

STATEMENT OF FACTS

1. Introduction

VimpelCom Ltd (hereinafter “VimpelCom”) is an international telecommunications provider, headquartered in Amsterdam since 2010. Prior to 2010, the Company was headquartered in Moscow. The Company was founded in 1992, listed on the New York Stock Exchange from 1996 to 2013, and subsequently has been listed on the NASDAQ Global Select Market exchange. In 2004, VimpelCom began to expand its activities to include the CIS countries. "CIS" stands for Commonwealth of Independent States, a loose association of former Soviet states including Uzbekistan. Over the past decade, VimpelCom has grown into one of the world’s six largest telecommunications providers, with a presence in Europe, Asia, and Africa. In 2014, the total operating revenue of the company amounted to around USD 19 billion.

The criminal investigation by the Public Prosecution Service has revealed that VimpelCom made bribe payments to *Government Official X1* in Uzbekistan through a Shell Company in connection with its operations in the Uzbek telecommunications market from 2006 until 2012, including in connection with obtaining telecommunication licenses for 3G and LTE frequencies. The Public Prosecution Service holds that these payments constitute the criminal offenses of bribery of government officials and inaccurate books and records.

2. Entry to the Uzbek Telecommunications Market

In mid-2005, two of the four Uzbek telecommunications providers were for sale, namely Unitel and Buztel. Unitel was a wholly owned subsidiary of the Dutch company Silkway Holdings BV (hereinafter: “Silkway”) and Buztel was a wholly-owned subsidiary of Freevale Enterprises Inc. (hereinafter: “Freevale”). VimpelCom had the opportunity to buy both companies. The Company was aware that in order to enter and operate in the Uzbek market, it would need to use and work with a local partner. In early December 2005, documents show that VimpelCom was aware of Takilant Ltd (hereinafter: “Takilant”) and that certain VimpelCom management had begun negotiations with Takilant’s representatives regarding possible partnership. Takilant is an offshore company based in Gibraltar. On paper, *Person X1* is the sole shareholder and director of Takilant. However, *Government Official X1* was and remained Takilant's ultimate beneficial

owner (“beneficial owner”). VimpelCom’s management was aware that establishing and maintaining a ‘relationship’ with *Government Official X1* was a prerequisite for doing business in Uzbekistan.

The terms set for the cooperation with Takilant were the following. The basic principle was that both Buztel and Unitel would be acquired and would be merged following the acquisition. Takilant would then get a 7% share in the merged undertaking. A put-option was included in a shareholders agreement, by which Takilant would make at least USD 37.5 million on the sale of the shares in the future.

At a meeting of the Board of Directors held on December 14, 2005, it was discussed with Board members by senior management that a relationship with *Government Official X1* was necessary for doing business in Uzbekistan. Also at that meeting, there was a discussion as to whether or not VimpelCom wanted to do business in Uzbekistan. At the meeting, specific risks of doing business were identified, including the risk that if VimpelCom would like to do business in Uzbekistan it would have to deal with local partners. At the meeting, it was discussed that VimpelCom should not be so naïve as to think that it could enter the market without the local partner.

At the same Board meeting, mention was made of the involvement of *Government Official X1* in the potential acquisition transactions as well. It was noted that *Government Official X1* actively influenced who would acquire Unitel and Buztel, that *Government Official X1* would be involved in the acquisition process of both companies, and that *Government Official X1* in fact would decide who may take part in the bidding for both companies and probably could influence the price as well. At the meeting it was clearly stated that in order to do business in Uzbekistan, VimpelCom needed to get a blessing from *Government Official X1*.

According to then *Senior Manager X1*, from a business perspective, if VimpelCom wanted to enter the Uzbek market, it would be important to buy both Unitel and Buztel and necessary to conduct business with the local partner. According to the same then Senior Manager, if VimpelCom did not buy both, it would run the risk that the potential local partner would make it difficult to operate in the market. Members of then senior management also estimated that the

odds of successfully acquiring Unitel would be much lower if VimpelCom did not also acquire Buztel. *Government Official X1* had an indirect interest in Buztel. Some management of VimpelCom were aware of that interest at the time of the acquisition. According to one of the senior managers, the whole market entry in Uzbekistan should be seen in relation to *Government Official X1*.

The Board's resolution provided that entry to the transactions could only be had if there were an opinion from a law firm stating that the transaction complied with the FCPA. Though a law firm was engaged to make such an inquiry and in fact provided an FCPA opinion, the evidence shows that the law firm's opinion was based on erroneous and incomplete information. The Board's resolution was implemented as agreed, as VimpelCom (a) entered Uzbekistan through the acquisitions of Buztel and Unitel, and (b) entered negotiations with the local partner. On January 18, 2006, VimpelCom acquired Freevale, inclusive of its subsidiary Buztel, for the amount of USD 60 million.

On February 9, 2006, VimpelCom purchased Silkway, inclusive of its subsidiary Unitel, for the amount of USD 200 million. VimpelCom then began the process of merging the two newly-acquired entities, which was finalized by July 26, 2006.

On June 14, 2007, Takilant acquired 33.3% of the shares in Freevale for USD 20 million. As Freevale was holding 21% of the shares in Unitel, Takilant's stake in Unitel equaled 7%. Along with Takilant's acquisition of Unitel, Takilant was granted a put option and VimpelCom a call option worth USD 57.5 million and USD 60 million, respectively. In September 2009, VimpelCom bought Takilant's shares back for the amount of USD 57.5 million pursuant to the put option. The local partner thus made USD 37.5 million on this transaction.

3. Acquisition 3G Licenses

The payments to Takilant were not limited to the USD 37.5 million for access to Uzbekistan. To successfully operate in the telecommunications market it was necessary to acquire 3G licenses. In Uzbekistan companies may not transfer or sell frequencies among themselves. New licenses can be obtained only after allocation by the UzACI, the Uzbek telecommunications regulator. At the meeting of VimpelCom's Finance Committee on October 9, 2007, the acquisition of 3G

licenses in Uzbekistan was discussed. During that meeting, a Finance Committee member asked about FCPA issues regarding the proposed 3G transaction. VimpelCom's management responded that outside counsel had reviewed Takilant during the 2006 due diligence process, that nothing had changed, and that VimpelCom had worked with outside counsel to include all necessary FCPA clauses and conditions for the 3G transaction. As was mentioned before, though a law firm was engaged to make such an inquiry and in fact provided an FCPA opinion, the evidence shows that the law firm's opinion was based on erroneous and incomplete information. A presentation given at this meeting showed that Takilant had offered VimpelCom 15MHz UMTS-frequencies in Uzbekistan. At that point the frequencies were in the possession of a wholly-owned subsidiary of Takilant, which had been allocated those frequencies less than a month earlier. Takilant had offered VimpelCom these frequencies even before Takilant's subsidiary held these frequencies.

On October 29, 2007, an agreement was made by which VimpelCom would pay Takilant USD 10 million for relinquishing the rights to the 3G license to the UzACI. VimpelCom would pay another USD 15 million to Takilant after the UzACI granted the licenses to Unitel. The plans were executed as agreed. The payments to Takilant went through a Dutch bank account of Watertrail Industries Ltd (hereinafter: "Watertrail"), a subsidiary of VimpelCom. On November 7, 2007, Watertrail transferred USD 10 million, and on November 9, 2007, another USD 15 million from its Dutch bank account to a bank account of Takilant in Latvia. On or about November 6, 2007, Unitel was allocated the 3G frequencies.

4. Acquisition 24 GSM-1800 Channels

In May 2008, Unitel drafted a letter addressed to the UzACI requesting allocation of 24 channels in the GSM 1800 frequency band. The letter referred to a decision of the GKRCh (State Frequency Committee, part of the UzACI) of October 9, 2007, by which it had made 26 channels available to Unitel, and announcing a future review of another 24 channels. Over the next two months, draft agreements were exchanged with Takilant's representative providing that Takilant would render services to VimpelCom including negotiations with the different Uzbek agencies about the allocation of 24 channels to Unitel. On August 8, 2008, VimpelCom transferred USD 2 million to a Latvian bank account of Takilant.

5. Acquisition LTE-License

On June 10, 2011, the CIS business unit of VimpelCom suggested purchasing available LTE licenses in Uzbekistan. The costs of that acquisition were listed by the CIS business unit as USD 30 million. As noted above, in Uzbekistan telecommunications licenses, including LTE licenses, cannot be bought or sold directly. Licenses and frequencies are taken and issued by UzACI, a government agency. An internal VimpelCom memorandum showed that no payment had to be made to the government agency for the acquisition of LTE frequencies and licenses. After acquiring the licenses, however, Unitel would have to pay an official fee of USD 3 million per year for the use of the LTE frequencies, and would have to invest at least USD 17 million in the network.

Despite the fact that no payment to UzACI was needed, VimpelCom paid USD 30 million to Takilant to assist in obtaining the licenses. A draft agreement of July 15, 2011, showed that USD 30 million would be paid to Takilant under a service agreement. In return for payment of this amount, Takilant would help Unitel acquire the LTE license. The contract specified that payment to Takilant would be made to an account outside Uzbekistan. On July 19, 2011, the VimpelCom senior management authorized the deal. In consultation with VimpelCom's financial department, a construction was designed for payment. The payment of USD 30 million to Takilant would go through Watertrail.

E-mails exchanged internally showed that some VimpelCom managers questioned both the financial construction of the transaction and the absence of a direct link between the costs of USD 30 million and the acquisition of the license. One of the managers noted in an email that he could not understand why the licenses would be issued for no cost when other countries were raising significant revenues from both the issue and reissue of telecom licenses. This manager also noted discomfort with VimpelCom solely paying to Takilant working to get the license, and nothing to the Uzbekistan Government. Finally, he also expressed concern that the fee paid to Takilant was out of proportion with other consulting fees.

VimpelCom managers decided to have an international law firm perform anti-corruption due diligence (FCPA) into Takilant regarding the transaction. As part of this review, Takilant's formal director responded to multiple questionnaires. At the conclusion of this process, VimpelCom concluded that Takilant was a reliable partner. However, available evidence obtained by the Public Prosecution Service shows that although some VimpelCom managers were aware that *Government Official X1* was the beneficial owner of Takilant, this information was not revealed to the law firm, in order to ensure a favorable FCPA outcome. Moreover, the investigation by the law firm had itself yielded some public reports that Takilant was rumored to be controlled by the Uzbek authorities. VimpelCom did not hire an investigative agency related to this FCPA review, because, in the opinion of at least some of then management, the situation was not exceptional enough.

Available evidence obtained by the Public Prosecution Service also indicates that prior to this transaction with Takilant, VimpelCom's management had been warned of potential harmful repercussions if this transaction did not go through. They discussed that if the transaction did not go through, the Company could face problems, like damage to the network, shutting down of base stations, or other negative impacts on the business. Evidence from interviews of witnesses conducted at the direction of the Dutch Prosecution Service also indicates that employees felt pressured from within the company to consent to the agreement with Takilant despite discomfort with the transaction.

On September 19, 2011, the service agreement with Takilant was signed. This agreement required that Takilant would provide services for several LTE frequencies for Unitel. Takilant would not arrange for the frequencies, but would advise Unitel on how to acquire those frequencies. The agreement described the services to be provided in detail. Takilant would advise on, among other things, the legislative framework in Uzbekistan regarding the allocation of frequencies, and on Unitel's behalf would conduct negotiations with the competent Uzbek government agencies. Under the agreement, Watertrail was to transfer the amounts due to a Swiss bank account of Takilant. On September 21, 2011, VimpelCom paid Takilant USD 20 million through Watertrail.

On October 17, 2011, less than one month after the agreement with Takilant was made, Unitel was allocated the requested frequencies. One day after VimpelCom was allocated the LTE frequencies, Takilant sent VimpelCom a report referring to the service agreement regarding the LTE. On October 19, 2011, two days after obtaining the LTE license the remaining USD 10 million was paid to Takilant.

6. Sponsor Monies and Charity

Over the period under investigation, Unitel paid over USD 30 million in sponsorships or charitable contributions. Some of those payments can be linked to the acquisition of licenses, permits, and number blocks, or to other commercial interests of Unitel in Uzbekistan.

The investigation of Unitel's records showed, among other things, a relationship between some donations and Unitel's acquisition of new number blocks. In those instances, Unitel filed a request with the Uzbek government agency UzACI to obtain new number blocks. Shortly afterwards Unitel would receive a letter from an organization asking for a donation. Following payment of such donation UzACI would allocate Unitel the requested number blocks. Such donations were made to, among other things, charities related directly to *Government Official X1* and *Government Official X2*. Internal e-mails of Unitel revealed that at one point authorization was required for payment of a donation to *Organization X1* related directly to *Government Official X2*. A Member of the Management Board of Unitel suggested not honoring the request. However, in response one of the other directors of Unitel underlined the necessity of making donations to *Organization X1*, noting that it would be difficult to refuse the organization's request and create complications not to cooperate with the organization.

7. Transactions with Takilant via Intermediary Vendors (Resellers)

For companies operating in Uzbekistan it can be difficult to convert revenues earned in Uzbek Sum to other currencies as the Uzbek Sum is highly regulated. Like other companies doing business in Uzbekistan, in order to pay with Uzbek Sum to buy equipment or services priced in non-Uzbek currency, Unitel at times engaged in transactions involving both local vendors and offshore affiliates.

Certain local entities with offshore affiliates were used by Unitel on at least two occasions to make indirect payments to Takilant. Certain transfers that Unitel made in 2011 and 2012 to *local vendors X1, X2, and X3* were found to have been channeled through an intermediate Singapore-based entity of *intermediary X1* to Cypriot bank accounts of further *intermediaries, X2, X3, and X4*. After this, those monies were paid from *intermediaries X2, X3, and X4* into a Swiss bank account of Takilant, pursuant to contracts involving fake or inflated services. Through these transactions a total of USD 20 million ultimately was paid to Takilant.

Internal company emails from January 2013 reflect that two members of then management at the regional level contemplated additional payments for the benefit of *Government Official X1*. Their communications reflect that the local partner wanted to be paid for supporting Unitel and for enabling Unitel to continue operating in Uzbekistan. They further state that the partner wanted to be paid through local entities and their offshore affiliates, using conversion rates far in excess of the official exchange rate. And, they indicated that representatives of the local "partner" wanted to be paid a total of USD 16M in exchange for, among other things, the "[o]pportunity to conduct future operations without hurdles from the 'partner' and regulatory agencies."

The emails also discussed the specific business interruptions that could be faced should the demands not be met, such as "disconnecting of existing base stations," "refusing to issue building permits," "refusing to issue additional numbering capacity," "possible challenges from the tax authority," and even "[r]ecall of the license."

8. Summary of Bribe Payments to Government Officials

The facts set out above show that in the period from 2006 through 2012, VimpelCom paid a total of USD 114,5 million to Takilant, which was indirectly controlled by *Government Official X1*. In exchange for those payments, *Government Official X1* facilitated for VimpelCom access to the Uzbek telecommunications market, facilitated acquisition of important Uzbek licenses and frequencies, including 3G and LTE frequencies, and made it possible for VimpelCom to continue its operations in the Uzbek telecommunications market. In addition, bribe payments were made to Uzbek charities directly affiliated with *Government Officials*, at the request of representatives of the government official.

9. Books and Records Issues

Many of the bribe payments described above were characterized improperly as legitimate payments—for example, as the costs of purchasing services and goods—in Unitel’s books and records. In addition, false invoices were entered improperly into Unitel’s general ledger as journal items, for example when Unitel used local intermediaries to make indirect payments to Takilant.

Unitel’s ledger and other books and records were used to draw up the company’s financial statements. As a result, Unitel’s ledger and financial statements from 2007 to 2012 were drawn up with the use of inaccurate documents. This makes Unitel’s ledger for the period 2007–2012 and Unitel’s financial statements for the period 2007–2012 inaccurate documents in themselves.

As a result of VimpelCom being liable for the actions of its subsidiary Unitel, including those actions related to the accounting entries, the Public Prosecution Service views VimpelCom as liable for the inaccurate entries reflected on Unitel's books because VimpelCom incorporated Unitel’s inaccurate books and records in VimpelCom's own financial reports.