiaries; and

(ii) Wind delivers to the Trustee:

(A) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €20.0 million, a resolution of the Board of Directors of Wind set forth in an Officer’s Certificate certifying that such Affiliate Transaction satisfies the criteria set forth in the preceding clause (i) and that such Affiliate Transaction has been approved by a majority of the members of the Board of Directors of Wind who are disinterested with respect to such transaction; and

(B) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €30.0 million an opinion as to the fairness to Wind or such Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal, investment banking or valuation firm of international standing.

(b) The following items (including performance of agreements) will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of Section 4.11(a):

(i) any employment agreement, compensation, retirement, disability, severance, or other benefit plan or agreement, officer or director indemnification agreement, stock option or incentive plan or agreement, equity subscription agreement or any similar arrangement entered into by Wind or any of its Restricted Subsidiaries on behalf of directors, officers and employees in the ordinary course of business and payments pursuant thereto;

(ii) transactions between or among Wind and/or its Restricted Subsidiaries; *provided* that any transactions between Wind and/or its Restricted Subsidiaries (other than the Issuer) on the one hand, and the Issuer on the other hand, are on terms that are no less favorable, taken as a whole, to the Issuer than those that could reasonably have been obtained from a comparable arm’s length transaction by the Issuer with a Person who is not an Affiliate of the Issuer;

(iii) transactions with or for the benefit of a Person (other than an Unrestricted Subsidiary of Wind) that is an Affiliate of Wind solely because Wind or a Restricted Subsidiary of Wind either controls (including pursuant to a joint venture or shareholders agreement), can designate one or more Persons to the Board of Directors of or owns, directly or indirectly, an Equity Interest in such Person;

(iv) payment of reasonable directors’ fees and reimbursement of expenses to Persons who are not otherwise Affiliates of Wind;

(v) any issuance of Equity Interests (other than Disqualified Stock) of Wind to Affiliates of Wind or the incurrence of Subordinated Shareholder Debt by Wind;

(vi) Restricted Payments that do not violate Section 4.07 and any Permitted Investment (other than Permitted Investments described in clauses (3), (17), (18) and (19) of the definition thereof);

(vii) loans or advances (or cancellations thereof), or guarantees of loans, to employees, directors and officers in the ordinary course of business not to exceed €10.0 million in the aggregate at any one time outstanding;

(viii) the Wind Telecom Management Services Agreement (other than with respect the payment of any amounts to Orascom Telecom Holding, S.A.E. or its Affiliates pursuant to the Wind Telecom Management Services Agreement);

(ix) Permitted Maintenance Payments, Permitted Weather Management Payments and Permitted Management Payments;

(x) arrangements with customers, suppliers, contractors, lessors or sellers of goods or services that are negotiated with an Affiliate and arrangements with WIS, Italia Online Srl and WI Newco, in each case, which are otherwise in compliance with the terms of this Indenture; *provided* that the terms and conditions of any such transaction or agreement as applicable to Wind and its Restricted Subsidiaries (1) are fair to Wind and its Restricted Subsidiaries and are on terms no less favorable to Wind and its Restricted Subsidiaries than those that could have reasonably been obtained in respect of an analogous transaction or agreement that would not constitute an Affiliate Transaction (in each case, as determined in good faith by the Board of Directors of Wind or the senior management of Wind), (2) the performance by Wind and any of its Restricted Subsidiaries in respect of any such arrangements are for its own behalf and in its own name and (3) Wind and its Restricted Subsidiaries do not assume, and are otherwise not liable for any performance or breach in respect of, any such arrangements by the relevant Affiliate;

(xi) loans or advances permitted by Section 4.09(b)(xi);

(xii) any (a) payments of interest, principal and other amounts owed by Wind or a Restricted Subsidiary of Wind in order to service Indebtedness (and refinancings thereof) owed to an Affiliate and (b) refinancings of such Indebtedness if (i) such Indebtedness is acquired or assumed in connection with an Asset Acquisition Transaction and (ii) such Affiliate is an Affiliate solely as a result of having acquired Equity Interests of the Parent in connection with its acquisition from a third-party; *provided* that the terms and conditions of the agreements and arrangements governing such Indebtedness and refinancings are fair to Wind and its Restricted Subsidiaries and are on terms no less favorable to Wind and its Restricted Subsidiaries than those that could have reasonably been obtained in respect of an analogous agreement or arrangement that would not constitute an Affiliate Transaction (in each case, as determined in good faith by the Board of Directors of Wind or the senior management of Wind);

(xiii) agreements and arrangements existing on the date of this Indenture and any amendment, modification or supplement thereto; *provided* that any such amendment, modification or supplement to terms thereof is not more disadvantageous to the Holders of the Notes and is no less favorable to Wind and its Restricted Subsidiaries (taken as a whole), in each case, in any material respect than the original agreement or arrangement as in effect on the date of this Indenture;

(xiv) the making of any Restricted Payment or Restricted Investment as part of a Cash Distribution, and the amendment, modification or supplement, including any waiver, maturity extension, set-off or discharge (including by way of exchange, sale or substitution), by Wind or any Restricted Subsidiary of any arrangement to such Restricted Payment or Restricted Investment;

(xv) any amendment, modification or supplement, including any waiver, maturity extension, set off or discharge (including by way of exchange, sale or substitution), by Wind or any Restricted Subsidiary of any arrangement connected to the Wind Telecom Loan provided that no actual transfer of cash may be made by Wind or any Restricted Subsidiary as part of such arrangement; and

(xvi) any transaction effected as part of a Qualified Receivables Financing.

#### Section 4.12 *Liens.*

(a) The Issuer and Wind will not, and Wind will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien (an “*Initial Lien*”) of any kind securing Indebtedness, except Permitted Liens upon any of their property or assets, now owned or hereafter acquired, unless all payments due under this Indenture, the Notes and any Note Guarantee are secured on an equal and ratable basis with the obligations so secured until such time as such obligations are no longer secured by a Lien. Any Lien created for the benefit of the Holders of Notes pursuant to the preceding sentence of this Section 4.12 will be automatically and unconditionally released and discharged (i) upon the release and discharge of the Initial Lien or (ii) as set forth in Article 10.

#### Section 4.13 *Business Activities.*

The Issuer and Wind will not, and Wind will not permit any of its Restricted Subsidiaries to, engage in any business other than Permitted Businesses.

#### Section 4.14 *[Reserved].*

#### Section 4.15 *Offer to Repurchase Upon Change of Control.*

(a) If a Change of Control occurs, each Holder of Notes will have the right to require the Issuer to repurchase all or any part (in integral multiples of €1,000 for Euro Notes and \$1,000 for Dollar Notes; *provided* that Euro Notes of €100,000 or less or Dollar Notes of \$200,000 or less may only be redeemed in whole and not in part) of that Holder’s Notes pursuant to the offer described below (the “*Change of Control Offer*”). In the Change of Control Offer, the Issuer will offer a payment in cash (the “*Change of Control Payment*”) equal to 101% of the aggregate principal amount of Notes repurchased on the date of purchase plus accrued and unpaid interest and all Additional Amounts (if any) then due on the Notes repurchased to the date of purchase, subject to the rights of Holders of Notes on the relevant record date to receive interest due on the relevant interest payment date. Within 30 days following any Change of Control, the Issuer will mail a notice to each Holder of Notes describing the circumstances and/or facts that constitute the Change of Control and offering to repurchase Notes on the date (the “*Change of Control Payment Date*”) specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by this Indenture and described in such notice. The Issuer will comply with the requirements of Rule 14e-1 under the U.S. Exchange Act and any other applicable securities laws and regulations to the extent Rule 14e-1 and those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of this Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of this Indenture by virtue of such compliance.

(b) On the Change of Control Payment Date, the Issuer will, to the extent lawful:

- (i) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;
- (ii) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and
- (iii) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officer's Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Issuer.

(c) The Paying Agent will promptly mail to each Holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee or the Registrar will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any. The Issuer will publicly announce, and inform the Luxembourg Stock Exchange of, the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

(d) The provisions of this Section 4.15 that require the Issuer to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of this Indenture are applicable.

(e) The Issuer will not be required to make a Change of Control Offer upon a Change of Control if (1) another Person makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in this Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) notice of redemption has been given pursuant to Section 3.03, unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

(f) For Notes which are represented by global certificates held on behalf of Euroclear, Clearstream and/or DTC, notices may be given by delivery of the relevant notices to each of Euroclear, Clearstream and DTC for communication to entitled account holders in substitution for the below mentioned mailing, publication or posting mechanism. If and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish notices relating to the Change of Control Offer in a leading newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

#### Section 4.16 *Anti-Layering.*

Neither the Issuer nor any Guarantor will incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or Guarantor unless such Indebtedness is (1) to the extent such Indebtedness is of the Issuer, also contractually subordinated in right of payment to the Notes on substantially identical (or more favorable) terms; and (2) to the extent such Indebtedness is of a Guarantor, ranks *pari passu* with, or subordinated to, the applicable Note Guarantee and, if such Guarantor is Wind, the Initial Intercompany Loan; *provided*, however, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely (1) by virtue of being unsecured; (2) by virtue of being secured with different collateral; (3) by virtue of being secured on a junior priority basis; (4) by virtue of not being guaranteed; or (5) by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Indebtedness under Credit Facilities.



Section 4.17 *Designation of Restricted and Unrestricted Subsidiaries.*

(a) The Board of Directors of Wind may designate any Restricted Subsidiary (other than the Issuer) to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by Wind and its Restricted Subsidiaries in the Subsidiary designated as Unrestricted will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under Section 4.07 or under one or more clauses of the definition of Permitted Investments, as determined by Wind. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Board of Directors of Wind may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause a Default.

(b) Any designation of a Subsidiary of Wind as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a certified copy of a resolution of the Board of Directors giving effect to such designation and an Officer's Certificate certifying that such designation complied with the preceding conditions and was permitted by Section 4.07. If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of this Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of Wind as of such date and, if such Indebtedness is not permitted to be incurred as of such date under Section 4.09, Wind and the Issuer will be in default of such Section 4.09.

(c) The Board of Directors of Wind may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary of Wind; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of Wind of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under Section 4.09, calculated on a *pro forma* basis to take account of such designation; and (2) no Default or Event of Default would be in existence following such designation.

Section 4.18 *Limitation on Issuance of Guarantees of Indebtedness.*

(a) Wind will not permit any of its Restricted Subsidiaries (other than the Issuer), directly or indirectly, to guarantee the payment of any other Indebtedness of the Issuer or a Guarantor unless such Restricted Subsidiary simultaneously executes and delivers a Supplemental Indenture pursuant to Section 11.04 providing for the Note Guarantee of the payment of the Notes by such Restricted Subsidiary, which Note Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's guarantee of such other Indebtedness unless such other Indebtedness is Senior Debt, in which case the Note Guarantee of the Notes may be subordinated to the guarantee of such Senior Debt to the same extent as the Note Guarantees of the Notes are subordinated to the Senior Debt being guaranteed.

(b) Notwithstanding Section 4.18(a), Wind shall not be obligated to cause such Restricted Subsidiary to guarantee the Notes to the extent that the issuance of a Note Guarantee by such Restricted Subsidiary, would reasonably be expected to give rise to or result in a violation of applicable law which, in any case, cannot be prevented or otherwise avoided through measures reasonably available to Wind or the Restricted Subsidiary; *provided* that Wind will procure that the relevant Restricted Subsidiary becomes a Guarantor at such time as such restriction would no longer apply to the providing of the Note Guarantee or no longer would prohibit such Restricted Subsidiary from becoming a Guarantor (or prevent Wind from causing such Restricted Subsidiary to become a Guarantor).

Section 4.19 *Additional Amounts; Annual Information Statement.*

(a) All payments made under or with respect to the Notes (whether or not in the form of Definitive Registered Notes) or with respect to any Note Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of any jurisdiction in which the Issuer or any Guarantor (including any successor entity), is then incorporated, engaged in business or resident for tax purposes or any political subdivision thereof or therein or any jurisdiction from or through which payment is made by or on behalf of the Issuer or any Guarantor (including, without limitation, the jurisdiction of any paying agent) (each, a “*Tax Jurisdiction*”), will at any time be required to be made from any payments made under or with respect to the Notes or with respect to any Note Guarantee, including, without limitation, payments of principal, redemption price, purchase price, interest or premium, the Issuer or the relevant Guarantor or other payor, as applicable, will pay such additional amounts (the “*Additional Amounts*”) as may be necessary in order that the net amounts received in respect of such payments by each Holder (including Additional Amounts) after such withholding, deduction or imposition will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; *provided, however*, that no Additional Amounts will be payable with respect to:

(i) any Taxes that would not have been imposed but for the holder or the beneficial owner of the Notes being a citizen or resident or national of, being incorporated in or carrying on a business, in the relevant Tax Jurisdiction in which such Taxes are imposed or having any other present or former connection with the relevant Tax Jurisdiction other than the mere acquisition, holding, enforcement or receipt of payment in respect of the Notes or with respect to any Note Guarantee;

(ii) any Taxes that are imposed or withheld as a result of (i) a misrepresentation by any beneficial owner of the Notes in relation to its legal status or (ii) the failure of the holder or beneficial owner of the Note to comply with any reasonable written request, made to that holder or beneficial owner in writing at least 90 days before any such withholding or deduction would be payable by the Issuer or the Guarantor, to provide, to the extent it is legally entitled, timely and accurate information concerning the nationality, tax residence or identity of such Holder or beneficial owner or to make any valid and timely declaration or similar claim or satisfy any certification, information or other reporting requirement, which is required or imposed by a statute, treaty, regulation or administrative practice of the relevant Tax Jurisdiction as a precondition to exemption from or reduction in all or part of such Taxes;

(iii) any Note presented for payment (where Notes are in the form of Definitive Registered Notes and presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);

(iv) any estate, inheritance, gift, sale, transfer, personal property or similar Taxes;

(v) any Taxes withheld, deducted or imposed on a payment to an individual and that are required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to, such Directive;

(vi) any Note presented for payment by or on behalf of a holder of Notes who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a member state of the European Union;

(vii) any Taxes payable other than by deduction or withholding from payments under, or with respect to, the Notes or with respect to any Note Guarantee; or

(viii) any combination of items (i) through (vii) above.

(b) Notwithstanding anything to the contrary in Section 4.19(a), none of the Issuer or any Guarantor, any paying agent or any other person shall be required to pay any Additional Amounts with respect to any withholding or deduction imposed on or in respect of any Note pursuant to Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended (“*FATCA*”), any treaty, law, regulation or other official guidance enacted by any relevant Tax Jurisdiction implementing *FATCA*, or any agreement between the Issuer and/or any Guarantor and the United States or any authority thereof implementing *FATCA*.

(c) The Issuer hereby covenants with the Agents that it will provide them with information required by law so as to enable the Agents to determine whether any payments to be made by them are withholdable payments as defined in section 1473(1) of the U.S. Internal Revenue Code of 1986, as amended, or otherwise defined in Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended, and any regulations or agreements thereunder or official interpretation thereof) or any intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any law implementing such an intergovernmental agreement).

(d) In addition to Section 4.19(a), the Issuer and the Guarantors will also pay and indemnify the Holder for any present or future stamp, issue, registration, court or documentary taxes, or any other excise or property taxes, charges or similar levies or Taxes which are levied by any Tax Jurisdiction on the execution, delivery, registration or enforcement of any of the Notes, this Indenture, any Note Guarantee, or any other document or instrument referred to therein.

(e) If the Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or any Note Guarantee, the Issuer or the relevant Guarantor, as the case may be, will deliver to the Trustee on a date that is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case the Issuer or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officer’s Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officer’s Certificate must also set forth any other information reasonably necessary to enable the Paying Agents to pay Additional Amounts to holders on the relevant payment date. The Trustee shall be entitled to rely solely without further investigation or verification on such Officer’s Certificate as conclusive proof that such payments are necessary. The Issuer or the relevant Guarantor will provide the Trustee with documentation satisfactory to the Trustee evidencing the payment of Additional Amounts.

(f) The Issuer or the relevant Guarantor will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. Upon request, the Issuer or the relevant Guarantor will provide to the Trustee an official receipt or, if official receipts are not obtainable, other documentation reasonably satisfactory to the Trustee evidencing the payment of any Taxes so deducted or withheld. The Issuer or the relevant Guarantor will attach to each certified copy or other document a certificate stating the amount of such Taxes paid per €1,000 or \$1,000 principal amount, as applicable, of the Notes then outstanding. Upon request, copies of those receipts or other documentation, as the case may be, will be made available by the Trustee to the holders of the Notes.

(g) Whenever in this Indenture there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or of any other amount payable under, or with respect to, any of the Notes or Note Guarantee, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Section 4.20 *Maintenance of Listing.*

The Issuer will use its reasonable best efforts to list and to maintain the listing of the Notes on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market for so long as such Notes are outstanding; *provided* that if at any time the Issuer determines that it is unable to list or it can no longer reasonably comply with the requirements for listing the Notes on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market or if maintenance of such listing becomes unduly onerous, it will obtain prior to the delisting of the Notes from the Euro MTF Market, and thereafter use its reasonable best efforts to maintain, a listing of such Notes on such other “recognised stock exchange” as defined in Section 1005 of the Income Tax Act 2007 of the United Kingdom.

Section 4.21 *Limitations with Respect to the Issuer.*

(a) Notwithstanding anything contained in this Indenture to the contrary:

(i) the Issuer will not engage in any business activity or undertake any other activity, except any activity: (a) relating to the offering, sale, or issuance of Indebtedness (including any Indebtedness issued in the future), the incurrence of any Indebtedness of the Issuer permitted under this Indenture (including the making of any guarantee), lending or otherwise advancing the proceeds thereof to Wind or another Guarantor and any other activities in connection therewith, (b) undertaken with the purpose of, and directly related to, consummating the issuance of the Notes pursuant to the Offering Memorandum or fulfilling any other obligations under any Indebtedness permitted under this Indenture (including for the avoidance of doubt, any repurchase or purchase, repayment, redemption, prepayment of such Indebtedness) or including, without limitation, the Notes (including Additional Notes, if any), the 2010 Indenture Senior Secured Notes, the 2013 Indenture Senior Secured Notes, this Indenture, the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into pursuant to the terms of the Priority Agreement or this Indenture), the Intercompany Loans, any Security Document to which it is a party or any other document relating to the Notes (including Additional Notes, if any) or to Indebtedness of the Issuer permitted under this Indenture or the making of Permitted Investments, (c) directly related or reasonably incidental to the establishment and/or maintenance of the Issuer’s corporate existence, (d) relating to the consummation of any Corporate Reorganization Transaction, the Issuer Expansion Activities and Issuer Distributions, acting as a treasury company for Wind Telecom S.p.A. and its Subsidiaries and the issuance of the Notes, (e) directly related or reasonably incidental to the management of the corporate existence of any finance company, (f) directly related to investing amounts received by the Issuer in such manner not otherwise prohibited by this Indenture or the Priority Agreement, (g) relating to the consummation of any Change of Control, or (h) other activities not specifically enumerated that are *de minimis* in nature or otherwise related or reasonably incidental to any of the foregoing;

(ii) for so long as any Notes are outstanding, Wind will not, and will not permit any of its Restricted Subsidiaries to commence or take any action or facilitate a winding-up, liquidation or other analogous proceeding in respect of the Issuer;

(iii) except in accordance with Section 5.01, the Issuer (a) will not merge, consolidate, amalgamate or otherwise combine with or into another Person (whether or not the Issuer is the surviving corporation) or, (b) sell, convey, assign, transfer, lease or otherwise dispose of all or substantially all of its properties or assets to any Person or group of Persons, and (c) will remain a Restricted Subsidiary of Wind;

(iv) no Person who is an officer, an employee, a consultant or an agent of Wind or any of its Affiliates (other than the Issuer) (each, an “*Affiliated Person*”) shall be appointed as a director of the Issuer, provided that Affiliated Persons may be appointed as directors of the Issuer to the extent that the majority of the directors of the Issuer are non-Affiliated Persons; and

(v) neither Wind nor any of its Affiliates shall, whether directly or through another Person, in any manner or form, Direct and Coordinate the Issuer, any of its operations, its management and its assets.

Section 4.22 *No Impairment of Security Interests.*

(a) Subject to Section 4.22(c), the Issuer and each Guarantor will not, and Wind will not permit any of its Restricted Subsidiaries to, (i) take, or knowingly or negligently omit to take, any action which act or omission might reasonably be expected to, or would have the result of, materially impairing the security interest with respect to the Collateral; or (ii) grant to any Person other than the Security Agent for the benefit of the Trustee and the Holders of the Notes any interest whatsoever in the Collateral or except as permitted in this Indenture, the Priority Agreement and Security Documents.

(b) At the direction of the Issuer and without the consent of the Holder of Notes, the Security Agent may from time to time enter into one or more amendments to the Security Documents to: (i) cure any ambiguity, omission, defect or inconsistency therein, (ii) subject to compliance with the foregoing paragraphs, provide for Permitted Collateral Liens to the extent permitted by this Indenture, (iii) comply with the terms of the Priority Agreement (iv) add to the Collateral, (v) evidence the succession of another Person to the Issuer and the assumption by such successor of the obligations under this Indenture, the Notes and the Security Documents, in each case, in accordance with Section 4.10, (vi) provide for the release of property and assets constituting Collateral from the Lien of the Security Documents and/or the release of the Note Guarantee of a Guarantor, in each case, in accordance with (and if permitted by) the terms of this Indenture, (vii) conform the Security Documents to this Description of Notes, (viii) to evidence and provide for the acceptance of the appointment of a successor trustee or security agent or (ix) make any other change thereto that does not adversely affect the rights of Holders of the Notes in any material respect.

(c) Notwithstanding Section 4.22(a) or (b) and without the consent of the Holders of the Notes, (i) Wind and its Restricted Subsidiaries may incur Permitted Collateral Liens in accordance with the terms of this Indenture and (ii) the Collateral may be discharged and released in accordance with the terms of this Indenture; *provided* that no Security Document may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced (including released and retaken), unless contemporaneously with such amendment, extension, renewal, restatement, supplement, modification or replacement (including release and retake), Wind delivers to the Trustee one of the following: (A) a solvency opinion from an internationally recognized investment bank or accounting firm, in form and substance reasonably satisfactory to the Trustee confirming the solvency of Wind and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, restatement, extension, renewal, supplement, modification or replacement (including released and retaken); (B) a certificate from the Board of Directors or chief financial officer of Wind (acting in good faith), in the form set forth as an exhibit to the Indenture, that confirms the solvency of the Person granting such Lien after giving effect to any transaction related to such amendment, extension, renewal, restatement, replacement, supplement, modification or release (including release and retake) or (C) an opinion of counsel, in form and substance reasonably satisfactory to the Trustee (subject to customary exceptions and qualifications), confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement (including release and retake), the Lien or Liens securing the Notes created under the Security Documents so amended, extended, renewed, restated, supplemented, modified or replaced (including released and retaken) are valid and perfected Liens not otherwise subject to any limitation,

imperfection or new hardening period, in equity or at law, and that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement (including release and retake).

(d) In the event that the Issuer complies with this Section 4.22, the Trustee and the Security Agent will (subject to customary protections and indemnifications) consent to such amendment, extension, renewal, restatement, supplement, modification or replacement (including release and retake) with no need for instructions from Holders of the Notes.

#### Section 4.23 *Security.*

The Issuer and Wind shall, and Wind shall procure that each of its Subsidiaries shall, at its own expense, execute and do all such acts and things and provide such assurances as the Security Agent may reasonably require (i) for registering any Security Documents in any required register and for perfecting or protecting the security intended to be afforded by such Security Documents; and (ii) if such Security Documents have become enforceable, for facilitating the realization of all or any part of the assets which are subject to such Security Documents and for facilitating the exercise of all powers, authorities and discretions vested in the Security Agent or in any receiver of all or any part of those assets. Wind shall, and shall procure that each of its respective Subsidiaries shall, execute all transfers, conveyances, assignments and releases of that property whether to the Security Agent or to its nominees and give all notices, orders and directions which the Security Agent may reasonably request.

#### Section 4.24 *Restrictions on Amendment to Transaction Documents.*

(a) Except as permitted by Article 9, the Issuer and each Guarantor will not, and Wind will not permit any Restricted Subsidiary of Wind to, amend, modify, supplement or waive any provision of the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into in accordance with to the terms of the Priority Agreement or this Indenture) in a manner adverse to the Holders of the Notes (including the provisions which subordinate the HY Notes Debt, the Intercompany Debt and the Parent Debt (each, as defined therein) to the Note Guarantees).

(b) In addition, the Issuer and Wind agree to keep outstanding one or more Intercompany Loans that would constitute HY Notes Debt (as defined in the Priority Agreement) under the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into in accordance with the terms of the Priority Agreement or this Indenture) in an amount at least equal to the principal amount of the Notes then outstanding.

#### Section 4.25 *Payments for Consent.*

The Issuer and any Guarantor will not, and Wind will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of this Indenture or the Notes unless such consideration is offered to be paid to all Holders of the Notes affected by such consent, waiver or amendment and is paid to all Holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Issuer, Wind and Wind's other Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of this Indenture, to exclude Holders of Notes in any jurisdiction or any category of Holders of Notes where: (1)(a) the solicitation of such consent, waiver or amendment, including in connection with any tender offer or exchange offer, or (b) the payment of the consideration therefor, could reasonably be interpreted as requiring the Issuer, Wind or any of Wind's other Restricted Subsidiaries to file a registration statement, prospectus or similar document under any applicable securities laws or listing requirements (including, but not limited to, the United States federal securities laws and the laws of

the European Union or any of its member states), which the Issuer in its sole discretion determines (acting in good faith) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction); or (2) such solicitation would otherwise not be permitted under applicable law in such jurisdiction or with respect to such category of Holders of Notes.

Section 4.26 *Suspension of Certain Covenants when Notes Rated Investment Grade.*

If on any date following the date of this Indenture (a) the Notes are rated (i) Baa3 or better by Moody's and (ii) BBB- or better by S&P (or, if either Moody's or S&P ceases to rate the Notes for reasons outside of the control of the Issuer or Wind, the equivalent investment grade credit rating from Fitch or, in the absence of such, any other "nationally recognized statistical rating organization" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the U.S. Exchange Act selected by Wind as a replacement agency so that the Notes are so rated by at least two such credit rating agencies); and (b) no Default or Event of Default shall have occurred and be continuing, then, beginning on that day and subject to the provisions of this Section 4.26, the covenants set forth in Sections 4.07 through 4.11, Section 4.18 and clause (iv) of Section 5.01(b) will be suspended.

During any period that the foregoing covenants have been suspended, Wind's Board of Directors may not designate any of its Subsidiaries as Unrestricted Subsidiaries pursuant to Section 4.17 or clause (2) of the definition of "Unrestricted Subsidiary."

Notwithstanding the foregoing, if the rating assigned by any such rating agency should subsequently decline to below Baa3 or BBB-, as applicable, the foregoing covenants will be reinstated as of and from the date of such rating decline. Such covenants will not, however, be of any effect with respect to actions properly taken during the period of suspension. Calculations under the reinstated "Restricted Payments" covenant will be made as if the "Restricted Payments" covenant had been in effect since the date of this Indenture except that no default will be deemed to have occurred by reason of a Restricted Payment made while that covenant was suspended.

## ARTICLE 5 SUCCESSORS

Section 5.01 *Merger, Consolidation or Sale of Assets.*

(a) The Issuer will not, directly or indirectly: (1) consolidate, amalgamate, merge or otherwise combine with or into another Person (whether or not the Issuer is the surviving corporation); or (2) sell, assign, transfer, convey, lease or otherwise dispose of all or substantially all of the assets of the Issuer, in one or more related transactions, to another Person, unless:

(i) either: (1) Wind or the Issuer is the surviving or continuing Person; or (2) the Person formed by or surviving any such consolidation, merger, amalgamation or combination (if other than Wind) or to which such sale, assignment, transfer, conveyance or other disposition has been made complies with Section 4.21 prior to and after such transaction and is a Person (in corporate or company form, including substantially similar organizational forms under relevant law) organized or existing under the laws of any member state of the Pre-Expansion European Union, the laws of the United States, any state of the United States or the District of Columbia;

(ii) the Person formed by or surviving any such consolidation, merger, amalgamation or combination (if other than the Issuer) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of the Issuer under the Notes, this Indenture, the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into pursuant to the terms of

the Priority Agreement or this Indenture) and the Security Documents pursuant to agreements reasonably satisfactory to the Trustee to which the Issuer is a party other than, to the extent such surviving entity is Wind, the obligations of the Issuer described under Section 4.21; and

(iii) immediately after such transaction, no Default or Event of Default exists and the Security Documents and the Liens created on the Collateral (other than, to the extent the surviving entity is Wind, the assignment of any Intercompany Loan; *provided* that such Intercompany Loan is cancelled or otherwise could have been incurred by Wind at the time of such transaction pursuant to Section 4.09) shall remain in full force and effect, or subject to the satisfaction of the Trustee, shall have been transferred to such surviving entity and shall have been perfected and be in full force and effect or otherwise released in accordance with the terms of this Indenture.

(b) Wind will not, directly or indirectly: (1) consolidate, merge, amalgamate or combine with or into another Person (whether or not Wind is the surviving corporation); or (2) sell, assign, transfer, convey, lease or otherwise dispose of all or substantially all of the assets of Wind and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(i) either: (1) Wind is the surviving or continuing Person; or (2) the Person formed by or surviving any such consolidation, merger, amalgamation or combination (if other than Wind) or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made (the “*Successor Company*”) is a Person (in corporate or company form, including substantially similar organizational forms under relevant law) organized or existing under the laws of any member state of the Pre-Expansion European Union, the laws of the United States, any state of the United States or the District of Columbia;

(ii) the Person formed by or surviving any such consolidation, merger, amalgamation or combination (if other than Wind) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of Wind under any Intercompany Loan, this Indenture, the Note Guarantee, the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into pursuant to the terms of the Priority Agreement or this Indenture) and/or the Security Documents pursuant to agreements reasonably satisfactory to the Trustee;

(iii) immediately after such transaction, no Default or Event of Default exists; and

(iv) Wind or the Person formed by or surviving any such consolidation, merger, amalgamation or combination (if other than Wind), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions, (a) be permitted to incur at least €1.00 of additional Indebtedness pursuant to the Consolidated Leverage Ratio test set forth in Section 4.09(a) or (b) have a Consolidated Leverage Ratio not greater than what such ratio was immediately prior to giving effect to such transaction.

(c) In addition, neither the Issuer nor any Guarantor (including Wind) will, directly or indirectly, lease all or substantially all of the properties and assets of it and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to any other Person.

(d) Section 5.01(b)(iv) will not apply to:

(i) a merger of Wind with an Affiliate for the primary purpose of reincorporating Wind, as the case may be, in another jurisdiction for tax reasons;



(ii) a Restricted Subsidiary of Wind consolidating with, merging into or selling, assigning, transferring, conveying, leasing or otherwise disposing of assets to (a) Wind or any Restricted Subsidiary of Wind that is a Guarantor or the Issuer or, (b) with respect to a Restricted Subsidiary of Wind that is not a Guarantor or the Issuer, another Restricted Subsidiary; or

(iii) Wind consolidating with, merging into or selling, assigning, transferring, conveying, leasing or otherwise disposing of all or substantially all of its assets to the Parent or the Parent consolidating with, merging into or selling, assigning, transferring, conveying, leasing or otherwise disposing of all or substantially all of its assets to Wind. Following any such merger, any transaction which would have been permitted with the Parent shall be permitted to be undertaken with WIND Telecom S.p.A.

#### Section 5.02 *Successor Corporation Substituted.*

Upon any consolidation or merger, or any sale, assignment, transfer, lease, conveyance or other disposition of all or substantially all of the properties or assets of the Issuer or Wind in a transaction that is subject to, and that complies with the provisions of, Section 5.01, the successor Person formed by such consolidation or into or with which the Issuer or Wind, as applicable, is merged or to which such sale, assignment, transfer, lease, conveyance or other disposition is made shall succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition, the provisions of this Indenture referring to the "Issuer" or "Wind", as applicable, shall refer instead to the successor Person and not to the Issuer or Wind, as applicable), and may exercise every right and power of the Issuer or Wind, as applicable, under this Indenture with the same effect as if such successor Person had been named as the Issuer or Wind, as applicable, herein; *provided, however*, that the predecessor shall not be relieved from the obligation to pay the principal of and interest on the Notes except in the case of a sale of all of the assets of the Issuer or Wind, as applicable, in a transaction that is subject to, and that complies with the provisions of, Section 5.01.

### ARTICLE 6 DEFAULTS AND REMEDIES

#### Section 6.01 *Events of Default.*

The following events constitute "*Events of Default*" under this Indenture:

- (i) default for 30 days in the payment when due of interest on, or Additional Amounts (if any) with respect to, the Notes;
- (ii) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes;
- (iii) failure by the Issuer, Wind or any of Wind's other Restricted Subsidiaries to comply with Section 4.10, Section 4.15 or Section 5.01;
- (iv) failure by the Issuer, Wind or any of Wind's other Restricted Subsidiaries for 60 days after notice to the Issuer and Wind by the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of the agreements in this Indenture (other than those described in clauses (i), (ii) and (iii) above), the Notes, the Note Guarantee, the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into pursuant to the terms of the Priority Agreement or this Indenture) or any Note Security Document;

(v) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer, Wind or any of Wind's other Restricted Subsidiaries (or the payment of which is guaranteed by the Issuer, Wind or any of Wind's other Restricted Subsidiaries), whether such Indebtedness or guarantee now exists, or is created after the date of this Indenture, if that default:

(A) is caused by a failure to pay principal of such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*"); or

(B) results in the acceleration of such Indebtedness prior to its Stated Maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated (and not rescinded, cured or waived) aggregates €25.0 million or more at any time outstanding (and not rescinded, cured or waived);

(vi) failure by the Issuer, Wind or any of Wind's other Restricted Subsidiaries to pay final judgments for the payment of cash or other assets or properties, or the assumption of liabilities, entered by a court or courts of competent jurisdiction aggregating in excess of €25.0 million, which judgments are not paid, discharged or stayed for a period of 60 consecutive days following such final judgment;

(vii) except as permitted by this Indenture, any Note Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor, or any Person acting on behalf of any Guarantor, denies or disaffirms its obligations under its Note Guarantee;

(viii) breach by the Issuer, Wind or any of Wind's other Restricted Subsidiaries of any material representation or warranty or agreement in the Security Documents, the repudiation by the Issuer, Wind or any of Wind's other Restricted Subsidiaries of any of its obligations under the Security Documents or the unenforceability of the Security Documents against the Parent, the Issuer, Wind or any of Wind's other Subsidiaries for any reason;

(ix) the Issuer, Wind or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of Wind that, taken together, would constitute a Significant Subsidiary pursuant to or within the meaning of Bankruptcy Law:

(A) commences a voluntary case,

(B) consents to the entry of an order for relief against it in an involuntary case,

(C) consents to the appointment of a custodian of it or for all or substantially all of its property,

(D) makes a general assignment for the benefit of its creditors, or

(E) generally is not paying its debts as they become due; or

(x) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Issuer, Wind or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of Wind that, taken together, would constitute a Significant Subsidiary in an involuntary case;

(B) appoints a custodian of the Issuer, Wind or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of Wind that, taken together, would constitute a Significant Subsidiary or for all or substantially all of the property of Wind or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of Wind that, taken together, would constitute a Significant Subsidiary; or

(C) orders the liquidation of the Issuer, Wind or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of Wind that, taken together, would constitute a Significant Subsidiary;

and the order or decree remains unstayed and in effect for 60 consecutive days.

#### Section 6.02 *Acceleration.*

In the case of an Event of Default specified in clause (ix) or (x) of Section 6.01, with respect to the Issuer, Wind, any Restricted Subsidiary of Wind that is a Significant Subsidiary or any group of Restricted Subsidiaries of Wind that, taken together, would constitute a Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately and to take any other remedy available hereunder. Upon any such declaration, the Notes shall become due and payable immediately.

#### Section 6.03 *Other Remedies.*

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal of, interest, premium and Additional Amounts, if any, on the Notes or to enforce the performance of any provision of this Indenture or, the Notes.

The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder of a Note in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

#### Section 6.04 *Waiver of Past Defaults.*

Holders of not less than a majority in aggregate principal amount of the then outstanding Notes by written notice to the Trustee may, on behalf of the Holders of all of the Notes, rescind an acceleration or waive an existing Default or Event of Default and its consequences hereunder, except a continuing Default or Event of Default in the payment of the principal of, interest and premium and Additional Amounts, if any, on the Notes (including in connection with an offer to purchase) (other than a payment default resulting from an acceleration that has been rescinded). Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Prior to taking any action hereunder, the Trustee shall be entitled to indemnification or other security satisfactory to it in its sole discretion against all losses, liabilities and expenses caused by taking or not taking such action.

**Section 6.05** *Control by Majority.*

Holders of a majority in aggregate principal amount of the then outstanding Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or that the Trustee determines may be unduly prejudicial to the rights of other Holders of Notes or that may involve the Trustee in personal liability, except a Default or Event of Default relating to the payment of principal, interest, premium or Additional Amounts (if any).

**Section 6.06** *Limitation on Suits.*

Subject to the provisions of this Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under this Indenture at the request or direction of any Holders of Notes unless such Holders have offered to the Trustee indemnity and/or security satisfactory to it against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts (if any) when due, no Holder of a Note may pursue any remedy with respect to this Indenture or the Notes unless:

- (i) the Holder of a Note gives to the Trustee written notice of a continuing Event of Default;
- (ii) the Holders of at least 25% in aggregate principal amount of the then outstanding Notes make a written request to the Trustee to pursue the remedy;
- (iii) such Holder of a Note or Holders of Notes offer and, if requested, provide to the Trustee indemnity and/or security against any loss, liability or expense;
- (iv) the Trustee does not comply with the request within 60 days after receipt of the request and the offer and, if requested, the provision of indemnity and/or security; and
- (v) during such 60 day period, the Holders of a majority in principal amount of the then outstanding Notes do not give the Trustee a direction inconsistent with the request.

A Holder of a Note may not use this Indenture to prejudice the rights of another Holder of a Note or to obtain a preference or priority over another Holder of a Note.

**Section 6.07** *Rights of Holders of Notes to Receive Payment.*

Notwithstanding any other provision of this Indenture, unless consented to by holders of at least 90% of the then outstanding aggregate principal amount of the Notes, the right of any Holder of a Note to receive payment of principal of, interest and premium, Additional Amounts, if any, on the Note, on or after the respective due dates expressed in the Note (including in connection with an offer to purchase), or to bring proceedings for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Holder.

**Section 6.08** *Collection Suit by Trustee.*

If an Event of Default specified in Section 6.01 occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Issuer for

the whole amount of principal of, interest and premium then owing, Additional Amounts, if any, on the Notes and interest on overdue principal and, to the extent lawful, Additional Amounts, interest and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

Section 6.09 *Trustee May File Proofs of Claim.*

The Trustee is authorized to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders of the Notes allowed in any judicial proceedings relative to the Issuer, a Guarantor or any other obligor upon the Notes), its creditors or its property and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a Lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 6.10 *Priorities.*

Subject to the terms of the Priority Agreement, all moneys received by the Trustee under this Indenture shall be held by the Trustee in trust to apply them (subject to any legal privilege (if any) pursuant to any applicable Bankruptcy Law):

*First:* to the Trustee, its agents and attorneys for amounts due under this Indenture, including payment of all compensation, expense and liabilities incurred, and all advances, if any, made, by the Trustee and the costs and expenses of collection;

*Second:* to Holders of Notes for amounts due and unpaid on the Notes, on the principal of, or premium, interest, Additional Amounts, if any, on the Notes, *pari passu* and ratably, without preference or priority of any kind, according to the amounts due and payable on the Notes, on the principal of, premium, interest, Additional Amounts, if any, respectively; and

*Third:* to the Issuer or to such party as a court of competent jurisdiction shall direct.

The Trustee may fix a record date and payment date for any payment to Holders of Notes pursuant to this Section 6.10.

Section 6.11 *Undertaking for Costs.*

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the

court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder of a Note pursuant to Section 6.07, or a suit by Holders of more than 10% in principal amount of the then outstanding Notes.

Section 6.12 *Proof.*

Proof that, as regards any specified Note, the Issuer has defaulted in paying any amount due in respect of such Note shall (unless the contrary be proved) be sufficient evidence that the same default has been made as regards all other Notes in respect of which the relevant amount is due and payable.

Section 6.13 *Agents to Act for Trustee.*

Upon the occurrence of an Event of Default, the Trustee or the requisite Holders, may, in its sole discretion, by notice to the Agents, require such Agents to act to its direction.

ARTICLE 7  
TRUSTEE

Section 7.01 *Duties of Trustee.*

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

(i) the duties of the Trustee shall be determined solely by the express provisions of this Indenture and the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy or mathematical calculations or other facts stated herein).

(c) The Trustee may not be relieved from liabilities for its own gross negligent action, its own gross negligent failure to act, or its own willful misconduct or fraud, except that:

(i) this Section 7.01(c) does not limit the effect of Section 7.01(b);

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b) and (c) of this Section 7.01.

(e) No provision of this Indenture shall require the Trustee to expend or risk its own funds or incur any liability. The Trustee shall be under no obligation to exercise any of its rights and powers under this Indenture at the request of any Holders, unless such Holder shall have offered to the Trustee security and/or indemnity satisfactory to it in its sole discretion against any loss, liability or expense.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Issuer. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

#### Section 7.02 *Rights of Trustee.*

(a) The Trustee may conclusively rely without further investigation or verification upon and will be protected in acting or refraining from acting upon, whether in its original, facsimile or other electronic form, any document reasonably believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document (regardless of whether any such document is subject to any monetary or other limit).

(b) In no event shall the Trustee, the Agents or any other entity of The Bank of New York Mellon Group be liable for any losses arising to the Trustee or Agents or any other entity of The Bank of New York Mellon Group receiving or transmitting any data from the Issuer, Wind, any authorized person officer of the Issuer or Wind or any party to the transaction via any non-secure method of transmission or communication, such as, but without limitation, by facsimile or email.

(c) The Issuer and Wind accept that some methods of communication are not secure and the Trustee, the Agents or any other entity of The Bank of New York Mellon Group shall incur no liability for receiving instructions via any such non-secure method. The Trustee, the Agents or any other entity of The Bank of New York Mellon Group is authorized to comply with and rely upon any such notice, instructions or other communications believed by it to have been sent or given by an Officer or an appropriate party to the transaction (or authorized representative thereof). The Issuer, Wind or authorized officer of the Issuer or Wind shall use all reasonable endeavours to ensure that instructions transmitted to the Trustee, the Agents or any other entity of The Bank of New York Mellon Group pursuant to this Indenture are complete and correct. Any instructions shall be conclusively deemed to be valid instructions from the Issuer, Wind or authorized officer of the Issuer or Wind to the Trustee, the Agents or any other entity of The Bank of New York Mellon Group for the purposes of this Indenture.

(d) Before the Trustee acts or refrains from acting, it may require an Officer's Certificate or an Opinion of Counsel or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officer's Certificate or Opinion of Counsel, as the case may be. The Trustee may consult with professional advisors (including counsel) and the written advice of such professional adviser or any Opinion of Counsel shall be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(e) The Trustee may act through its attorneys and agents and shall not be responsible for the willful misconduct, gross negligence or fraud of any agent appointed with due care.

(f) The Trustee shall not be liable for any action it takes or omits to take in good faith that it reasonably believes to be authorized or within the rights or powers conferred upon it by this Indenture.

(g) The Trustee shall have no duty to inquire as to the financial performance or the covenant compliance of the Issuer or Wind.

(h) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Issuer shall be sufficient if signed by an Officer of the Issuer.

(i) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders unless such Holders shall have offered to the Trustee security and/or indemnity satisfactory to it against the losses, liabilities and expenses that might be incurred by it in compliance with such request or direction.

(j) The Trustee shall have no duty to inquire as to the performance of the covenants of the Issuer and/or its Restricted Subsidiaries in Article 4. In addition, the Trustee shall not be deemed to have knowledge of any Default or Event of Default except: (i) any Event of Default occurring pursuant to Section 6.01(i) or 6.01(ii) (provided it is acting as Paying Agent); and (ii) any Default or Event of Default of which a Responsible Officer shall have received written notification. Delivery of reports, information and documents to the Trustee under Section 4.03 is for informational purposes only and the Trustee's receipt of the foregoing shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's compliance with any of their covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officer's Certificates).

(k) The Trustee shall not have any obligation or duty to monitor, determine or inquire as to compliance, and shall not be responsible or liable for compliance with restrictions on transfer, exchange, redemption, purchase or repurchase, as applicable, of minimum denominations imposed under this Indenture or under applicable law or regulation with respect to any transfer, exchange, redemption, purchase or repurchase, as applicable, of any interest in any Notes.

(l) The rights, privileges, protections, immunities and benefits given to the Trustee under this Indenture, including its right to be indemnified and/or secured, are extended to, and shall be enforceable by BNY Mellon Corporate Trustee Services Limited in each of its capacities hereunder and by The Bank of New York Mellon, London Branch, The Bank of New York Mellon, The Bank of New York Mellon (Luxembourg) S.A. and each agent, custodian and other person employed to act hereunder. Absent willful misconduct, gross negligence or fraud, each Paying Agent, Registrar and Transfer Agent shall not be liable for acting in good faith on instructions believed by it to be genuine and from the proper party.

(m) In the event the Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of Holders, each representing less than a majority in aggregate principal amount of the Notes then outstanding, pursuant to the provisions of this Indenture, the Trustee, in its sole discretion, may determine what action, if any, will be taken and shall not incur any liability for its failure to act until such inconsistency or conflict is, in its reasonable opinion, resolved.

(n) In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused directly or indirectly, by forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism involving the United States, the United Kingdom or any member state of the European Monetary Union, any civil or military disturbances, nuclear or natural catastrophes or any other national or international calamity or emergency (including natural disasters or acts of God), it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

(o) The Trustee is not required to give any bond or surety with respect to the performance or its duties or the exercise of its powers under this Indenture or the Notes.



(p) The permissive right of the Trustee to take the actions permitted by this Indenture shall not be construed as an obligation or duty to do so.

(q) The Trustee will not be liable to any person if prevented or delayed in performing any of its obligations or discretionary functions under this Indenture by reason of any present or future law applicable to it, by any governmental or regulatory authority or by any circumstances beyond its control.

(r) Under no circumstances will the Trustee be liable for any special, punitive, consequential or indirect loss (being loss of business, goodwill, opportunity or profit of any kind) of the Issuer, Successor Company, the Parent, any Restricted Subsidiary or any other Person, even if advised of such loss or damage.

(s) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Issuer personally or by agent or attorney.

(t) The Trustee may request that the Issuer deliver an Officer's Certificate setting forth the names of the individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture, which Officer's Certificate may be signed by any person authorized to sign an Officer's Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded.

#### Section 7.03 *Individual Rights of Trustee.*

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Issuer or any Affiliate of the Issuer with the same rights it would have if it were not Trustee. However, in the event that the Trustee acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the Commission for permission to continue as trustee (if this Indenture has been qualified under the TIA) or resign. Any Agent may do the same with like rights and duties. The Trustee is also subject to Section 7.10.

#### Section 7.04 *Trustee's Disclaimer.*

The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture, the Notes, any Note Guarantee, the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into in accordance with the terms of the Priority Agreement or this Indenture) or the Security Documents, it shall not be accountable for the Issuer's use of the proceeds from the Notes, and it shall not be responsible for any statement or recital herein or any statement in the Notes or any other document in connection with the sale of the Notes or pursuant to this Indenture other than its certificate of authentication.

#### Section 7.05 *Notice of Defaults.*

If a Default or Event of Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail or cause to be mailed to Holders of Notes a notice of the Default or Event of Default within the earlier of 90 days after it occurs or 30 days after it is known to the Trustee. The Trustee may withhold from the Holders notice of any continuing Default or Event of Default relating to the payment of principal, premium, interest or Additional Amounts, if it determines that withholding notice is in their interest.

Section 7.06 *Reports by Trustee to Holders of the Notes.*

(a) Within 60 days after each May 15 beginning with the May 15 following the date of this Indenture, and for so long as Notes remain outstanding, the Trustee shall mail to the Holders of the Notes a brief report dated as of such reporting date that complies with TIA § 313(a) as if this Indenture were required to be qualified under the TIA (but if no event described in TIA § 313(a) has occurred within the twelve months preceding the reporting date, no report need be transmitted) in accordance with Section 14.01. The Trustee also shall comply with TIA § 313(b)(2) (to the extent applicable) as if this Indenture were required to qualify under the TIA. The Trustee shall also transmit by mail all reports as required by TIA § 313(c) as if this Indenture were required to qualify under the TIA.

(b) A copy of each report at the time of its mailing to the Holders of Notes shall be mailed to the Issuer and filed with each stock exchange on which the Notes are listed in accordance with TIA § 313(d), as if this Indenture were required to qualify under the TIA. The Issuer shall promptly notify the Trustee when the Notes are listed on any stock exchange.

Section 7.07 *Compensation and Indemnity.*

(a) The Issuer shall pay to the Trustee from time to time reasonable compensation for its acceptance of this Indenture and services hereunder. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Issuer shall reimburse the Trustee promptly upon request for all reasonable disbursements, advances and expenses incurred or made by it in addition to the compensation for its services. Such expenses shall include the properly incurred compensation, disbursements and expenses of the Trustee's agents and counsel.

(b) The Issuer and any Guarantor shall jointly and severally indemnify the Trustee and its officers, directors, employees, representatives and agents against any and all losses, liabilities or expenses incurred by it arising out of, or in connection with, the acceptance or administration of its duties under this Indenture, including the costs and expenses of enforcing this Indenture against the Issuer and any Guarantor (including this Section 7.07) and defending itself against any claim (whether asserted by the Issuer or any Guarantor or any Holder or any other person) or liability in connection with the exercise or performance of any of its powers or duties hereunder, except to the extent any such loss, liability or expense may be attributable to its willful misconduct, gross negligence or fraud. The Trustee shall notify the Issuer promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Issuer shall not relieve the Issuer or any Guarantor of its obligations hereunder. The Issuer or such Guarantor shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Issuer shall pay the reasonable fees and expenses of such counsel. Neither the Issuer nor any Guarantor need pay for any settlement made without its consent, which consent shall not be unreasonably withheld.

(c) The obligations of the Issuer and the Guarantors under this Section 7.07 shall survive the satisfaction and discharge of this Indenture or the earlier resignation or removal of the Trustee.

(d) To secure the Issuer's and the Guarantors' payment obligations in this Section 7.07, the Trustee shall have a Lien prior to the Notes on all money or property held or collected by the Trustee, except that held in trust to pay principal of, premium, interest, Additional Amounts, if any, on particular Notes (including under the Assignment Agreement). Such Lien shall survive the satisfaction and discharge of this Indenture.

(e) When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01 occurs, the expenses and the compensation for the services (including the fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any Bankruptcy Law.

Section 7.08 *Replacement of Trustee.*

(a) A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.08.

(b) The Trustee may resign in writing at any time and be discharged from the trust hereby created by so notifying the Issuer. The Holders of a majority in principal amount of the then outstanding Notes may remove the Trustee by so notifying the Trustee and the Issuer in writing. The Issuer may remove the Trustee if:

- (i) the Trustee fails to comply with Section 7.10;
- (ii) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;
- (iii) a custodian or public officer takes charge of the Trustee or its property; or
- (iv) the Trustee becomes incapable of acting.

(c) If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Issuer shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the then outstanding Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Issuer.

(d) If a successor Trustee does not take office within 60 calendar days after the retiring Trustee gives notice of resignation or is removed, (i) the retiring Trustee (at the expense of the Issuer), the Issuer, or the Holders of at least 10% in principal amount of the then outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee; or (ii) the retiring Trustee may appoint a successor Trustee at any time prior to the date on which a successor Trustee takes office; provided that such appointment shall be reasonably satisfactory to the Issuer.

(e) If the Trustee, after written request by any Holder who has been a Holder for at least six months, fails to comply with Section 7.10, such Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(f) A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Issuer. Thereupon, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to the Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, *provided* all sums owing to the Trustee hereunder have been paid and subject to the Lien provided for in Section 7.07. Notwithstanding replacement of the Trustee pursuant to this Section 7.08, the Issuer's obligations under Section 7.07 shall continue for the benefit of the retiring Trustee.

Section 7.09 *Successor Trustee by Merger, etc.*

If the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee.

Section 7.10 *Eligibility; Disqualification.*

There will at all times be a Trustee hereunder that is a corporation organized and doing business under the laws of England and Wales, or the United States of America or of any state thereof

that is authorized under such laws to exercise corporate trustee power and that is subject to supervision or examination by federal or state authorities. Any successor Trustee shall have a combined capital and surplus of at least \$50.0 million as set forth in its most recent published annual report of condition.

Section 7.11 *USA PATRIOT Act*

The parties hereto acknowledge that in order to help the United States government fight the funding of terrorism and money laundering activities, pursuant to Federal regulations that became effective on October 1, 2003 (Section 326 of the USA PATRIOT Act) all financial institutions are required to obtain, verify, record and update information that identifies each person establishing a relationship or opening an account. The parties to this Indenture agree that they will provide to the Trustee such information as it may request, from time to time, in order for the Trustee to satisfy the requirements of the USA PATRIOT Act, including but not limited to the name, address, tax identification number and other information that will allow it to identify the individual or entity who is establishing the relationship or opening the account and may also ask for formation documents such as articles of incorporation or other identifying documents to be provided.

ARTICLE 8  
LEGAL DEFEASANCE AND COVENANT DEFEASANCE

Section 8.01 *Option to Effect Legal Defeasance or Covenant Defeasance.*

The Issuer may, at the option of its Board of Directors evidenced by a resolution set forth in an Officer's Certificate, at any time, elect to have either Section 8.02 or 8.03 be applied to all outstanding Notes upon compliance with the conditions set forth below in this Article 8.

Section 8.02 *Legal Defeasance and Discharge.*

(a) Upon the Issuer's exercise under Section 8.01 of the option applicable to this Section 8.02, the Issuer and the Guarantors, subject to the satisfaction of the conditions set forth in Section 8.04, will be deemed to have been discharged from their obligations with respect to the Notes (including the Note Guarantee) issued under this Indenture and to have cured all then existing Events of Default on the date the conditions set forth below are satisfied (hereinafter, "*Legal Defeasance*"). For this purpose, Legal Defeasance means that the Issuer and the Guarantors shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes (including the Note Guarantee) and with respect to any Guarantor (other than Wind) the Security Documents to which it is party, which shall thereafter be deemed to be "outstanding" only for the purposes of Section 8.05 and the other Sections of this Indenture referred to in clauses (a)(i) and (ii) below, and to have satisfied all their other obligations under this Indenture and the Notes, the Note Guarantee, and with respect to any Guarantor (other than Wind) the Security Documents to which it is party (and the Trustee, on demand of and at the expense of the Issuer, shall execute proper instruments acknowledging the same), except for the following provisions which shall survive until otherwise terminated or discharged hereunder:

- (i) the rights of Holders of outstanding Notes to receive payments in respect of the principal of, or interest, premium or Additional Amounts, if any, on the Notes when such payments are due solely out of the trust referred to in Section 8.04;
- (ii) the Issuer's obligations with respect to such Notes under Article 2 and Section 4.02;
- (iii) the rights, powers, trusts, duties, immunities and indemnifications of the Trustee and the obligations of the Issuer and the Guarantors in connection therewith; and
- (iv) this Article 8;

(b) Subject to compliance with this Article 8, the Issuer may exercise its option under this Section 8.02 notwithstanding the prior exercise of its option under Section 8.03.

(c) In the event Legal Defeasance occurs, payment of the Notes may not be accelerated because of an Event of Default.

#### Section 8.03 *Covenant Defeasance.*

Upon the Issuer's exercise under Section 8.01 of the option applicable to this Section 8.03, the Issuer and the Guarantors shall, subject to the satisfaction of the conditions set forth in Section 8.04, be released from their respective obligations under the covenants contained in Sections 4.07 through 4.13, Sections 4.15 through 4.22, Section 5.01(b)(iv) and Section 5.01(c) with respect to the outstanding Notes on and after the date the conditions set forth in Section 8.04 are satisfied (hereinafter, "*Covenant Defeasance*"), and the Notes shall thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Notes shall not be deemed outstanding for accounting purposes). For this purpose, *Covenant Defeasance* means that the Issuer and the Guarantors may, with respect to the outstanding Notes and Note Guarantee and with respect to any Guarantor (other than Wind) the Security Documents to which it is party, omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 6.01, but, except as specified above, the remainder of this Indenture and such Notes, Note Guarantee and Security Documents shall be unaffected thereby. In addition, upon the Issuer's exercise under Section 8.01 of the option applicable to this Section 8.04, subject to the satisfaction of the conditions set forth in Section 8.04, the events set forth in clauses (3) through (5) (inclusive) of Section 6.01 shall not constitute Events of Default.

#### Section 8.04 *Conditions to Legal or Covenant Defeasance.*

In order to exercise either Legal Defeasance or Covenant Defeasance with respect to the Notes issued under this Indenture:

(i) the Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders of the Notes, cash, Cash Equivalents constituting non-callable government securities, or a combination of cash and Cash Equivalents constituting non-callable government securities (with such cash and government securities denominated in euros and U.S. dollars in amounts correlating to the obligations under the Euro Notes and Dollar Notes, respectively), in amounts as will be sufficient, in the opinion of an internationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, or interest and premium and Additional Amounts (if any) on, the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Issuer must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;

(ii) in the case of an election under Section 8.02, Wind must deliver to the Trustee:

(A) an Opinion of Counsel reasonably acceptable to the Trustee confirming that (a) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (b) since the date of this Indenture, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel will confirm that, the Holders

of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred; and

(B) an Opinion of Counsel in the jurisdiction of organization of the Issuer and reasonably acceptable to the Trustee to the effect that the Holders will not recognize income, gain or loss for income tax purposes of such jurisdiction as a result of such deposit and defeasance and will be subject to income tax in such jurisdiction on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred;

(iii) in the case of an election under Section 8.03, the Issuer must deliver to the Trustee:

(A) an Opinion of Counsel reasonably acceptable to the Trustee confirming that holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred; and

(B) an Opinion of Counsel in the jurisdiction of organization of the Issuer and reasonably acceptable to the Trustee to the effect that the holders will not recognize income, gain or loss for income tax purposes of such jurisdiction as a result of such deposit and defeasance and will be subject to income tax in such jurisdiction on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred;

(iv) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit);

(v) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than this Indenture) to which Wind or any of its Subsidiaries is a party or by which Wind or any of its Subsidiaries is bound;

(vi) the Issuer must deliver to the Trustee an Officer's Certificate (with a copy to each Paying Agent) stating that the deposit was not made by the Issuer with the intent of preferring the Holders of Notes over the other creditors of the Issuer or the Guarantors with the intent of defeating, hindering, delaying or defrauding any creditors of the Issuer, the Guarantor(s) or others; and

(vii) the Issuer must deliver to the Trustee an Officer's Certificate and an Opinion of Counsel reasonably acceptable to the Trustee (with a copy to each Paying Agent), each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

#### Section 8.05 *Deposited Money and Government Securities Held in Trust; Other Miscellaneous Provisions.*

(a) Subject to Section 8.06, all money and non-callable Government Securities (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 8.05, the "Trustee") pursuant to Section 8.04 in respect of the outstanding Notes shall

be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Issuer acting as Paying Agent) as the Trustee may determine, to the Holders of the Notes of all sums due and to become due thereon in respect of principal, premium, interest, Additional Amounts, if any, but such money need not be segregated from other funds except to the extent required by law.

(b) The Issuer shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or Government Securities deposited pursuant to Section 8.04 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Notes.

(c) Notwithstanding anything in this Article 8 to the contrary, the Trustee shall deliver or pay to the Issuer from time to time upon the request of the Issuer any money or non-callable Government Securities held by it as provided in Section 8.04 which, in the opinion of an internationally recognized investment bank, appraisal firm or firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 8.04(i)), are in excess of the amount thereof that would then be required to be deposited to effect a Legal Defeasance or Covenant Defeasance, as applicable, of the type and scope originally effected by the Issuer pursuant to this Article 8.

#### Section 8.06 *Repayment to Issuer.*

Any money deposited with the Trustee or any Paying Agent, or then held by the Issuer, in trust for the payment of the principal of, premium, interest or Additional Amounts on any Note and remaining unclaimed for two years after such principal, and premium, if any, interest and Additional Amounts, if any, has become due and payable shall be paid to the Issuer on its request or (if then held by the Issuer) shall be discharged from such trust; and the Holder of such Note shall thereafter look only to the Issuer for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Issuer as trustee thereof, shall thereupon cease; *provided, however*, that the Trustee or such Paying Agent, before being required to make any such repayment, may, at the expense of the Issuer, give notice to the Holders in accordance with Section 14.01 that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notification or publication, any unclaimed balance of such money then remaining will be repaid to the Issuer.

#### Section 8.07 *Reinstatement.*

If the Trustee or Paying Agent is unable to apply any U.S. Dollars, euro or non-callable Government Securities in accordance with Section 8.02 or 8.03, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Issuer's obligations under this Indenture and the Notes and the Guarantors' obligations under the Note Guarantee and (other than with respect to Wind) any Security Documents to which it is party shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.02 or 8.03 until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 8.02 or 8.03, as the case may be; *provided, however*, that, if the Issuer makes any payment of principal of, premium, interest or Additional Amounts on any Note following the reinstatement of its obligations, the Issuer shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or Paying Agent.

ARTICLE 9  
AMENDMENT, SUPPLEMENT AND WAIVER

Section 9.01 *Without Consent of Holders of Notes.*

Notwithstanding Section 9.02 of this Indenture, the Issuer, the Guarantors and the Trustee may amend or supplement this Indenture, the Notes, any Note Guarantee, the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into in accordance with the terms of the Priority Agreement or this Indenture) or any Security Document without the consent of any Holder of Note:

(i) to cure any ambiguity, defect or inconsistency;

(ii) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(iii) to provide for the assumption by a Successor Company (or any other Person formed by or surviving any consolidation, merger, amalgamation or combination that would not violate the provisions of Article 5) of the Issuer's or any Guarantor's obligations to the Holders of the Notes, any Note Guarantee, the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into in accordance with the terms of the Priority Agreement or this Indenture) or any Security Document by a successor to the Issuer or such Guarantor pursuant to Article 5;

(iv) to make any change that would provide any additional rights or benefits to the Holders of the Notes or that does not adversely affect the legal rights hereunder of any Holder, to the extent such change would not violate the provisions of this Indenture (including, without limitation, Section 4.22) or any secured party under the Security Documents;

(v) to conform the text of this Indenture, the Notes, a Note Guarantee, the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into in accordance with the terms of the Priority Agreement or this Indenture) or any Security Document to any provision of the "Description of Notes" section of the Offering Memorandum, to the extent that such provision in that "Description of Notes" was intended to be a verbatim recitation of a provision of this Indenture, the Notes, a Note Guarantee, the Priority Agreement or any Security Document;

(vi) to provide for the issuance of Additional Notes in accordance with the limitations set forth in this Indenture as of the Issue Date;

(vii) to allow any Guarantor to execute a Supplemental Indenture, Security Document and/or a Note Guarantee with respect to the Notes;

(viii) to the extent necessary to provide for the granting of a security interest for the benefit of any Person, *provided* that the granting of such security interest is not prohibited under this Indenture; or

(ix) to evidence and provide for a successor Trustee as provided for in this Indenture.

In formulating its opinion on such matters, the Trustee shall be entitled to require and rely on such evidence as is appropriate in light of the nature of such amendment or supplement, including, an Opinion of Counsel and an Officer's Certificate.



Upon the written request of the Issuer accompanied by a resolution of its Board of Directors authorizing the execution of any such amended or supplemental indenture or other document, and upon receipt by the Trustee of the documents described in Section 7.02(a), the Trustee will join with the Issuer and the Guarantors in the execution of any amended or supplemental indenture or other document authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee will not be obligated to enter into such amended or supplemental indenture or other document that affects its own rights, duties or immunities under this Indenture or otherwise.

Section 9.02 *With Consent of Holders of Notes.*

Except as provided below in this Section 9.02, the Issuer, the Guarantors and the Trustee may amend or supplement this Indenture (including, without limitation, Sections 4.10 and 4.15), the Notes, any Note Guarantee, the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into in accordance with the terms of the Priority Agreement or this Indenture) or any Security Document with the consent of the Holders of at least a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, Additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a tender offer or exchange offer for, or purchase of, the Notes), and, subject to Sections 6.04 and 6.07 hereof, any existing Default or Event of Default (other than a continuing Default or Event of Default in the payment of the principal of, interest and premium and Additional Amounts, if any, on the Notes, except a payment default resulting from an acceleration that has been rescinded) or compliance with any provision of this Indenture, the Notes, any Note Guarantee, the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into in accordance with the terms of the Priority Agreement or this Indenture) or any Security Document may be waived with the consent of the Holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, Additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a tender offer or exchange offer for, or purchase of, the Notes).

Upon the written request of the Issuer accompanied by a resolution of its Board of Directors authorizing the execution of any such amended or supplemental indenture or other document, and upon the filing with the Trustee of evidence satisfactory to the Trustee of the consent of the Holders of Notes as aforesaid, and upon receipt by the Trustee of the documents described in Section 7.02(a)(d), the Trustee will join with the Issuer and the Guarantors in the execution of such amended or supplemental indenture or other document unless such amended or supplemental indenture or other document directly affects the Trustee's own rights, duties, liabilities or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but will not be obligated to, enter into such amended or supplemental indenture or other document.

It shall not be necessary for the consent of the Holders of Notes under this Section 9.02 to approve the particular form of any proposed amendment, supplement or waiver, but it is sufficient if such consent approves the substance thereof.

After an amendment, supplement or waiver under this Section 9.02 becomes effective, the Issuer will mail to the Holders of Notes affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Issuer to mail such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such amended or supplemental indenture or waiver. Subject to Sections 6.04 and 6.07, the Holders of a majority in aggregate principal amount of the Notes then outstanding, voting as a single class, may waive compliance in a particular instance by the Issuer with any provision of this Indenture, the Notes, any Note Guarantee, the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into in accordance with the terms of the Priority Agreement or this Indenture) or any Security Document. However, unless consented to by the Holders of at least 90% of the aggregate principal amount of then outstanding Notes (including, without limitation, Additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a tender offer or exchange offer for, or purchase of, the Notes), without the consent of each Holder affected, an amendment, supplement or waiver under this Section 9.02 may not (with respect to any Notes held by a non-consenting Holder):

- (i) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(ii) reduce the principal of or change the fixed maturity of any Note or alter or waive any of the provisions with respect to the redemption of the Notes (except with respect to Sections 4.10 and 4.15);

(iii) (A) reduce the rate of or change the time for payment of interest, including default interest, on any Note or (B) make any change in the provisions of this Indenture and the Notes relating to the payment of Additional Amounts;

(iv) waive a Default or Event of Default in the payment of principal of, or interest or premium or Additional Amounts on, the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the payment default that resulted from such acceleration);

(v) make any Note payable in money other than that stated in the relevant Note;

(vi) make any change in the provisions of this Indenture relating to waivers of past Defaults or the rights of Holders of Notes to receive payments of principal of, or interest or premium or Additional Amounts, if any, on, the Notes;

(vii) waive a redemption payment with respect to any Note (other than a payment required by Sections 4.10 or 4.15);

(viii) release any Guarantor (or, with respect to the Company Share Pledge Agreements, the Parent) from any of its obligations under its Note Guarantee, this Indenture or the relevant Security Document, except in accordance with the terms of this Indenture and the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into in accordance with the terms of the Priority Agreement or this Indenture);

(ix) make any change to any provision of this Indenture or the Priority Agreement affecting the ranking of the Notes or the Note Guarantees, in each case, in a manner that adversely affects the rights of Holders of the Notes;

(x) make any change in the preceding amendment and waiver provisions; or

(xi) release any Collateral pledged under the Security Documents, except in accordance with the terms of this Indenture, the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into pursuant to the terms of the Priority Agreement or this Indenture) and the Security Documents.

For the purposes of calculating the aggregate principal amount of Notes that have consented to or voted in favor of any amendment, supplement or waiver, the Euro Equivalent of the principal amount of any Dollar Notes shall be as of the Issue Date. For the avoidance of doubt, the provisions of articles 86 to 94-8 of the Luxembourg act dated 10 August 1915 on commercial companies, as amended, shall not apply in respect of the Notes.

#### Section 9.03 *Revocation and Effect of Consents.*

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder of a Note is a continuing consent by the Holder of a Note and every subsequent Holder of a Note or

portion of a Note that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder of a Note or subsequent Holder of a Note may revoke the consent as to its Note if the Trustee receives written notice of revocation before the date of the amendment, supplement or waiver becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms and thereafter binds every Holder.

Section 9.04 *Notation on or Exchange of Notes.*

The Trustee may place an appropriate notation about an amendment, supplement or waiver on any Note thereafter authenticated. The Issuer, in exchange for all Notes, may issue and the Trustee shall, upon receipt of an Authentication Order, authenticate or cause the Authenticating Agent to authenticate new Notes that reflect the amendment, supplement or waiver.

Failure to make the appropriate notation or issue a new Note will not affect the validity and effect of such amendment, supplement or waiver.

Section 9.05 *Trustee to Sign Amendments.*

The Trustee will sign any amended or supplemental indenture or other document authorized pursuant to this Article 9 if the amendment or supplement or other document does not adversely affect the rights, duties, liabilities or immunities of the Trustee. Neither the Issuer nor Wind may sign an amended or supplemental indenture or other document until the Board of Directors of the Issuer and Wind, respectively, approves it. In executing any amended or supplemental indenture or other document, the Trustee will be entitled to receive and (subject to Section 7.01) will be fully protected in relying upon, in addition to the documents required by Section 14.03, an Officer's Certificate and an Opinion of Counsel stating that the execution of such amended or supplemental indenture or other document is authorized by this Indenture and that such amendment is the legal, valid and binding obligation of the Issuer and Wind (and any guarantor) enforceable against them in accordance with its terms, subject to customary exceptions, and complies with the provisions of this Indenture.

ARTICLE 10  
SECURITY

Section 10.01 *Security Documents.*

The due and punctual payment of the principal of, and premium, interest and Additional Amounts, if any, on the Notes and any Note Guarantee when and as the same shall be due and payable, whether on an interest payment date, at maturity, by acceleration, repurchase, redemption or otherwise, and interest on the overdue principal of and interest and Additional Amounts (to the extent permitted by law), if any, on the Notes and any Note Guarantee and performance of all other obligations of the Issuer and any Guarantor to the Holders of Notes or the Trustee under this Indenture, the Notes and any Note Guarantee, according to the terms hereunder or thereunder, are secured as provided in the Security Documents and Priority Agreement which the Issuer and the Guarantors have entered into prior to or simultaneously with the execution of this Indenture. Each Holder of Notes, by its acceptance thereof, consents and agrees to the terms of the Security Documents and Priority Agreement (including, without limitation, the provisions providing for foreclosure and release of Collateral and authorizing the Security Agent to enter into any Security Document on its behalf) as the same may be in effect or may be amended from time to time in accordance with its terms and authorizes and directs the Security Agent (including, for the purpose of the Security Documents governed by Italian law, as a "*mandatario con rappresentanza*") to enter into the Security Documents and the Priority Agreement and to perform its obligations and exercise its rights thereunder in accordance therewith. The Issuer will deliver to the Trustee copies of all documents delivered to the Security Agent pursuant to the Security Documents, and the Issuer and Wind will, and Wind will cause each of its Restricted Subsidiaries to, do or cause to be done all such acts and things as may be required, or which the Security Agent from time to time may reasonably

request, to assure and confirm to the Trustee that the Security Agent holds, for the benefit of the Holders and the Trustee, duly created, enforceable and perfected Liens as contemplated hereby and by the Security Documents and the Priority Agreement, so as to render the same available for the security and benefit of this Indenture and of the Notes and any Note Guarantee secured hereby, according to the intent and purposes herein expressed. The Issuer and any Guarantor will each take, and will cause their respective Subsidiaries to take, upon request of the Trustee, any and all actions reasonably required to cause the Security Documents and the Priority Agreement to create and maintain, as security for the Obligations of the Issuer and any Guarantor hereunder, in respect of the Collateral, valid and enforceable perfected Liens in and on such Collateral with the respective rankings as set forth in definition of "Collateral."

#### Section 10.02 *Release of Collateral.*

Collateral may be released from the Liens and security interests created by the Security Documents at any time or from time to time in accordance with the provisions of the Security Documents, the Priority Agreement and this Indenture. In addition, and subject to the terms and conditions of the relevant Security Documents and the Priority Agreement, upon the request of the Issuer pursuant to an Officer's Certificate certifying that all conditions precedent hereunder have been met and stating whether or not such release is in connection with an Asset Sale and (at the sole cost and expense of the Issuer) the Trustee shall, if so requested by the Security Agent or the Issuer or otherwise required by the Priority Agreement, authorize the release of Collateral from the security created by the Security Documents that is sold, conveyed or disposed of in compliance with the provisions of this Indenture; *provided*, that if such sale, conveyance or disposition constitutes an Asset Sale, the Issuer will apply the Net Proceeds in accordance with Section 4.10. Upon receipt of such Officer's Certificate the Security Agent shall execute, deliver or acknowledge any necessary or proper instruments of termination, satisfaction or release to evidence the release of any Collateral permitted to be released pursuant to this Indenture or the Security Documents and the Priority Agreement.

#### Section 10.03 *Authorization of Actions to Be Taken by the Trustee.*

Subject to the provisions of Section 7.01 and 7.02 and the terms of the Security Documents and the Priority Agreement (including any consent of the Holders required thereunder), the Trustee may, in its sole discretion, direct, on behalf of the Holders of Notes, the Security Agent to take all actions it deems necessary or appropriate in order to:

- (i) enforce any of the terms of the Security Documents or the Priority Agreement; and
- (ii) collect and receive any and all amounts payable in respect of the Obligations of the Issuer or any Guarantor hereunder, as the case may be.

The Trustee will have power to institute and maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Collateral by any acts that may be unlawful or in violation of the Security Documents, the Priority Agreement or this Indenture, and such suits and proceedings as the Trustee may deem expedient to preserve or protect its interests and the interests of the Holders of Notes in the Collateral (including power to institute and maintain suits or proceedings to restrain the enforcement of or compliance with any legislative or other governmental enactment, rule or order that may be otherwise invalid if the enforcement of, or compliance with, such enactment, rule or order would impair the security interest hereunder or be prejudicial to the interests of the Holders of Notes or of the Trustee).

#### Section 10.04 *Authorization of Receipt of Funds by the Trustee Under the Security Documents.*

The Trustee is authorized to receive any funds for the benefit of the Holders of Notes distributed under the Security Documents or Priority Agreement, and to make further distributions of such funds to the Holders of Notes according to the provisions of this Indenture and the Priority Agreement.

Section 10.05 *Termination of Security Interest.*

The Trustee shall, at the request of the Issuer or a Guarantor upon having provided the Trustee an Officer's Certificate (which shall certify, among other things, that all action under the relevant Security Document(s) with respect to the release of the security thereunder has been taken and the release of the Collateral complies with the terms of the relevant Security Document(s)) and Opinion of Counsel certifying compliance with this Section 10.05, execute and deliver a certificate to the Security Agent releasing the relevant Collateral or other appropriate instrument evidencing such release (in the form provided by the Issuer):

- (i) upon the full and final payment and performance of all Obligations of the Issuer under this Indenture and the Notes;
- (ii) upon a Legal Defeasance or Covenant Defeasance as provided for in Article 8 or satisfaction and discharge of this Indenture as provided for in Article 13;
- (iii) with respect to a Guarantor other than Wind, in connection with any sale, assignment, transfer, conveyance or other disposition of all of the Capital Stock of such Guarantor or all of the assets of such Guarantor (other than to an Affiliate of Wind or any of its Subsidiaries), if the sale or other disposition is in compliance with the provisions of this Indenture including, without limitation, Section 4.10;
- (iv) (A) in the case of a Guarantor (other than Wind) that is released from its Guarantee pursuant to clause (vi) of Section 11.06, the release of the property and assets, and Capital Stock, of such Guarantor or (B) pursuant Section 4.12;
- (v) in connection with an enforcement sale in compliance with the Priority Agreement;
- (vi) with respect to a Guarantor (if any) other than Wind, if Wind designates any Restricted Subsidiary that is a Guarantor as an Unrestricted Subsidiary in accordance with the applicable provisions of this Indenture; or
- (vii) as described in Article 9.

In addition, subject to the conditions set forth in the Priority Agreement, a pledge of the shares of Wind's Subsidiaries (if any) will be automatically released at the time of an enforcement sale of the pledged entity or of the assets or shares of any direct or indirect parent entity of such Subsidiary (other than Wind).

Section 10.06 *Further Action.*

Upon the terms and subject to the conditions of this Indenture and the Security Documents, the Issuer and any Guarantor shall use its respective best efforts to take, or cause to be taken, all appropriate action, and to do or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the security over the Collateral as contemplated by the Security Documents and the Priority Agreement, including, without limitation, (i) cooperating in the preparation of any required filings under the Security Documents and the Priority Agreement, (ii) using best efforts to make all required filings, notifications, releases and applications and to obtain licenses, permits, consents, approvals, authorizations, qualifications and orders of governmental authorities and parties to contracts with the Issuer and any Guarantor as are necessary for the grants of security contemplated by this Indenture and the Security Documents and to

fulfill the conditions of the Security Documents including, without limitation, delivery of title deeds and all other documents of title relating to the Collateral secured by the Security Documents in the manner as provided for therein and in the Priority Agreement to which any Guarantor is a party, (iii) taking any and all action to perfect the security over the Collateral as contemplated by this Indenture and the Security Documents, (iv) cooperating in all respects with each other in connection with any investigation or other inquiry, including any proceeding initiated by any Person, in connection with the granting of security over the Collateral, (v) keeping the Trustee or Security Agent informed in all material respects of any material communication received by the Issuer or any Guarantor from, or given by them to, any governmental authority or any other Person regarding any matters contemplated by the Security Documents and the Priority Agreement or with respect to the Collateral, and (vi) permitting the Trustee or Security Agent to review any material communication given by the Issuer or any Guarantor to any such governmental authority or any other Person.

Notwithstanding any other provision of this Indenture, the Trustee has no responsibility for the validity, perfection, priority or enforceability of any lien, Collateral, Security Documents or other security interest.

## ARTICLE 11 NOTE GUARANTEES

### Section 11.01 *Guarantee.*

(a) Subject to this Article 11, each of the Guarantors hereby, jointly and severally, unconditionally guarantees to each Holder of a Note authenticated and delivered by the Trustee or the Authenticating Agent and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of this Indenture, the Notes or the obligations of the Issuer hereunder or thereunder, that:

(i) the principal of, premium, if any, and interest on, or Additional Amounts, if any, in respect to the Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of and interest and Additional Amounts on the Notes, if any, if lawful, and all other obligations of the Issuer to the Holders or the Trustee hereunder or thereunder will be promptly paid in full or performed, all in accordance with the terms hereof and thereof; and

(ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

Failing payment when due of any amount so guaranteed or any performance so guaranteed for whatever reason, the Guarantors will be jointly and severally obligated to pay the same immediately. Each Guarantor agrees that this is a guarantee of payment and not a guarantee of collection.

(b) Each Guarantor hereby agrees that its obligations hereunder are unconditional, irrespective of the validity, regularity or enforceability of the Notes or this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder of the Notes with respect to any provisions hereof or thereof, the recovery of any judgment against the Issuer, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor. Each Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Issuer (including, without limitation, its bankruptcy (*faillite*), voluntary or juridical liquidation (*liquidation volontaire ou judiciaire*), composition with creditors (*concordat préventif de faillite*), reprieve from payment (*sursis de paiement*), controlled management (*gestion contrôlée*), fraudulent conveyance (*actio pauliana*), general settlement with creditors, reorganization or similar laws affecting the rights of creditors

generally), any right to require a proceeding first against the Issuer, protest, notice and all demands whatsoever and covenant that this Note Guarantee will not be discharged except by complete performance of the obligations contained in the Notes and this Indenture.

(c) If any Holder or the Trustee is required by any court or otherwise to return to the Issuer, the Guarantors or any custodian, trustee, liquidator or other similar official acting in relation to either the Issuer or the Guarantors (including, without limitation, in relation to the Issuer, any *commissaire, juge-commissaire, liquidateur or curateur*), any amount paid by either to the Trustee or such Holder, this Note Guarantee, to the extent theretofore discharged, will be reinstated in full force and effect.

(d) Each Guarantor agrees that it will not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby. Each Guarantor further agrees that, as between the Guarantors, on the one hand, and the Holders and the Trustee, on the other hand,

(i) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article 6 for the purposes of this Note Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and

(ii) in the event of any declaration of acceleration of such obligations as provided in Article 6, such obligations (whether or not due and payable) will forthwith become due and payable by the Guarantors for the purpose of this Note Guarantee. The Guarantors will have the right to seek contribution from any non-paying Guarantor so long as the exercise of such right does not impair the rights of the Holders under the Note Guarantee.

#### Section 11.02 *Subordination of Note Guarantee.*

The obligations of each Guarantor under its Note Guarantee pursuant to this Article 11 shall be subject to the terms of Article 12 and to the terms of the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into pursuant to the terms of the Priority Agreement of this Indenture).

#### Section 11.03 *Limitation on Guarantor Liability.*

Each Guarantor, and by its acceptance of Notes, each Holder, hereby confirms that it is the intention of all such parties that the Note Guarantee of such Guarantor not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar national, federal, local or state law to the extent applicable to any Note Guarantee. To effectuate the foregoing intention, the Trustee, the Holders and the Guarantors hereby irrevocably agree that the obligations of such Guarantor will be limited to the maximum amount that will, after giving effect to such maximum amount and all other contingent and fixed liabilities of such Guarantor that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under this Article 11, result in the obligations of such Guarantor under its Note Guarantee not constituting a fraudulent transfer or conveyance.

Notwithstanding any other term of this Indenture, each Note Guarantee by Wind or any other Guarantor that is incorporated in Italy shall not in any event exceed an amount equal to 200% of the aggregate principal amount of the Notes.

Section 11.04 *Execution and Delivery of Note Guarantee.*

To evidence its Note Guarantee set forth in Section 11.01, each Guarantor hereby agrees that a notation of such Note Guarantee substantially in the form attached as **Exhibit D** hereto will be endorsed by an Officer or a Director of such Guarantor on each Note authenticated and delivered by the Trustee and that this Indenture will be executed on behalf of such Guarantor by one of its Officers or directors.

Each Guarantor hereby agrees that its Note Guarantee set forth in Section 11.01 will remain in full force and effect notwithstanding any failure to endorse on each Note a notation of such Note Guarantee.

If an Officer or director whose signature is on this Indenture or on the Note Guarantee no longer holds that office at the time the Trustee authenticates the Note on which a Note Guarantee is endorsed, the Note Guarantee will be valid nevertheless.

The delivery of any Note by the Trustee, after the authentication thereof hereunder, will constitute due delivery of the Note Guarantee set forth in this Indenture on behalf of the Guarantors.

Wind shall cause any Restricted Subsidiary so required by Section 4.18, to execute a Supplemental Indenture in the form of **Exhibit E** to this Indenture and a notation of Note Guarantees in the form of **Exhibit D** to this Indenture in accordance with Section 4.18 and this Article 11.

Section 11.05 *Guarantors May Consolidate, etc., on Certain Terms.*

(a) Except as otherwise provided in this Section 11.05 and subject to Article 5 of this Indenture, no Guarantor (other than Wind) may sell, assign, transfer, convey or otherwise dispose of all or substantially all of its assets to, or consolidate, amalgamate, merge or otherwise combine with or into (whether or not such Guarantor is the surviving Person) another Person, unless:

(i) immediately after giving effect to such transaction, no Default or Event of Default exists; and

(ii) either:

(A) the Person to which such sale, assignment, transfer, conveyance or other disposition has been made or the Person formed by or surviving any such consolidation, amalgamation, merger or combination assumes all the obligations of that Guarantor under this Indenture, its Note Guarantee, the Priority Agreement and the Security Documents to which it is a party pursuant to agreements reasonably satisfactory to the Trustee; or

(B) such sale or disposition is undertaken in accordance with, and the Net Proceeds of such sale or other disposition are applied in accordance with, the applicable provisions of this Indenture, including without limitation, Section 4.10.

(b) In case of any such consolidation, merger, sale or conveyance and upon the assumption by the successor Person, by Supplemental Indenture, executed and delivered to the Trustee and satisfactory in form to the Trustee, of the Note Guarantee endorsed upon the Notes and the due and punctual performance of all of the covenants and conditions of this Indenture to be performed by the Guarantor, such successor Person will succeed to and be substituted for the Guarantor with the same effect as if it had been named herein as a Guarantor. Such successor Person thereupon may cause to be signed any or all of the Note Guarantees to be endorsed upon all of the Notes issuable hereunder which theretofore shall not have been signed by the Issuer and delivered to the Trustee. All the Note Guarantees so issued will in all respects have the same legal rank and



benefit under this Indenture as the Note Guarantees theretofore and thereafter issued in accordance with the terms of this Indenture as though all of such Note Guarantees had been issued at the date of the execution hereof.

(c) Except as set forth in Articles 4 and 5, and notwithstanding clauses (a) and (b) above, nothing contained in this Indenture or in any of the Notes will prevent any consolidation or merger of a Guarantor with or into Wind or another Guarantor, or will prevent any sale or conveyance of the property of a Guarantor as an entirety or substantially as an entirety to Wind or another Guarantor.

#### Section 11.06 *Releases.*

The Note Guarantee of a Guarantor shall be released:

(i) with respect to a Guarantor other than Wind, in connection with any sale, assignment, transfer, conveyance or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger, consolidation, amalgamation or combination) or the Capital Stock of that Guarantor to a Person that is not (either before or after giving effect to such transactions) Wind or a Restricted Subsidiary of Wind or an Affiliate of Wind or any of its Subsidiaries, if the sale, assignment, transfer, conveyance or other disposition is undertaken, and the Net Proceeds of such sale or other disposition are applied in accordance with, in accordance with the applicable provisions of this Indenture, including without limitation Section 4.10. Upon delivery by Wind to the Trustee of an Officer's Certificate and an Opinion of Counsel to the effect that such sale or other disposition was made by Wind in accordance with the provisions of this Indenture, including without limitation, Section 4.10, the Trustee will execute any documents reasonably required in order to evidence the release of any Guarantor from its obligations under its Note Guarantee.

(ii) upon the sale of all the Capital Stock of such Guarantor or its parent entity pursuant to an enforcement sale in compliance with the Priority Agreement;

(iii) with respect to a Guarantor other than Wind, if Wind designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with this Indenture;

(iv) with respect to a Guarantor other than Wind, upon Covenant Defeasance as provided in Article 8;

(v) upon Legal Defeasance or satisfaction and discharge of this Indenture as provided in Articles 8 or 13, respectively;

(vi) upon the release of the guarantee that gave rise to the requirement to guarantee the Notes pursuant to Section 4.18, so long as no Event of Default would arise as a result and no other Indebtedness is at that time guaranteed by the relevant Guarantor that would have otherwise given rise to an obligation to guarantee the Notes pursuant to such covenant had the relevant Restricted Subsidiary not already been a Guarantor; or

(vii) as described in Article 9.

## ARTICLE 12 SUBORDINATION AND PRIORITY AGREEMENT

#### Section 12.01 *Agreement to Subordinate*

The Issuer, the Guarantor and each Holder by accepting a Note agrees, that the Indebtedness evidenced by the Note Guarantees is subordinated in right of payment, to the extent and in the manner

provided in the Priority Agreement, to the prior payment in full of all Senior Debt of the Guarantor (whether outstanding on the date hereof or hereafter created, incurred, assumed or guaranteed), and that the subordination is for the benefit of the holders of Senior Debt. Each Holder, by accepting the Notes, shall be deemed to have agreed to and accepted the terms and conditions of the Priority Agreement.

Section 12.02 *Notice.*

The Issuer and the Guarantor will promptly notify the Trustee and the Paying Agent of any facts known to them that would cause a payment of any Obligations with respect to the Notes or the Note Guarantee to violate the Priority Agreement, but failure to give such notice will not affect the subordination of the Notes to the Senior Debt as provided in the Priority Agreement.

Section 12.03 *Turnover.*

If at any time on or before the date on which the Senior Debt has been paid and fully discharged the Trustee or any Holder receives a payment or distribution in respect of or on account of any Note Guarantee in violation of the terms and conditions of the Priority Agreement, subject to clause 6.1(c) of the Priority Agreement, the Trustee or such Holder, as the case may be, shall promptly pay all amounts and distributions received to the Security Agent to the extent provided for in the Priority Agreement.

Section 12.04 *Authorization to Effect Subordination.*

Each Holder of Notes, by the Holder's acceptance thereof, authorizes and directs the Trustee on such Holder's behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in the Priority Agreement and this Indenture, and appoints the Trustee to act as such Holder's attorney-in-fact for any and all such purposes. If the Trustee does not file a proper proof of claim or proof of debt in the form required in any proceeding referred to in Section 6.09 at least 30 days before the expiration of the time to file such claim, the Representatives (as defined in the Priority Agreement) are hereby authorized to file an appropriate claim for and on behalf of the Holders of the Notes.

Section 12.05 *Reliance by Holders of Senior Debt.*

Each Holder of Notes, by the Holder's acceptance thereof, acknowledges and agrees that the foregoing subordination provisions are, and are intended to be, an inducement and a consideration to each holder of Senior Debt of any Guarantor, regardless of whether such Senior Debt was acquired before or after the issuance of the Notes or any relevant Note Guarantee, to acquire and continue to hold, or to continue to hold, such Senior Debt and such holder of Senior Debt shall be deemed conclusively to have relied on such subordination provisions in acquiring and continuing to hold, or in continuing to hold, such Senior Debt.

Section 12.06 *Priority Agreement.*

This Indenture is entered into with the benefit of, and subject to the terms of, the Priority Agreement and each Holder, by accepting a Note, shall be deemed to have agreed to, and accepted the terms and conditions of, the Priority Agreement. The rights and benefits of the Holders and the Trustee (on its own behalf and on behalf of the Holders) are subject to the terms of the Priority Agreement (including, without limitation, Clause 6 (*Turnover*) thereof). The Senior Creditors and the Hedging Banks (each as defined in the Priority Agreement), acting through their agents or trustees, are granted (or have as a matter of law) third party beneficiary rights in respect of this Section 12.06.

Section 12.07 *Priority Agreement; Additional Priority Agreements.*

(a) The Trustee will become a party to the Priority Agreement by executing an accession agreement thereto and delivering it to the Security Agent thereunder on or prior to the Issue Date, and each Holder, by accepting such Note, will be deemed to have (1) authorized each of the Trustee and the Security Agent to enter into the Priority Agreement, (2) agreed to be bound by all the terms and provisions of the Priority Agreement applicable to such Holder and (3) irrevocably appointed the Trustee and the Security Agent to act on its behalf and to perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Priority Agreement.

(b) Subject to Articles 4 and 5, at the request of the Issuer or Wind, at the time of, or prior to, the incurrence by the Issuer, Wind or any of Wind's other Restricted Subsidiaries of Indebtedness permitted pursuant to Section 4.09, Wind, the relevant Restricted Subsidiary, the Trustee and the Security Agent will (without the consent of the Holders of the Notes) enter into an additional intercreditor agreement or priority agreement (each, an "*Additional Priority Agreement*") on terms substantially similar to the Priority Agreement (or more favorable to the Holders of the Notes) or an amendment to or an amendment and restatement of the Priority Agreement (which amendment does not adversely affect the rights of Holders of the Notes), provided that such Priority Agreement or Additional Priority Agreement will not impose any personal obligations on the Trustee or adversely affect the rights, duties, liabilities or immunities of the Trustee and/or the Security Agent under this Indenture, any Additional Priority Agreement or the Priority Agreement. Any such Priority Agreement shall provide for the release of any subordinated guarantee or junior security on the same terms as the Note Guarantees and the HY Notes Security (as defined in the Priority Agreement). Only one such Priority Agreement shall be outstanding at any one time or, if more than one such Priority Agreement is outstanding at any one time, the collective terms of such Priority Agreements must be no more disadvantageous to the Holders of the Notes than if all such Indebtedness was a party to one such Priority Agreement. Regardless of the number of Priority Agreements or Additional Priority Agreements, only one payment blockage notice may be served in any period of 360 consecutive days or in respect of the same event or circumstance and any such payment blockages may not be in effect for more than 179 days in the aggregate during any consecutive 360-day period.

Any such security interest or guarantee shall provide for its release and termination on the same terms as the Collateral or Note Guarantees, as the case may be. Such amendment and/or restatement of the Priority Agreement or additional intercreditor agreement or priority agreement, as the case may be, will not impose any personal obligations on the Trustee or adversely affect the rights, duties, liabilities or immunities of the Trustee or the Holders of Notes under this Indenture or the Priority Agreement or result in the Trustee or the Holders of the Notes being in breach of, or otherwise in violation of, the Priority Agreement.

Each Holder of Notes, by the Holder's acceptance thereof, will be deemed to have agreed to and accepted the terms and condition of the Priority Agreement or any amendment and/or restatement of the Priority Agreement or any additional priority agreement or intercreditor agreement contemplated hereby, and the entry into such amendment and/or restatement of the Priority Agreement or additional priority agreement or intercreditor agreement by the Security Agent and the Trustee and the performance of their obligations and the exercise of their rights thereunder and in connection therewith.

At the direction of Wind and without the consent of the Holders of the Notes, the Trustee will upon direction of Wind from time to time enter into one or more amendments and/or restatements of the Priority Agreement or any such additional intercreditor agreement or priority agreement to: (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) increase the amount of Indebtedness of the types covered thereby that may be incurred by Wind or any of its Subsidiaries that is subject thereto (including, without limitation, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes); (iii) add Guarantors thereto; (iv) further secure the Notes (including Additional Notes); (v) permit payments to be made to Wind or the Issuer that would not otherwise have

been permitted pursuant to the terms thereof or (vi) make any other such change thereto that does not adversely affect the rights of Holders of the Notes in any material respect. Wind will not otherwise direct the Trustee to enter into any amendment and/or restatement of the Priority Agreement or, if applicable, any additional intercreditor agreement or priority agreement, without the consent of the Holders of a majority in principal amount of the outstanding Notes.

## ARTICLE 13 SATISFACTION AND DISCHARGE

### Section 13.01 *Satisfaction and Discharge.*

(a) This Indenture will be discharged and will cease to be of further effect as to all Notes, when:

(i) either:

(A) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer, have been delivered to a Paying Agent or Registrar for cancellation; or

(B) all Notes that have not been delivered to a Paying Agent or Registrar for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Issuer or a Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the Holders, with respect to the Euro Notes, cash in euros, Cash Equivalents consisting of non-callable euro-denominated government securities or a combination of cash in euros and Cash Equivalents consisting of non-callable euro-denominated government securities and, with respect to the Dollar Notes, cash in U.S. dollars, Cash Equivalents consisting of non-callable U.S. dollar-denominated government securities or a combination of cash in U.S. dollars or Cash Equivalents consisting of non-callable U.S. dollar-denominated government securities, in either case, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to a Paying Agent or Registrar for cancellation of principal, premium, Additional Amounts (if any) and accrued interest to the date of maturity or redemption;

(ii) no Default or Event of Default shall have occurred and be continuing on the date of such deposit or shall occur as a result of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and such deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Issuer or a Guarantor is a party or by which the Issuer or a Guarantor is bound;

(iii) the Issuer (failing which, the Guarantor(s)) have paid or caused to be paid all other amounts payable by it under this Indenture and the Notes; and

(iv) the Issuer has delivered irrevocable instructions to the Trustee under this Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Issuer must deliver an Officer's Certificate and an Opinion of Counsel (which shall be independent of the Issuer) to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

(b) With respect to the termination of obligations with respect to Section 13.01(a)(i)(A), the obligations of the Issuer under Section 7.07 shall survive. With respect to the termination of obligations with respect to Section 13.01(a)(i)(B), the obligations of the Issuer in Sections 2.02, 2.03, 2.04, 2.06, 2.07, 2.11, 4.01, 4.02, 4.06, 7.07, 7.08, 8.05, and 8.07 shall survive until the Notes are no longer outstanding. Thereafter, only the obligations of the Issuer in Sections 7.07, 7.08, and 8.07 shall survive. After any such irrevocable deposit, the Trustee upon request shall acknowledge in writing the discharge of the obligations of the Issuer under this Indenture, the Notes and the Subsidiary guarantees, if any, except for those surviving obligations specified above.

(c) Notwithstanding the satisfaction and discharge of this Indenture, if money has been deposited with the Trustee pursuant to Section 13.01(a)(i)(B), the provisions of Sections 13.02 and 8.06 will survive. In addition, nothing in this Section 13.01 will be deemed to discharge those provisions of Section 7.07, that, by their terms, survive the satisfaction and discharge of this Indenture.

#### Section 13.02 *Application of Trust Money.*

(a) Subject to the provisions of Section 8.05, all money deposited with the Trustee pursuant to Section 13.01 shall be held in trust and applied by it, in accordance with the provisions of Section 6.10; but such money need not be segregated from other funds except to the extent required by law.

(b) If the Trustee or Paying Agent is unable to apply any money or Government Securities in accordance with this Section 13.02 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Issuer's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 13.01; *provided* that if the Issuer has made any payment of principal of, premium, if any, or interest on any Notes because of the reinstatement of its obligations, the Issuer shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or Government Securities held by the Trustee or Paying Agent.

### ARTICLE 14 MISCELLANEOUS

#### Section 14.01 *Notices.*

(a) Any notice or communication by the Issuer or the Trustee or the Agent to the others is duly given if in writing in English and delivered in Person or mailed by first class mail (registered or certified, return receipt requested), telecopy or facsimile transmission or overnight air courier guaranteeing next day delivery, to the others' address:

If to the Issuer:

Wind Acquisition Finance S.A.  
18-20, Rue Edward Steichen  
L-2540 Luxembourg  
Grand Duchy of Luxembourg  
Facsimile: +352 262 58121  
Attention: Board of Directors

With a copy to:

White & Case LLP  
5 Old Broad Street

London EC2N 1DW  
United Kingdom  
Facsimile No.: +44 207 532 1001  
Attention: Rob Mathews

If to Wind:

WIND Telecomunicazioni S.p.A.  
Via Cesare Giulio Viola, 48  
00148 Rome  
Italy  
Facsimile No.: + 39 06 8311 3844  
Attention: Giuseppe Gola

With a copy to:

White & Case LLP  
5 Old Broad Street  
London EC2N 1DW  
United Kingdom  
Facsimile No.: +44 207 532 1001  
Attention: Rob Mathews

If to the Trustee:

BNY Mellon Corporate Trustee Services Limited  
One Canada Square  
London E14 5AP  
United Kingdom  
Facsimile No.: +44 207 964 2509  
Attention: Trustee Administration Manager – Wind Acquisition Finance S.A.

(b) The Issuer, Wind or the Trustee, by notice to the others may designate additional or different addresses for subsequent notices or communications.

(c) All notices and communications (other than those sent to Holders) shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed and confirmed by facsimile; when receipt acknowledged, if telecopied or transmitted by facsimile; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

(d) All notices to the Holders (while any Notes are represented by one or more Global Notes) shall be delivered to DTC, Euroclear and Clearstream, as applicable for communication to entitled account holders or, alternatively, will be valid if published in a leading English language daily newspaper published in the City of London and a leading English language daily newspaper published in the Borough of Manhattan, City of New York or such other English language daily newspaper with general circulation in Europe or the United States, as the case may be, as the Trustee may approve. It is expected that any such publication will normally be made in the *Financial Times* or the *Wall Street Journal*. So long as the Notes are listed on the Euro MTF Market and the rules and regulations of the Luxembourg Stock Exchange so require, all notices to Holders will also be published in the *Luxemburger Wort* or in another daily newspaper published in Luxembourg approved by the Trustee or on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. In the case of Definitive Registered Notes, notices will be mailed to Holders by first-class mail at their respective addresses as they appear on the records of the Registrar, unless stated otherwise in the register kept by, and at the registered office of the Issuer.

(e) Notices given by publication will be deemed given on the first date on which publication is made. Notices delivered to DTC Euroclear and Clearstream will be deemed given on the date when delivered. Notices given by first class mail, postage paid, will be deemed given five calendar days after mailing whether or not the addressee receives it.

(f) If a notice or communication is mailed or published in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Issuer or Wind mails a notice or communication to Holders or delivers a notice or communication to holders of Book-Entry Interests, it shall mail a copy to the Trustee and each Agent at the same time.

*Section 14.02 Communications by Holders of Notes with Other Holders of Notes.*

Holders may communicate pursuant to TIA § 312(b) as if this Indenture were required to be qualified under the TIA, with other Holders with respect to their rights under this Indenture or the Notes.

*Section 14.03 Certificate and Opinion as to Conditions Precedent.*

Upon any request or application by the Issuer or Wind to the Trustee to take any action under this Indenture, the Issuer shall furnish to the Trustee:

(i) an Officer's Certificate in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 14.04) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been complied with; and/or

(ii) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 14.04) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been complied with.

*Section 14.04 Statements Required in Certificate or Opinion.*

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(i) a statement that the Person making such certificate or opinion has read such covenant or condition;

(ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(iii) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been satisfied; and

(iv) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been satisfied.

Section 14.05 *Rules by Trustee and Agents.*

The Trustee may make reasonable rules for action by or at a meeting of Holders. For the avoidance of doubt, the provisions of articles 86 to 94-8 of the Luxembourg act dated 10 August 1915 on commercial companies, as amended, shall not apply in relation to the Notes. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

Section 14.06 *Agent for Service; Submission to Jurisdiction; Waiver of Immunities.*

Each of the parties hereto irrevocably agrees that any suit, action or proceeding arising out of, related to, or in connection with this Indenture, the Notes and the Note Guarantee or the transactions contemplated hereby, and any action arising under U.S. federal or state securities laws, may be instituted in any U.S. federal or state court located in the State and City of New York, Borough of Manhattan; irrevocably waives, to the fullest extent it may effectively do so, any objection which it may now or hereafter have to the laying of venue of any such proceeding; and irrevocably submits to the jurisdiction of such courts in any such suit, action or proceeding. Each of Issuer and Wind has appointed Corporate Service Corporation as its authorized agent upon whom process may be served in any such suit, action or proceeding which may be instituted in any federal or state court located in the State of New York, Borough of Manhattan arising out of or based upon this Indenture, the Notes or the transactions contemplated hereby or thereby, and any action brought under U.S. federal or state securities laws (each an “*Authorized Agent*”). Each of the Issuer and Wind expressly consents to the jurisdiction of any such court in respect of any such action and waives any other requirements of or objections to personal jurisdiction with respect thereto. Such appointment shall be irrevocable unless and until replaced by an agent reasonably acceptable to the Trustee. Each of the Issuer and Wind represents and warrants that the Authorized Agent has agreed to act as said agent for service of process, and each of the Issuer and Wind agrees to take any and all action, including the filing of any and all documents and instruments, that may be necessary to continue such appointment in full force and effect as aforesaid. Service of process upon the Authorized Agent and written notice of such service to the Issuer shall be deemed, in every respect, effective service of process upon the Issuer and/or Wind.

Section 14.07 *No Personal Liability of Directors, Officers, Employees and Shareholders.*

No director, officer, employee, incorporator or stockholder of the Issuer or any Guarantor, as such, will have any liability for any obligations of the Issuer or the Guarantor(s) under the Notes, this Indenture, the Note Guarantees and the Security Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under applicable securities laws.

Section 14.08 *Governing Law.*

**THIS INDENTURE AND THE NOTES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.**

Section 14.09 *No Adverse Interpretation of Other Agreements.*

This Indenture may not be used to interpret any other indenture, loan or debt agreement of the Issuer or its Subsidiaries or of any other Person. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.



Section 14.10 *Successors.*

All agreements of the Issuer in this Indenture and the Notes shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

Section 14.11 *Severability.*

In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 14.12 *Counterpart Originals.*

The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

Section 14.13 *Table of Contents, Headings, etc.*

The Table of Contents, Cross-Reference Table and Headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and shall in no way modify or restrict any of the terms or provisions hereof.

Section 14.14 *Judgment Currency.*

Any payment on account of an amount that is payable in euros or U.S. dollars, as the case may be (the “*Required Currency*”), which is made to or for the account of any Holder of the Notes or the Trustee in lawful currency of any other jurisdiction (the “*Judgment Currency*”), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Issuer or a Guarantor, shall constitute a discharge of the Issuer or the Guarantor’s obligation under this Indenture and the Notes or Note Guarantee, as the case may be, only to the extent of the amount of the Required Currency with such Holder or the Trustee, as the case may be, could purchase in the London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first Business Day following receipt of the payment in the Judgment Currency. If the amount of the Required Currency that could be so purchased is less than the amount of the Required Currency originally due to such Holder or the Trustee, as the case may be, the Issuer shall indemnify and hold harmless the Holder or the Trustee, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in this Indenture or the Notes, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder or the Trustee from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

Section 14.15 *Prescription*

Claims against the Issuer or any Guarantor for the payment of principal or Additional Amounts, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed six years after the applicable due date for payment of interest.

*(Signatures on following page)*

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the date first written above.

WIND ACQUISITION FINANCE S.A., as Issuer

By: \_\_\_\_\_

Name:

Title:

WIND TELECOMUNICAZIONI S.P.A., as  
Guarantor

By: \_\_\_\_\_  
Name:  
Title:

Signed for and on behalf of:

BNY Mellon Corporate Trustee Services Limited, as  
Trustee

By: \_\_\_\_\_

Name:

Title:

Signed for and on behalf of:

The Bank of New York Mellon, as U.S. Paying Agent

By: \_\_\_\_\_

Name:

Title:

Signed for and on behalf of:

The Bank of New York Mellon, London Branch, as  
Principal Paying Agent

By: \_\_\_\_\_

Name:

Title:

Signed for and on behalf of:

The Bank of New York Mellon (Luxembourg) S.A.,  
as Luxembourg Paying Agent, Transfer Agent and  
Registrar

By: \_\_\_\_\_

Name:

Title:

**EXHIBIT A**

**FORM OF NOTE**

WIND ACQUISITION FINANCE S.A.

**[7 3/8% Senior Notes due 2021]<sup>1</sup> [7% Senior Notes due 2021]<sup>2</sup>**

GUARANTEED BY  
THE GUARANTORS (AS DEFINED IN THE INDENTURE)

No. [ ]

ISIN:

[CUSIP: ]<sup>1</sup>

COMMON CODE:

[\$]<sup>1</sup>[€]<sup>2</sup>

Issue Date:

WIND ACQUISITION FINANCE S.A., a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 18-20, Rue Edward Steichen, L-2540 Luxembourg, and registered with the Luxembourg trade and companies register under number B109.825, for value received promises to pay to [●]<sup>3</sup>, or registered assigns, upon surrender hereof, the principal sum of [[ ] dollars]<sup>1</sup>[[ ] euro]<sup>2</sup>, subject to any adjustments listed on The Schedule of Exchanges of Interests in the Global Note attached hereto, on April 23, 2021.

Interest Payment Dates: April 23 and October 23.

Record Dates: April 8 and October 8.

Reference is hereby made to the further provisions of this Note set forth herein, which further provisions shall for all purposes have the same effect as if set forth at this place.

<sup>1</sup> Applicable to Dollar Note

<sup>2</sup> Applicable to Euro Note

<sup>3</sup> Insert name of registered holder



IN WITNESS WHEREOF, the parties hereto have caused this Note to be signed manually or by facsimile by the duly authorized officer referred to below.

WIND ACQUISITION FINANCE S.A., as Issuer

By: \_\_\_\_\_  
Name:  
Title:

This is one of the Notes referred to  
in the within-mentioned Indenture:

THE BANK OF NEW YORK MELLON, LONDON BRANCH, not in its personal capacity but in its capacity as Authenticating Agent appointed by the Trustee, BNY MELLON CORPORATE TRUSTEE SERVICES LIMITED.

By: \_\_\_\_\_  
Authorized Signatory

WIND ACQUISITION FINANCE S.A.

[7 3/8% Senior Notes due 2021]<sup>1</sup> [7% Senior Notes due 2021]<sup>2</sup>

GUARANTEED BY  
THE GUARANTORS (AS DEFINED IN THE INDENTURE)

[Insert the Global Note Legend, if applicable pursuant to the provisions of the Indenture]

[Insert the Private Placement Legend, if applicable pursuant to the provisions of the Indenture]

Capitalized terms used herein shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

(1) *INTEREST.* WIND ACQUISITION FINANCE S.A., a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 18-20, Rue Edward Steichen, L-2540, Luxembourg, and registered with the Luxembourg trade and companies register under number B109.825 (the “*Issuer*”), promises to pay interest on the principal amount of this Note at [7.375%]<sup>1</sup> [7.000%]<sup>2</sup> per annum from \_\_\_\_\_ until maturity. The Issuer will pay interest semi-annually in arrears on April 23<sup>rd</sup> and October 23<sup>rd</sup> of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each an “*Interest Payment Date*”). Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance; *provided* that if there is no existing Default in the payment of interest, and if this Note is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; *provided, further*, that the first Interest Payment Date shall be \_\_\_\_\_. The Issuer shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium, if any, from time to time on demand at a rate that is 1% per annum in excess of the rate then in effect; it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and Additional Amounts (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

(2) *METHOD OF PAYMENT.* The Issuer will pay interest on the Notes (except defaulted interest) to the Persons who are registered Holders of Notes at the close of business on April 8<sup>th</sup> and October 8<sup>th</sup> preceding the next Interest Payment Date, even if such Notes are cancelled after such record date and on or before such Interest Payment Date, except as provided in Section 2.11 of the Indenture with respect to defaulted interest. The Notes will be payable as to principal, interest, premium and Additional Amounts, if any, through the Paying Agents as provided in the Indenture. Such payment shall be in [dollars]<sup>1</sup>[euro]<sup>2</sup>.

(3) *PAYING AGENT, REGISTRAR AND TRANSFER AGENT.* Initially, The Bank of New York Mellon, London Branch in London, The Bank of New York Mellon in New York and The Bank of New York Mellon (Luxembourg) S.A. in Luxembourg will act as Paying Agents. The Bank of New York Mellon (Luxembourg) S.A. will act as Registrar, Transfer Agent and Luxembourg Listing Agent in Luxembourg for so long as the Notes are admitted to trading on the Euro MTF Market and listed on the official list of the Luxembourg Stock Exchange and the rules and regulations of the Luxembourg

<sup>1</sup> Applicable to Dollar Notes

<sup>2</sup> Applicable to Euro Notes

Stock Exchange so require. Upon notice to the Trustee, the Issuer may change any Paying Agent, Registrar or Transfer Agent; *provided, however*, that in no event may the Issuer appoint a Principal Paying Agent in any member state of the European Union where the Principal Paying Agent would be obliged to withhold or deduct tax in connection with any payment made by it in relation to the Notes unless the Principal Paying Agent would be so obliged if it were located in all other member states. The Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent in a newspaper having a general circulation in Luxembourg (currently expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules and regulations, posted on the official website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)), in accordance with Section 14.01 of the Indenture.

(4) *INDENTURE*. The Issuer issued the Notes under an Indenture dated as of April 23, 2014 (the “*Indenture*”) between the Issuer, Wind, BNY Mellon Corporate Trustee Services Limited, The Bank of New York Mellon, London Branch, The Bank of New York Mellon and The Bank of New York Mellon (Luxembourg) S.A. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to certain provisions of the Trust Indenture Act of 1939, as amended (15 U.S. Code §§ 77aaa-77bbb). The Notes are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling.

(5) *OPTIONAL REDEMPTION*.

(a) At any time prior to April 23, 2017, the Issuer may, at its option, on any one or more occasions redeem up to 35% of the aggregate principal amount of Notes (including any Additional Notes) issued under the Indenture [at a redemption price of 107.000% of the principal amount for Euro Notes]<sup>4</sup> [at a redemption price of 107.375% of the principal amount for Dollar Notes]<sup>5</sup>, plus accrued and unpaid interest and Additional Amounts, if any, to such redemption date, with the net cash proceeds of a Public Equity Offering of common stock or ordinary shares of (1) Wind or (2) any Parent Holdco of Wind to the extent the proceeds from such Public Equity Offering are contributed to Wind’s common equity capital or are paid to Wind as consideration for the issuance of common stock or ordinary shares of Wind; provided that:

(1) at least 65% of the aggregate principal amount of [Euro Notes][Dollar Notes] originally issued under this Indenture (excluding Notes held by the Issuer, Wind and their respective Affiliates) remains outstanding immediately after the occurrence of such redemption; and

(2) the redemption occurs within 90 days of the date of the closing of the relevant Public Equity Offering.

(b) At any time prior to April 23, 2017, the Issuer may at its option also redeem all or a part of the [Euro Notes][Dollar Notes], upon not less than 30 nor more than 60 days’ prior notice pursuant to Section 3.03 and Section 14.01 of the Indenture at a redemption price equal to 100% of the principal amount of Notes redeemed plus the Applicable Premium (calculated as of a date no more than three Business Days prior to the date of the relevant redemption notice) as of, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption (subject to the rights of Holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date).

<sup>4</sup> Applicable to Euro Notes.

<sup>5</sup> Applicable to Dollar Notes.

(c) Except pursuant to subsections (a) and (b) of Section 3.07 or as set forth in Section 3.08 or Section 3.09, the Notes will not be redeemable at the Issuer's option prior to April 23, 2017. On or after April 23, 2017, the Issuer may at its option redeem all or a part of the [Euro Notes][Dollar Notes], upon not less than 30 nor more than 60 days' notice delivered to each Holder pursuant to Section 3.03 and Section 14.01 of the Indenture at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and all Additional Amounts, if any, then due on the Notes redeemed, to the applicable redemption date, if redeemed during the twelve-month period beginning on April 23 of the years indicated below, subject to the rights of Holders of Notes on the relevant record date to receive interest on the relevant interest payment date:

Year	Euro Notes	Dollar Notes
2017	103.500%	103.688%
2018	101.750%	101.844%
2019 and thereafter	100.000%	100.000%

(e) Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

**(6) OPTIONAL REDEMPTION UPON SALE OF TOWERS INFRASTRUCTURE ASSETS.**

(a) To the extent permitted by Wind's Credit Agreement, the Issuer may on one occasion redeem up to €300.0 million of the aggregate principal amount of the Notes issued under the Indenture (in any combination of Euro Notes and/or Dollar Notes), upon not less than 30 nor more than 60 days' notice, at a redemption price of 103.00% of the principal amount of the relevant Notes redeemed, plus accrued and unpaid interest and Additional Amounts (if any) then due to the redemption date on the Notes redeemed, with the Net Proceeds (including if received by a reimbursement of the Intercompany Loan from Wind) from the sale of any Towers Infrastructure assets subject to the rights of Holders of Notes on the relevant record date to receive interest on the relevant interest payment date

(b) Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

**(7) REDEMPTION FOR TAXATION REASONS.**

(a) The Issuer may redeem the Notes, in whole but not in part, at its discretion at any time upon giving not less than 30 nor more than 60 days' prior notice of redemption to the Holders thereof pursuant to Section 3.03 and Section 14.01 of the Indenture, at a redemption price equal to the principal amount thereof, together with accrued and unpaid interest to the date fixed by the Issuer for redemption (a "Tax Redemption Date") and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of Holders of the Notes on the relevant record date to receive interest due on the relevant Interest Payment Date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes, the Issuer has or would be required to pay Additional Amounts, and the Issuer cannot avoid any such payment obligation by taking reasonable measures available to it, as a result of:

(i) any change in, or amendment to, the laws or treaties (or any regulations, or rulings promulgated thereunder) of a relevant Tax Jurisdiction affecting taxation which change or amendment has not been publicly announced as formally proposed before and which becomes effective on or after the date of the Indenture (or, if the relevant Tax Jurisdiction has been added since the date of the Indenture, the date on which the that relevant Tax Jurisdiction became a Tax Jurisdiction under the Indenture); or

(ii) any change in, or amendment to, the existing official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change, amendment, application or interpretation has not been publicly announced as formally proposed before and becomes effective on or after the date of the Indenture (or, if the relevant Tax Jurisdiction has been added since the date of the Indenture, the date on which that relevant Tax Jurisdiction became a Tax Jurisdiction under the Indenture).

(b) The Issuer will not give any such notice of redemption earlier than 90 days prior to the earliest date on which the Issuer would be obligated to make such payment or withholding if a payment in respect of the Notes were then due. Notwithstanding the foregoing, the Issuer may not redeem the Notes under this provision if the relevant Tax Jurisdiction became a Tax Jurisdiction after the date of the Indenture and the Issuer is obligated to pay any Additional Amounts as a result of a change in, or an amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder), or any change in or amendment to, any official position regarding the application, administration or interpretation of such laws, treaties, regulations or rules, of that relevant Tax Jurisdiction which, at the time such Tax Jurisdiction became a Tax Jurisdiction under the Indenture, was publicly announced as formally proposed. Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to Section 3.03 of the Indenture, the Issuer will deliver to the Trustee an opinion of internationally recognized counsel, to the effect that there has been such change or amendment and otherwise in compliance with Section 14.04 of the Indenture. In addition, before the Issuer publishes or mails notice of redemption of the Notes pursuant to Section 3.03 of the Indenture, it will deliver to the Trustee an Officer's Certificate to the effect that it cannot avoid its obligation to pay Additional Amounts by the Issuer taking reasonable measures available to it. The Trustee will accept such Officer's Certificate and opinion of counsel as sufficient evidence of the existence of satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the Holders. For the avoidance of doubt, the implementation of European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing, or complying with, or introduced in order to conform to, such directive will not be a change or amendment for such purposes.

(8) *MANDATORY REDEMPTION.* The Issuer shall not be required to make mandatory redemption or sinking fund payments with respect to the Notes.

(9) *REPURCHASE AT OPTION OF HOLDER.*

(a) If a Change of Control occurs, each Holder of Notes will have the right to require the Issuer to repurchase all or any part (in integral multiples of [\$1,000 for Dollar Notes][ €1,000 for Euro Notes]; *provided* that [Dollar Notes of \$200,000 or less] [Euro Notes of €100,000 or less] may only be redeemed in whole and not in part) of that Holder's Notes pursuant to the offer described below (the "*Change of Control Offer*") at a price in cash (the "*Change of Control Payment*") equal to 101% of the aggregate principal amount of Notes repurchased on the date of purchase plus accrued and unpaid interest and all Additional Amounts (if any) then due on the Notes repurchased to the date of purchase, subject to the rights of Holders of Notes on the relevant record date to receive interest due on the relevant interest payment date. Within 30 days following a Change of Control, the Issuer will give notice to each Holder describing the circumstances and/or facts that constitute the Change of Control and offering to purchase all Notes on the Change of Control Payment Date specified in the notice given to the Holders pursuant to Section 3.03 of the Indenture.

(b) Any Net Proceeds from Asset Sales that are not applied or invested as provided and within the time period set forth in the Indenture will constitute “*Excess Proceeds*.” When the aggregate amount of Excess Proceeds exceeds €35.0 million, within 25 days thereof, the Issuer (or Wind on the Issuer’s behalf) will make an Asset Sale Offer in accordance with the procedures set forth in the Indenture to all Holders of Notes and creditors under any other *Pari Passu* Indebtedness containing provisions similar to those set forth in Section 4.10 of the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets, to purchase the maximum principal amount (on a *pro rata* basis) of the Notes and such other *Pari Passu* Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest and Additional Amounts then due, if any, to the date of purchase and will be payable in cash and, with respect to other *Pari Passu* Indebtedness, will be no more than 100% of the principal amount of such other *Pari Passu* Indebtedness plus accrued and unpaid interest and additional amounts then due, if any, to the date of purchase. The Issuer (or Wind on the Issuer’s behalf) will commence each Asset Sale Offer within 25 days after the date on which the Excess Proceeds exceed €35.0 million by delivering the notice required pursuant to Section 3.10(d) of the Indenture. The Asset Sale Offer shall remain open for a period of 20 Business Days following its commencement and no longer, except to the extent that a longer period is required by applicable law. No later than five Business Days after the termination of the Offer Period, the Issuer shall purchase the principal amount of Notes required to be purchased pursuant to Section 4.10 of the Indenture or, if less than the Offer Amount has been tendered, all Notes tendered in response to the Asset Sale Offer. Payment for any Notes so purchased shall be made in the same manner as interest payments are made.

(10) *DENOMINATIONS, TRANSFER, EXCHANGE.*

(a) [The Global Notes are in global registered form without coupons attached.]<sup>6</sup> [The Dollar Global Notes will represent the aggregate principal amount of all the Dollar Notes issued and not yet cancelled other than Dollar Definitive Registered Notes.]<sup>7</sup> [The Euro Global Notes will represent the aggregate principal amount of all the Euro Notes issued and not yet cancelled other than Euro Definitive Registered Notes.]<sup>8</sup> [A Holder may transfer or exchange Global Notes in accordance with the Indenture.]<sup>4</sup>

(b) [The [Dollar]<sup>9</sup>[Euro]<sup>10</sup> Definitive Registered Notes are in registered form without coupons attached in denominations of [\$200,000]<sup>7</sup> [€100,000]<sup>8</sup> and integral multiples of [\$]<sup>7</sup>[€]<sup>8</sup>1,000 above [\$200,000]<sup>7</sup> [€100,000]<sup>8</sup>. A Holder may transfer or exchange Definitive Registered Notes in accordance with the Indenture. The Indenture requires a Holder, among other things, to furnish appropriate endorsements and transfer documents. The Issuer shall not be required to register the transfer of any Definitive Registered Notes: (A) for a period of 15 calendar days prior to any date fixed for the redemption of the Notes under Section 3.03 of the Indenture; (B) for a period of 15 calendar days immediately prior to the date fixed for selection of Notes to be redeemed in part; (C) for a period of 15 calendar days prior to the record date with respect to any interest payment date; or (D) which the registered Holder of Notes has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Sale Offer.]<sup>11</sup>

<sup>6</sup> Include in any Global Note.

<sup>7</sup> Include in any Dollar Global Note.

<sup>8</sup> Include in any Euro Global Note.

<sup>9</sup> Include in any Dollar Definitive Registered Note.

<sup>10</sup> Include in any Euro Definitive Registered Note.

<sup>11</sup> Include in any Definitive Registered Note.

(11) *PERSONS DEEMED OWNERS*. The registered Holder of a Note may be treated as its owner for all purposes.

(12) *AMENDMENT, SUPPLEMENT AND WAIVER*. Subject to certain exceptions, the Indenture, the Notes, any Note Guarantee, the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into in accordance with the terms of the Priority Agreement or the Indenture) or any Security Document may be amended or supplemented by the Issuer, the Guarantors and/or the Trustee, as applicable, with the consent of the Holders of at least a majority in principal amount of the then outstanding Notes and issued under the Indenture (including, without limitation, Additional Notes, if any) voting as a single class and, subject to Sections 6.04 and 6.07 of the Indenture, any existing Default or Event of Default (other than a continuing Default or Event of Default in the payment of the principal of, interest and premium and Additional Amounts, if any, on the Notes, except a payment default resulting from an acceleration that has been rescinded) or compliance with any provision of the Indenture, the Notes, any Note Guarantee, the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into in accordance with the terms of the Priority Agreement or the Indenture) or any Security Document may be waived with the consent of the Holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, Additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a tender offer or exchange offer for, or purchase of, the Notes). Without the consent of any Holder, the Issuer, the Guarantors and the Trustee may amend or supplement the Indenture, the Notes, any Note Guarantee, the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into in accordance with the terms of the Priority Agreement or the Indenture) or any Security Document to cure any ambiguity, omission, defect or inconsistency; to provide for uncertificated Notes in addition to or in place of certificated Notes; to provide for the assumption by a Successor Company or any other Person formed by or surviving any consolidation, merger, amalgamation or combination that would not violate the provisions of Article 5 of the Issuer's or a Guarantor's obligations to the Holders of the Notes under the Indenture, the Notes, any Note Guarantee, the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into in accordance with the terms of the Priority Agreement or the Indenture) or any Security Document by a successor to the Issuer or such Guarantor pursuant to Article 5 of the Indenture; to make any change that would provide any additional rights or benefits to the Trustee or the Holders or that does not adversely affect the legal rights of any such Holder under the Indenture, to the extent such change would not violate the provisions of the Indenture (including without limitation Section 4.22 of the Indenture) or any secured party under the Security Documents; to conform the text of the Indenture, the Notes, a Note Guarantee, the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into in accordance with the terms of the Priority Agreement or the Indenture) or any Security Document to any provision of the "Description of Notes" section of the Offering Memorandum, to the extent that such provision in that "Description of Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Notes, a Note Guarantee, the Priority Agreement or any Security Document; to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture as of the date hereof; to allow any Guarantor to execute a Supplemental Indenture, Security Document and/or a Note Guarantee with respect to the Notes; to the extent necessary to provide for the granting of a security interest for the benefit of any Person, *provided* that the granting of such security interest is not prohibited under the Indenture; or to evidence and provide for a successor Trustee as provided for in the Indenture. For the avoidance of doubt, the provisions of articles 86 to 94-8 of the Luxembourg act dated 10 April 1915 on commercial companies, as amended, shall not apply to this Note.



(13) *DEFAULTS AND REMEDIES*. The following events constitute “*Events of Default*” under the Indenture: (i) default for 30 days in the payment when due of interest or any Additional Amounts on or with respect to the Notes; (ii) default in payment when due (at maturity, upon redemption or otherwise) of principal of, or premium, if any, on the Notes; (iii) failure by the Issuer, Wind or any of Wind’s other Restricted Subsidiaries to comply with Section 4.10, Section 4.15, Section 4.24(b) or Section 5.01; (iv) failure by the Issuer, Wind or any of Wind’s other Restricted Subsidiaries for 60 days after notice to the Issuer and Wind by the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of the agreements in the Indenture (other than those described in clauses (i), (ii) and (iii) above), the Notes, the Note Guarantee, the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into pursuant to the terms of the Priority Agreement or the Indenture) or any Security Document; (v) default under any mortgage, indenture or instrument under which there is issued or by which there is secured or evidenced any Indebtedness for money borrowed by the Issuer, Wind or any of Wind’s other Restricted Subsidiaries (or the payment of which is guaranteed by the Issuer, Wind or any of Wind’s other Restricted Subsidiaries), whether such Indebtedness or guarantee now exists, is created after the date of the Indenture, if that default (I) is caused by the failure to pay principal of such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a “*Payment Default*”) or (II) results in the acceleration of such Indebtedness prior to its Stated Maturity and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated (and not rescinded, cured or waived) aggregates €25.0 million or more at any time outstanding (and not rescinded, cured or waived); (vi) failure by the Issuer, Wind or any of Wind’s other Restricted Subsidiaries to pay final judgments for the payment of cash or other assets or properties, or the assumption of liabilities, entered by a court or courts of competent jurisdiction aggregating in excess of €25.0 million, which judgments are not paid, discharged or stayed for a period of 60 consecutive days following such final judgment; (vii) except as permitted by the Indenture, any Note Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor, or any Person acting on behalf of any Guarantor, denies or disaffirms its obligations under its Note Guarantee; (viii) breach by the Issuer, Wind or any of Wind’s other Restricted Subsidiaries of any material representation or warranty or agreement in the Security Documents, the repudiation by Wind or any of its Restricted Subsidiaries of any of its obligations under the Security Documents or the unenforceability of the Security Documents against the Parent, Wind or any of its Subsidiaries for any reason; (ix) the Issuer, Wind or any of Wind’s other Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of Wind that, taken together, would constitute a Significant Subsidiary pursuant to or within the meaning of Bankruptcy Law (I) commences a voluntary case, (II) consents to the entry of an order for relief against it in an involuntary case, (III) consents to the appointment of a custodian of it or for all or substantially all of its property, (IV) makes a general assignment for the benefit of its creditors, or (V) generally is not paying its debts as they become due; or (x) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (I) is for relief against the Issuer, Wind or any of Wind’s other Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of Wind that, taken together, would constitute a Significant Subsidiary in an involuntary case, (II) appoints a custodian of the Issuer, Wind or any of Wind’s other Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of Wind that, taken together, would constitute a Significant Subsidiary or for all or substantially all of the property of Wind or any of Wind’s other Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of Wind that, taken together, would constitute a Significant Subsidiary or (III) orders the liquidation of the Issuer, Wind or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries of Wind that, taken together, would constitute a Significant Subsidiary, and, in each case, the order or decree remains unstayed and in effect for 60 consecutive days. In the case of an Event of Default specified in clause (ix) or (x) of Section 6.01 of the Indenture, with respect to Wind, any Restricted Subsidiary of Wind that is a Significant Subsidiary or any group of Restricted Subsidiaries of Wind that, taken together, would constitute a Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event

of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately. Upon any such declaration, the Notes shall become due and payable immediately. Holders of not less than a majority in aggregate principal amount of the then outstanding Notes by written notice to the Trustee may, on behalf of the Holders of all of the Notes, rescind an acceleration or waive an existing Default or Event of Default and its consequences hereunder, except a continuing Default or Event of Default in the payment of the principal of, interest and premium and Additional Amounts, if any, on the Notes (including in connection with an offer to purchase); *provided, however*, that the Holders of a majority in aggregate principal amount of the then outstanding Notes may rescind an acceleration or waive an existing Default or Event of Default and its consequences, except a continuing Default or Event of Default in the payment of the principal of, interest and premium and Additional Amounts, if any, on the Notes (including in connection with an offer to purchase). Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of the Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon. Holders of a majority in aggregate principal amount of the then outstanding Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines may be unduly prejudicial to the rights of other Holders of Notes or that may involve the Trustee in personal liability, except a Default or Event of Default relating to the payment of principal, interest, premium or Additional Amounts (if any).

(14) *TRUSTEE DEALINGS WITH ISSUER.* The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with the Issuer or any Affiliate of the Issuer with the same rights it would have if it were not Trustee.

(15) *NO RECOURSE AGAINST OTHERS.* A director, officer, employee, incorporator or stockholder, of the Issuer, Wind or any Guarantor, as such, shall not have any liability for any obligations of the Issuer, Wind or any Guarantor under the Notes, a Note Guarantees or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability (as far as permitted by law). The waiver and release are part of the consideration for the issuance of the Notes.

(16) *AUTHENTICATION.* This Note shall not be valid until authenticated by the manual signature of an authorized signatory of the Trustee or an authenticating agent.

(17) *ABBREVIATIONS.* Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

(18) *[CUSIP, ]<sup>12</sup> ISIN AND COMMON CODE NUMBERS.* [Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Issuer has caused CUSIP numbers to be printed on the Notes and the Trustee may use CUSIP numbers in notices of redemption as a convenience to Holders.]<sup>10</sup> The Issuer has caused ISIN numbers to be printed on the Notes and the Trustee may use ISIN numbers in notices of redemption as a convenience to Holders. In addition, the Issuer has caused Common Code numbers to be printed on the Notes and the Trustee may use Common Code numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of any such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

<sup>12</sup> Include in any Dollar Note

(19) *GOVERNING LAW*

THE INDENTURE AND THE NOTES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

The Issuer will furnish to any Holder upon written request and without charge a copy of the Indenture, the Priority Agreement and the Security Documents. Requests may be made to:

Wind Acquisition Finance S.A.  
18-20, Rue Edward Steichen  
L-2540 Luxembourg  
Grand Duchy of Luxembourg  
Attention: Board of Directors

(20) *SUBJECT TO PRIORITY AGREEMENT.* This Note and the Indenture are entered into with the benefit of and subject to the terms of the Priority Agreement. The rights and benefits of HY Notes Creditors (as defined in the Priority Agreement) are limited by and subject to the terms of the Priority Agreement. The Senior Creditors and Hedging Banks (each as defined in the Priority Agreement), acting through agents or trustees, have third party beneficiary rights in respect of such statements.

ASSIGNMENT FORM

To assign this Note, fill in the form below:

(I) or (we) assign and transfer this Note to: \_\_\_\_\_  
(Insert assignee's legal name)

\_\_\_\_\_  
(Insert assignee's soc. sec. or tax I.D. no.)

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
(Print or type assignee's name, address and zip code)

and irrevocably appoint \_\_\_\_\_

to transfer this Note on the books of the Issuer. The agent may substitute another to act for him.

Date: \_\_\_\_\_

Your Signature: \_\_\_\_\_  
(Sign exactly as your name appears on the face of  
this Note)

Signature Guarantee\*:

\* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Issuer pursuant to Section 4.10 or 4.15 of the Indenture, check the appropriate box below:

Section 4.10       Section 4.15

If you want to elect to have only part of the Note purchased by the Issuer pursuant to Section 4.10 or Section 4.15 of the Indenture, state the amount you elect to have purchased:

[\$][€] \_\_\_\_\_

Date:

Your Signature: \_\_\_\_\_  
(Sign exactly as your name appears on the face  
of this Note)

Tax Identification No.: \_\_\_\_\_

Signature Guarantee\*:

\* Participant in a recognized Signature Guarantee Medallion Program (or other signature guarantor acceptable to the Trustee).

### SCHEDULE OF EXCHANGES OF INTERESTS IN THE GLOBAL NOTE

The following exchanges of a part of this Global Note for an interest in another Global Note or for a Definitive Registered Note, or exchanges of a part of another Global Note or Definitive Registered Note for an interest in this Global Note, have been made:

<u>Date of Exchange</u>	<u>Amount of decrease in Principal Amount of this Global Note</u>	<u>Amount of increase in Principal Amount of this Global Note</u>	<u>Principal Amount of this Global Note following such decrease (or increase)</u>	<u>Signature of authorized officer of Trustee, Principal Paying Agent, Custodian or Common Depository</u>

## EXHIBIT B

### FORM OF CERTIFICATE OF TRANSFER

[Issuer address]

[Trustee/Registrar address]

Re: [\$2,800,000,000 7<sup>3</sup>/<sub>8</sub>% Senior Notes due 2021]<sup>1</sup> [€1,750,000,000 7% Senior Notes due 2021]<sup>2</sup> of WIND ACQUISITION FINANCE S.A.

Reference is hereby made to the Indenture, dated as of April 23, 2014 (the “*Indenture*”), between, *inter alia*, Wind Acquisition Finance S.A., a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 18-20, Rue Edward Steichen, L-2540 Luxembourg and registered with the Luxembourg trade and companies register under number B109.825 (the “*Issuer*”), WIND Telecomunicazioni S.p.A., a joint stock company organized as a *società per azioni* under the laws of the Republic of Italy, as Guarantor, BNY Mellon Corporate Trustee Services Limited as Trustee, The Bank of New York Mellon, London Branch as Principal Paying Agent and The Bank of New York Mellon (Luxembourg) S.A. as Luxembourg Listing Agent, Transfer Agent and Registrar. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

, (the “*Transferor*”) owns and proposes to transfer the Note[s] or interest in such Note[s] specified in Annex A hereto, in the principal amount of [\$]<sup>1</sup>[€]<sup>2</sup> in such Note[s] or interests (the “*Transfer*”), to (the “*Transferee*”), as further specified in Annex A hereto. In connection with the Transfer, the Transferor hereby certifies that:

[CHECK ALL THAT APPLY]

1.  **Check if Transferee will take delivery of a Book-Entry Interest in a 144A Global Note or a Definitive Registered Note Pursuant to Rule 144A.** The Transfer is being effected pursuant to and in accordance with Rule 144A under the United States Securities Act of 1933, as amended (the “*U.S. Securities Act*”), and, accordingly, the Transferor hereby further certifies that the beneficial interest or the Book-Entry Interest or Definitive Registered Note is being transferred to a Person that the Transferor reasonably believed and believes is purchasing the beneficial interest or the Book-Entry Interest or Definitive Registered Note for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a “qualified institutional buyer” within the meaning of Rule 144A under the U.S. Securities Act in a transaction meeting the requirements of Rule 144A under the U.S. Securities Act and such Transfer is in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or the Book-Entry Interest or Definitive Registered Note will be subject to the restrictions on transfer enumerated in the Private Placement Legend printed on the relevant 144A Global Note and/or the Definitive Registered Note and in the Indenture and the U.S. Securities Act.

2.  **Check if Transferee will take delivery of a Book-Entry Interest in a Regulation S Global Note or a Definitive Registered Note pursuant to Regulation S.** The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the U.S. Securities Act and, accordingly, the Transferor hereby further certifies that (i) the Transfer is not being made to a person in the United States and (x) at the time the buy order was originated, the Transferee was outside the

<sup>1</sup> Applicable to Dollar Notes

<sup>2</sup> Applicable to Euro Notes

United States or such Transferor and any Person acting on its behalf reasonably believed and believes that the Transferee was outside the United States or (y) the transaction was executed in, on or through the facilities of a designated offshore securities market, (ii) such Transferor does not know that the transaction was prearranged with a buyer in the United States, (iii) no directed selling efforts have been made in connection with the Transfer in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S under the U.S. Securities Act, (iv) the transaction is not part of a plan or scheme to evade the registration requirements of the U.S. Securities Act and (v) if the proposed transfer is being effected prior to the expiration of a Restricted Period, the transferee is not a U.S. Person, as such term is defined pursuant to Regulation S of the U.S. Securities Act, and will take delivery only as a Book-Entry Interest so transferred through Euroclear or Clearstream. Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred Book-Entry Interest or Definitive Registered Note will be subject to the restrictions on Transfer enumerated in the Private Placement Legend printed on the relevant Regulation S Global Note and/or the Definitive Registered Note and in the Indenture and the U.S. Securities Act.

3.  **Check and complete if Transferee will take delivery of a Book-Entry Interest in a Global Note or a Definitive Registered Note pursuant to any provision of the U.S. Securities Act other than Rule 144A or Regulation S.** The Transfer is being effected in compliance with the transfer restrictions applicable to Book-Entry Interests in Global Notes and Definitive Registered Notes and pursuant to and in accordance with the U.S. Securities Act and any applicable blue sky securities laws of any state of the United States, and accordingly the Transferor hereby further certifies that such Transfer is being effected to the Issuer.

This certificate and the statements contained herein are made for your benefit and the benefit of the Issuer.

\_\_\_\_\_  
[Insert Name of Transferor]

By: \_\_\_\_\_

Name:

Title:

Dated: \_\_\_\_\_



**ANNEX A TO CERTIFICATE OF TRANSFER**

1. The Transferor owns and proposes to transfer the following:

[CHECK ONE OF (a) OR (b)]

(a)  a Book-Entry Interest in a:

(i)  144A Global Note ([CUSIP][ISIN]           ), or

(ii)  Regulation S Global Note ([CUSIP][ISIN]           ).

2. After the Transfer the Transferee will hold:

[CHECK ONE]

(a)  a Book-Entry Interest in a:

(i)  144A Global Note ([CUSIP][ISIN])           ), or

(ii)  Regulation S Global Note ([CUSIP][ISIN]           ).

in accordance with the terms of the Indenture.



**ANNEX A TO CERTIFICATE OF EXCHANGE**

1. The Owner owns and proposes to exchange the following:

[CHECK ONE]

(a)  a Book-Entry Interest held through DTC/Euroclear/Clearstream Account No. \_\_\_\_\_ in a:

(i)  144A Global Note ([CUSIP][ISIN] \_\_\_\_\_), or

(ii)  Regulation S Global Note ([CUSIP][ISIN] \_\_\_\_\_), or

(b)  a Definitive Registered Note.

2. After the Exchange the Owner will hold:

[CHECK ONE]

(a)  a Book-Entry Interest held through DTC/Euroclear/Clearstream Account No. \_\_\_\_\_ in a:

(i)  144A Global Note ([CUSIP][ISIN] \_\_\_\_\_), or

(ii)  Regulation S Global Note ([CUSIP][ISIN] \_\_\_\_\_), or

(b)  a Definitive Registered Note.

in accordance with the terms of the Indenture.

**EXHIBIT D**

**FORM OF NOTATION OF GUARANTEE**

For value received, each Guarantor (which term includes any successor Person under the Indenture) has, jointly and severally, unconditionally guaranteed, to the extent set forth in the Indenture and subject to the provisions in the Indenture dated as of April 23, 2014 (the “*Indenture*”) among Wind Acquisition Finance S.A., (the “*Issuer*”), the Guarantors party thereto, BNY Mellon Corporate Trustee Services Limited, as trustee (the “*Trustee*”), The Bank of New York Mellon, London Branch and The Bank of New York Mellon (Luxembourg) S.A., (a) the due and punctual payment of the principal of, premium, Additional Amounts, if any, and interest on, the Notes, whether at maturity, by acceleration, redemption or otherwise, the due and punctual payment of interest on overdue principal of and interest on the Notes, if any, if lawful, and the due and punctual performance of all other obligations of the Issuer to the Holders or the Trustee all in accordance with the terms of the Indenture and (b) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. The obligations of the Guarantors to the Holders of Notes and to the Trustee pursuant to the Note Guarantee and the Indenture are expressly set forth in Article 11 of the Indenture and the Priority Agreement and reference is hereby made to the Indenture for the precise terms of the Note Guarantee. Each Holder of a Note, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee, on behalf of such Holder, to take such action as may be necessary or appropriate to effectuate the subordination as provided in the Indenture and the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into pursuant to the terms of the Priority Agreement or the Indenture) and (c) appoints the Trustee as attorney-in-fact of such Holder for such purpose; *provided, however*, that the Indebtedness evidenced by this Note Guarantee shall cease to be so subordinated and subject in right of payment upon any defeasance of this Note in accordance with the provisions of the Indenture.

Capitalized terms used but not defined herein have the meanings given to them in the Indenture.

[NAME OF GUARANTORS]

By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT E**

**FORM OF SUPPLEMENTAL INDENTURE  
TO BE DELIVERED BY SUBSEQUENT GUARANTORS**

Supplemental Indenture (this “*Supplemental Indenture*”), dated as of \_\_\_\_\_, among \_\_\_\_\_, a company organized and existing under the laws of \_\_\_\_\_ (the “*Subsequent Guarantor*”), a subsidiary of Wind (as such term is defined in the indenture referred to below) (or its permitted successor), Wind Acquisition Finance S.A., a public limited liability company (*société anonyme*) organized and existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 18-20, Rue Edward Steichen, L-2540, Luxembourg and registered with the Luxembourg trade and companies register under number B109.825, WIND Telecomunicazioni S.p.A., a joint stock company organized as a *società per azioni* under the laws of the Republic of Italy, BNY Mellon Corporate Trustee Services Limited as Trustee, The Bank of New York Mellon as U.S. Paying Agent, The Bank of New York Mellon, London Branch as Principal Paying Agent and The Bank of New York Mellon (Luxembourg) S.A. as Luxembourg Listing Agent, Transfer Agent and Registrar.

W I T N E S S E T H

WHEREAS, the Issuer and Wind have heretofore executed and delivered to the Trustee an indenture (the “*Indenture*”), dated as of April 23, 2014, providing for the issuance of dollar denominated 7<sup>3</sup>/<sub>8</sub>% Senior Notes due 2021 (the “*Dollar Notes*”) and euro denominated 7% Senior Notes due 2021 (the “*Euro Notes*”, and together with the Dollar Notes, the “*Notes*”);

WHEREAS, the Indenture provides that under certain circumstances the Subsequent Guarantor shall execute and deliver to the Trustee a supplemental indenture and notation of guarantee pursuant to which the Subsequent Guarantor shall unconditionally guarantee all of the Issuer’s Obligations under the Notes and the Indenture on the terms and conditions set forth herein (the “*Guarantee*”); and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Issuer and the Trustee are authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Subsequent Guarantor and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. AGREEMENT TO GUARANTEE. The Subsequent Guarantor hereby agrees as follows:

(a) To jointly and severally Guarantee to each Holder of a Note, authenticated and delivered by the Trustee, and to the Trustee and its successors and assigns, regardless of the validity and enforceability of the Indenture, the Notes or the obligations of the Issuer under the Indenture or the Notes, that:

(i) the principal of, interest on, premium, and Additional Amounts, if any, on the Notes will be promptly paid in full when due, whether at maturity, by acceleration, redemption or otherwise, and interest on the overdue principal and premium, if any, and if lawful, interest and Additional Amounts of the Issuer to the Holders or the Trustee under the Indenture or the Notes or thereunder will be promptly paid in full or performed, all in accordance with the terms hereof and thereof; and

(ii) in case of any extension of time of payment or renewal of any Notes, that same will be promptly paid in full when due in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. Failing payment when due of any amount so guaranteed for whatever reason, the Subsequent Guarantors shall be jointly and severally obligated to pay the same immediately.

(b) The obligations of the Subsequent Guarantor hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or the Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder with respect to any provisions hereof or thereof, the recovery of any judgment against the Issuer, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor.

(c) The following is hereby waived: diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Issuer (including, without limitation, its, bankruptcy (*faillite*), voluntary or judicial liquidation (*liquidation volontaire ou judiciaire*), composition with creditors (*concordat préventif de faillite*), reprieve from payment (*sursis de paiement*), controlled management (*gestion contrôlée*), fraudulent conveyance (*actio pauliana*), general settlement with creditors, reorganization or similar laws affecting the rights of creditors generally) any right to require a proceeding first against the Issuer, protest, notice and all demands whatsoever.

(d) Except as set forth in Section 5, this Guarantee shall not be discharged except by complete performance of the obligations contained in the Notes and the Indenture, and the Subsequent Guarantor accepts all obligations of a Subsequent Guarantor provided for under the terms of the Indenture.

(e) The Subsequent Guarantor waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Issuer or any other Restricted Subsidiary as a result of any payment by such Subsequent Guarantor under its Guarantee.

(f) As between the Subsequent Guarantor, on the one hand, and the Holders and the Trustee, on the other hand, (x) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article 6 of the Indenture for the purposes of this Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (y) in the event of any declaration of acceleration of such obligations as provided in Article 6 of the Indenture, such obligations (whether or not due and payable) shall forthwith become due and payable by the Subsequent Guarantor for the purpose of this Guarantee.

(g) The Subsequent Guarantor hereby confirms that it is its intention that the Guarantee of the Subsequent Guarantor does not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to the Guarantee. To effectuate the foregoing intention, the Trustee and the Subsequent Guarantor hereby irrevocably agree that after giving effect to such maximum amount and all other contingent and fixed liabilities of the Subsequent Guarantor that are relevant under such laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Subsequent Guarantor in respect of the obligations of such other Subsequent Guarantor, the obligations of the Subsequent Guarantor will be limited to the obligations of the Subsequent Guarantor under its Guarantee not constituting a fraudulent transfer or conveyance.

### 3. EXECUTION AND DELIVERY.

(a) To evidence its Guarantee, the Subsequent Guarantor hereby agrees that a notation of such Guarantee shall be endorsed by an Officer of the Subsequent Guarantor on each Note authenticated and delivered by the Trustee and that this Supplemental Indenture shall be executed on behalf of the Subsequent Guarantor by one of its Directors or Officers.

(b) The Subsequent Guarantor hereby agrees that its Guarantee shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of such Guarantee.

(c) If an Officer whose signature is on this Supplemental Indenture or on the Guarantee no longer holds that office at the time the Trustee authenticates the Note on which a Guarantee is endorsed, the Guarantee shall be valid nevertheless.

(d) Upon execution of this Supplemental Indenture, the delivery of any Note by the Trustee, after the authentication thereof hereunder, shall constitute due delivery of the Guarantee set forth in this Supplemental Indenture on behalf of the Subsequent Guarantor.

### 4. SUBSEQUENT GUARANTOR MAY CONSOLIDATE, ETC. ON CERTAIN TERMS.

(a) The Subsequent Guarantor shall not merge, consolidate, amalgamate or otherwise combine with or into or wind up into any Person (whether or not the Subsequent Guarantor is the surviving Person), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties directly or indirectly (through a sale of shares or assets or otherwise) in one or more related transactions, to any Person, unless:

(i) the Subsequent Guarantor is the surviving or resulting corporation, or the Person formed by or surviving any such merger, consolidation, amalgamation or other combination (if other than the Subsequent Guarantor) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made, is organized or existing under the laws of any state which is a member of the European Union, Canada, the United States of America, any state thereof or the District of Columbia (such Person, as the case may be, being herein called the "*Successor Company*");

(ii) the Successor Company, if other than the Subsequent Guarantor, expressly assumes all the obligations of the Subsequent Guarantor under the Indenture, the Notes, the Supplemental Indenture pursuant to a supplemental indenture or other documents or instruments in form reasonably satisfactory to the Trustee;

(iii) immediately after such transaction, no Default or Event of Default exists.

(b) In case of any such transaction that complies with Section 4(a) above, such Successor Company shall succeed to and be substituted for the Subsequent Guarantor with the same effect as if it had been named herein as a Subsequent Guarantor. Such Successor Company thereupon may cause to be signed any or all of the Guarantees to be endorsed upon all of the Notes issuable hereunder which theretofore shall not have been signed by the Issuer and delivered to the Trustee. All the Guarantees so issued shall in all respects have the same legal rank and benefit under the Indenture as the Guarantees theretofore and thereafter issued in accordance with the terms of the Indenture as though all of such Guarantees had been issued at the date of the execution hereof.

5. RELEASES. Each Guarantee shall be automatically and unconditionally released and discharged in accordance with Section 11.06 of the Indenture.

6. NO RECOURSE AGAINST OTHERS. No past, present or future director, officer, employee, incorporator, stockholder or agent of any Subsequent Guarantor, as such, shall have any liability for any obligations of the Issuer or any Subsequent Guarantor under the Notes, any Guarantees, the Indenture or this Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

7. SUBORDINATION. The obligations of each Subsequent Guarantor under its Note Guarantee shall be subject to the terms of Article 12 of the Indenture and to the terms of the Priority Agreement.

8. THIS SUPPLEMENTAL INDENTURE AND THE NOTES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

9. COUNTERPARTS The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

10. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

11. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by each Subsequent Guarantor and the Issuer.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

Dated: \_\_\_\_\_,

[SUBSEQUENT GUARANTOR]

By: \_\_\_\_\_

Name:

Title:

WIND ACQUISITION FINANCE S.A.

By: \_\_\_\_\_

Name:

Title:

BNY MELLON CORPORATE TRUSTEE SERVICES  
LIMITED, as Trustee

By: \_\_\_\_\_

Authorized Signatory



## EXHIBIT F

### FORM OF CEO/CFO SOLVENCY CERTIFICATE

This solvency certificate (this “*Certificate*”) is delivered by WIND Telecomunicazioni S.p.A., a joint stock company organized as a società per azioni under the laws of the Republic of Italy (the “*Company*”) in connection with the Indenture dated as of April 23, 2014 (as amended, restated, supplemented or otherwise modified from time to time, the “*Indenture*”) (undefined capitalized terms used herein shall have the meanings set forth in the Indenture) among Wind, Wind Acquisition Finance S.A. (the “*Issuer*”), BNY Mellon Corporate Trustee Services Limited as Trustee, The Bank of New York Mellon as U.S. Paying Agent, The Bank of New York Mellon, London Branch as Principal Paying Agent, and The Bank of New York Mellon (Luxembourg) S.A. as Luxembourg Listing Agent, Transfer Agent and Registrar. I hereby certify as follows in my capacity as [Chief Executive Officer]/[Chief Financial Officer] of Wind, and not individually:

1. I am, and at all pertinent times mentioned herein, have been the duly qualified and acting [Chief Executive Officer]/[Chief Financial Officer] of Wind. In such capacity I have responsibility for the overall management of the financial affairs of Wind and the preparation of the financial statements of Wind. I am familiar with the properties, business, assets and liabilities of Wind and their business plans for the foreseeable future. I am authorized to execute this Certificate on behalf of Wind.

2. I have carefully reviewed the contents of this Certificate, and I have conferred with counsel for Wind and the Issuer for the purpose of discussing the meaning of its contents.

3. In connection with the preparation of this Certificate, I have made such investigations and inquiries as I deem necessary and reasonably prudent therefor and to accurately make the certifications expressed herein. Specifically, I have relied on historical information, revenues, expenses and other data supplied by Wind’s supervisory personnel directly responsible for the various functions involved. The financial information and assumptions which underlie and form the basis for the representations made in this Certificate were reasonable when made and continue to be reasonable as of the date hereof.

4. To the best of my knowledge, as of the date hereof: (a) Wind has not been served with any summons or other notice in respect of any litigation or other proceeding pending or threatened against or affecting Wind or any of its properties or assets, which, if determined adversely to Wind, would have a materially adverse effect on the businesses, operations, properties, assets, or condition (financial or otherwise) of Wind; and (b) Wind is not in default with respect to any order, writ, injunction, decree, or demand of any court or other governmental or regulatory authority by which Wind is currently bound.

Based on the foregoing, on behalf of Wind, I have reached the following conclusions:

(A) As of the date hereof, after the incurrence of the Permitted Collateral Lien:

- (i) the fair value of the assets of Wind are in excess of the total amount of its debts (including, without limitation, contingent liabilities, computed as the amount that, in light of all the facts and circumstances now existing, represents the amount that can reasonably be expected to become an actual or matured liability);
- (ii) the present fair salable value of the assets of Wind is greater than its probable total liability on its existing debts as such debts become absolute and matured; and
- (iii) Wind has capital that is not unreasonably small for its business and is sufficient to carry on its business as conducted and as proposed to be conducted.

- (B) Wind is not subject to bankruptcy, insolvency, voluntary or judicial liquidation, composition with creditors, reprieve from payment, controlled management, claims of fraudulent conveyance that would reasonably be expected to result in a judgment that Wind would be unable to satisfy, general settlement with creditors, reorganization or similar laws affecting the rights of creditors generally.
- (C) Wind is not, on the date hereof and will, as a result of its incurrence of the Permitted Collateral Lien, not be in a state of cessation of payments.
- (D) No application has been made by Wind or, as far as Wind is aware, by any other person for the appointment of a liquidator or similar officer pursuant to any insolvency or similar proceedings.
- (E) No application has been made by Wind for a voluntary winding-up or liquidation nor has any judicial winding-up or liquidation been commenced or initiated against Wind.
- (F) Wind is not insolvent or in the situation described in article 2446, paragraph 1, of the Civil Code.

“Fair salable value” means the amount that could be obtained for assets within a reasonable time, either through collection or through sale under ordinary selling conditions by a capable and diligent seller to an interested buyer who is willing (but under no compulsion) to purchase.

5. In reaching the conclusions set forth in this Certificate the undersigned has considered, among other things:

- (A) the fair salable value of the real property, equipment, inventory, accounts receivable, customer lists, supply contracts, joint venture interests, and all other property of Wind, real, personal and mixed, tangible and intangible;
- (B) all indebtedness of Wind known to the undersigned and among other things, any claims arising out of pending or threatened litigation against Wind;
- (C) historical and anticipated growth in the sales volume of Wind;
- (D) the customary terms of trade payables of Wind;
- (E) other financial information available and known to the undersigned relating to any matters addressed herein; and
- (F) all of the documents relating to Credit Facilities.

None of Wind, or any of its Subsidiaries intends, in incurring the Permitted Collateral Lien or in incurring (by way of assumption or otherwise) any related obligations or liabilities (contingent or otherwise), to disturb, delay, hinder or defraud either present or future creditors or other Persons to which Wind, the Issuer or any of their Subsidiaries is or are intended to become, on or after the date hereon, indebted.

\*\*\*\*\*

IN WITNESS WHEREOF, I have executed this Certificate on behalf of Wind in my capacity as [Chief Executive Officer]/  
[Chief Financial Officer] of Wind (but not individually) as of [DATE] and have no personal liability hereunder.

[ \_\_\_\_\_ ]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: [Chief Executive Officer]/[Chief Financial  
Officer] \_\_\_\_\_

## LIST OF SUBSIDIARIES

Below is a list of our subsidiaries and their jurisdiction of incorporation as of April 30, 2014.

<u>Subsidiaries</u>	<u>Country of Incorporation</u>
OJSC VimpelCom	Russia
PJSC Kyivstar	Ukraine
Staravto SC	Ukraine
Ararima Enterprises Limited	Cyprus
Fortland Limited (BVI)	BVI
LLC Kolangon-optim	Russia
B.V. VimpelCom Finance S.a.r.l.	The Netherlands
VC ESOP N.V.	Belgium
VimpelCom B.V.	The Netherlands
Takom LLC	Tajikistan
Cosiniad Investments Limited	Cyprus
Limnotex Developments Ltd.	Cyprus
Irington Developments Ltd.	Seychelles
Wenthorp Industries Ltd.	Seychelles
Kar-Tel LLP	Kazakhstan
Teta-Telecom LLP	Kazakhstan
Prunescom Ltd.	BVI
LLC CKN	Russia
LLC VimpelCom Finance	Russia
LLC VimpelCom-Invest	Russia
LLC Beeline Ventures	Russia
CJSC Makrocom	Russia
Golden Telecom, Inc.	USA (Delaware)
Cell Ukraine Ltd.	USA (Delaware)
Invest Holding LLC	Ukraine
GTS Ukrainian TeleSystems LLC.	USA (Delaware)
Golden Telecom LLC	Ukraine
Golden Telecom Limited (BVI)	BVI
GTS Finance, Inc.	USA (Delaware)
Golden Telecom Group, Inc.	USA (Delaware)
Golden TeleServices, Inc.	USA (Delaware)
SFMT-CIS, Inc.	USA (Delaware)
LLC DICOM	Russia
S-Line LLC	Ukraine
Platinum Internet LLC	Ukraine
Golden Holdings, Inc.	USA (Delaware)
Agama Limited (Cyprus)	Cyprus
CJSC Cityline	Russia
SFMT-Rusnet, Inc.	USA (Delaware)
ST Holding s.r.o.	Czech Republic (Prague city)
CJSC Samara Telecom	Russia
CJSC WBT	Russia
GTI Russian Ltd.	BVI
GTI Kaztel Ltd.	BVI
Buzton JV Ltd.	Uzbekistan
Clafdor Investments Limited	Cyprus
Comnidor Holdings Limited	Cyprus
BARDYM ENTERPRISES LIMITED	Cyprus

<u>Subsidiaries</u>	<u>Country of Incorporation</u>
LLC Sovintel Group	Russia
Antel Rascom Ltd.	BVI
CJSC RASCOM	Russia
LLC Kubtelecom	Russia
CJSC Kubintersvyaz	Russia
LLC SatilCenter	Russia
LLC ALKAR	Russia
LLC JV Sakhalin Telecom	Russia
CJSC National Service Company	Russia
Watertrail Industries Ltd.	BVI
Mobitel LLC.	Georgia
Investico Alliance Ltd.	BVI
Menacrest Limited	Cyprus
NOUSE LIMITED	Cyprus
Sky Mobile LLC	Kyrgyzstan
Armenia Telephone Company CJSC	Armenia
ArmenCell CJSC	Armenia
Freevale Enterprises	BVI
Silkway Holding B.V.	The Netherlands
Unitel LLC	Uzbekistan
Wintop Management Ltd.	Cyprus
Crayola Properties Ltd.	Cyprus
Cellcroft Holdings Ltd.	Cyprus
Crisden Holdings Ltd.	Cyprus
Cradel Investments Ltd.	Cyprus
CJSC Firm Messenger	Russia
VimpelCom Lao Co., Ltd.	Laos
VimpelCom Holding Laos B.V.	The Netherlands
2Day Telecom LLP	Kazakhstan
TNS-Plus LLP	Kazakhstan
KAZEUROMOBILE LLP	Kazakhstan
Wind Telecom S.p.A.	Italy
Weather Capital S.à.r.l	Luxembourg
Klarolux Investments S.à.r.l	Luxembourg
WIND Acquisition Holdings Finance S.p.A.	Italy
WIND Telecomunicazioni S.p.A.	Italy
WIND Retail S.r.l.	Italy
Weather Capital Special Purpose I S.A.	Luxembourg
Global Telecom Holding S.A.E (GTH)	Egypt
International Wireless Communications Pakistan Limited	Malta
Telecom Management Group Limited	Malta
Pakistan Mobile Communications Limited	Pakistan
Global Entity for Telecom Trade FZE	UAE
Ring Dubai	UAE
Business & Communication Systems (Pvt) Ltd.	Pakistan
LinkdotNET Pakistan (Pvt) Ltd.	Pakistan
LinkDotNet Telecom Limited	Pakistan
Waseela Microfinance Bank Limited	Pakistan
Mobitalk (Pvt) Ltd.	Pakistan
Mobilink Foundation	Pakistan
Global Telecom Netherlands B.V.	The Netherlands
Telecel International Ltd. S.A.	Switzerland
Telecel International Services S.A.	Switzerland
Telecel Globe Limited	Malta
Telecel Centrafrique S.A.	Central African Republic (CAR)

<u>Subsidiaries</u>	<u>Country of Incorporation</u>
U-com Burundi S.A.	Burundi
Telecom Ventures Ltd.	Malta
Banglalink Digital Communications Limited	Bangladesh
Oratel International Inc. Limited	Malta
Moga Holding Ltd.	Malta
Orascom Telecom Algeria S.p.A.	Algeria
Telecom Holding Canada (Malta) Limited	Malta
GTH Global Telecom Holding (Canada) Limited	Canada
Global Telecom S.à.r.l	Luxembourg
Global Telecom Finance S.C.A	Luxembourg
Global Luxembourg S.à.r.l	Luxembourg
Global Luxembourg Finance S.C.A.	Luxembourg
Global Telecom Oscar S.A.	Luxembourg
Telecom CS Limited (previously Cortex Services Limited)	Malta
Cortex for Services & Consultations S.A.E.	Egypt
Iraq Holding Limited	Malta
Telecom Iraq Corp. Limited	Malta
Ring for Distribution S.A.E	Egypt
Multi Media Mega Stores	Egypt
Ring Iraq	Iraq
Ring for Handset Service (CaRing)	Egypt
Advanced Electronic Industries	Egypt
Egyptian Company for Marketing and Telecommunication and Service "Connect"	Egypt
The Phone Company FZO	UAE
Ring Distribution (Private) Limited	Pakistan
CaRing (Private) Limited	Pakistan
R&D S.à.r.l	Tunisia
Ring Algeria LLC	Algeria
Ring Algeria Services	Algeria
Ring Maintenance (CaRing)	Algeria
Ring Distribution (Private) Limited	Bangladesh
Global Telecom Acquisition S.à.r.l	Luxembourg
Global Telecom One S.à.r.l	Luxembourg
Orascom Telecom Services L.L.C	Egypt
Database Management Services Limited	Malta
Database Management Services Algeria	Algeria
M-Link Ltd.	Malta
Sawyer Limited	Malta
Telecom Eurasia Limited	Malta
Minimax Ventures Limited	Malta
Financial Powers Plan Limited	Malta
Telecom ESOP Ltd.	Malta
Orascom for International Investment Holding	Malta
Wind Acquisition Finance S.A.	Luxembourg
International Telecommunications Consortium Limited	UK
Consortium Algerien de Telecommunications S.p.a.	Algeria
Ring Tunisia S.à.r.l (Ring Tunisie)	Tunisia
Ring Distribution Tunisia	Tunisia
Ring Distribution Detail S.à.r.l (Ring Retail)	Tunisia
Med Cable Limited	UK
VimpelCom (BVI) Ltd.	BVI
VimpelCom Amsterdam B.V.	The Netherlands
VimpelCom Holdings B.V.	The Netherlands
VimpelCom Amsterdam Finance B.V.	The Netherlands
VimpelCom International Services B.V.	The Netherlands
VimpelCom Telecom Holding B.V.	The Netherlands
GTH Canada B.V.	The Netherlands
VimpelCom Georgia Holdings B.V.	The Netherlands
GTH Cambodia Ltd.	BVI
LLC Megabridge	Russia

Orascom Telecom Service Algérie (OTSA) EURL	Algeria
GTH Global Telecom Finance (B.C.) Limited	Canada
VimpelCom Cyprus Finance Limited	Cyprus
VimpelCom Cyprus Holding Limited	Cyprus
Orascom Holding Handset Investment Company	Egypt
S&G Limited Liability Partnership	Kazakhstan
VimpelCom Armenia Holding B.V.	The Netherlands
VimpelCom Micro Holdings B.V.	The Netherlands
CJSC Euroset	Ukraine

**CERTIFICATION PURSUANT TO  
SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Jo Lunder, certify that:

1. I have reviewed this annual report on Form 20-F of VimpelCom Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 15, 2014

By: /s/ Jo Lunder

Name: Jo Lunder

Title: Chief Executive Officer



**CERTIFICATION PURSUANT TO  
SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Andrew Davies, certify that:

1. I have reviewed this annual report on Form 20-F of VimpelCom Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: May 15, 2014

By: /s/ Andrew Davies

Name: Andrew Davies

Title: Chief Financial Officer

**CERTIFICATION PURSUANT TO  
SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of VimpelCom Ltd. (the "Company"), does hereby certify to such officer's knowledge that:

The Annual Report on Form 20-F for the year ended December 31, 2012 (the "Form 20-F") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2014

By: /s/ Jo Lunder  
Name: Jo Lunder  
Title: Chief Executive Officer

Date:

By: /s/ Andrew Davies  
Name: Andrew Davies  
Title: Chief Financial Officer

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-166315) pertaining to the VimpelCom 2010 Stock Option Plan and VimpelCom Ltd.'s Amended and Restated VimpelCom 2000 Stock Option Plan;
- (2) Registration Statement (Form S-8 No. 333-180368) pertaining to the VimpelCom Ltd. Executive Investment Plan, and
- (3) Registration Statement (Form S-8 No. 333-183294) pertaining to the VimpelCom Ltd. Director Investment Plan;

of our reports dated May 15, 2014, with respect to the consolidated financial statements of VimpelCom Ltd. and the effectiveness of internal control over financial reporting of VimpelCom Ltd. included in this Annual Report (Form 20-F) of VimpelCom Ltd. for the year ended December 31, 2013.

**/s/ERNST & YOUNG ACCOUNTANTS LLP**  
**Amsterdam, The Netherlands**

May 15, 2014

Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549

Ladies and Gentlemen:

We have read Item 16F of Form 20-F dated May 15, 2014, of VimpelCom Ltd. and are in agreement with the statements contained in paragraphs two and three therein. We have no basis to agree or disagree with other statements of the registrant contained therein.

Regarding the registrant's statement concerning the lack of internal control to prepare financial statements, included in paragraph three, we had considered such matter in determining the nature, timing, and extent of procedures performed in our audit of the registrant's 2013 financial statements.

**/s/ ERNST & YOUNG ACCOUNTANTS LLP**  
**Amsterdam, The Netherlands**