

OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS

Form 20-F

May 11, 2007

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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
- x **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
for the fiscal year ended December 31, 2006
- 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: 1-14522

OPEN JOINT STOCK COMPANY
VIMPEL-COMMUNICATIONS

(Exact name of registrant as specified in its charter)

Russian Federation

(Jurisdiction of incorporation or organization)

10 Ulitsa 8 Marta, Building 14, Moscow, Russian Federation 127083

(Address of principal executive offices)

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-quarter of one share of common stock	New York Stock Exchange
Common stock, 0.005 Russian rubles nominal value	New York Stock Exchange*

* 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:

51,281,022 shares of common stock, 0.005 Russian rubles 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 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):

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Large accelerated filer

Accelerated filer

Non-accelerated filer

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

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* Omitted because the item is inapplicable.

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

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EXPLANATORY NOTE

This Annual Report on Form 20-F describes matters that relate generally to Open Joint Stock Company Vimpel-Communications, also referred to as VimpelCom or our company, an open joint stock company organized under the laws of the Russian Federation, and its consolidated subsidiaries. Thus, we use terms such as we, us, our and similar plural pronouns when describing the matters that relate generally to VimpelCom's consolidated group.

In addition, the discussion of our business and the wireless telecommunications industry contains references to numerous technical and industry terms. Specifically:

References to our operations in the Moscow license area are to our operations in the City of Moscow and the surrounding Moscow region.

References to our operations in the regions, the regions outside of Moscow and the regions outside of the Moscow license area are to our operations in the regions of the Russian Federation outside of the City of Moscow and the surrounding Moscow region.

References to our operations in the CIS are to our operations in the Commonwealth of Independent States outside of the Russian Federation.

References to the super-regions are to Russia's seven large geographical regions and the Moscow license area.

References to GSM-900/1800 are to dual band networks that provide wireless mobile telephone services using the Global System for Mobile Communications standard in the 900 MHz and 1800 MHz frequency ranges. References to GSM-1800 are to networks that provide wireless mobile telephone services using GSM in the 1800 MHz frequency range. References to GSM-900 are to networks that provide wireless mobile telephone services using GSM in the 900MHz frequency range. References to GSM are to both the GSM-900 and GSM-1800 standards.

References to 3G technologies are to third generation wireless technologies.

Certain amounts and percentages that appear in this Annual Report on Form 20-F have been subject to rounding adjustments.

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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 plans to expand or build networks, including our 3G network;

our expectation that the frequencies and other permissions that were previously held by Closed Joint Stock Company Sotovaya Company, or Sotovaya Company, Closed Joint Stock Company StavTeleSot, or StavTeleSot, Closed Joint Stock Company Vostok-Zapad Telecom, or Vostok-Zapad Telecom, Open Joint Stock Company Orensot, or Orensot, and Open Joint Stock Company Dal Telecom International, or DalTelecom, Closed Joint Stock Company Extel, or Extel, and Open Joint Stock Company Beeline-Samara, or Beeline-Samara, which we refer to collectively as the Merged Companies, will be re-issued to VimpelCom on the same terms as the existing frequencies and other permissions, or at all, in connection with the mergers of these companies into VimpelCom;

our ability to successfully challenge suits, including lawsuits by some of our shareholders, including Telenor's lawsuits in connection with our acquisition of Closed Joint Stock Company Ukrainian Radio Systems, or URS, and tax disputes involving the Russian tax inspectorate;

our ability to achieve the expected benefits from our acquisitions of Limited Liability Partnership KaR-Tel, or KaR-Tel, URS, Limited Liability Company Tacom, or Tacom, Limited Liability Company Bakrie Uzbekistan Telecom, or Buztel, Limited Liability Company Unitel, or Unitel, Limited Liability Company Mobitel, or Mobitel, and Closed Joint Stock Company Armenia Telephone Company, or Armentel;

our ability to successfully challenge claims brought against our subsidiary KaR-Tel by third parties;

expectations as to pricing for our products and services in the future, improving ARPU from existing subscribers and our future operating results;

our ability to meet license requirements and to obtain and maintain licenses, frequency allocations and regulatory approvals;

our plans to further develop and commercialize value added services and wireless Internet services;

our expectations regarding our brand name recognition and our ability to successfully promote our brand;

expectations as to the future of the telecommunications industry and the regulation of the telecommunications industry; and

other statements regarding matters that are not historical facts.

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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 Russia and the CIS;

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risks relating to legislation, regulation and taxation in Russia and the CIS, including laws, regulations, decrees and decisions governing each of the telecommunications industries in the countries where we operate, currency and exchange controls relating to entities in Russia and other countries where we operate and taxation legislation relating to entities in Russia and other countries where we operate, and their official interpretation by governmental and other regulatory bodies and by the courts of Russia and the CIS;

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 and migration, constraints on our spectrum capacity, availability of line capacity, competitive product and pricing pressures, and the re-issuance of the frequencies and permissions previously held by the Merged Companies;

risks associated with discrepancies in subscriber numbers and penetration rates caused by differences in the churn policies of wireless operators; and

other risks and uncertainties.

These factors and the other risk factors described in this Annual Report on Form 20-F (in the section entitled "Item 3 Key Information D. Risk Factors") are not necessarily all of the important 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 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 and 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.

Table of Contents**PART I****ITEM 1. Identity of Directors, Senior Management and Advisers**

Not required.

ITEM 2. Offer Statistics and Expected Timetable

Not required.

ITEM 3. Key Information**A. Selected Financial Data**

The following selected consolidated statement of financial data and consolidated balance sheet data present a summary of our historical consolidated financial information at December 31, 2006, 2005, 2004, 2003 and 2002 and for the years then ended and are derived from our consolidated financial statements and related notes, which have been audited by Ernst & Young LLC. The selected financial data set forth below should be read in conjunction with our consolidated financial statements and their related notes and the section of this document entitled Item 5 Operating and Financial Review and Prospects.

	Years Ended December 31,				
	2006	2005	2004	2003	2002
	(In thousands of U.S. dollars, except per share and per ADS amounts)				
Operating revenues:					
Service revenues and connection fees	US\$ 4,847,661	US\$ 3,175,221	US\$ 2,070,720	US\$ 1,269,927	US\$ 728,729
Sales of handsets and accessories	19,265	30,478	38,711	55,765	49,073
Other revenues	2,931	5,419	3,571	3,961	1,842
Total operating revenues	4,869,857	3,211,118	2,113,002	1,329,653	779,644
Less revenue-based taxes	(1,879)				(11,148)
Net operating revenues	4,867,978	3,211,118	2,113,002	1,329,653	768,496
Operating expenses:					
Service costs	872,388	514,124	327,403	203,093	121,050
Cost of handsets and accessories sold	18,344	28,294	30,585	36,447	32,101
Selling, general and administrative expenses	1,503,615	1,085,807	720,127	467,655	271,963
Depreciation	874,618	451,152	281,129	162,769	90,172
Amortization	179,846	142,126	64,072	34,064	12,213
Impairment of long-lived assets			7,354		
Provision for doubtful accounts	21,848	11,583	8,166	9,228	21,173
Total operating expenses	3,470,659	2,233,086	1,438,836	913,256	548,672
Operating income	1,397,319	978,032	674,166	416,397	219,824
Other income and expenses:					
Interest income	15,471	8,658	5,712	8,378	7,169
Other income	9,768	18,647	7,412	6,296	3,903
Interest expense	(186,404)	(147,448)	(85,663)	(68,246)	(46,586)
Other expense	(48,612)	(24,500)	(19,565)	(3,251)	(2,142)
Net foreign exchange gain (loss)	24,596	7,041	3,563	(1,279)	(9,439)
Total other income and expenses	(185,181)	(137,602)	(88,541)	(58,102)	(47,095)

Income before income taxes, minority interest and cumulative effect of change in accounting principle	1,212,138	840,430	585,625	358,295	172,729
Income tax expense	390,663	221,901	155,000	105,879	48,747

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	Years Ended December 31,				
	2006	2005	2004	2003	2002
(In thousands of U.S. dollars, except per share and per ADS amounts)					
Minority interest in net earnings (losses) of subsidiaries, before cumulative effect of change in accounting principle	8,104	3,398	80,229	23,280	(2,820)
Income before cumulative effect of change in accounting principle	813,371	615,131	350,396	229,136	126,802
Cumulative effect of change in accounting principle net of tax of US\$120	(1,882)			(379)	
Minority interest in cumulative effect of change in accounting principle				52	
Net income	US\$ 811,489	US\$ 615,131	US\$ 350,396	US\$ 228,809	US\$ 126,802
Weighted average common shares outstanding	50,911	51,066	41,224	38,241	38,014
Income before cumulative effect of change in accounting principle per common share	US\$ 15.98	US\$ 12.05	US\$ 8.50	US\$ 5.99	US\$ 3.34
Income before cumulative effect of change in accounting principle per ADS equivalent ⁽¹⁾	US\$ 3.99	US\$ 3.01	US\$ 2.13	US\$ 1.50	US\$ 0.84
Net income per common share	US\$ 15.94	US\$ 12.05	US\$ 8.50	US\$ 5.98	US\$ 3.34
Net income per ADS equivalent ⁽¹⁾	US\$ 3.98	US\$ 3.01	US\$ 2.13	US\$ 1.50	US\$ 0.84
Weighted average diluted shares	50,947	51,085	41,272	40,344	38,063
Diluted income before cumulative effect of change in accounting principle per common share ⁽²⁾	US\$ 15.97	US\$ 12.04	US\$ 8.49	US\$ 5.67	US\$ 3.33
Diluted income before cumulative effect of change in accounting principle per ADS equivalent ⁽¹⁾	US\$ 3.99	US\$ 3.01	US\$ 2.12	US\$ 1.42	US\$ 0.83
Diluted net income per common share ⁽²⁾	US\$ 15.93	US\$ 12.04	US\$ 8.49	US\$ 5.67	US\$ 3.33
Diluted net income per ADS equivalent ⁽²⁾	US\$ 3.98	US\$ 3.01	US\$ 2.12	US\$ 1.42	US\$ 0.83
Dividends per common share ⁽³⁾					

- (1) Each ADS is equivalent to one-quarter of one share of common stock. On November 22, 2004, we changed the ratio of our ADSs traded on The New York Stock Exchange from four ADSs for three common shares to four ADSs for one common share. VimpelCom ADS holders as of record at the close of business on November 19, 2004 received two additional ADSs for every ADS held. All share information presented herein reflects the change in the ratio. There were no changes to our underlying common shares.
- (2) Diluted income before cumulative effect of change in accounting principle and diluted net income per common share and ADS equivalent includes dilution for our senior convertible notes and employee stock options for all periods presented.
- (3) On March 28, 2007, our board of directors recommended that our shareholders approve at the next annual general meeting of shareholders on June 29, 2007 annual dividends in the amount of 166.88 Russian rubles per common share (or approximately US\$1.60 per ADS) for the 2006 fiscal year, amounting to a total of 8.6 billion Russian rubles (or approximately US\$330.5 million), to be payable within 60 days of approval at the shareholders meeting.

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	2006	2005	As of December 31, 2004	2003	2002
	(In thousands of U.S. dollars)				
Consolidated balance sheet data:					
Cash, cash equivalents and short-term investments	US\$ 344,494	US\$ 363,646	US\$ 305,857	US\$ 157,611	US\$ 263,657
Working capital (deficit)	(487,420)	(457,927)	(127,903)	(167,409)	69,582
Property and equipment, net	4,615,675	3,211,112	2,314,405	1,439,758	948,325
Telecommunications licenses and allocations of frequencies, goodwill and other intangible assets, net	1,957,949	1,500,799	1,338,305	163,186	144,115
Total assets	8,436,546	6,307,036	4,780,241	2,281,448	1,683,467
Total debt, including current portion ⁽¹⁾	2,489,432	1,998,166	1,581,138	606,991	650,580
Total liabilities and minority interest	4,493,636	3,566,487	2,623,108	1,293,797	1,026,216
Total shareholders' equity	US\$ 3,942,910	US\$ 2,740,549	US\$ 2,157,133	US\$ 987,651	US\$ 657,251

- (1) Includes bank loans, equipment financing, capital lease obligations for all periods presented and Russian ruble denominated bonds as of December 31, 2005, 2004 and 2003. Subsequent to December 31, 2006, there have been a number of additional changes in certain of our outstanding indebtedness. For information regarding these changes, see Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Financing activities and Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Equipment Financing.

Table of Contents**Selected Operating Data**

The following selected operating data for and as of the years ended December 31, 2006, 2005, 2004, 2003 and 2002 have been derived from internal company sources and from independent sources that we believe to be reliable. The selected operating data set forth below should be read in conjunction with our consolidated financial statements and their related notes and the section of this document entitled Item 5 Operating and Financial Review and Prospects. As of December 31, 2006, we did not have any commercial operations in Georgia. Accordingly, operating data for Georgia has not been included in this table.

	2006	2005	As of December 31, 2004	2003	2002
Selected industry operating data:					
Estimated population: ⁽¹⁾					
Russia	145,166,700	145,166,700	145,166,700	145,181,900	145,181,900
Kazakhstan	14,953,000	14,938,400	14,938,400		
Ukraine	48,457,000	48,457,000			
Tajikistan	6,919,900	6,780,400			
Uzbekistan	26,021,300				
Armenia	3,200,000				
Estimated mobile subscribers: ⁽²⁾					
Russia	151,920,000	125,760,000	74,350,000	36,230,000	18,005,000
Kazakhstan	7,735,500	5,510,300	2,700,000		
Ukraine	49,219,900	30,205,100			
Tajikistan	821,500	275,000			
Uzbekistan	2,716,700				
Armenia	1,184,000				
Penetration rate: ⁽³⁾					
Russia	104.7%	86.6%	51.2%	25.0%	12.4%
Kazakhstan	51.7%	36.9%	18.1%		
Ukraine	101.6%	62.3%			
Tajikistan	11.9%	4.1%			
Uzbekistan	10.4%				
Armenia	37.0%				
Selected company operating data:					
End of period mobile subscribers:					
Russia	48,141,200	43,096,700	25,724,600	11,436,900	5,153,100
Kazakhstan	3,826,500	2,050,300	859,000		
Ukraine	1,876,100	256,800			
Tajikistan	73,400	26,500			
Uzbekistan	766,500				
Armenia	452,000				
Total mobile subscribers	55,135,700	45,430,300	26,583,600	11,436,900	5,153,100
Percentage of active subscribers ⁽⁴⁾	82.7%	83.6%			
Market share: ⁽⁵⁾					
Russia	31.7%	34.3%	34.6%	31.6%	28.6%
Kazakhstan	49.5%	37.2%	31.8%		
Ukraine	3.8%	0.9%			
Tajikistan	8.9%	9.6%			
Uzbekistan	28.2%				
Armenia	38.2%				
Monthly average minutes of use per subscriber (MOU ⁽⁶⁾)	117.9	101.4	96.5	97.9	N/A
Russia	120.1	103.6	98.0	97.9	N/A
Kazakhstan	56.8	51.3	69.3		
Ukraine	121.8	34.6			
Tajikistan	77.4				
Uzbekistan	279.5				

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Armenia	163.7		
Monthly average minutes of use per active subscriber (MOU _{ACT} ⁽⁹⁾)	143.4	117.6	N/A
Russia	145.9	120.4	N/A
Kazakhstan	70.4	55.3	

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	As of December 31,				
	2006	2005	2004	2003	2002
Ukraine	149.7	36.2			
Tajikistan	121.1				
Uzbekistan	320.5				
Armenia	162.9				
Monthly average revenue per subscriber (ARPU ⁽⁷⁾)	US\$ 8.0	US\$ 7.5	US\$ 10.1	US\$ 13.6	US\$ 18.3
Russia	US\$ 7.9	US\$ 7.4	US\$ 10.1	US\$ 13.6	US\$ 18.3
Kazakhstan	US\$ 10.1	US\$ 10.5	US\$ 15.7		
Ukraine	US\$ 4.1	US\$ 4.1			
Tajikistan	US\$ 4.4				
Uzbekistan	US\$ 10.4				
Armenia	US\$ 15.7				
Monthly average revenue per active subscriber (ARPU _{ACT} ⁽⁷⁾)	US\$ 9.7	US\$ 8.7			
Russia	US\$ 9.6	US\$ 8.5			
Kazakhstan	US\$ 12.6	US\$ 11.3			
Ukraine	US\$ 5.0	US\$ 4.3			
Tajikistan	US\$ 6.8				
Uzbekistan	US\$ 11.9				
Armenia	US\$ 15.6				
Churn rate (for the period ended) ⁽⁸⁾	35.1%	30.4%	29.6%	39.3%	30.8%
Russia	35.4%	30.4%	29.3%	39.3%	30.8%
Kazakhstan	32.8%	30.3%	19.0%		
Ukraine	18.6%				
Tajikistan	95.1%				
Uzbekistan	44.9%				
Armenia	9.1%				
Number of GSM base stations:					
Russia	19,241	15,659	10,659	6,596	3,099
Kazakhstan	1,791	1,126	586		
Ukraine	1,653	596			
Tajikistan	107	6			
Uzbekistan	626				
Armenia	205				

- (1) Estimated population statistics for Russia were published by the Federal State Statistics Service, or Goskomstat, of Russia. Estimated population statistics for Kazakhstan were published by the Statistics Agency of Kazakhstan. Estimated population statistics for Ukraine were published by Goskomstat of Ukraine. Estimated population statistics for Tajikistan were provided by the State Committee of Statistics. Estimated population statistics for Uzbekistan and Armenia were provided by our company.
- (2) Estimated subscriber statistics for Russia for all periods presented and for Ukraine as of December 31, 2006 and 2005 were published by AC&M Consulting, a management consulting and research agency specializing in the telecommunications industry in Russia and the CIS. Estimated subscriber statistics for Kazakhstan, Uzbekistan, Tajikistan and Armenia were provided by our company.
- (3) Penetration rate is calculated by dividing the total estimated number of subscribers in each relevant area by the total estimated population in such area as of the end of the relevant period.
- (4) In May 2005, we announced the introduction of an active subscriber definition as an additional characteristic of our subscriber base. Pursuant to the new definition, a subscriber is considered active if the subscriber's activity resulted in income to our company during the most recent three months. Such activity includes all incoming and outgoing calls, subscriber fee accruals, debits related to service, outgoing SMS and MMS and data transmission and receipt sessions, but does not include incoming SMS and MMS sent by our company or abandoned calls. In 2006, we began calculating MOU and ARPU on the basis of subscriber data using the active subscriber definition.

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See footnotes 6 and 7 below.

- (5) Market share of subscribers for each relevant area is calculated by dividing the estimated number of our subscribers in Russia, Kazakhstan, Ukraine, Tajikistan, Uzbekistan and Armenia, respectively, by the total estimated number of subscribers in Russia, Kazakhstan, Ukraine, Tajikistan, Uzbekistan and Armenia, respectively.
- (6) Monthly MOU is calculated for each month of the relevant period by dividing the total number of minutes of usage (including both billable minutes of usage and free minutes of usage) for incoming and outgoing calls during that month (excluding guest roamers) by the average number of subscribers during the month. Beginning with the first quarter of 2004, we decided to introduce a new definition of MOU based on total minutes of usage (including both billable minutes of usage and free minutes of usage) instead of only billable minutes used in the previous definition. The MOU figures presented for the years ended December 31, 2006, 2005 and 2004 in the above table and throughout this document have been calculated under the new definition. MOU_{ACT} is MOU calculated on the basis of our active subscribers only.
- (7) Monthly ARPU is a non-U.S. GAAP financial measure. Monthly ARPU is used to measure the average monthly services revenue on a per subscriber basis. Monthly ARPU is calculated for each month in the relevant period as our service revenue generated by subscribers during that month, including roaming and interconnect revenues, but excluding revenue from connection fees, sales of handsets and accessories and other

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non-service revenues, divided by the average number of our subscribers during the month. See Item 5 Operating and Financial Review and Prospects Additional Reconciliations of Non-U.S. GAAP Financial Measures (Unaudited) for calculation of our ARPU and for more information regarding our use of ARPU as a non-U.S. GAAP financial measure. ARPU_{ACT} is ARPU calculated on the basis of our active subscribers only.

- (8) We define our churn rate as the total number of subscribers disconnected from our network within a given period expressed as a percentage of the midpoint of subscribers in our network at the beginning and end of that period. Contract subscribers are disconnected if they have not paid their bills for two months and prepaid subscribers are disconnected six months after their services have been blocked. We typically block a prepaid subscriber's service in two cases: (1) their balance drops to US\$0 or below, or (2) an account shows no chargeable activity within six months. Migration of subscribers from our D-AMPS network to our GSM network, as well as migration between prepaid and contract forms of payment, is technically recorded as churn, which contributes to our churn rate even though we do not lose those subscribers. Similarly, a large proportion of prepaid customers who change tariff plans by purchasing a new SIM card with our company are also counted as churn.

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 or results of operations 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

Telenor and Alfa Group each beneficially owns a significant portion of our equity that allows each of them to block shareholder decisions requiring a 75.0% vote, and their nominees to our board of directors can block board decisions requiring a supermajority vote.

Two of our beneficial shareholders, Telenor and Eco Telecom Limited, part of the Alfa Group of companies, or the Alfa Group, each beneficially owns enough voting stock to block shareholder decisions that require at least a 75.0% majority vote. Telenor recently reported that it beneficially owned 26.6% of our voting capital stock and Alfa Group recently reported that it beneficially owned 42.4% of our voting capital stock. There is a risk that either of them could use its greater than 25.0% beneficial ownership of our voting stock to block certain shareholder decisions in a manner that may not be in our best interest or in the best interest of our minority shareholders or other security holders. For more information regarding each of Telenor's and Alfa Group's beneficial ownership of our shares, see the section of this Annual Report on Form 20-F entitled Item 7 Major Shareholders and Related Party Transactions.

Furthermore, each of Telenor and Alfa Group has sufficient votes to elect at least two candidates to our board of directors. Several important decisions of our board may require the approval of at least eight out of nine directors, including: the approval of the business priorities and strategic orientations of our company; acquisitions or sales of shareholdings in other enterprises; approval and amendment of the annual budget and business plan (and approving any agreements beyond the limits of the approved budget and business plan); approval, amendment or termination of internal documents of our company (except those requiring shareholder approval); and appointment, dismissal and early termination of the authority of the general director. Therefore, there is a risk that Telenor's and Alfa Group's respective nominees to our board of directors could use their positions to block board decisions requiring an eight out of nine vote of the board in a manner that may not be in our best interest or the best interest of our minority shareholders or other security holders. For more information regarding certain disagreements

among our board members in connection with our acquisition, operation and funding of URS, please see the immediately following risk factors.

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For more information regarding our board of directors and each of Telenor's and Alfa Group's right to nominate directors, see the section of this Annual Report on Form 20-F entitled "Item 6 Directors, Senior Management and Employees."

We have a limited non-compete agreement with our strategic shareholders and our strategic shareholders may pursue different development strategies from us and one another in Russia, the CIS or other regions, which may hinder our company's ability to expand and/or compete in such regions and may lead to a further deterioration in the relationship between our two strategic shareholders.

The agreements currently in place among Telenor, Alfa Group and our company include a noncompete provision, but it is limited to Russia and does not extend to the CIS or any other country. In 2003, after receiving a waiver of this non-compete provision from our board (which waiver was approved by our three independent, disinterested directors as such terms are defined under Russian law), Alfa Group acquired a stake in Open Joint Stock Company MegaFon, or MegaFon, one of our main competitors. Alfa Group confirmed that following its acquisition of a stake in MegaFon, our company continues to be its primary investment vehicle in the Russian telecommunications industry. However, if Alfa Group's investment focus shifts in favor of MegaFon, our company may be deprived of the important benefits and resources that it derives from Alfa Group's current telecommunications investment policy. Additionally, a shift in Alfa Group's focus in favor of MegaFon may hinder our activities and operations and may prevent our further expansion.

Telenor and/or Alfa Group may have different strategies in pursuing regional development in Russia, the CIS or other regions outside of the CIS than we do, and they may have different strategies from one another. We cannot assure you that we, Telenor and Alfa Group may not wish to pursue different strategies, including in countries where one or both of our strategic shareholders have a presence.

For instance, Telenor Mobile Communications AS, which is a sister company of Telenor East Invest AS, and Storm LLC, a member of the Alfa Group of companies, reportedly own 56.5% and 43.5%, respectively, of Joint Stock Company Kyivstar GSM, or Kyivstar, a wireless telecommunications operator in Ukraine. When our company pursued expansion into Ukraine through the acquisition of URS our board failed to approve such expansion or acquisition by the requisite approval of eight out of nine members of the board on several occasions. The three Telenor nominated directors on our board at the time who were also officers of Telenor or its affiliates, referred to herein as the Telenor Nominees, voted against the approval of the proposed acquisition on each occasion, whereas the three Alfa Group nominees on our board at the time who were also officers or directors of Alfa Group entities, referred to herein as the Alfa Group Nominees, voted in favor of the proposed acquisition on each occasion. The acquisition was ultimately approved as an interested party transaction by our shareholders at the extraordinary general shareholders meeting held on September 14, 2005, which we refer to in this Annual Report on Form 20-F as the September 2005 EGM.

Russian law permits shareholders to convene extraordinary general shareholders meetings, or EGMs, under certain circumstances, including if the board of directors of a joint stock company fails to address within five business days a request to convene an EGM by a shareholder holding more than 10.0% of the company's shares. We believe the URS acquisition qualified as an interested party transaction because one of the Alfa Group Nominees, Pavel Kulikov, also served on the board of one of the sellers of URS. After our board failed to convene an EGM upon a request by Eco Telecom Limited (on behalf of BNY Clearing International Nominees), Eco Telecom Limited (on behalf of BNY Clearing International Nominees) attempted to convene an EGM in August 2005. This EGM did not take place because it did not have a quorum, in part due to the fact that Eco Telecom Limited (on behalf of BNY Clearing International Nominees) did not attend the EGM. Eco Telecom Limited (on behalf of BNY Clearing International Nominees) subsequently rescheduled the EGM for September 2005. The aborted EGM in August and the September 2005 EGM involved a proxy contest between Telenor and Alfa Group. Telenor publicly stated that it was not in favor of the URS acquisition while Alfa Group publicly stated that it was in favor of the URS acquisition. Subsequent to the September 2005 EGM, although not required, our board affirmed as legally valid the decision of the September 2005 EGM by a simple majority but failed to approve by a simple majority a proposed resolution specifically instructing management to enter into the URS acquisition and a proposed resolution instructing management not to enter into the URS acquisition without the approval of eight out of nine members of the board.

Following the September 2005 EGM and prior to the consummation of the URS acquisition, our general director notified Telenor of our company's plans to acquire URS pursuant to the decision of the September 2005 EGM and suggested that Telenor seek an injunction or take other appropriate legal action to prevent the consummation of the acquisition prior to its actual consummation if it believed that the URS transaction was not validly authorized. However, Telenor brought a claim against our company only following the consummation of the acquisition of URS. In

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late January 2006, Telenor filed lawsuits in Russia that, among other things, challenge the validity of the September 2005 EGM, the adequacy of corporate approvals for the URS acquisition and the decision to complete the URS acquisition, and seek to unwind the URS acquisition. For more information regarding the Telenor challenges to the URS acquisition and the risks associated therewith, please see the risk factor below entitled "Our acquisition of URS is being challenged by Telenor and may be challenged by other parties" and the section of this Annual Report on Form 20-F entitled "Item 4 Information on the Company Legal Proceedings."

To date, the Telenor Nominees continue to question the legality of the URS acquisition and have disagreed with us as to the requisite number of votes of our board members needed to approve certain funding of and other transactions by URS. Furthermore, our board has been unable to approve budgets for 2006 and 2007 for our company primarily due to the continuing disagreement regarding the budget for URS. Under our charter, approval of the budget requires the approval of eight out of nine of our directors. The Telenor Nominees have indicated in correspondence to our company and during the relevant board meetings regarding the 2006 and 2007 budgets that they would not approve the consolidated budgets presented by management because they are opposed to the proposed budget for Ukraine. The Telenor Nominees have indicated that they would approve a budget that did not include Ukraine, but proposals by the Telenor Nominees to approve a budget for each of 2006 and 2007 excluding Ukraine did not receive the requisite approval of eight out of nine of our directors. The Alfa Group Nominees have opposed these proposals at the relevant board meetings and have instead voted to approve a consolidated budget for the entire VimpelCom group. In addition, the proposals for approving a budget excluding Ukraine did not receive the support of the directors who were not affiliated with either Telenor or Alfa Group, whereas the proposals for a consolidated budget, including Ukraine, did receive their support.

Until a budget is approved by the board, our company's management will continue to operate VimpelCom and its subsidiaries without an approved budget and there can be no assurance that our shareholders (including Telenor) or other parties will not challenge the actions of management with respect to the operations of our company and/or any of its subsidiaries, including any transactions, during the period when there is no board-approved budget. For more information regarding our interpretation of our charter and Russian law in this regard, please see the section of this Annual Report on Form 20-F entitled, "Item 10 Additional Information B. Memorandum and Articles of Association Board of Directors."

Although our board has approved an overall strategy for expansion into the CIS, each acquisition is subject to review on a case-by-case basis by our board, and there can be no assurance that our board will approve other acquisitions in Russia, the CIS or other regions. The directors affiliated with Telenor and Alfa Group, respectively, have the ability to block such decisions to the extent board approval is required for an acquisition. Even if such acquisitions are approved by our board, if shareholder approval is required for the acquisition, either or both of our strategic shareholders may vote against such approval at the relevant shareholders meeting.

In addition to their disagreements relating to our acquisition, operation and funding of URS, according to public reports, Telenor and Alfa Group have been involved in various disputes and litigations regarding their ownership and control over Kyivstar. If and to the extent that our strategic shareholders have different expansion strategies, as is apparently the case in Ukraine, it could lead to a further deterioration in their relationship which could have a material adverse effect on our business and prospects. For instance, on June 8, 2006, Standard & Poor's Governance Services announced that VimpelCom's corporate governance score has been lowered from CGS 7.4 to CGS 6.4, citing the ongoing disagreements between Telenor and Alfa Group that led to, among other things, the board's failure to approve our 2006 budget and its concern that the continuing disagreements threaten to affect our company's operations and shareholder value.

Our acquisition of URS is being challenged by Telenor and may be challenged by other parties.

Both before and after our acquisition of URS, Telenor and the Telenor Nominees have consistently objected to the acquisition. Among other things, prior to the September 2005 EGM, Telenor in correspondence to our company raised certain issues related to the proposed acquisition, among these, that the purchase price for the proposed acquisition of URS was inflated and that there was a lack of transparency related to Eco Telecom Limited's role in the negotiations with sellers of URS. In addition, prior to the closing of the URS acquisition, Telenor further stated in correspondence to our company that the September 2005 EGM was not validly convened and that our chief executive officer had no authority to complete the acquisition. Telenor also asserted that the acquisition of URS required the prior approval by not less than 80.0% of the board, that our company's management should not attempt to complete the acquisition prior to receipt of such board approval and that it would use all rights, powers, privileges and remedies to protect and defend itself in relation to the September 2005 EGM and the proposed acquisition of URS. In December 2005, following the URS acquisition, Telenor publicly disclosed a letter that had been sent by the Telenor Nominees to our board chairman on December 12, 2005. In this letter, the Telenor Nominees questioned, among other things, (i) the legality of our management's decision to complete the URS acquisition, (ii) the legality of the URS acquisition, and (iii) the adequacy of VimpelCom's disclosure about the URS transaction and VimpelCom's plans for URS. In late January 2006, Telenor filed three lawsuits in Moscow that, among other things, challenge the validity of the September 2005 EGM and seek to unwind the acquisition of URS. To date, we have prevailed in each stage of the court proceedings in each of the three

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lawsuits and in fact one of the lawsuits is no longer subject to further appeal by Telenor. The remaining two lawsuits are subject to further appeal by Telenor. In one of the two remaining cases that are subject to further appeal - the lawsuit challenging the validity of the September 2005 EGM - Telenor has requested that the Supreme Arbitration Court of Russia consider their appeal. In this case, we have been informed that the Review Panel of the Supreme Arbitration Court has decided to transfer the lower courts' decisions to be reviewed by the Presidium of the Supreme Arbitration Court because certain aspects of the lower court rulings were based on, what the Review Panel apparently believes to be, incorrect interpretations of Russian law. The interpretations of Russian law of the Review Panel are not binding on the Presidium of the Supreme Arbitration Court. The hearing of the Presidium of the Supreme Arbitration Court has been set for June 5, 2007. For more information about our company's acquisition of URS and the litigation with Telenor, please see the immediately preceding and following risk factors and the sections of this Annual Report on Form 20-F entitled "Item 4 Information on the Company Legal Proceedings" and "Item 5 Operating and Financial Review and Prospects Mergers and Recently Completed Acquisitions."

We believe that the September 2005 EGM was properly convened and the acquisition of URS was properly consummated in accordance with the September 2005 EGM approval, applicable law and our charter. However, the provisions of Russian law and our charter applicable to the convocation of the September 2005 EGM, the effectiveness of the decision of the September 2005 EGM and our implementation of that decision are subject to possible different interpretations and a Russian court could disagree with our interpretation. There can be no assurance that we will prevail at any stage of the litigation relating to these lawsuits or that other claims by Telenor or other third parties regarding our acquisition, operation or funding of URS, challenging our ownership interest in URS or other matters will not be made. It is also possible that third parties may seek monetary damages from us or challenge our ownership interest in URS in connection with their claims against the parties that sold URS to our company. In early 2006, both URS and three Cyprus entities that we acquired in the URS transaction that now are our subsidiaries and which directly hold shares in URS received inquiries and document requests from local police authorities. Based on the limited information available to us, it appears that these inquiries related to a then ongoing criminal investigation by Ukrainian authorities into a dispute regarding the transfer of interests in URS by former shareholders of URS, which dispute did not involve any acts or failures to act by our company. In May 2007, the three Cyprus entities mentioned above plus a fourth Cyprus entity that we acquired in the URS transaction received another information request from the local police authority which we believe to be related to the same matter. At this stage, we are not sure of the impact, if any, these inquiries and document requests may have on our company. There can also be no assurance that this investigation, our litigation with Telenor or any future claims by Telenor or third parties will not result in the unwinding of the URS acquisition, deprive us of a portion of our ownership interest in URS, or limit or prohibit our operation or funding of URS or result in our having to pay monetary damages. Furthermore, our company may not be able to recover the purchase price that it paid to the sellers of URS, any portion of the funds that our company invested in URS during the period prior to the unwinding of the URS acquisition or any other monetary losses that our company will have incurred in connection with our ownership of URS. In the event that a decision unfavorable to us in any lawsuit filed by Telenor to date or any lawsuit that Telenor or other parties may file in the future becomes binding, it could have a material adverse effect on our company, its business, its expansion strategy and its financial results, including an event of default under our outstanding indebtedness.

The Telenor Nominees have alleged possible conflicts of interest arising from possible business relationships between the Alfa Group Nominees and the sellers of URS.

On April 6, 2006, the Telenor Nominees sent a letter to the chairman of our board. Telenor also filed this letter as an attachment to its Schedule 13D/A filed with the SEC on April 6, 2006. We refer you to Exhibit 15.1 to our Annual Report on Form 20-F for the year ended December 31, 2005 where we attached the full content of the letter.

In this letter, the Telenor Nominees repeated their prior request that an independent investigation be undertaken to investigate and report to the board concerning any conflicts of interest arising from possible business relationships between the Alfa Group Nominees and the sellers of URS. In this letter, the Telenor Nominees presented certain information that they maintain confirms their belief that such investigation is absolutely essential. At the suggestion of one of the Telenor Nominees following our April 7, 2006 board meeting, outside counsel for Telenor was contacted to provide our company with any information that outside counsel or its clients have that would explain, support or would be responsive to certain questions and ambiguities raised by the April 6, 2006 letter. In general, outside counsel for Telenor indicated that it would not provide any new information because it believed that it would be inappropriate to do so in light of the pending proceedings between Telenor and our company and Telenor and Alfa Group as well as for reasons of attorney/client privilege. Thus, despite due demand therefor, up to the date of this Annual Report on Form 20-F, we still have not received any information from any of the Telenor Nominees or their counsel that explains, supports, or is responsive to the questions and ambiguities raised by the April 6, 2006 letter. Alfa Group has previously

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publicly denied any financial interest in the sellers of URS, and following the statements made by the Telenor Nominees in their April 6, 2006 letter, we requested and received from the Alfa Group Nominees letters confirming that neither they nor to the best of their knowledge and belief after reasonable inquiry any of their related parties or any member of the Alfa Group of companies had any financial interest in the URS sellers or the URS transaction. However, if it is proven that any Alfa Group Nominees or any other member of the Alfa Group or their affiliates had an undisclosed interest in the URS acquisition, it could harm our company's reputation, lead to further deterioration of the relationship between our two strategic shareholders, result in further shareholder or third party lawsuits, and/or in, certain situations, call into question the adequacy of our corporate approvals, including in connection with the URS acquisition.

The Telenor Nominees have alleged that our prior disclosure with respect to the URS acquisition and other matters has been, and our current disclosure with respect to the URS acquisition and other matters is, inadequate, and the Telenor Nominees voted against approval of this Annual Report on Form 20-F, our Annual Report on Form 20-F for the year ended December 31, 2005, our U.S. GAAP financial statements for 2005 and 2006 and our U.S. GAAP financial statements for each quarter since the first quarter of 2006.

In the April 6, 2006 letter, the Telenor Nominees repeated their prior claims that our disclosure with respect to the URS acquisition was inadequate and their request that we make public various information and documentation previously requested by the Telenor Nominees in their December 12, 2005 letter to the chairman of our board. Telenor attached a copy of this letter to its Schedule 13D/A that it filed with the SEC on December 12, 2005. At the December 14, 2005 meeting of our board, our chief executive officer replied orally to the questions posed by the Telenor Nominees in their December 12, 2005 letter. Among other things, our chief executive officer stated that our company believed that the URS acquisition (including the price paid) was consummated in accordance with the September 2005 EGM approval, applicable law and our charter; stated that management conducted standard legal and accounting due diligence in connection with the URS acquisition and was not aware that any entity connected with the Alfa Group received any proceeds from the acquisition; and stated that our company paid customary fees for its investment banking, legal and accounting advisors in connection with the URS acquisition. In addition, the Telenor Nominees have been informed by the chairman of our board that all directors, including them, have access to all information on the URS transaction in our possession subject to the execution of a confidentiality letter consistent with directors' duty of confidentiality.

Although our U.S. GAAP financial statements for 2005 and 2006 and our U.S. GAAP financial statements for each quarter since the first quarter of 2006 were approved by the requisite majority of our board, the Telenor Nominees have voted against approval of these financial statements indicating that their vote against approval was due to the lack of a board approved budget, specifically with respect to URS expenditures made during the relevant periods.

In addition, although this Annual Report on Form 20-F and our Annual Report on Form 20-F for the year ended December 31, 2005 were approved by the requisite majority of our board, the Telenor Nominees voted against approval of the reports because not all of their requested disclosures were made. We refer you to Exhibit 15.4 to this Annual Report on Form 20-F and Exhibit 15.2 to our Annual Report on Form 20-F for the year ended December 31, 2005, where we have attached the Telenor Nominees' requested disclosures. The disclosures contained in these exhibits should not be considered as being made by our company. We believe the comments from the Telenor Nominees should be viewed in light of the fact that Telenor is currently suing our company. We believe that the Telenor Nominees' requested disclosures are either redundant and already adequately and properly disclosed or are immaterial and not required to be disclosed.

Although we maintain that both our prior disclosures regarding the URS acquisition and our disclosure in the Annual Reports on Form 20-F for the years ended December 31, 2006 and 2005 have been made in compliance with our relevant disclosure obligations to our board and shareholders, there can be no assurance that the adequacy of our disclosure regarding the URS acquisition, the operation and funding of URS, the operation of our company without a board approved budget in 2006 and 2007, the consequences of any challenges thereto, or any other matters will not be successfully challenged by our current or former shareholders or government regulators. Further developments in respect of any or all of the matters discussed in this or the preceding risk factors may ultimately have a material adverse effect on our company, its prospects, its expansion strategy and reputation and result in a default under our existing indebtedness.

A disposition by one or both of our strategic shareholders of their respective stakes in our company or a change in control of our company could harm our business.

Under certain of our debt agreements, an event of default may be deemed to have occurred and/or we may be required to make a prepayment if Telenor reduces its stake in our company to less than 25.0% or certain parties

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(generally other than Telenor ASA or its subsidiaries, Alfa Group or its subsidiaries or reputable international telecommunications operators with at least a minimum specified debt rating) take a controlling position in our company. The occurrence of any such event of default or failure to make any required prepayment which leads to an event of default, could trigger cross default/cross acceleration provisions under certain of our other debt agreements, including our loans from UBS (Luxembourg) S.A. (funded by the issuance of loan participation notes by UBS (Luxembourg) S.A.). In such event, our obligations under one or more of these agreements could become immediately due and payable, which would have a material adverse effect on our business and our shareholders' equity.

In November 2006 and throughout March 2007, Alfa Group disclosed that it acquired additional ADSs of our company, thereby increasing its voting interest in our company to 42.4%. On March 14, 2007, Alfa Group disclosed that it has pledged 9,349,999 of our common shares, or the Pledged Shares, to an affiliate of Deutsche Bank AG, as security for US\$1.5 billion of bonds issued by Eco Telecom Limited, and deposited 15,209,134 of our ADSs, an additional 3,213,783 of our common shares and 6,426,600 of our preferred shares, referred to collectively as the Escrowed Shares, with The Bank of New York, as escrow agent. According to its disclosure, Eco Telecom Limited will be entitled to exercise all voting and other rights attaching to the Escrowed Shares and, unless an early maturity has occurred or an event of default (each as set forth in the agreement governing the Pledged Shares) has occurred and is continuing, the Pledged Shares. In its disclosure regarding the March 2007 acquisitions, Alfa Group reported that it was increasing its ownership of VimpelCom's common shares to increase its influence over the corporate actions to be taken by VimpelCom, but that Alfa Group may, from time to time, and reserves the right to, change its plans or intentions and take any and all actions that it deems appropriate to maximize the value of its investment in VimpelCom.

If Telenor or Alfa Group were to dispose of their stakes in VimpelCom, or if Alfa Group's shares in VimpelCom subject to such pledge and/or escrow arrangement were to be disposed of, our company may be deprived of the benefits and resources that it derives from Telenor and Alfa Group, respectively, which could harm our business. Please see the risk factor entitled "If we invest in or acquire other companies, particularly outside of Russia, we may face certain risks inherent in such transactions."

Five out of our seven super-regional GSM licenses in Russia, including our GSM license for the Moscow license area, will expire in 2008 and any failure on our part to extend existing licenses or procure new licenses to replace our existing licenses may have a material adverse effect on our business and results of operations.

Five out of our seven GSM licenses in Russia, including our GSM license for the Moscow license area, expire on April 28, 2008. We can give you no assurance that these licenses will be renewed upon expiration. For example, the law On Communications, or the Communications Law, states that an application to renew a license may be rejected if, among other things, there are any uncured violations on the date of the renewal application, and we cannot assure you that we will not have any uncured violations when we apply for license renewals. Governmental officials have broad discretion in deciding whether to renew a license, and may not renew our licenses after expiration. Furthermore, if our licenses are renewed, they may contain different terms or additional obligations, including payment obligations, or may cover reduced service areas or a reduced scope of service. If our GSM license for the Moscow license area or our other super-regional licenses in Russia that expire in 2008 are not renewed, we may be required, among other things, to suspend service and our business would be materially adversely affected. Because our licenses are integral to our operations, our inability to extend our existing licenses or obtain a new license on substantially the same terms would have an adverse effect on our financial condition.

We could be subject to claims by the Russian tax inspectorate that could have a material adverse effect on our business.

We have been subject to substantial claims by the Russian tax inspectorate in the past, which have resulted in additional payments, including fines and penalties payable by our company to the tax authorities. Most recently, in July 2006, the tax inspectorate issued a final decision stating that we owe an additional 1,804 million Russian rubles (approximately US\$68.5 million at the exchange rate as of December 31, 2006) as tax arrears and fines and penalties for the years 2003 and 2004. Our company does not agree with many of the findings of the tax inspectorate and accordingly filed a lawsuit against the tax inspectorate challenging this decision. In November 2006, the Moscow City Arbitration Court ruled to partially grant our claim of a refund in the amount of 490 million Russian rubles (approximately US\$18.6 million at the exchange rate as of December 31, 2006). We appealed this decision, but in February 2007, the Court of Appeals affirmed the decision of the Moscow City Arbitration Court. Both the tax inspectorate and we continue to disagree with the courts' rulings and have filed appeals with the Federal Arbitration Court of the Moscow District. The hearing in the Federal Arbitration Court of the Moscow District is scheduled for May 25, 2007.

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Notwithstanding our objection to the tax inspectorate's decision, we have offset or paid the taxes and penalties for 2003 and 2004 in the amount claimed by the tax inspectorate. In 2006, we established additional tax reserves to cover the potential future claims by the tax authorities in respect of the 2003 and 2004 contested areas that were already reflected in our 2005 tax returns. For more information regarding prior tax claims and their effects on our financial statements, see the sections of this Annual Report on Form 20-F entitled "Item 4 Information on the Company Legal Proceedings Disputes with the Russian Tax Authorities" and "Item 5 Operating and Financial Review and Prospects" and Note 20 in our consolidated financial statements included elsewhere in this Annual Report on Form 20-F. In addition, for more information concerning tax risks faced by us, see the risk factor entitled "Risks Related to the Legal and Regulatory Environment in Russia and the CIS Unpredictable tax systems give rise to significant uncertainties and risks that complicate our tax planning and business decisions."

There can be no assurance that we will prevail at any stage of our litigation with the tax inspectorate. 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 VimpelCom or its subsidiaries for prior or future tax years or that the Ministry of Internal Affairs will not decide to initiate a criminal investigation in connection with claims 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.

MegaFon, a national telecommunications operator, may receive preferential treatment from the regulatory authorities and benefit from the resources of its shareholders, potentially giving it a substantial competitive advantage over us.

One of our national competitors is MegaFon. MegaFon is the only wireless service provider to hold licenses to provide GSM 900/1800 cellular communications service in all 88 administrative regions of the Russian Federation. In addition, MegaFon has instituted unified intra-network roaming tariffs within its group of companies and may introduce unified tariffs in each of the regions in which it operates. These factors may give MegaFon a competitive advantage over us, restrict our ability to expand into all of the regions of Russia and diminish the competitive advantage we hope to enjoy from our creation of a single, integrated national network. According to independent estimates, MegaFon's nationwide market share of subscribers was approximately 19.5% as of December 31, 2006.

MegaFon is reportedly owned by Open Joint Stock Company Telecominvest (31.3%), Sonera Holding B.V. (26.0%), Limited Liability Company CT Mobile (25.1%), Telia International AB (6.37%), Telia International Management AB (1.73%), IPOC International Growth Fund Limited (8.0%) and Limited Liability Company Contact-C (1.5%). It has been reported that Open Joint Stock Company Telecominvest is, in turn, owned 59.0% by FNH, S.A., which has been linked in the press to IPOC International Growth Fund Limited, 26.0% by TeliaSonera and 15.0% by Open Joint Stock Company North West Telecom, a subsidiary of Svyazinvest (which is effectively controlled by the Russian Government). Alfa Group acquired Limited Liability Company CT Mobile in 2003 following the approval of our board of directors to the granting of consent by our company to Alfa Group's acquisition. The consent contemplates that the parties will explore the possibility of a business combination between MegaFon and our company. According to press reports, the acquisition by Alfa Group is being disputed by some of MegaFon's shareholders. Press reports have noted that in the past MegaFon received preferential treatment in regulatory matters and have pointed to the previous involvement of some government officials in entities related to MegaFon as potential reasons for such treatment. Furthermore, despite the fact that we recently were awarded a nationwide 3G license, previous press reports have noted that our difficulties in obtaining frequencies in the Far East super-region may be similarly related. If MegaFon receives favorable treatment from government officials in the future or if our company is singled out for unfavorable treatment by government officials as a result of disputes between third parties, our business could be adversely affected. For more information concerning the difficulties we have faced in obtaining Far East frequencies, please see the risk factor entitled "We face uncertainty regarding our frequency allocations and may experience limited spectrum capacity for providing wireless services."

Furthermore, our competitors have established and will continue to establish relationships with each other and with third parties. 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.

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Increased competition and a more diverse subscriber base have resulted in historically lower average monthly service revenues per subscriber, which may have a material adverse effect on our results of operations.

While our subscribers and revenues have grown during the past few years, our average monthly service revenues per subscriber, or ARPU, steadily declined during 2000-2005 and only slightly increased in 2006. Our ARPU declined from US\$13.6 in 2003 to US\$10.1 in 2004 and to US\$7.5 in 2005. We believe that the decline in ARPU during this period was due to an increase in the number of new mass market subscribers as a proportion of the total number of our subscribers as a result of accelerated growth of our subscriber base in the regions of Russia and a gradual reduction in our tariffs. Mass market subscribers typically spend less time on their cell phones and utilize value added services less frequently than more established subscribers and corporate and business subscribers. Although our ARPU increased from US\$7.5 in 2005 to US\$8.0 in 2006 and we believe that our ARPU will continue to slightly increase in the near future, we cannot assure you that our ARPU will not decline. As subscriber growth rates slow, we are increasingly reliant on revenue growth for our operations to continue to expand and flourish. Our business strategy contemplates such growth and we are expending significant resources to increase our revenues, particularly by marketing new products and value added services to both our existing subscribers and new corporate and business subscribers. If we are unsuccessful in our marketing campaigns, our ARPU may decline, which may materially adversely affect our business and results of operations.

In addition, as the penetration rate in Russia continues to increase and the market matures, wireless service providers, including our company, have been forced in the past to utilize more aggressive marketing schemes to retain existing subscribers and attract new ones. If this were to occur in the future, our company may choose to adopt lower tariffs, offer handset subsidies or increase dealer commissions, any or all of which could materially adversely affect our business and results of operations.

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

We have expended significant time and resources building our brand image. Our ability to attract new subscribers and retain existing subscribers depends in part on our ability to maintain what we believe to be our favorable brand image. Negative rumors or various claims by Russian or foreign governmental authorities, individual subscribers and third parties against our company 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 results of operations.

If we cannot attract, train, retain and motivate qualified personnel, then we may be unable to successfully manage our business or otherwise compete effectively in the mobile telecommunications industry, which could have a material adverse effect on our business.

To successfully manage our business, we depend in large part upon our ability to attract, train, retain and motivate highly skilled employees and management. There is significant competition for such employees. In the future, it may be increasingly difficult for us to hire qualified personnel. Further, we may lose some of our most talented personnel to our competitors.

Our current Chief Executive Officer, Alexander Izosimov, is under contract with our company until October 2008. Our charter states that the appointment, dismissal or early termination of our Chief Executive Officer requires the approval of at least 80.0% of all our board members. Mr. Izosimov was initially appointed by the requisite 80.0% vote of the board in June 2003 and Mr. Izosimov and our company subsequently signed an employment agreement that was to expire in October 2006. At the end of this term, the board failed to either reappoint or dismiss Mr. Izosimov by an 80.0% vote. In such circumstance, under our interpretation of Russian law, Mr. Izosimov continues his authority as Chief Executive Officer pursuant to his June 2003 appointment until such time as he is either dismissed by the required 80.0% vote of the board or he resigns. Consistent with our interpretation of its authority under our charter, a simple majority of our board did vote to approve a new two-year employment agreement with Mr. Izosimov until October 2008. Certain members of our board, certain of our shareholders or other parties may disagree with and challenge our interpretation of Russian law and our Chief Executive Officer's authority or actions taken and transactions consummated after October 1, 2006 due to the fact that the continuation of Mr. Izosimov as Chief Executive Officer after October 1, 2006 did not receive the approval of at least 80.0% of our board. Furthermore, the Procedural Regulations of our board provide that the affirmative vote of at least 80.0% of our board is required to confirm our Chief Executive Officer on an annual basis. Although 80.0% of our board failed to so confirm Mr. Izosimov in 2006, our view is that the lack of such annual confirmation under the Procedural Regulations does not have a legal effect on

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our Chief Executive Officer's status and authority under Russian law. While we intend to vigorously contest any challenges, there can be no assurance that a Russian court would agree with our interpretation of Russian law. If any challenges against our company or management are successful, including if they were to lead to the possible unwinding of transactions concluded after October 1, 2006, such challenges could have a material adverse effect on our company, its operations and its financial condition.

The public switched telephone networks have reached capacity limits and need modernization, which may inconvenience our subscribers and will require us to make additional capital expenditures.

Due to the growth in fixed and mobile telephone use, long distance and local lines have, from time to time, become overtaxed and caused incoming and outgoing calls to have lower completion rates. Additional investment is required to increase line capacity. In addition, continued growth in local, long-distance and international traffic, including that generated by our subscribers, may require substantial investment in public switched telephone networks. Although the operators of public switched telephone networks are normally responsible for these investments, their weak financial condition may prevent them from making these investments. Since we are financially strong relative to these public network operators, we may be compelled to make investments on their behalf, placing an additional burden on our financial and human resources. Additionally, assuming we do make investments, we may not own the assets resulting from such investments. While we cannot estimate the financial and operating burdens associated with such investments, they may be substantial and may have a material adverse effect on our business and results of operations.

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

We have substantial amounts of outstanding indebtedness. As of December 31, 2006, the aggregate principal on our total outstanding indebtedness was approximately US\$2,489.4 million. Our consolidated subsidiaries were the primary or sole obligors on US\$339.8 million, or approximately 13.6% of our actual total indebtedness as of December 31, 2006. Furthermore, certain of our subsidiaries are in discussions to obtain additional debt financing, some of which may be secured or guaranteed by VimpelCom. In addition, US\$169.3 million of our total outstanding indebtedness was secured by our equipment and securities as of December 31, 2006. For more information regarding our outstanding indebtedness, see the sections of this Annual Report on Form 20-F entitled "Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Financing activities" and "Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Equipment Financing." We currently contemplate that we will need to raise approximately US\$800.0 million in debt financing in the Russian and/or international capital markets and/or in bank financing to meet our projected capital expenditures, scheduled debt repayment and possible acquisitions through 2007. The actual amount of debt financing that we will need to raise will be influenced by the actual pace of subscriber growth over the period, network construction, our acquisition plans and our ability to continue revenue and ARPU growth. In addition, we are currently actively pursuing further opportunities for expansion. For more information on the risks associated with acquisitions, please see the risk factor entitled "If we invest in or acquire other companies, particularly outside of Russia, we may face certain risks inherent in such transactions." We cannot, however, give you any assurance of the exact amount that we will invest in acquiring wireless operators or that we will be able to complete any such acquisitions successfully. If we make any further significant acquisitions beyond what is currently contemplated, we will need to increase the amount of additional debt financing over this period above the amount currently projected. If we incur additional indebtedness, the related risks 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.

Our substantial leverage and the limits imposed by our debt obligations could have significant negative consequences, including:

limiting our ability to obtain additional financing or to refinance existing indebtedness;

requiring the dedication of a substantial portion of our cash flow from operations to service our indebtedness, thereby reducing the amount of our cash flow available for other purposes, including dividends, capital expenditures and marketing efforts;

increasing our vulnerability to general adverse economic and industry conditions;

limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we compete; and

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placing us at a possible competitive disadvantage relative to less leveraged competitors and competitors that have greater access to capital resources.

We must generate sufficient net cash flow in order to meet our debt service obligations, and we cannot assure you that we will be able to meet such obligations. If we are unable to generate sufficient cash flow or otherwise obtain funds necessary to make required payments, we would be in default under the terms of our indebtedness and the holders of our indebtedness would be able to accelerate the maturity of such indebtedness and could cause defaults under our other indebtedness.

If we do not generate sufficient cash flow from operations in order to meet our debt service 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, of the timing of the sales and whether the proceeds realized from those sales would be sufficient to meet our debt service obligations. Our inability to generate sufficient cash flow to satisfy our debt service obligations, or to refinance debt on commercially reasonable terms, would materially adversely affect our business, financial condition, results of operations and business prospects.

We may not be able to recover, or realize the value of, the debt investments that we make in our subsidiaries.

We lend funds to, and make further debt investments in, one or more of our subsidiaries under intercompany loan agreements and other types of contractual agreements. KaR-Tel and URS are also parties to third-party financing arrangements that restrict our ability to recover our investments in these subsidiaries through the repayment of loans or dividends. For more information regarding our subsidiaries' indebtedness and related payment restrictions, see Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Financing activities.

The restrictions on our subsidiaries to repay debt may make it difficult for us to meet our debt service obligations.

Our revenues are often unpredictable and our revenue sources are short-term in nature.

Future revenues from our prepaid and contract subscribers, our two primary sources of revenues, are unpredictable. We do not require our prepaid subscribers to enter into service contracts and cannot be certain that they will continue to use our services in the future. We require our contract subscribers to enter into service contracts. However, many of our service contracts can be cancelled by the subscriber with limited advance notice and without significant penalty. Our churn rate, which is the number of subscribers disconnected from our network within a given period expressed as a percentage of the midpoint of the number of subscribers at the beginning and end of that period, fluctuates significantly and is difficult to predict. Our churn rate was 35.1%, 30.4% and 29.6% in 2006, 2005 and 2004, respectively. The loss of a larger number of subscribers than anticipated could result in a loss of a significant amount of expected revenues. Because we incur costs based on our expectations of future revenues, our failure to accurately predict revenues could put our business in jeopardy.

Covenants in our debt agreements restrict our ability to borrow and invest, which could impair our ability to expand or finance our future operations.

The loan agreements and vendor financing 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. These restrictions limit the ability of, and in some cases prohibit, among other things, our company and certain of our subsidiaries from incurring additional indebtedness, creating liens on assets, entering into business combinations or engaging in certain activities with companies within our group. A failure to comply with these restrictions would constitute a default under the relevant loan and vendor financing agreements discussed above and could trigger cross payment default/cross acceleration provisions under some or all of these agreements discussed above. In the event of such a default, the debtor's obligations under one or more of these agreements could, under certain circumstances, become immediately due and payable, which would have a material adverse effect on our business, our liquidity and our shareholders' equity.

We anticipate that we will need additional capital and we may not be able to raise it.

We anticipate that we will need additional capital for a variety of reasons, such as:

financing our strategy to develop our regional GSM licenses, including possible acquisitions of existing operators or any payments required in connection with new licenses or frequencies granted to us;

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financing our growth strategy;

financing the development of our acquisitions in Kazakhstan, Ukraine, Uzbekistan, Tajikistan, Georgia and Armenia, as well as possible acquisitions of operators and licenses;

improving our debt portfolio structure;

taking advantage of new business opportunities;

financing the implementation of new technologies, including 3G services;

refinancing existing indebtedness;

responding to unexpected increases in the pace of network development;

complying with regulatory requirements or developments; and

implementing changes in our business strategy.

We currently contemplate that we will need to raise approximately US\$800.0 million in debt financing in the Russian and/or international capital markets and/or in bank financing to meet our projected capital expenditures, scheduled debt repayment and possible acquisitions through 2007. The actual amount of debt financing that we will need to raise will be influenced by the actual pace of subscriber growth over the period, network construction, our acquisition plans and our ability to continue revenue growth and stabilize ARPU. In addition, we are currently actively pursuing further opportunities for expansion. For more information on the risks associated with acquisitions, please see the risk factor entitled "If we invest in or acquire other companies, particularly outside of Russia, we may face certain risks inherent in such transactions." We cannot, however, give you any assurance of the exact amount that we will invest in acquiring wireless operators or that we will be able to complete any such acquisitions successfully. If we make any further significant acquisitions beyond what is currently contemplated, we will need to increase the amount of additional debt financing over this period above the amount currently projected.

Due to a variety of factors, including perceived risks related to our legal and regulatory developments, our subsidiary, KaR-Tel, our acquisition of URS, operational performance, deterioration in the Russian economy or unfavorable conditions in the Russian or international capital markets, we may not be able to raise additional capital on acceptable terms. In addition, a significant rise in interest rates in the United States or the European Union may make it less attractive for us to borrow money within the international capital markets. If we cannot obtain adequate financing on acceptable terms, we may be unable to make desired capital expenditures, take advantage of opportunities, refinance existing indebtedness or meet unexpected financial requirements, and our growth strategy may be negatively affected. This could cause us to delay or abandon anticipated expenditures or otherwise limit operations, which could materially adversely affect our business.

We may not realize the anticipated benefits from our acquisitions and we may assume unexpected or unforeseen liabilities and obligations or incur greater than expected liabilities in connection with our acquisitions.

The actual outcome of our recent acquisitions, including, without limitation, our acquisition of URS, and their effect on our company and the results of operations may differ materially from our expectations as a result of the following factors, among others:

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past and future compliance with the terms of the telecommunications license and permissions, ability to get additional frequencies and past and future compliance with applicable laws, rules and regulations (including, without limitation, tax and customs legislation);

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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 of our subsidiaries or their parent company;

their ability to comply with the terms of their debt and other contractual obligations;

their ability to obtain or maintain favorable interconnection terms as the interconnection provider in each jurisdiction may not be subject to government regulation with respect to tariffs notwithstanding that there may not be viable alternatives to the current provider for interconnection;

exposure to foreign exchange risks that are difficult or expensive to hedge;

their ability to protect their trademarks and intellectual property in each jurisdiction and to register trademarks and other intellectual property used by them 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 wireless telecommunications industry in each jurisdiction;

political economic, social, legal and regulatory developments and uncertainties in each jurisdiction; and

claims by third parties challenging our ownership or otherwise.

Claims by the Former Shareholders and/or the Fund or others may prevent us from realizing the expected benefits of our acquisition of KaR-Tel, result in increased liabilities and obligations, including possible defaults under our outstanding indebtedness, and deprive us of the value of our ownership interest.

Prior to our acquisition of KaR-Tel, in November 2003, KaR-Tel redeemed for an aggregate of 450,000 Kazakhstani tenge (or approximately US\$3,100 based on the Kazakhstani tenge to U.S. dollar exchange rate as of December 31, 2003) the equity interests of Turkish companies, Rumeli Telecom A.S. and Telsim Mobil Telekomunikasyon Hizmetleri A.S., owning an aggregate of 60.0% of the equity interests in KaR-Tel, referred to herein as the Former Shareholders, in accordance with an October 30, 2003 decision of the Review Panel of the Supreme Court of Kazakhstan. The decision was based on the finding that the Former Shareholders inflicted material damage on KaR-Tel by causing KaR-Tel to lose a valuable government tax concession and selling KaR-Tel obsolete and over-priced telecommunications equipment. The redemption process was initiated on April 15, 2002 by a repeated extraordinary general meeting of KaR-Tel shareholders reconvened by a shareholder owning 40.0% of the equity interests in KaR-Tel. In late August 2004, prior to our acquisition, we received letters from the Former Shareholders claiming that they continue to own such interests and stating that, without their approval, all KaR-Tel deals are illegal and invalid. The Former Shareholders stated in these letters that subsequent to such redemption, their respective managements were taken over by The Savings Deposit Insurance Fund, a Turkish state agency responsible for collecting state claims arising from bank insolvencies, referred to in this Annual Report on Form 20-F as the Fund. The Former Shareholders indicated in their letters that they were preparing to put their case before the International Center for the Solution of Investment Disputes, or ICSID, an independent organization with links to the World Bank. Based on information disclosed by ICSID, an action by the Former Shareholders against the Republic of Kazakhstan, the subject matter of which is telecommunications enterprise, has been pending since August 30, 2005. While we understand that this action does pertain to the Former Shareholders and their former interests in KaR-Tel, neither VimpelCom nor KaR-Tel is a party to this action. We cannot assure you that the Former Shareholders or other parties will not pursue any action against VimpelCom or KaR-Tel in any forum or jurisdiction. If the Former Shareholders or other parties were to prevail in any such action, we could lose ownership of up to 60.0% of our interest in KaR-Tel, be required to reimburse the Former Shareholders for the value of their interests or otherwise suffer monetary and reputational or other damages that cannot currently be quantified.

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In July 2004, KaR-Tel and its affiliate obtained a default judgment in the Almaty City Court against the Former Shareholders for approximately US\$41.0 million in the aggregate. The Almaty City Court relied on its ruling in the mandatory redemption case in which it found that the Former Shareholders inflicted material damage on KaR-Tel. KaR-Tel has offset, with effect prior to our acquisition, part of this judgment against the approximately US\$23.3 million

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recorded on KaR-Tel's books as owing to the Former Shareholders as of August 31, 2004 (of which approximately US\$17.5 million may have been due and payable as of June 30, 2004 but for the offset) and any other debts or amounts owing to the Former Shareholders. Consequently, this US\$23.3 million amount was not included by us in our calculation of the approximately US\$75.0 million total outstanding indebtedness assumed by us at the time of our acquisition of KaR-Tel. We cannot assure you that the decision of the court will not be overturned or that the amount of the default judgment will not be reduced or that additional amounts will not be owed to the Former Shareholders or their successors, thereby resulting in an increase in the amount of KaR-Tel's indebtedness. Furthermore, the Former Shareholders or their successors may bring actions either inside or outside Kazakhstan challenging the Kazakh court judgment or such offset and claiming that amounts owing to the Former Shareholders or their successors by KaR-Tel have become due and payable. If the Former Shareholders or their successors were to prevail in any such claims, they could claim that an event of default has occurred under certain of the Former Shareholders' debt and supply agreements, which, if not cured within any applicable grace periods, could trigger cross payment default/cross acceleration provisions under certain of our debt agreements. If any creditor or trustee were to bring a claim for a cross payment default/cross acceleration in these circumstances, KaR-Tel or our company may be required to pay any amounts outstanding under the debt and supply agreements between KaR-Tel and the Former Shareholders or their successors in order to avoid any such cross payment default/cross acceleration. We believe that the maximum amount we would be required to pay under these debt and supply agreements in order to avoid any such cross payment default/cross acceleration would be approximately US\$18.1 million, excluding any penalties and interest. If we are unable to pay such amount within any applicable grace periods, the obligations under certain of our debt agreements may become immediately due and payable, which could have a material adverse effect on our business, our liquidity and our shareholders' equity. We cannot assure you that future investigations, claims or events will not show that KaR-Tel's indebtedness to the Former Shareholders exceeded the approximately US\$23.3 million mentioned above, that KaR-Tel's overall indebtedness exceeded approximately US\$75.0 million, that assets were pledged to secure any such indebtedness, or that the prior shareholders of KaR-Tel pledged or otherwise encumbered their interests in KaR-Tel as security for any such indebtedness.

On January 10, 2005, KaR-Tel received an order to pay issued by the Fund in the amount of approximately US\$5.5 billion (stated as approximately Turkish Lira 7.6 quadrillion and issued prior to the introduction of the New Turkish Lira, which became effective as of January 1, 2005). The order, dated as of October 7, 2004, was delivered to KaR-Tel by the Bostandykski Regional Court of Almaty. The order did not provide any information regarding the nature of, or basis for, the asserted debt, other than to state that it is a debt to the Turkish Treasury and the term for payment was May 6, 2004. On January 17, 2005, KaR-Tel delivered to the Turkish consulate in Almaty a petition to the Turkish court objecting to the propriety of the order. KaR-Tel received the Fund's response to the petition in June 2006. In its response to KaR-Tel's petition, the Fund asserts, among other things, that the order to pay was issued in furtherance of its collection of approximately US\$5.5 billion in claims against the Uzan group of companies that were affiliated with the Uzan family in connection with the failure of T. Imar Bankasi, T.A.S. The Fund's response to KaR-Tel's petition asserts that the Uzan group of companies includes the Former Shareholders and KaR-Tel. KaR-Tel submitted a response to the Fund's defense in which KaR-Tel denied in material part the factual and legal assertions made by the Fund in support of the order to pay. Our company believes that the order to pay is without merit, in part due to the fact that the Former Shareholders have not owned any interest in KaR-Tel since November 2003, when their interests were redeemed in accordance with a decision of the Review Panel of the Supreme Court of Kazakhstan, and that any attempted enforcement of the order to pay in relevant jurisdictions outside of Turkey is subject to procedural and substantive hurdles. However, there can be no assurance that KaR-Tel will prevail in its petition for the cancellation of the order to pay (either on substantive or procedural grounds), that claims targeting VimpelCom's ownership of KaR-Tel will not be brought by the Fund directly against VimpelCom or its other subsidiaries or that KaR-Tel and/or VimpelCom or its other subsidiaries will not be required to pay amounts claimed to be owed in connection with the order or on the basis of other claims made by the Fund. The adverse resolution of this matter, and any others that may arise in connection with the order by the Fund or any other claims made by the Fund, could have a material adverse effect on our business, financial condition and results of operations, including an event of default under some or all of our outstanding indebtedness.

If we invest in or acquire other companies, we may face certain risks inherent in such transactions.

We may acquire or invest in other companies in business areas that are complementary to our current operations. Any such future acquisitions or investments could be significant and in any case would involve risks inherent in assessing the value, strengths and weaknesses of such opportunities, particularly if we are unable to conduct thorough due diligence prior to the acquisition, as well as in integrating and managing their operations. 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. We also cannot assure you that we will be successful in completing and financing any such acquisition or investment.

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Our company is actively pursuing a strategy that includes additional expansion. Laws and corporate practices in potential expansion areas vary and generally are not well developed. Companies that we acquire may have engaged in business practices that were not in compliance with local law, international business practices, or our internal policies. It is our intention that upon each acquisition by our company, we will promptly institute internal controls consistent with controls throughout our group to attempt to ensure compliance with all laws, good business practices, and our internal policies. However, there can be no assurance that there will not be any material adverse effect on the acquired company or our company arising from any acts committed prior to the acquisition.

Our wireless licenses may be suspended or revoked, which could materially adversely affect our business.

We are required to meet certain terms and conditions under our licenses, including meeting certain conditions established by the legislation regulating the communications area. These conditions include:

commencing service by a certain date;

providing telecommunications services only after obtaining permits for operation of equipment and use of frequencies;

meeting the requirements set forth in the course of radio frequency band allocation and radio frequency or channel designation;

complying with the rules for interconnection of telecommunication networks and interaction thereof;

complying with the new Russian plan and system of federal telephone numbering;

complying with the requirements relating to communications network construction; and/or

complying with the requirements of the normative acts in the communications area.

For more information on our GSM licenses and their related requirements, please see the section of this Annual Report on Form 20-F entitled Item 4 Information on the Company GSM Licenses.

If we fail to comply with the conditions of our GSM licenses or with the requirements established by the legislation regulating the communications area, or if we do not obtain permits for operation of our equipment or use of frequencies, or if extensions requested are not granted and/or action is taken against our company or our subsidiaries, our business could be materially adversely affected.

If we fail to meet the requirements in our licenses or if we do not comply with the legislative requirements regulating the communications area, 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 remaining non-compliance, the applicable regulator could decide to suspend or revoke the license. The occurrence of any of these events would materially adversely affect our ability to build out our networks in accordance with our plans and could harm our reputation.

If we fail to completely fulfill the specific terms of any of our GSM licenses, frequency permissions or other governmental permissions or if we provide 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 refuse to renew licenses that are up for renewal. A suspension or termination of any of our GSM licenses or refusal to renew our GSM licenses could materially adversely affect our business and results of operations.

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We face uncertainty regarding payments for frequency allocations under the terms of some of our licenses.

We are required to make payments for frequency allocations under the terms of our licenses in Russia and the CIS. In some cases, these frequency allocation payments have been substantial. Though we have not been charged significant fees for frequency allocations in our license areas since 1998, we cannot assure you that in the future we will not be required to make substantial payments for additional frequency channels that we use or need in Russia or the CIS, which could negatively affect our financial results. The loss or suspension of any of our frequency allocations could affect our ability to provide services and materially adversely affect our business.

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

Our ability to provide telecommunications services depends on our ability to secure and maintain interconnection agreements with incumbent owners of fixed-line networks in Russia and the other countries in which we operate. Interconnection is required to complete calls that originate on our respective networks but terminate outside our respective networks, or that originate from outside our networks and terminate on our respective networks. Each of our current interconnection agreements with incumbent operators may be terminated annually by the respective operator. It is possible that in the future our interconnection agreements may not be renewed or not renewed on a timely basis or on commercially reasonable terms.

Further, our ability to interconnect with the public switched telephone network and other local, domestic and international networks, as well as directly with other cellular networks, in a cost-effective manner is critical to the economic viability of our operations. A significant increase in our interconnection costs or a lack of available line capacity for interconnections could have a material adverse effect on our ability to provide services. We anticipate that Russian fixed line providers will significantly increase their interconnect costs in the near future as the public telephone networks begin to adjust their fee structures in Russia to reflect operating costs, which, in turn, will increase our operating costs. We currently have numbering capacity agreements with a small number of telecommunications providers in Moscow, some of which are affiliated with our main competitor, Open Joint Stock Company, Mobile TeleSystems, or MTS. Additionally, we are contractually obligated to obtain the consent of certain of these companies to use local Moscow lines from other telecommunications providers.

In Russia, there are plans to privatize Svyazinvest, which controls several regional fixed-line operators and in the Ukraine there are plans to privatize Ukrtelecom, which has a national market share of over 80.0% of all fixed-line telecommunications services. In December 2006, an affiliate of MTS acquired 25.0% plus one share of Svyazinvest. If any of our competitors obtain control of Svyazinvest or Ukrtelecom and impede our ability to interconnect with other networks, our ability to provide services cost-effectively or at all could be hindered, which could have a material adverse effect on our business.

In April 2006, we received a license for long distance and international communications services. The license is valid for a period of seven years and contains the customary conditions for licenses of this kind, including a start-of-service requirement which is December 12, 2007. We expect that our major competitors have also applied for and received or will receive licenses to provide long distance and international communications services. We believe that the issuance of the license for long distance and international communications services will lessen our reliance on third party providers of these services. However, until we receive all necessary permits, we cannot begin to provide long distance and international communications services. Accordingly, until we complete all technical works and obtain all necessary permits we are required to enter into costly interconnection agreements with long distance and international communications providers, which may place us at a competitive disadvantage and which may materially adversely affect our business and results of operations.

We face uncertainty regarding our frequency allocations and may experience limited spectrum capacity for providing wireless services.

We face uncertainty regarding our frequency allocations and may experience limited spectrum capacity for providing wireless services.

In order to commence our pilot operations in specific cities in our GSM license areas, we have applied for and received minimal frequency assignments in each of the cities in which we have commenced operations. As we build out our operations in our GSM license areas, we submit a frequency application and a site plan to the appropriate bodies for approval. Depending on availability, specific frequencies in specific areas in each of our GSM license areas may be allocated to us. We occasionally do not receive the necessary frequency allocations. For example, our applications for

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GSM-900 frequencies in five regions within the Urals super-region and eight regions in the Northwest super-region were denied. Further, we were denied a grant of GSM-900, GSM-1800 frequencies in the Far East super-region and E-GSM frequencies throughout all of Russia by Russia's State Radio Frequency Commission, or the SRFC. We sent 18 unsuccessful applications to the SRFC, all of which were rejected either by failure on the part of the SRFC to respond to us or with the explanation that there were no GSM frequency allocations available in that region.

In 2006, we obtained a ruling from the Russian Federal Antimonopoly Service, or the FAS, stipulating that the SRFC should review our application for issuance of the applied for frequencies, and, separately, we initiated a lawsuit against the SRFC in order to compel it to allocate frequencies to our company in the Far East super-region. Although we have prevailed in this lawsuit and the court ordered the SRFC to review our applications, to date none of the desired frequencies have been allocated to us, including GSM-900/1800 frequencies in the Far East super-region. In early 2007, the SRFC notified our company that it denied our application for frequencies in the Far East super-region because there is limited availability. In February 2007, the SRFC announced that, due to limited availability, all Far East frequencies currently available will be allocated on the basis of tenders. Although our company continues to believe that it is entitled to Far East frequencies and that the SRFC has violated applicable law in its refusal to issue frequencies to our company, we intend to participate in the tenders for Far East frequencies. In the event that frequencies are not allocated to us, are not allocated to us in a timely and complete manner, or do not provide adequate geographic coverage or otherwise allow us to provide wireless services on a commercially feasible basis, our business and results of operations may be materially adversely affected. For more information about our litigation relating to frequency allocation in the Far East, please see the section of this Annual report on Form 20-F entitled "Item 4 Information on the Company Legal Proceedings."

If we fail to obtain renewals or extensions of our frequency allocations for our GSM networks, our business could be harmed.

Our frequency allocations for most of our license areas expire prior to the expiration date of our corresponding licenses. We cannot predict whether we will be able to obtain extensions of our frequency allocations and whether extensions will be granted in a timely manner and without any significant additional costs. It is possible that there could be a re-allocation of frequencies upon the expiration of existing permissions or the granting of frequency allocations for the same channels as our frequency allocations, requiring that we coordinate the use of our frequencies with the other license holders and/or experience a loss of quality in our network.

If we fail to obtain renewals or extensions of our frequency allocations for our GSM network in the Moscow license area, which will expire on various dates through 2008, or, if other license holders are granted overlapping frequencies, our business could be materially adversely affected. Depending on the growth of our business in our other license areas, the failure to obtain renewal or extension of any other frequency allocations could also materially adversely affect our business.

The frequency allocations for our GSM networks are limited in comparison to the frequencies allocated to wireless service providers in other countries. Our limited frequency allocations could cause us to incur significant additional costs in building out our networks, interfere with our ability to provide wireless services and limit our growth, all of which might harm our business.

Failure to obtain all permits required to use frequencies or operate telecommunications equipment could result in a disruption of our business.

The laws of Russia and the CIS prohibit the operation of telecommunications equipment without a relevant permit from the appropriate regulatory body. It is frequently not possible for us to procure all of the permissions for each of our base stations or other aspects of our network before we put the base stations into operation or to amend or maintain all of the permissions 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 do not have final permission to operate. This problem may be exacerbated if there are delays in issuing necessary permits as a consequence of the announced reorganization of the telecommunications related regulatory authorities in Russia. In addition, we are engaged in a number of disputes with local environmental authorities who are requesting that our company receive ecological surveys in connection with our practice of locating base stations on the roofs of residential apartment buildings. At least one court has ruled that we must provide appropriate materials to the relevant agency to conduct this survey, which we have done. Although we do not anticipate that we will be required to remove our base stations from residential buildings and relocate them elsewhere, our business and results of operations could be materially adversely affected if we are required to relocate a large number of our base stations. Up to 80.0% of our base stations are currently located on the roofs of residential apartment buildings.

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We also regularly receive notices from Gossvyaznadzor 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. Any failure by our company to cure such violations could result in the applicable wireless license being suspended or revoked. Although we generally take all necessary steps to comply with any license violations within the stated time periods, we cannot assure you that our licenses will not be suspended or 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 and results of operations.

It may be more difficult for us to attract new subscribers in the regions of Russia and the CIS than it is for our competitors that established a local presence prior to the time that our company did.

We do not possess a first mover advantage in most of the regions of Russia and the CIS. In many cases, we have been the second, third, or fourth wireless operator to enter a particular market. As a result, it may be more difficult for our company to attract new subscribers in the regions of Russia and/or the CIS than it is for our competitors (including MTS and MegaFon and their respective affiliates) that entered markets and established a local presence in some cases years before we did. The wireless markets in the CIS are significant to our company, MTS and MegaFon as the rate of subscriber growth in Russia has significantly slowed as a result of oversaturation. If we are not successful in penetrating markets in the CIS, our business may be materially adversely affected.

We face competition from an increasing number of technologies and may face greater competition as a result of the issuance of new wireless licenses.

The issuance of additional telecommunications licenses for existing wireless standards or the implementation of new wireless technology in any of the license areas in which we operate could greatly increase competition and threaten our business. In addition, competitors that are able to operate networks that are more cost effective than ours may have competitive advantages over us, which could cause our business to suffer. We may also face competition from other communications technologies. Providers of traditional wireline telephone services may compete with us as their services improve. Additionally, IP protocol telephony may provide competition for us in the future. The increased availability or marketing of these technologies could reduce our subscribers and materially adversely affect our business.

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 wireless telecommunications industry is characterized by rapidly changing technology and evolving industry standards. The rapid technological advances in the wireless 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. For example, 3G wireless standards, such as the Universal Mobile Telecommunications Services, or UMTS, standard, are significantly superior to existing second generation standards, such as GSM.

Accordingly, our future success will depend, in part, on the adoption of a favorable policy and regulation of 3G standards. Our success will also depend on our ability to:

effectively integrate new and leading technologies;

continue to develop our technical expertise;

influence emerging industry standards; and

respond to other technological changes.

We may not be able to meet all of these challenges in a timely and cost-effective manner. In addition, we may not be able to acquire licenses, which we may deem necessary to compete, we may not be able to acquire such licenses on reasonable terms and we may not be able to develop a strategy compatible with this or any other new technology.

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On April 20, 2007, the Federal Communications Agency announced the results of three tenders for awarding 3G licenses and our company was awarded one of three 3G licenses. We are required to start providing 3G services within a two year period. There have been reports that a Russian operator is challenging the tenders. There can be no assurance that the results of the tenders will not be challenged successfully or that the license awarded to our company will be issued or will not be revoked after issuance. The frequency spectra related to the 3G license are currently used by other commercial and governmental entities and our 3G network development will require those entities to vacate those frequency spectra. Additionally, 3G network development requires significant financial investments and there can be no assurance that our company will be able to develop a 3G network on commercially reasonable terms, that we will not experience delays in developing our 3G network or that we will be able to meet all of the license terms and conditions, including the start of service requirement. If we experience substantial problems with our 3G services, or if we fail to introduce new services on a timely basis relative to our competitors, it may impair the success of our 3G services, delay or decrease revenues and profits and therefore may hinder our recovery of our significant capital investments in 3G services as well as our growth.

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

We may enter into strategic partnerships and joint ventures with other companies to develop our business. Emerging market strategic partnerships and joint ventures are often accompanied by risks, including:

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 if that partner runs out of money or loses interest in pursuing the partnership or joint projects;

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 difficulty of maintaining uniform standards, controls, procedures and policies; and

the possibility of losing a strategic or joint venture partner and the associated benefits.

We may encounter difficulties in expanding and operating our networks.

Increasing the capacity of our networks and the further expansion and integration of the geographic coverage of our networks in Russia and the CIS are important components of our plan to increase our subscriber base. We may encounter difficulties in building our networks or face other factors beyond our control that could affect the quality of 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 subscriber base or could fail to meet license requirements, either of which may have a material adverse effect on our business. We may encounter difficulties with respect to:

obtaining in a timely manner and maintaining licenses, frequency allocations, other governmental permissions and numbering capacity sufficient to provide services to our subscribers;

obtaining sufficient interconnect arrangements, including federal telephone numbers for our subscribers and international access;

delivering services that are technically and economically feasible;

providing service coverage to a large geographic area;

obtaining compliance certificates for our telecommunications equipment in a timely and cost-efficient manner;

marketing our services in a large geographic area to a new potential subscriber base with lower average income;

meeting demands of local special interest groups;

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entering into favorable dealer arrangements to market and sell our wireless services; and

obtaining adequate and/or timely supplies of equipment and handsets.

Additionally, in connection with the new numbering system and plan in Russia, we will have to migrate some of our subscribers to phone numbers in new codes. We estimate that approximately 1.6 million of our current numbers will be affected and there can be no assurance that an adequate amount of numbers will be allocated to our company to meet our current or future needs. For more information about the new numbering system and plan, see the section of this Annual Report on Form 20-F entitled "Item 4 Information on the Company Regulation."

We have experienced substantial growth and development in a relatively short period of time.

We have experienced substantial growth and development in a relatively short period of time. For example, over the course of the last three fiscal years, we have acquired companies in Armenia, Georgia, Uzbekistan, Tajikistan, Ukraine and Kazakhstan as well as in several regions of Russia. Management of this growth has required significant managerial and operational resources and is likely to continue to do so. Management of growth will require, among other things:

stringent control of network build-out and other costs;

continued development of financial and management controls and information technology systems and their implementation in newly acquired businesses;

implementation of adequate internal controls and disclosure controls and procedures;

increased marketing activities;

the need to provide additional service centers;

hiring and training of new personnel;

coordination among our logistical, technical, accounting, finance, marketing and sales personnel; and

the ability to integrate new acquisitions into our operations, taking into account the challenges associated with entering countries in which we do not have prior operational experience and which are culturally diverse and vary in stages of development.

Our failure to successfully manage our growth needs could have a material adverse effect on our business, operating performance and financial condition.

We cannot assure you that a market for our future services will develop or that we can satisfy subscriber expectations, which could result in a significant loss of our subscriber base.

We currently offer our subscribers a number of value added services, including voice mail, short messaging service, or SMS, call forwarding, wireless Internet access, entertainment and information services, music and data transmission services. Despite investing significant resources in marketing, we may not be successful in creating or competing in a market for these value added services. In particular, we cannot assure you that we can:

enhance our current services;

develop new services that meet changing subscriber needs;

generate significant demand for our new services through successful advertising and marketing initiatives;

satisfy subscriber expectations with respect to value added services;

compete against lower service rates charged by our competitors;

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provide our new services in a profitable manner; and

continue to offer value added services in the event of adverse changes in economic conditions.

If we fail to obtain widespread commercial and public acceptance of our new services, our visibility in the telecommunications markets in Russia and the CIS could be jeopardized, which could result in a significant loss of our subscriber base. We cannot assure you that subscribers will continue to utilize the services we offer.

If the frequencies and permissions previously held by the Merged Companies are not re-issued to us, or are not re-issued to us in a timely and complete manner, our business may be materially adversely affected.

On April 28, 2006, we completed the mergers of Sotovaya Company, StavTeleSot, Vostok-Zapad Telecom, OrenSot and DalTelecom into VimpelCom. On May 31, 2006 we completed the mergers of Extel and Beeline-Samara into VimpelCom. Following the completion of the mergers, we promptly filed applications with the relevant authorities to re-issue the licenses, frequencies and permissions that were previously held by the Merged Companies to VimpelCom. To date, all the licenses and many of the frequencies and permissions that had been previously held by the Merged Companies have been re-issued to VimpelCom. However, some of the frequencies and permissions previously held by the Merged Companies have not been re-issued to VimpelCom.

There can be no assurance that all of the frequencies and permissions previously held by the Merged Companies will be re-issued to us in a timely manner or on the same terms and conditions as the existing frequencies and permissions or at all, or that VimpelCom's right to continue to provide service to subscribers in the Merged Companies' licensed areas prior to the re-issuance of the frequencies and permissions will not be challenged or revoked or that others will not assert that the Merged Companies' frequencies and permissions have ceased to be effective. If any of these situations occur, they could have a material adverse effect on our business and results of operations, including causing VimpelCom to cease providing wireless services in the Russian regions outside of the Moscow license area for which the Merged Companies previously held licenses, or not to be able to provide all of the same services currently provided under these licenses or on the same terms and conditions and/or resulting in an event of default under the majority of our outstanding indebtedness.

As we switch to Russian ruble denominated tariff plans, our business and results of operations may be materially adversely affected.

Historically, our tariff plans have been linked to the U.S. dollar. In January 2005, the Russian government enacted legislation requiring mobile operators to offer Russian ruble denominated tariff plans to their subscribers. In 2006, we began introducing Russian ruble denominated tariff plans in some of our license areas and in 2007, we will continue to introduce Russian ruble denominated tariff plans throughout our remaining license areas in Russia. Although we are currently offering these plans in addition to our existing U.S. dollar linked tariff plans, we expect to phase out our remaining U.S. dollar linked tariff plans in July 2007. This switch has required us to expend substantial financial and operational resources in updating our billing system and required us to change our functional currency for financial accounting purposes from the U.S. dollar to the Russian ruble. As we continue to have U.S. dollar denominated debts and continue to buy our telecommunications equipment in foreign currencies, the switch could expose us to higher foreign exchange loss risks related to a devaluation of the Russian ruble against the U.S. dollar or Euro. Unless properly hedged, these risks could have a material adverse effect on our business and results of operations.

Our business could be materially adversely affected if we fail to implement the necessary operating systems to support our growth.

Our ability to manage our business successfully is contingent upon our ability to implement sufficient operational resources and systems to support our rapid growth. We may face risks in rolling out systems in the regions of Russia and the CIS or integrating new technologies into existing systems. For example, if our billing system develops unexpected limitations or problems, subscriber 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 subscriber balances. In addition, our current management information system is significantly less developed in certain respects than those of wireless service providers in more developed markets and may not provide our management with as much or as accurate information as in those more developed markets. Failure to obtain the necessary operating systems to support our growth could have a material adverse effect on our business.

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We could experience subscriber database piracy, which may materially adversely affect our reputation, lead to subscriber lawsuits, loss of subscribers or hinder our ability to gain new subscribers and thereby materially adversely affect our business.

We may be exposed to database piracy which could result in the unauthorized dissemination of information about our subscribers, including their names, addresses, home phone numbers, passport details and individual tax numbers. The breach of security of our database and illegal sale of our subscribers' personal information could materially adversely impact our reputation, prompt lawsuits against us by individual and corporate subscribers, lead to a loss in subscribers and hinder our ability to attract new subscribers. Each of these factors, individually or in the aggregate, could negatively impact our revenues and results of operations.

We could lose network and telecommunications equipment if there is an event of default under agreements related to our secured debt.

Our bank financing agreements with certain banks are secured by pledges over certain network, telecommunications and office equipment and securities, and some of our equipment financings are also secured by telecommunications equipment and property. If a default, including a cross default, occurs under any of these agreements, our counterparties may foreclose on, among other things, the pledged network or telecommunications equipment. If we lose network or telecommunications equipment following such an event of default, our business could be materially adversely affected.

We are subject to anti-monopoly and consumer protection regulation in Russia and the CIS, which could restrict our business.

Anti-monopoly and consumer protection regulators in Russia and the CIS have oversight over consumer affairs and advertising and may initiate an investigation on their own initiative or upon the request of a consumer or other body. We have received notices from the Russian anti-monopoly regulator and the consumer protection regulator alleging violations of consumer rights and advertising regulations in the past and are currently in the process of resolving certain issues raised by the Russian regulators regarding, for instance, our advertising of certain promotions and some of the terms of our subscriber agreements. Regulatory measures taken in response to violations may include the requirement to discontinue certain advertisements or to amend our subscriber agreements, or the imposition of fines, tariffs or restrictions on acquisitions or on other activities, such as contractual obligations. For example, in 2006, the anti-monopoly regulator initiated an investigation into the interconnection pricing arrangements among mobile operators in Russia, including our company. As a consequence of this investigation, we subsequently set our interconnection fees at levels below those originally announced, thus resulting in an incremental loss of potential revenue. Although this investigation with respect to our company was subsequently terminated, there can be no assurance that a similar investigation will not be initiated in the future.

Anti-monopoly regulators in Russia and the CIS are also authorized to regulate companies deemed to be a dominant force in, or a monopolist of, a market. Because the law does not always clearly define "market" in terms of either services provided or geographic area of activity, it is difficult to determine under what circumstances we could be subject to these or similar measures. However, in 2002, we were entered into the register of business entities for having a market share in the telecommunications market in the Moscow license area of over 35.0%. In October 2006, a new law "On Protection of Competition" became effective, which introduced new criteria pursuant to which the Russian anti-monopoly regulators may determine that a company has a dominant position in a particular market of goods or services if such company has a market share between 35.0-50.0% or over 50.0%. Although there has been very little enforcement of this new law to date, we cannot assure you that the anti-monopoly regulators will not determine that our company has a dominant position in telecommunications market in Moscow, which could trigger close scrutiny by the anti-monopoly regulator of the pricing and other terms of our services. Further, if the anti-monopoly regulator were to determine that our company has a dominant position in the Moscow wireless market, our company could be prohibited from taking certain actions that could be viewed by the anti-monopoly regulators as abusive of our dominant position. As a result, our ability to set tariff prices may be restricted or we may be required to include provisions into our subscriber agreements that would be detrimental to our company. We could be subject to anti-monopoly regulation in the future, which could adversely affect our business and our growth strategy.

The concepts of "affiliated persons" and "group of persons" that are fundamental to the antimonopoly laws and to the laws on joint stock companies in Russia and, with the exception of the Ukraine, the CIS are not clearly defined and are subject to many different interpretations. Consequently, antimonopoly regulators or other competent authorities may

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challenge the positions we or certain of our officers, directors, or shareholders have taken in this respect despite our best efforts at compliance. 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 adversely affect the manner in which we manage and operate certain aspects of our business.

Our business could be materially adversely affected if our equipment supply arrangements are terminated or interrupted.

The successful build-out and operation of our networks depends heavily on obtaining adequate supplies of switching equipment, base stations and other equipment on a timely basis. We currently purchase our GSM equipment from a small number of suppliers, principally Alcatel, Ericsson and Nokia, although some of the equipment that we use is available from other suppliers. From time to time, we have experienced delays 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 equipment and systems may be subject to disruption and failure, which could cause us to lose subscribers and violate our licenses.

Our business depends on providing subscribers with reliability, capacity and security. As mobile phones increase in technological capacity, they may become increasingly subject to computer viruses and other disruptions. These viruses can replicate and distribute themselves throughout a network system. This slows the network through the unusually high volume of messages sent across the network and affects data stored in individual handsets. Although, to date, most computer viruses have targeted computer networks, mobile phone networks are also at risk. 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 in individual handsets of our subscribers 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 factors, including:

human error;

physical or electronic security breaches;

power loss;

hardware and software defects;

capacity limitations;

fire, earthquake, flood and other natural disasters; and

sabotage, acts of terrorism and vandalism.

Problems with our switches, controllers, fiber optic network, or 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.

Although we have back-up capacity for our network management operations and maintenance systems, automatic transfer to our back-up capacity is not 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 subscribers and consequently impair our ability to obtain and retain subscribers and could lead to a violation of the terms of our licenses, each of which could materially adversely affect our business. We do not carry business interruption insurance to prevent against network disruptions.

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Allegations of health risks related to the use of wireless telephones could have a material adverse effect on us.

There have been allegations that the use of certain portable wireless telecommunications devices may cause serious health risks. The Cellular Telecommunications Industry Association in the United States has researched these potential health risks and publicly announced its belief that no risk exists. Nonetheless, the actual or perceived health risks of wireless telecommunications devices could diminish subscriber growth, reduce network usage per subscriber, 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 wireless telecommunications industry.

No standard definition of a subscriber exists in the mobile telecommunications industry; therefore, comparisons between subscriber data of different companies may be difficult to draw. Other calculations, including those for minutes of usage, also vary within the mobile telecommunications industry.

Wireless operators with a large proportion of prepaid subscribers, such as our company, typically determine subscriber figures by calculating the number of SIM cards in use. This could in some instances lead to double counting of subscribers and an inflated customer base. The methodology for calculating subscriber numbers varies substantially in the mobile telecommunications industry, including among the leading Russian mobile operators, resulting in variances in reported subscriber numbers from that which would result from the use of a single methodology. There may also be a discrepancy in subscriber numbers caused by a difference in the churn policies of wireless operators. For example, according to AC&M Consulting MegaFon terminates a prepaid subscriber's account after 90 days of inactivity. MTS defines a subscriber as an individual or organization whose account shows chargeable activity during the previous 61 days (or 183 days in the case of their Jeans brand tariff) or whose account does not have a negative balance for longer than this period. Our current policy is to terminate a prepaid subscriber's service 180 days after the subscriber's service has been suspended. We suspend prepaid subscribers' services in two cases: (1) their balance drops to zero or below, or (2) their account shows no chargeable activity for six months. Contract subscribers are terminated if they have not paid their bills for two months. Because different mobile telecommunications operators may use different methods of calculating subscriber figures, there is a risk that our company may appear to be performing better or worse than our competitors than would be the case if all operators used the same method of calculating subscriber figures. The methodology for calculating other performance indicators also vary among mobile telecommunications operators. For example, the methodology we use for calculating minutes of usage may differ from some other operators and, therefore, it may be difficult to draw comparisons of minutes of usage figures between different mobile cellular communications companies.

Our intellectual property rights are costly and difficult to protect, and we cannot guarantee that the steps we have taken to protect our 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. Still, intellectual property rights are especially difficult to protect in the markets where 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. 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 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 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.

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Risks Related to Our Operations in the CIS

Investors in emerging markets, such as Russia and the CIS, 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.

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. Emerging economies are subject to rapid change and the information set out herein may become outdated relatively quickly. The economies of the CIS, like other emerging economies, 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 subscribers and, consequently, our business. Investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. 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.

We face a number of economic, political, social and regulatory risks relating to conducting business in the CIS.

Although a significant number of our risk factors relate to the risks associated with conducting business in Russia, where a majority of our assets and operations are located, similar risks in each instance also apply to the conduct of our business and operations in Kazakhstan, Ukraine, Uzbekistan, Tajikistan, Georgia and Armenia. In some instances, the risks inherent in transacting business in these countries may be more acute than those in Russia. Prior to our acquisitions in Kazakhstan, Ukraine, Uzbekistan, Tajikistan, Georgia and Armenia, our company did not have any experience operating in these countries. Regulatory risks present in these countries and in any other countries where we may acquire additional operations may not be similar to those we face in Russia and may increase our vulnerability to such risks. If any of these risks materialize, our business could be materially adversely affected.

The limited history of wireless telecommunications in the CIS and our limited operating history in the CIS create additional business risks, which could have a material adverse effect on our business.

Wireless telecommunications are relatively new in the CIS, which have generally experienced slower economic growth over the past decade than Russia. As the wireless telecommunications industry develops in these areas, changes in market conditions could make the development of some of these license areas less or no longer commercially feasible. A reduction in our viable development opportunities could have a material adverse effect on our business. In addition, we have a limited operating history providing GSM services in the CIS other than Russia. Consequently, we are subject to the risks associated with entering into any new product line. Our failure to properly manage those risks could have a material adverse effect on our business.

Risks Related to the Political Environment in Russia and the CIS

If political and economic relations between Russia and the other countries of the CIS deteriorate, our operations in the CIS could be materially adversely affected.

Political and economic relations between Russia and the other countries of the CIS are complex and recent conflicts have arisen between the government of Russia and the governments of some of the countries of the CIS. For example, the relationship between Russia and Ukraine has been historically strained due to, among other things, Ukraine's failure to pay arrears relating to the supply of energy resources, Russia's introduction of an 18.0% value added tax on Ukrainian imports and provocative statements by some politicians. The Russia-Georgia relationship has also recently declined due to several disputes. Although our company operates in the CIS through local subsidiaries, governmental officials and consumers may associate our group and our brand with Russia. A continued decline in political and economic relations between Russia and the other countries of the CIS could have a material adverse effect on our business and operations.

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If reform policies in Russia and the CIS are reversed, our business could be harmed and it could restrict our ability to obtain financing.

Our business, in part, depends on the political and economic policies set by the governments of the countries where we operate. For example, in recent years, the political and economic situation in Russia has been stable, which has allowed for continued economic growth. However, there is a growing sentiment in Russia against certain private enterprises that is being encouraged by a number of prominent Duma deputies, political analysts and members of the media. While as a general matter political and economic stability has been maintained in Russia, changes in government, including with respect to the scheduled March 2008 presidential election and the scheduled December 2007 Duma elections, may have an unpredictable effect on the political and economic landscape in the country. In addition, reforms may be hindered if conflicts of interest are permitted to exist when officials are also engaged in private business, particularly when the business interests are in the industry which the officials regulate. Notwithstanding initiatives to combat corruption, Russia and the CIS, like many other markets, continue to experience corruption and conflicts of interests of officials, which add to the uncertainties we face, and may increase our costs. Any deterioration of the investment climate could restrict our ability to obtain financing in international capital markets in the future and our business could be harmed if governmental instability recurs or if reform policies are reversed.

Risks Related to the Economic Situation in Russia and the CIS

Economic instability in Russia and the CIS countries in which we operate could materially adversely affect our business.

Since the end of communism in the early 1990s, Russia's economy and the economies of the CIS countries in which we operate have been undergoing a rapid transformation from being centrally planned to market oriented. This transformation has been marked by periods of significant instability. In 1998, Russia experienced an abrupt financial crisis following a few years of relative economic stability. The 1998 crisis marked the beginning of an economic downturn that affected the entire Russian economy and the economies of many of the countries in the CIS. Although in the past few years the Russian economy has exhibited positive trends, such as the increase in gross domestic product, a stable and strengthening currency and a reduced rate of inflation, there can be no assurance that such trends will continue or will not reverse abruptly. Additionally, because Russia and Kazakhstan produce and export large amounts of oil, the economies of these countries are particularly vulnerable to the price of oil on the world market and fluctuations in international oil prices could adversely affect these economies. Future downturns in the economies of Russia and the CIS are possible and could diminish demand for our services, our ability to retain existing subscribers and collect payments from them and could prevent us from executing our growth strategy. Such downturns could also prevent us from obtaining financing needed to fund our expansion, which could cause our business to suffer.

Physical infrastructure in Russia and the CIS is in very poor condition and further deterioration in the physical infrastructure could have a material adverse effect on our business.

Physical infrastructure in Russia and the CIS largely dates back to Soviet times and has not been adequately funded and maintained in recent years. Particularly affected are the rail and road networks, power generation and transmission, communications systems and building stock. Any efforts to modernize this 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. These difficulties can impact us directly; for example, we have needed to keep portable electrical generators available to help us maintain base station operations in the event of power failures. Further deterioration in the physical infrastructure could have a material adverse effect on our business.

The banking systems in Russia and the CIS remain underdeveloped and there are a limited number of creditworthy banks in these countries with which our company can conduct business.

The banking and other financial systems in Russia and the CIS are not well developed or regulated and legislation relating to banks and bank accounts is subject to varying interpretations and inconsistent applications.

For example, in Russia, there are a limited number of banks that meet international banking standards and the transparency of the Russian banking sector in some respects lags behind internationally accepted norms. Most creditworthy Russian banks are located in Moscow and there are fewer creditworthy Russian banks in the regions outside of Moscow. Recently, there has been an increase in lending by Russian banks, which many believe has been accompanied by a deterioration in the credit quality of the borrowers. The deficiencies in the Russian banking system, coupled with a decline in the credit portfolios of Russian banks, may result in the banking sector being more susceptible to market downturns or economic slowdowns, in particular due to Russian corporate defaults that may occur during

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these times. We have tried to reduce our risk by receiving and holding funds in a number of Russian banks, including Sberbank, subsidiaries of foreign banks, Alfa Bank, an affiliate of one of our strategic shareholders, and a selected group of other Russian banks. We regularly review the allocation of our cash reserves among these different banks in light of their credit rating and other information that is available to us. However, our ability to reduce bank risk in this manner is limited due to the relatively small number of creditworthy banks operating in Russia. Rumors of bank failures, additional bank failures and any downgrade of Russian banks by credit rating agencies may result in a crisis throughout the Russian banking sector. A prolonged or serious banking crisis or the bankruptcy of a number of banks, including banks in which we receive or hold our funds, could materially adversely affect our business and our ability to complete banking transactions in Russia.

The banking and financial systems in the CIS are even less developed than in Russia and more susceptible to economic downturns and bank failures. In Kazakhstan, the banking system is highly concentrated and dominated by three banks, Kazkommertsbank, Bank TuranAlem and Halyk Savings Bank of Kazakhstan. Despite recent advancements, the creditworthiness of Kazakh banks remains constrained by a lack of transparency, rapid growth in lending and a lack of diversification. Very few international banks have subsidiaries in Kazakhstan, Uzbekistan, Ukraine and Armenia and no international banks operate subsidiaries in Tajikistan and Georgia. We try to reduce our bank 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 affect our ability to complete banking transactions in these countries, which could have a material adverse effect on our business and operations.

Fluctuations in the value of the Russian ruble against the U.S. dollar or the Euro could materially adversely affect our financial condition and results of operations.

A significant amount of our costs, expenditures and liabilities are either denominated in, or closely linked to, foreign currencies, primarily the U.S. dollar and the Euro, including capital expenditures and borrowings. As a result, devaluation of the Russian ruble against such foreign currencies, in particular the U.S. dollar, could materially adversely affect us by increasing our costs in Russian ruble terms. Although historically we have linked our tariffs, which are payable in Russian rubles, to the U.S. dollar, the effectiveness of this hedge was limited because we could not always increase our tariffs in line with Russian ruble devaluation due to competitive pressures, leading to a loss of revenues in U.S. dollar terms. However, in 2006, we introduced a number of Russian ruble denominated tariff plans and fixed our Russian ruble/US\$ exchange rate at 28.7 for all U.S. dollar linked tariff plans. In 2006, we also changed the functional currency of our accounting systems from the U.S. dollar to the Russian ruble and in the third and fourth quarters of 2006, amended the terms of most of our supplier agreements for payment to be made in Russian rubles instead of U.S. dollars. Nonetheless, a significant amount of our costs, expenditures and liabilities continue to be denominated in U.S. dollars. We are required to collect revenues from our subscribers and from other Russian telecommunications operators for interconnect charges in Russian rubles, and there may be limits on our ability to convert these Russian rubles into foreign currency. To the extent permitted by Russian law, we hold part of our readily available cash in U.S. dollars and Euros in order to manage against the risk of Russian ruble devaluation. Even though we have entered into forward agreements to hedge some of our financial obligations, if the U.S. dollar value of the Russian ruble were to dramatically decline, we could have difficulty repaying or refinancing our foreign currency denominated indebtedness. Significant changes in the Russian ruble to the value of the U.S. dollar or the Euro, unless effectively hedged, could result in significant variability in our earnings and cash flows. An increase in the Russian ruble value of the U.S. dollar could, unless effectively hedged, result in a net foreign exchange loss due to an increase in the Russian ruble value of our U.S. dollar denominated liabilities. In turn, our net income could decrease. Accordingly, fluctuations in the value of the Russian ruble against the U.S. dollar or the Euro could materially adversely affect our financial condition and results of operations. Please also see Item 11 Quantitative and Qualitative Disclosures About Market Risk.

In Kazakhstan, our costs, expenditures and current liabilities are denominated in the Kazakh tenge. Although our tariffs are also denominated in the Kazakh tenge, our subsidiary KaR-Tel has significant long-term financial liabilities denominated in the U.S. dollar. Similar to Kazakhstan, our costs, expenditures, current liabilities and tariffs in Ukraine are denominated in the Ukrainian hryvna, but our subsidiary, URS, has significant long-term financial liabilities denominated in the U.S. dollar. If the U.S. dollar value of the Kazakh tenge or the Ukrainian hryvna declines, we could have difficulty repaying or refinancing our foreign currency denominated indebtedness, which could have a material adverse effect on our business.

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

Russia has experienced periods of high levels of inflation since the early 1990s. Inflation increased dramatically following the August 1998 financial crisis, reaching a rate of 84.4% in 1998. Notwithstanding recent reductions in the Russian ruble inflation rate, which in 2006 was as low as 9.8% and in 2005 was as low as 10.9%, inflationary pressure on the Russian ruble remains significant. Despite the fact that inflation has remained stable in Russia during the past few years, our switch to Russian ruble denominated tariffs could adversely affect our operating results 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 subscribers and our subscriber base becomes more price sensitive. Inflationary pressure in the other CIS countries where we have operations could materially adversely affect our business and results of operations. Please also see Risks Related to Our Business As we switch to Russian ruble denominated tariffs, our business and results of operations may be materially adversely affected above and Item 11 Quantitative and Qualitative Disclosures About Market Risk.

Information that we have obtained from third party sources may be unreliable.

We have sourced certain information contained in this Annual Report on Form 20-F from third parties, including private companies and governmental agencies, and we have relied on the accuracy of this information without independent verification. The official data published by governmental agencies in Russia and the CIS is substantially less complete and less reliable than similar data in the United States and Western Europe. We cannot be certain that the information that we obtained from government and other sources and included in this document is reliable. When reading this Annual Report on Form 20-F, you should keep in mind that the data and statistics that we have included relating to Russia and the CIS could be incomplete or erroneous. In addition, because there are no current and reliable official data regarding the relevant wireless telecommunications markets, including our competitors, we have relied, without independent verification, on certain publicly available information. This includes press releases and filings under the U.S. securities laws, as well as information from various private publications, some or all of which could be based on estimates or unreliable sources.

Risks Related to the Social Environment in Russia and the CIS**Social instability in Russia and the CIS could lead to increased support for centralized authority and a rise in nationalism, which could harm our business.**

Social instability in Russia and the CIS, 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. We do not anticipate the nationalization or expropriation of our assets because neither we nor any of our subsidiaries were created as a result of the privatization of any state enterprise. However, there is not a great deal of 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 Russian, Ukrainian, Kazakh, Tajik, Uzbek, Georgian or Armenian 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 in some parts or throughout Russia and the CIS. These events could materially adversely affect the investment environment in Russia and the CIS.

Risks Related to the Legal and Regulatory Environment in Russia and the CIS**We operate in an uncertain regulatory environment, which could cause our operations to become more complicated, burdensome and expensive and at times results in our operating without all of the required permissions.**

Although the Communications Law regarding license renewals in Russia has been clarified, the licensing procedures (including the re-issuance of licenses, frequencies and other permissions in connection with mergers and the issuance of local and zonal licenses) appear to differ from the procedures under prior law and do not always clearly state the procedures to be followed to obtain new licenses, frequencies, numbering capacity or other permissions needed to operate our business, and do not clearly specify the consequences for violations of the foregoing.

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

difficulties having frequencies and permissions re-issued or new frequencies and permissions issued, in connection with the mergers of our subsidiaries into VimpelCom;

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

increased competition.

The Communications Law imposes new levies and fees on telecommunications operators, in addition to fees previously imposed by the former Ministry of Communications, that may have a material adverse effect on our financial condition.

The Communications Law adversely affects the activities of our company and all other telecommunications operators in Russia by imposing additional financial burdens on them, and operators may not be able to pass related costs on to subscribers.

Effective on or around July 1, 2005, all telecommunications operators are also required to make compulsory payments to a universal services fund in the amount of 1.2% of each operator's revenues (excluding revenues from traffic transmissions). Amounts paid as value-added tax are also excluded from the calculation of revenues. In February 2006, the Constitutional Court of the Russian Federation ruled that the provisions of the Communications Law related to the procedure for payments to a universal services fund were not in compliance with the Constitution of the Russian Federation and instructed the Federal Assembly to amend the relevant provisions of the Communications Law before January 1, 2007. On December 29, 2006, the Federal Assembly amended the Communications Law and confirmed the current universal services fund rate of 1.2% of revenues from communications services and requiring operators to make payments on a quarterly basis within 30 days after a particular quarter ends. The amendments took effect as of January 1, 2007. The fund was formed in order to compensate operators for losses from offering universal services in distant regions of Russia. Additionally, the Communications Law provides for payments for numbering capacity allocation, including through auctions in instances where numbering capacity is scarce. Because telecommunications operators apply for numbering allocation on a regular basis, the new payment requirement may have a material adverse effect on the financial condition of operators. In addition to these new levies, the Russian telecommunications regulators may impose additional levies on cellular operators from time to time.

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

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. In Russia, governmental actions have included unscheduled inspections by regulators, suspension, or withdrawal of licenses and permissions, unexpected tax audits, criminal prosecutions and civil actions. Russian federal and local government entities have also used common defects in matters surrounding share-issuances and registration as pretexts for court claims and other demands to invalidate such issuances and registrations and void transactions. Authorities also have the power in certain circumstances, by regulation or government act, to interfere with the performance of, nullify or possibly terminate contracts. Although, we have seen some recent improvement by the authorities in these areas, we believe that these risks remain.

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If we are found not to be in compliance with applicable telecommunications laws or regulations, we could be exposed to additional costs or suspension or termination of our licenses, which might materially adversely affect our business.

Our operations and properties are subject to considerable regulation by various governmental entities in connection with obtaining and renewing various licenses, frequencies and permissions, as well as ongoing compliance with existing laws, decrees and regulations. We cannot assure you that regulators, judicial authorities or third parties will not challenge our compliance with such laws, decrees and regulations. Governmental agencies exercise considerable discretion in matters of enforcement and interpretation of applicable laws, decrees and regulations, the issuance and renewal of licenses, frequencies and permissions and in monitoring licensees' compliance therewith. Communications regulators conduct periodic inspections and have the right to conduct additional unscheduled inspections during the year. Until recently, we have been able to cure many, but not all, violations found by the regulators within the applicable grace period and/or pay fines. However, we cannot assure you that in the course of future inspections conducted by regulatory authorities, we will not be found to have violated any laws, decrees or regulations, that we will be able to cure such violations within any grace periods permitted by such notices, or that the regulatory authorities will be satisfied by the remedial actions we have taken or will take.

We routinely receive notices with respect to violations of our GSM licenses. To the extent possible, we take measures to comply with the requirements of the notices. Nonetheless, at any given time, there may be outstanding notices with which we have not complied within the cure periods specified in the notices, primarily due to delays in the issuances of frequency permits, permissions for the installation of base stations and permissions for the operation of our equipment and communication facilities in connection with the rollout of our networks (including our transportation network). These delays are largely due to the fact that the regulatory bodies were delayed in adopting regulations setting forth the procedure for the issuance of such permits and permissions under the Communications Law as a result of a reorganization of the Ministry of Telecommunications in 2004 and other bureaucratic obstacles. Accordingly, the issuance of permits and permissions to our company has been delayed and, at any given time, a significant percentage of our base stations and equipment may not have all permissions required. Failure to comply with the provisions of a notice due to a delay in the issuance of such permits or permissions by the regulatory bodies at times has not been, and in the future may not be, an acceptable explanation to the authorities issuing the notices. In 2005 and 2006, in order to comply with notices from Gossvyaznadzor, we switched off a number of base stations that were operating without the necessary permissions. If we are ordered to switch off additional base stations, the quality of service of our networks in those areas may deteriorate. We cannot assure you that we will be able to cure such violations within the grace periods permitted by such notices or that the Service will be satisfied by the remedial actions we have taken or will take. In addition, we cannot assure you that our requests for extensions of time periods in order to enable us to comply with the terms of the notices will be granted. Accordingly, we cannot assure you that such findings by Gossvyaznadzor, its successor entity, or any other authority will not result in the imposition of fines or penalties or more severe sanctions, including the suspension or termination of our licenses, frequency allocations, authorizations, registrations, or other permissions, any of which could increase our estimated costs and materially adversely affect our business.

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

Many aspects of the legal systems in Russia and the CIS 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:

changes in laws that make it more difficult for us to conduct our business or prevent us from completing certain transactions;

substantial gaps in the regulatory structure created by the delay or absence of implementing regulations for certain legislation;

inconsistencies among laws, presidential decrees and ministerial orders and among local, regional and federal legislation and regulations;

the lack of judicial and administrative guidance on interpreting applicable rules and the limited precedential value of judicial decisions;

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an understaffed, underfunded judiciary with limited experience in interpreting and applying market oriented legislation whose independence may be subject to economic, political and nationalistic influences;

decrees, resolutions, regulations and decisions adopted without clear constitutional or legislative basis by governmental authorities and agencies with a high degree of discretion;

whether it is possible to cure technical breaches of law or regulation or whether there is always a risk that a regulator or a third party may continue to have a cause of action notwithstanding any attempt to cure breaches;

federal or regional legislation and regulations may be applied retroactively;

no existing enforcement procedures for court judgments; and

selective enforcement of the law and laws that are subject to multiple interpretations.

The nature of much of the legislation in Russia and the CIS, the lack of consensus about the scope, content and pace of economic and political reform and the rapid evolution of the legal system in Russia and the CIS in ways that may not always coincide with market developments, place the enforceability and, possibly, the constitutionality of laws and regulations in doubt and result in ambiguities, inconsistencies and anomalies. The legislation often contemplates implementing regulations that have not yet been promulgated, leaving substantial gaps in the regulatory infrastructure. All of these weaknesses could affect our ability to enforce our rights under our licenses and under our contracts, or to defend ourselves against claims by others.

Lack of independence and experience of the judiciary, difficulty of enforcing court decisions and the unpredictable acknowledgement and enforcement of foreign court judgments or arbitral awards in Russia and the CIS and governmental discretion in enforcing claims give rise to significant uncertainties.

The independence of the judicial system and its immunity from political, economic and nationalistic influences in Russia and the CIS remains largely untested. Judicial precedents generally have no binding effect on subsequent decisions. Not all legislation and court decisions are readily available to the public or organized in a manner that facilitates understanding. The judicial systems can be slow. Enforcement of court orders can in practice be very difficult. All of these factors make judicial decisions in Russia and the CIS difficult to predict and 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, none of the countries where we operate, including Russia, are parties to any multilateral or bilateral treaties with most Western jurisdictions, including the United Kingdom, for the mutual enforcement of court judgments. 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 Russia and the CIS. However, Russia is party to a bilateral agreement for mutual assistance in civil cases with Ukraine. In addition, Russia (as successor to the Soviet Union), Ukraine, Kazakhstan, Armenia, Georgia and Uzbekistan are party to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, which we refer to as the New York Convention. A foreign arbitral award obtained in a state that is party to the New York Convention should be recognized and enforced by a court of a nation party to the New York Convention (subject to the qualifications provided for in the New York Convention and compliance with local civil procedure regulations and other procedures and requirements established by local legislation and non-violation of local public policy). There is also a risk that relevant procedural legislation will be changed by way of introducing further grounds preventing foreign court judgments and arbitral awards from being recognized and enforced on the territory of the nations that are party to the New York Convention. In practice, reliance upon international treaties may meet with resistance or a lack of understanding on the part of courts or other officials in Russia, Ukraine, Kazakhstan, Armenia, Georgia and Uzbekistan, thereby introducing delays and unpredictability into the process of enforcing any foreign judgment or any foreign arbitral award in these countries.

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

The tax systems in Russia and the CIS are unpredictable and give rise to significant uncertainties, which complicate our tax planning and business decisions. Taxes payable by Russian companies are substantial and include value added tax, excise duties, profit tax, payroll-related taxes, property taxes and other taxes. Russia's federal and local tax laws and regulations are subject to frequent change, varying interpretations and inconsistent enforcement. In addition, we are subject to periodic tax inspections that may result in tax assessments and additional amounts owed by us for prior tax periods. For more information on such risks, please see "Risks Related to Our Business." We could be subject to claims by the Russian tax inspectorate that could have a material adverse effect on our business.

Russia's federal and local tax collection system increases the likelihood that Russia will impose arbitrary or onerous taxes and penalties in the future, which could materially adversely affect our business. In some instances, even though unconstitutional, Russian tax authorities have applied certain taxes retroactively, issued tax claims for periods for which the statute of limitations had expired and reviewed the same tax period multiple times. In addition, on July 14, 2005, the Russian Constitutional Court issued a decision that allows 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 tax payer has obstructed or hindered a tax inspection. Because none of the relevant terms are defined, the tax authorities may have broad discretion to argue that a taxpayer has obstructed or hindered an inspection and ultimately seek penalties beyond the three-year term. In addition to our substantial tax burden, these conditions complicate our tax planning and related business decisions. For example, some tax laws are unclear with respect to the deductibility of certain expenses and recoverability of VAT and, at times, we have taken positions that we consider to be in compliance with current law, but have been challenged by the Russian tax authorities. Uncertainty related to Russian tax laws exposes us to significant fines and penalties and to enforcement measures despite our best efforts at compliance, and could result in a greater than expected tax burden. Moreover, court decisions in one jurisdiction of Russia may have little, if any, precedential effect in other jurisdictions, which could lead to multiple judgments against a company.

In addition, transfer pricing legislation became effective in Russia on January 1, 1999. Despite the fact that Russian transfer pricing rules are not yet aggressively applied on a consistent basis by the Russian tax authorities, the scope of these rules is very broad. To date, although there has been some court practice respecting these rules, there has been no formal guidance as to how these rules will be applied. Nonetheless, Russian tax authorities have paid particular attention to transfer pricing rules in their recent audits of Russian companies. If the tax authorities impose significant additional tax liabilities as a result of transfer pricing adjustments or other similar claims, it could have a material adverse effect on our company.

It is likely that Russian tax legislation will become more sophisticated in the future. The introduction of new tax provisions may affect the overall tax efficiency of our group and may result in significant additional taxes becoming payable. Although we will undertake to minimize such exposures with effective tax planning, we cannot assure you that additional tax exposure will not arise in the future. Additional tax exposure could cause our financial results to suffer. In addition, recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed.

Laws restricting foreign investment could materially adversely affect our business.

We could be materially adversely affected by the passage of new laws or regulations restricting foreign participation in, or increasing state control of, the telecommunications industry in Russia and the CIS. It has been reported that Russia's parliament is considering legislation that would restrict foreign ownership of telecommunications providers, such as our company, if necessary to protect the public order and national security. We cannot confidently predict whether legislation limiting foreign ownership will be implemented and if so, whether we would have to restructure or reduce our foreign investors' ownership interests, as foreign investors currently own a majority of our outstanding shares of common stock (including shares of common stock evidenced by ADSs). We are uncertain how any required reduction or restructuring could or would be implemented and what effect it would have on our business. A restructuring or reduction of this nature could cause our business to suffer.

In Kazakhstan, an amendment to the law "On National Security" was adopted in July 2004 which specifically limits investments to less than 49.0% by foreign legal entities or individuals in domestic and long distance operators who possess certain communications lines (including fiber optic and microwave links). The law "On Investments," adopted in January 2003, consolidated past Kazakh legislation governing foreign investment. While it guarantees the stability of existing contracts, all contracts are subject to amendments in domestic legislation, certain provisions of international treaties, and domestic laws dealing with national and ecological security, health and ethics.

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The developing securities laws and regulations of Russia and the CIS may limit our ability to attract future investment and could subject us to fines or other enforcement measures despite our best efforts at compliance, which could cause our financial results to suffer and harm our business.

The regulation and supervision of the securities market, financial intermediaries and issuers are considerably less developed in Russia and the CIS than in the United States and Western Europe. Disclosure and reporting requirements, anti-fraud safeguards, insider trading restrictions and fiduciary duties are relatively new to Russia and the CIS and are unfamiliar to most companies and managers. In addition, Russian securities rules and regulations can change rapidly, which may materially adversely affect our ability to conduct securities-related transactions. For example, while some important areas are subject to virtually no oversight, the regulatory requirements imposed on Russian issuers in other areas impose requirements on Russian issuers not found in other markets and result in delays in conducting securities offerings and in accessing the capital markets. It is often unclear whether certain regulations, decisions and letters issued by the various regulatory authorities apply to our company. Moreover, some of our subsidiaries have from time to time not been in full compliance with securities law reporting requirements, violations of which can result in the imposition of fines or difficulties in registering subsequent share-issuances. We may be subject to fines or other enforcement measures despite our best efforts at compliance, which could cause our financial results to suffer and harm our business.

We are required by Russian law and our charter to obtain the approval of disinterested directors or shareholders for transactions with interested parties. From time to time, we and our subsidiaries engage in various transactions, including reorganizations, that may require special approvals under Russian law, and we and our subsidiaries engage in numerous transactions which may require interested party transaction approvals in accordance with Russian law. The concept of interested parties is defined with reference to the concepts of affiliated persons, beneficiaries and group of persons under Russian law, which are subject to many different interpretations. Moreover, the provisions of Russian law defining which transactions must be approved as interested party transactions are subject to different interpretations. We cannot be certain that our application of these concepts will not be subject to challenge. Any such challenge could result in the invalidation of transactions that are important to our business. The failure to obtain necessary approvals could have a material adverse effect on our business.

Russian law may expose us to liability for actions taken by our subsidiaries or joint venture entities.

Under Russian law, we may be jointly and severally liable for any obligations of a subsidiary or joint venture entity under a transaction if:

we have the ability to issue mandatory instructions to the subsidiary or joint venture entity and that ability is provided for by the charter of the subsidiary or joint venture entity or in a contract between us and them; and

the subsidiary or joint venture entity concluded the transaction pursuant to our mandatory instructions.
In addition, we may have secondary liability for any obligations of a subsidiary or joint venture entity if:

the subsidiary or joint venture entity becomes insolvent or bankrupt due to our actions or our failure to act; and

we have the ability to make decisions for the subsidiary or joint venture entity as a result of our ownership interest, the terms of a contract between us and them, or in any other way, and we knew that the action taken pursuant to our instructions or the failure to act would result in such insolvency.

In either of these circumstances, the shareholders of the subsidiary or joint venture entity may seek compensation from us for the losses sustained by the subsidiary or a joint venture entity. This type of liability could result in significant obligations and materially adversely affect our business.

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Shareholder rights provisions under Russian law may impose additional costs on us, which could cause our financial results to suffer.

Under Russian law, our shareholders who vote against or do not participate in the voting on some decisions have the right to sell their shares to us at market value. Our obligation to purchase shares in these circumstances, which is limited to 10.0% of our net assets calculated at the time the decision is taken according to Russian accounting standards, could have a material adverse effect on our cash flow and our ability to service our indebtedness. The decisions that trigger this right to sell shares include:

a reorganization;

the approval by shareholders of a major transaction, the value of which comprises a certain percentage of our assets, calculated in accordance with Russian accounting standards, in the event that our board of directors was unable to reach a unanimous decision to approve the transaction and regardless of whether the transaction is actually consummated; and

the amendment of our charter in a manner that limits shareholder rights.

Russia's Law on Joint Stock Companies provides that shareholders who vote against or abstain from voting on a decision to place shares of our stock or convertible securities through a closed subscription (or private placement) have a preemptive right to acquire additional shares or convertible securities at the same price pro rata to the number of shares they own. This requirement may lead to further delays in completing equity and convertible offerings and may lead to uncertainty with respect to sales of newly-issued shares to strategic investors or in connection with transactions.

Recent amendments to the Law on Joint Stock Companies impose certain rights and obligations in connection with acquisitions of major stakes in open joint stock companies. An investor crossing the 30.0%, 50.0% or 75.0% voting share ownership thresholds in an open joint stock company is required to make an offer to purchase all outstanding shares of the company. The amendments also establish certain rights when a shareholder crosses the 95.0% voting share ownership threshold. A person/legal entity that acquires more than 95.0% of a company's voting shares is obliged either to (a) notify other shareholders of their right to tender their securities to such a person/legal entity, or (b) exercise the right to purchase all outstanding shares and securities convertible into shares.

In addition, the amendments provide that any shareholder, as well as the company, can file a claim against a member of the board of directors, a member of the collective management body or the general director for compensation for losses incurred by the company or such shareholder as a result of a breach of duties by such person.

The operation of the amendments may lead to uncertainty with respect to, and increase the cost of, investments and transactions involving share transfers.

Risks Related to Our Common Stock and ADSs

Russian law may consider the depositary as the beneficial owner of our common shares underlying our ADSs.

Although we consider our ADS holders to be the beneficial, or real, owners of the common shares underlying the ADSs and endeavor to provide our ADS holders the same rights and benefits as the holders of our common shares, Russian law is unclear about the status of ADS holders and may consider the depositary as the beneficial owner of our common shares underlying our ADSs. This would be different from the way other jurisdictions treat ADS holders. For instance, in the United States, although shares may be held in the depositary's name or to its order, making it a legal owner of the shares, the ADS holders are the beneficial, or real owners. Russian law may not make the same distinction between legal and beneficial ownership, and it may only recognize the rights of the depositary in whose name the common shares underlying the ADSs are held. This could have the following consequences, among others:

our company may have to comply with provisions of Russian law applicable to companies with less than 1,000 holders of common stock, whereas our company currently complies with provisions of Russian law applicable to companies with more than 1,000 holders of common stock;

our ADS holders could lose all of their rights to the common shares underlying the ADSs if the depositary's assets in Russia are seized or arrested, as Russian courts may treat the common shares underlying the ADSs as the assets of the depositary in whose name the shares are held; and

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the mandatory offer provisions of the Joint Stock Company Law may not be triggered by an acquisition of ADSs that would give a person beneficial ownership of more than 30.0%, 50.0% or 75.0% of our voting stock.

If Russian law does not recognize an ADS holder as a beneficial owner and the ADS holder is unable to convert his/her ADSs into our common shares, the ADS holder could be deprived of the rights and benefits that holders of shares of our common stock have under Russian law.

Voting rights with respect to the shares of common stock represented by ADSs are limited by the terms of the depositary agreement for the ADSs, our charter and Russian law.

Voting rights with respect to the shares of common stock represented by ADSs may only be exercised in accordance with the provisions of the depositary agreement for the ADSs, our charter and Russian law. However, there are practical limitations with respect to the ability to exercise voting rights due to the additional procedural steps involved in communicating with ADS holders. For example, our charter requires us to notify shareholders at least 30 days in advance of any general meeting. Our shareholders will receive notice directly from our company and will be able to exercise their voting rights by either attending the meeting in person or voting by proxy. By contrast, ADS holders will not receive notice directly from us. Rather, in accordance with the depositary agreement, we will provide the notice to the depositary. In turn, the depositary has undertaken, as soon as practicable thereafter, to mail to ADS holders the notice of such meeting, voting instruction forms and a statement as to the manner in which ADS holders may give instructions.

To exercise its voting rights, an ADS holder must then instruct the depositary how to vote the shares underlying the ADSs. Because of this extra procedural step involving the depositary, the process for exercising voting rights may take longer for an ADS holder than for holders of shares of common stock. ADSs for which the depositary does not receive timely voting instructions will not be voted at any meeting. If this occurs, an ADS holder generally will not be able to exercise voting rights attaching to the ADSs or the shares of common stock that underlie the ADSs.

Additionally, a Russian regulation was enacted that restricts the total number of shares of outstanding stock allowed to circulate outside of Russia through an ADS program. Under the regulation, not more than 35.0% of the total number of shares of outstanding stock of each class are allowed to circulate abroad in the form of newly-issued ADSs. Previous ADS programs, including our existing ADS program, should be exempt under a general grandfather rule. However, in the future, we may be required to reduce the size of our ADS program or to amend the depositary agreement for the ADSs. In addition, a maximum of 70.0% of the shares to be issued in the offering for a new ADS program may be placed outside of Russia, while the remaining 30.0% must be placed inside Russia through a broker or stock exchange.

The price of our ADSs may be volatile.

Although our ADSs are currently listed on The New York Stock Exchange, or NYSE, it is possible that an active public market for the ADSs will not be sustained. Furthermore, the price at which the ADSs trade could be subject to significant fluctuations caused by a wide variety of factors. In addition, the public markets for stock of companies providing wireless telecommunications, technology and Internet services and products have experienced extreme price and volume fluctuations. These fluctuations have often been unrelated or disproportionate to the operating performance of such companies. These market and industry factors may materially adversely affect the price of the ADSs, regardless of our operating performance. In the past, securities class action litigation has been instituted against us following periods of volatility in the market price of our securities. This type of litigation initiated against us could result in substantial costs and a diversion of management's attention and resources.

You may not be able to benefit from the United States-Russia double tax treaty.

The Russian tax rules applicable to U.S. holders of the ADSs are characterized by significant uncertainties and by an absence of interpretive guidance. In accordance with Russian legislation, dividends paid to a non-resident holder generally will be subject to Russian withholding at a rate of 15.0% for legal entities and organizations and at a rate of 30.0% for individuals. This tax may be reduced to 5.0% or 10.0% for legal entities and organizations and to 10.0% for individuals under the United States-Russia double tax treaty.

However, the Russian tax rules applicable to ADS holders are characterized by significant uncertainties. Russian tax authorities have not provided any guidance regarding the treatment of ADS arrangements, and there can be no certainty as to how the Russian tax authorities will ultimately treat those arrangements. In particular, it is unclear

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whether Russian tax authorities will treat U.S. holders as the beneficial owners of the underlying shares for the purposes of the United States-Russia double tax treaty. In 2005, the Ministry of Finance expressed an opinion that ADS holders (rather than the depositary) should be treated as the beneficial owners of the underlying shares for the purposes of the double tax treaty provisions applicable to taxation of dividend income from the underlying shares, provided that tax residencies of the ADS holders are duly confirmed. However, in the absence of any specific provisions in the Russian tax legislation with respect to the concept of beneficial ownership and taxation of income of beneficial owners, it is unclear how the Russian tax authorities and courts will ultimately treat the ADS holders in this regard. If the Russian tax authorities were not to treat U.S. holders as the beneficial owners of the underlying shares, then the U.S. holders would not be able to benefit from the provisions of the United States-Russia double tax treaty and would consequently face additional tax liability and we would be obliged to withhold tax at standard rates when paying out dividends. See Item 10 Additional Information E. Taxation Russian Tax Considerations for additional information.

We have not historically paid dividends on our common stock and ADSs, which may make us less attractive to investors.

We have not historically paid dividends on our shares of common stock. At its board meeting on March 28, 2007, our board of directors voted to propose paying a dividend of 166.88 Russian rubles per share of our common stock (or approximately US\$1.60 per ADS based on the Russian Central Bank exchange rate as of March 28, 2007) for 2006. If such a dividend payment is approved at our annual general meeting of shareholders on June 29, 2007, this would be the first ever dividend on our common stock paid by our company. We cannot assure you that the proposed dividend will be approved or that we will continue to pay dividends on our common stock and ADSs in the future and any decision by our company not to pay dividends or to reduce dividend payments in the future could materially adversely affect the value of our common stock or ADSs.

Our ability to pay dividends is limited by Russian law. For example, we are permitted to pay dividends only out of our net profits for the current year as calculated according to Russian accounting standards, which differs significantly from accounting principles generally accepted in the United States, which is the basis of accounting for our audited financial statements included herein. Because we may not pay dividends in the future, your return on an investment in the ADSs will likely depend on your ability to sell the ADSs for a profit. Further, as a result of paying dividends, our reliance on external sources of financing may increase, and our ability to make capital expenditures, investments and acquisitions could be materially adversely affected.

Holders of our ADSs may be unable to repatriate distributions on the ADSs and distributions are subject to fluctuations in the exchange rate between the Russian ruble and the U.S. dollar.

We anticipate that any dividends we pay in the future on the shares represented by the ADSs will be declared and paid to the depositary in Russian rubles and will be converted into U.S. dollars by the depositary and distributed to holders of ADSs, net of the depositary's fees and expenses. Accordingly, the value of dividends received by holders of ADSs will be subject to fluctuations in the exchange rate between the Russian ruble and the dollar. Furthermore, the ability to convert Russian rubles into U.S. dollars is subject to the availability of U.S. dollars in Russia's currency markets. Although there is an existing, albeit limited, market within Russia for the conversion of Russian rubles into U.S. dollars, including the interbank currency exchange and over-the-counter and currency futures markets, the further development of this market is uncertain. At present, there is no market for the conversion of Russian rubles into foreign currencies outside of Russia.

ITEM 4. Information on the Company

Overview

The VimpelCom group of companies includes cellular companies operating in Russia, Kazakhstan, Ukraine, Uzbekistan and Tajikistan and, with our recently acquired companies, in Georgia and Armenia. We operate our telecommunications services in Russia, Kazakhstan, Ukraine, Tajikistan, Uzbekistan and Georgia under the Beeline brand name. We believe that Beeline is one of the most recognized brand names in Russia. We also continue to provide wireless telecommunications services in Kazakhstan under the K-mobile and EXCESS brand names. In Armenia, we provide wireless telecommunications services under the Armentel brand name.

Based on independent estimates of the number of subscribers of our competitors, we estimate that our market share of subscribers in Russia was 31.7% as of December 31, 2006, compared to 34.3% as of December 31, 2005. We also

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estimate that, as of December 31, 2006, our market share of subscribers in Kazakhstan was approximately 49.5%, compared to 37.2% as of December 31, 2005. We estimate that our market share of mobile subscribers in Armenia, Uzbekistan, Tajikistan and Ukraine was approximately 38.2%, 28.2%, 8.9% and 3.8%, respectively, as of December 31, 2006. As of December 31, 2006, we had not commenced operations in Georgia.

Our license portfolio covers approximately 240.0 million people. Geographically, it covers 77 regions in Russia (with 136.5 million people, representing 94.0% of Russia's population) as well as the entire territories of Kazakhstan, Ukraine, Tajikistan, Uzbekistan, Armenia and Georgia. As of December 31, 2006, we held GSM licenses for seven out of Russia's eight super-regions, including the Moscow license area. Additionally, as of December 31, 2006, we held GSM licenses for five smaller regions located within those seven super-regions and for four of the 15 regions within the Far East super-region, the only super-region in Russia for which we do not hold a regional GSM license.

As of December 31, 2006, we had a total subscriber base of approximately 55.1 million, compared to approximately 45.4 million as of December 31, 2005. Of the total number of our subscribers as of December 31, 2006, approximately 48.1 million, or 87.3%, were located in Russia. Our remaining subscriber base was located as follows: approximately 3.8 million subscribers, or 6.9%, in Kazakhstan, approximately 1.9 million, or 3.4%, in Ukraine, approximately 73,400, or 0.1%, in Tajikistan, approximately 766,500, or 1.4%, in Uzbekistan and approximately 452,000, or 0.8%, in Armenia.

Overall, our subscriber base increased by 21.4% in 2006. Our subscriber base in Russia, our principal market both in terms of subscribers and revenues, increased by 11.7% in 2006 compared to 2005. Our subscriber base in Kazakhstan, Ukraine and Tajikistan increased by 86.6%, 630.6% and 177.0%, respectively, in 2006 compared to December, 31, 2005.

History and Development

Our company is an open joint stock company organized under the laws of the Russian Federation. Our company was registered in the Russian Federation on September 15, 1992 as a closed joint stock company and re-registered as an open joint stock company on July 28, 1993. Our principal executive offices are located at 10 Ulitsa 8 Marta, Building 14, Moscow, Russian Federation 127083. Our telephone number at that location is +7 (495) 974-5888. Our web site can be found at <http://www.VimpelCom.com>.

In 1996, we became the first Russian company since 1903 to list on the New York Stock Exchange.

In December 1998, Telenor, Norway's leading telecommunications company, became a strategic partner in our company. That same year, we became the first major wireless services provider in Russia to offer prepaid plans to our subscribers.

To accelerate the development of our company's regional GSM license portfolio, in May 2001, our company signed an agreement with Alfa Group to purchase strategic ownership interests in our company. Telenor also participated in the transaction.

In April 2003, we launched operations in St. Petersburg and by the end of that year we had 55 regional networks in commercial operation and a total subscriber base exceeding 10.0 million.

In September 2004, we began to implement our strategic plan to expand our operations into the CIS by acquiring KaR-Tel, a wireless services provider with a national GSM license in Kazakhstan. We continued our growth strategy throughout 2005 and 2006 by acquiring URS in Ukraine in November 2005, 60.0% of Tacom in Tajikistan in December 2005, Buztel and Unitel in Uzbekistan in January and February 2006, respectively, 51.0% of Mobitel in Georgia in July 2006 and 90.0% of Armentel in Armenia in November 2006. In July 2006, we merged Buztel into Unitel. In December 2006, we increased our stake in Tacom to 80.0% and in April 2007, we increased our stake in Armentel to 100.0%.

In November 2004 and May 2005, respectively, we completed the mergers of our subsidiaries, VimpelCom-Region and KB Impuls into VimpelCom. In April 2006 and May 2006, we completed the mergers of the Merged Companies into VimpelCom.

The majority of our capital expenditures are invested in our network development, in addition to acquiring existing wireless operators in various license areas. Our total capital investments for 2004 were approximately US\$1,672.9

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million, with US\$1,241.9 million of capital expenditures for the purchase of long-lived assets and US\$431.0 million for the acquisition of new entities (net of cash holdings of acquired companies), including DalTelcom, Beeline-Samara and KaR-Tel. Our capital investments for 2005 were approximately US\$1,635.3 million for the purchase of property and approximately US\$307.0 million for the acquisition of new entities (net of cash holdings of acquired companies), including STM, Sakhalin Telecom, URS and Tacom. Our capital investments for 2006 were approximately US\$1,512.1 million for the purchase of property and approximately US\$679.8 million for the acquisition of new entities (net of cash holdings of acquired companies), including Unitel, Buztel, Mobitel and Armentel. We believe that our capital expenditures during 2007 will remain consistent with the amount spent in 2006. We currently intend to invest in our network development in the countries in which we currently operate and in new acquisitions. The actual amount of our capital expenditures for 2007 will be influenced by the pace of subscriber growth over the remainder of the period. The capital expenditure amounts stated above do not include any amounts that may be invested in acquiring existing wireless operators in various license areas and/or in the purchase of cellular licenses in these areas. For more information on our principal capital expenditures and divestitures, including interests in other companies, see the section of this Annual Report on Form 20-F entitled **Item 5 Operating and Financial Review and Prospects Mergers and Recently Completed Acquisitions**, **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 Capital Requirements**.

Competitive Strengths

We believe that we are well positioned to capitalize on opportunities in the Russian and CIS wireless telecommunications markets. We seek to differentiate ourselves from our competitors by providing innovative and high-quality wireless services packages, specialized customer care and a recognized brand name:

Recognized brand name. We market our services under our **Beeline** brand name in six countries (Russia, Kazakhstan, Ukraine, Uzbekistan, Tajikistan and Georgia). We also operate under the **K-mobile** and **EXCESS** brand names in Kazakhstan. We launched our **Beeline** brand name in Ukraine in April 2006 and rolled out our **Beeline** brand name in Uzbekistan and Tajikistan in 2006 and in Georgia in 2007. Primarily as a result of our innovative marketing and licensing efforts, our **Beeline** brand name is among the most recognized brand names in Russia. For the past two years, our **Beeline** brand name has been named the most valuable brand in Russia by Interbrand Group, with a current estimated value of more than US\$5.0 billion.

Product and service innovation. We offer wireless services packages designed to address the specific needs of major target market segments. Our contract services packages offer features targeted at large corporate and high value subscribers. We offer our business clients a wide range of GPRS-based services and we continue to seek out new products and services to provide our subscribers with faster access and easier usage. Our prepaid services packages offer features targeted at the mass market subscriber segment. In 2007, we expect to roll out new forms of messaging services, expand our mobile Internet services spectrum, and provide a wider and better range of information and entertainment, or infotainment, services.

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

Broad distribution network. As of December 31, 2006, we had one of the largest distribution networks for wireless services in Russia with over 2,580 independent dealers and over 32,850 points of sale. Our prepaid scratch cards could be purchased at over 158,640 locations throughout Russia. In 2006, our company collected cash from subscribers at over 87,870 points throughout Russia.

Unified, sophisticated wireless network. We believe that we are the only wireless operator in Russia to establish a unified wireless network system throughout our entire coverage area in Russia. This allows us to have a centralized billing system and uniform product launches. We build our wireless networks with advanced technology from the world's leading wireless telecommunications equipment suppliers, such as Alcatel, Ericsson and Nokia, in order to provide our subscribers with high-quality, dependable networks capable of offering enhanced value added services and features. We provide GPRS service throughout our entire coverage territory in Russia and in December 2004, we were the first operator in Russia to commercially launch EDGE technology. EDGE is an advanced, high-speed data transmission technology that allows for

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faster data transmission, as well as the ability to transmit audio/video streaming. As of December 31, 2006, EDGE technology was in commercial operation in more than 45 regions in Russia. We expect to launch EDGE technology in an additional 10 regions in 2007.

Strategy

Our corporate strategy focuses on three major areas: extracting maximum value in Russia, growing our business in the CIS and capturing attractive opportunities to expand into adjacent areas. The cornerstones of this strategy are as follows:

Extract maximum value in Russia. According to AC&M Consulting, as of the end of 2006, there were 152.0 million wireless subscribers in Russia, where the penetration rate grew to 105.0%. As the wireless market in Russia has reached saturation, we are focusing less on subscriber market share growth and more on revenue growth. Our strategy is to continue revenue growth in Russia by:

Improving ARPU from our existing subscribers. Our current business plan focuses on increasing ARPU from our existing subscribers. As subscriber growth rates have slowed, the Russian cellular market has focused more on ARPU growth than on subscriber market share growth. In connection with our focus on revenue growth, for the first time, our ARPU increased on a year-to-year basis instead of decreasing. In 2006, our ARPU in Russia grew to US\$7.9 from US\$7.4 in 2005. In the long-term, we expect ARPU to gradually increase as Russia's average disposable income also increases and as a result of the introduction and marketing of new, specialized products and services to existing subscribers and new corporate and business subscribers.

Increasing market share in high value segments. As the market in Russia has now matured, we believe that a key growth opportunity will be the acquisition of high value subscribers from our competitors. We continue to develop specific product and tariff solutions to attract this segment and we launched a number of both national and local tariffs aimed at this segment in 2006.

Improving subscriber loyalty. We recognize the need to continuously build and increase the loyalty of our subscribers, particularly in the high value segment. Accordingly, we have developed marketing activities specifically designed to promote subscriber loyalty.

Remaining competitive in the acquisition of subscribers that are looking for a new operator. Although the Russian cellular market has reached saturation, churn remains relatively high due to the absence of handset subsidies and the large number of prepaid subscribers. In addition, every year there are a number of new mobile users entering the market who are using mobile phones for the first time (in particular, school-age children). As such, we believe that we can continue to attract a solid number of new subscriber acquisitions each year and we remain focused on attracting these segments.

Selectively acquiring regional operators. We have expanded in the regions of Russia primarily through organic growth, augmented by a few selective acquisitions of existing operators for the primary purpose of obtaining their subscribers or to gain access to regions for which we do not have licenses. Our growth strategy has served us well and we intend to continue to expand in the regions in this manner.

Grow our business in the CIS. With our recent acquisitions of wireless companies in the CIS, we believe that we are well positioned to become a leading international telecommunications service provider. We will continue to expand our commercial operations in the CIS by leveraging the strengths of our unified national business model, which we have designed and implemented in Russia. This business model draws on our considerable knowledge, experience and expertise with respect to technology and customer service. In 2006, we successfully rolled out the core elements of this unified business and technology platform to many of our acquired companies in the CIS and intend to continue to roll it out in each of the markets of the CIS where we operate. We believe that implementing our unified business model throughout the CIS will enable us to more quickly build a sophisticated network

infrastructure, increase network standardization and achieve greater economies of scale in the areas of sales and marketing, customer service, information technology, billing and human resources. We also intend to introduce our Beeline brand name across our CIS mobile operations, which will provide us with a single, strong, international brand name from which to market our services and products. Furthermore, we remain interested in further acquisitions in the CIS, should opportunities arise on favorable terms.

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Capture attractive opportunities to expand into adjacent areas. As part of our overall business strategy, we will also explore attractive opportunities to expand into adjacent areas where our experience and existing platforms provide a strong foundation for successful execution.

In addition to these three primary strategic areas, we are also focusing on promoting greater efficiency throughout our operations and on building and sustaining strong management capabilities, including fostering open communications and a transparent operating structure.

GSM Licenses

We hold GSM licenses for seven out of eight of Russia's super-regions: the Moscow license area, the Central and Central Black Earth license area, the North Caucasus license area, the Northwest license area (which includes the City of St. Petersburg), the Siberian license area, the Ural license area and the Volga license area. In total, our super-regional GSM licenses cover approximately 94.0% of Russia's population and permit us to operate a unified dual band GSM-900/1800 network. Five out of our seven super-regional GSM licenses in Russia, including our GSM license for the Moscow license area, will expire in April 2008. For a description of some of the risks associated with the expiration of these licenses, please see the section of this Annual Report on Form 20-F entitled "Item 3 Key Information D. Risk Factors Risks Related to Our Business." Five out of our seven super-regional GSM licenses in Russia, including our GSM license for the Moscow license area, will expire in 2008 and any failure on our part to extend existing licenses or procure new licenses to replace our existing licenses may have a material adverse effect on our business and results of operations.

Our GSM license for the Ural super-region was previously held by Vostok-Zapad Telecom. On April 28, 2006, we completed the merger of Vostok-Zapad Telecom into VimpelCom. Following the completion of the merger of Vostok-Zapad Telecom into VimpelCom, we promptly filed applications to re-issue the licenses, frequencies and permissions that were previously held by Vostok-Zapad Telecom to VimpelCom. To date, all the licenses previously held by Vostok-Zapad Telecom have been re-issued to us; however, not all of the frequencies and permissions previously held by Vostok-Zapad Telecom have been re-issued. For a description of some of the risks associated with the reissuance of the frequencies and permission, please see the section of this Annual Report on Form 20-F entitled "Item 3 Key Information D. Risk Factors Risks Related to Our Business." If the frequencies and permissions previously held by the Merged Companies are not re-issued to us, or are not re-issued to us in a timely and complete manner, our business may be materially adversely affected.

We do not currently hold a GSM super-regional license for the Far East super-region of Russia. As a result of our acquisitions of DalTelecom and STM, we currently hold GSM-1800 and D-AMPS licenses in four of the 15 regions within the Far East super-region: Amur Region, Kamchatka Region, Khabarovsk Krai and Sakhalin region.

In addition to the seven super-regional GSM licenses, we hold GSM licenses for the following five territories, all of which are located within the seven super-regions: Kaliningrad, within the Northwest region; Samara, within the Volga region; Orenburg, within the Ural region; and the Kabardino Balkarskaya Republic and the Karachaevo Cherkesskaya Republic, both within the North Caucasus region.

KaR-Tel holds a national GSM license for the entire territory of Kazakhstan. URS holds a GSM-900 license that covers the entire territory of Ukraine and a GSM-1800 license that covers 24 of Ukraine's 27 administrative regions (including the Kyiv Region, but excluding the City of Kyiv, the Dnipropetrovsk Region and the Odessa Region). Our acquisition of URS is currently being challenged by Telenor. For a discussion of some of the risks associated with our acquisition of URS, 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." We have a limited non-compete agreement with our strategic shareholders and our strategic shareholders may pursue different development strategies from us and one another in Russia, the CIS or other regions, which may hinder our company's ability to expand and/or compete in such regions and may lead to a further deterioration in the relationship between our two strategic shareholders, "Item 3 Key Information D. Risk Factors Risks Related to Our Business." Our acquisition of URS is being challenged by Telenor and may be challenged by other parties and "Item 3 Key Information D. Risk Factors Risks Related to Our Business." The Telenor Nominees are alleging possible conflicts of interest arising from the alleged business relationships between the Alfa Group Nominees and the sellers of URS, and are claiming that our disclosure with respect to the URS acquisition is inadequate.

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Tacom holds national GSM-900/1800, UMTS and AMPS licenses for the entire territory of Tajikistan. Unitel holds national GSM-900 and 1800 licenses covering the entire territory of Uzbekistan. Armentel is a fixed-line and mobile operator, which holds a license in the GSM-900 standard for the entire territory of Armenia and a radio frequency permit for fixed-line communications with CDMA equipment. Mobitel holds GSM-1800 licenses for the entire territory of Georgia. It also holds licenses for radio frequency spectrum and numbering capacity usage.

On April 20, 2007, the Federal Communications Agency announced that our company was awarded one of three 3G licenses. For additional information relating to the risks relating to the 3G license award, see the section of this Annual Report on Form 20-F entitled **Item 3 Risk Factors** 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 following tables summarize the principal terms of our GSM licenses, including the license areas, issue dates, start-of-service requirements, expiration dates, line capacity requirements and territorial coverage requirements.

Principal Terms of our Super Regional GSM Licenses in Russia⁽¹⁾

	Issue Date	Expiration Date
Moscow	Apr. 28, 1998	Apr. 28, 2008
Central and Central Black Earth	Apr. 7, 2000	Apr. 28, 2008
North Caucasus	Apr. 7, 2000	Apr. 28, 2008
Northwest	Sep. 12, 2002	Sep. 12, 2012
Siberian	Apr. 7, 2000	Apr. 28, 2008
Ural ⁽²⁾	Nov. 14, 2002	Nov. 14, 2012
Volga	Apr. 7, 2000	Apr. 28, 2008

- (1) In connection with the mergers of VimpelCom-Region and KB Impuls into VimpelCom, the licenses previously held by VimpelCom-Region and KB Impuls were re-issued to VimpelCom. Unlike the previous licenses, the newly reissued licenses do not set forth any start-of-service, territorial coverage or line capacity requirements.
- (2) We hold (i) a GSM license covering all 12 territories of the Ural super-region, which has certain requirements related to the licensed territories; (ii) a GSM-900/1800 license for the following territories within the Ural super-region: Komi Republic, Udmurtskaya Republic, Kirov region, Kurgan region, Sverdlovsk region, Yamal Nenets autonomous district, the city of Kudymkar, Kudemkar metropolitan region, Yus vinsky metropolitan region, Yurlinsky metropolitan region, Kochevsky metropolitan region, Kossinsky metropolitan region, Gaynsky metropolitan region; and (iii) a GSM-1800 license for the following territories within the Ural super-region: Orenburg region, Tyumen region, Chelyabinsk region, Hanty-Mansiysky autonomous district - Yugra, Permsky 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. Following the completion of the merger of Vostok-Zapad Telecom into VimpelCom, we promptly filed applications to re-issue the licenses, frequencies and permissions that were previously held by Vostok-Zapad Telecom to VimpelCom. To date, all the licenses previously held by Vostok-Zapad Telecom have been re-issued to us. However, the frequencies and permissions previously held by Vostok-Zapad Telecom have not yet been re-issued. For a description of some of the risks associated with the re-issuance of the frequencies and permissions previously held by Vostok-Zapad Telecom to VimpelCom, please see the section of this Annual Report on Form 20-F entitled **Item 3 Key Information D. Risk Factors Risks Related to Our Business** If the frequencies and permissions previously held by the Merged Companies are not re-issued to us, or are not re-issued to us in a timely and complete manner, our business may be materially adversely affected.

Principal Terms of our Territorial GSM Licenses in Russia

License Area	Issue Date	Start-of- Service Requirement	Expiration Date	Compliance Date	Certain Requirements ⁽¹⁾		
					Line Capacity No Less Than	Population Coverage (%)	
Amur Region ⁽²⁾	Jan. 10, 2002	July 10, 2003	Jan. 10, 2012	n/a	n/a	n/a	n/a

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Kabardino Balkarskaya Republic ⁽³⁾	Mar. 17, 2000	Mar. 17, 2001	Mar. 17, 2010	Dec. 31, 2001	500	5.0%
				Dec. 31, 2002	1,300	10.0%
				Dec. 31, 2004	3,000	30.0%
				Dec. 31, 2009	5,000	60.0%
Kamchatka Region ⁽⁴⁾	Jan. 10, 2002	July 10, 2003	Jan. 10, 2012	n/a	n/a	n/a
Karachaevo Cherkesskaya Republic ⁽⁵⁾	May 19, 2000	May 19, 2001	May 19, 2010	Dec. 31, 2001	100	10.0%
				Dec. 31, 2010	40,000	60.0%
Khabarovsk Krai ⁽⁶⁾	Jan. 10, 2002	July 10, 2003	Jan. 10, 2012	n/a	n/a	n/a
Orenburg ⁽⁷⁾	June 13, 2000	Aug. 15, 2001	June 13, 2010	n/a	n/a	n/a
Sakhalin ⁽⁸⁾	Oct. 18, 2001	April 18, 2003	Oct. 18, 2011	Dec. 31, 2002	1,000	n/a
				Dec. 31, 2005	10,000	
				Dec. 31, 2011	30,000	
Samara ⁽⁹⁾	April 17, 2002	Oct. 17, 2003	April 17, 2012	n/a	n/a	n/a

- (1) In connection with the re-issuance of the licenses previously held by the Merged Companies, VimpelCom received newly re-issued licenses, which, unless otherwise noted, do not contain any of these requirements.

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- (2) The GSM-1800 license for the Amur Republic, which is part of the Far East super region, was previously held by DalTelecom. On April 28, 2006 and May 31, 2006, we completed the mergers of the Merged Companies into VimpelCom. Following the completion of the mergers, we promptly filed applications to re-issue the licenses, frequencies and permissions that were previously held by the Merged Companies to VimpelCom. All the licenses previously held by the Merged Companies were re-issued to VimpelCom. However, some of the frequencies and permissions previously held by the Merged Companies are currently in the process of being re-issued to us. For a description of some of the risks associated with the re-issuance of the frequencies and permissions previously held by the Merged Companies to VimpelCom, please see the section of this Annual Report on Form 20-F entitled "Item 3 Key Information D. Risk Factors Risks Related to Our Business". If the frequencies and permissions previously held by the Merged Companies are not reissued to us, or are not reissued to us in a timely and complete manner, our business may be materially adversely affected.
- (3) The GSM-900 license for the Kabardino Balkarskaya Republic, which is part of the North Caucasus super region, is held by Kabardino Balkarsky GSM.
- (4) The GSM-1800 license for the Kamchatka Republic, which is part of the Far East super region, was previously held by DalTelecom. See Note (2).
- (5) The GSM-900 license for the Karachaevo Cherkesskaya Republic, which is part of the North Caucasus super region, is held by Karachaevo Cherkessk TeleSot.
- (6) The GSM-1800 license for Khabarovsk Krai, which is part of the Far East super region, was previously held by DalTelecom. See Note (2).
- (7) The GSM-900/1800 license for the Orenburg region, which is part of the Ural super region, was previously held by OrenSot. See Note (2).
- (8) The GSM-1800 license for the Sakhalin region, which is part of the Far East super-region, is held by STM.
- (9) The GSM-1800 license for Samara, which is part of the Volga super-region, was previously held by Beeline-Samara. See Note (2).

Principal Terms of our GSM Licenses in the CIS

License Area	Issue Date	Expiration Date	Territorial Coverage
Kazakhstan ⁽¹⁾	Aug. 24, 1998	Aug. 24, 2013	Entire territory of Kazakhstan
Uzbekistan ⁽²⁾			
Unitel - GSM-900/1800	Jan. 6, 2005	Aug. 6, 2016	Entire territory of Uzbekistan
Buztel - GSM-900/1800	July 21, 2005	July 21, 2020	Entire territory of Uzbekistan
Ukraine ⁽³⁾			
GSM-900	Jan. 13, 2004	April 28, 2010	Entire territory of Ukraine
GSM-1800	Oct. 14, 2005	Oct. 14, 2010	23 out of 27 administrative regions
GSM-1800	Dec. 15, 2005	Dec. 15, 2020	The Kyiv region
Tajikistan ⁽⁴⁾	June 18, 2004	June 18, 2009	Entire territory of Tajikistan
Armenia ⁽⁵⁾	March 3, 1998	March 3, 2013	Entire territory of Armenia
Georgia ⁽⁶⁾	Aug. 30, 2005	July 23, 2013	Entire territory of Georgia

(1) KaR-Tel holds a national GSM-900 license.

(2)

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Buztel previously held GSM-900/1800 licenses. Unitel holds GSM-900/1800 licenses. On July 24, 2006, we merged Buztel into Unitel. Unitel filed applications for the re-issuance of Buztel's licenses and related frequencies and permissions to Unitel (the license was cancelled and all the frequencies which were previously held by Buztel were re-issued to Unitel as an amendment to its license). Licenses, frequencies and permissions were re-issued to Unitel in a timely manner and on the same terms and conditions as the licenses of Buztel.

- (3) URS holds GSM-900/1800 licenses.
- (4) Tacom holds national GSM-900/1800, UMTS, and AMPS licenses.
- (5) Armentel holds a license in the GSM-900 standard.
- (6) Mobitel holds GSM-1800 licenses. On July 12, 2006, we acquired a 51.0% interest in Mobitel and a call option for the remaining 49.0% interest.

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Services

We generally offer the following wireless services to our subscribers:

voice telephony service;

value added services using such technologies as Unstructured Supplementary Services Data, or USSD, Sim ToolKit, Cell Broadcast, WAP, GPRS and MMS, and in select areas, EDGE technology;

access to both national and international roaming service; and

other services.

Voice telephony services

We primarily offer our services to our subscribers under two types of payment plans: contract plans and prepaid plans. As of December 31, 2006, approximately 3.8% of our subscribers in Russia were on contract plans and approximately 96.2% of our subscribers in Russia were on prepaid plans. As of December 31, 2006, approximately 1.2% of our subscribers in the CIS, excluding Russia, were on contract plans and approximately 98.8% of our subscribers in the CIS were on prepaid plans. For more information on our tariff plans, please see [Tariff Plans](#) below.

Value added services

In addition to basic wireless communications services, we currently offer a number of value added services, including non-voice services. We offer the following value added services, some of which are available only to our Russian subscribers:

Basic value added services. We provide our contract and prepaid subscribers with a variety of basic value added services, such as caller-ID, calling line identity restriction, favorite number, voice mail, call forwarding, call waiting, call barring, conference call and [Be Aware](#). Our [Be Aware](#) service informs subscribers via SMS about incoming calls received when their cell phone is out of our service range (e.g., while roaming) or turned off.

Messaging. In 1999, we introduced SMS to our subscribers. SMS enables our subscribers to exchange short text messages with other subscribers in our network, as well as subscribers of some of our competitors. In May 2002, we launched MMS on a trial basis, free of charge. In January 2004, we started charging for MMS service. In September 2005, we introduced [SMS Packages](#), which allows our subscribers to purchase at a discount SMSs in groups of 25, 50 and 300. In March 2007, we introduced [Talking Letter](#), which enables our customers to exchange short voice messages with other subscribers in our network.

Infotainment. We provide numerous infotainment services to our subscribers through our [Beeonline](#) portal and consider ourselves a leader in providing dynamic infotainment services to our subscribers. Most recently, in late 2006, we were the first Russian operator to provide our subscribers with music content offered by two major music companies (Warner Music International and Universal) to subscribers' mobile phones. Using this service, our subscribers can download and then listen to songs from a large database of music directly on their handsets. In 2006, we also rolled out a new version of our WAP-portal. The WAP-portal provides our subscribers with entertainment and useful information, such as how to download content onto their mobile phones.

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Mobile Internet. Our various mobile Internet services give our subscribers access to the Internet via mobile devices, such as mobile handsets, personal digital assistants and laptops. We launched commercial GPRS-WAP and GPRS-Internet services in April 2002. GPRS is the second generation of high-speed data transmission techniques and Internet connectivity for mobile phones. With GPRS, subscribers can access the Internet any time and any place. We currently provide GPRS services both to our contract and prepaid subscribers in 75 regions of Russia and while traveling internationally. As of December 31, 2006, we had 285 GPRS roaming partners in 120 countries. In addition, we are currently introducing WLAN services to our

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subscribers in the Moscow license area and EDGE technology in several regions of Russia. EDGE is an advanced, high-speed data transmission technology that allows for faster data transmission, as well as the ability to transmit audio/video streaming. We launched a new GPRS initiative called the GPRS4ALL Project in April 2006, which we completed in October 2006 in all the Russian regions within which we operate. The aim of this project was to connect all existing and new subscribers to our GPRS services. In addition, we have recently introduced a new flexible tariff scheme for GPRS-Internet, including a Night Internet tariff plan that allows our subscribers to use the Internet at discounted prices during evening hours.

M-Commerce. We offer M-Commerce services that enable our subscribers to purchase goods and services directly through their cell phones. Since its introduction in early 2005, the range of goods and services accessible to our subscribers through this service has increased. For example, our subscribers now have the ability to make payments for Internet services through their cell phones. By summer 2007, our subscribers will also be able to make payments for vending machines, cinema tickets and utilities through their handsets. We are also working on a program that allows our subscribers to top up their Beeline accounts via their mobile phone by direct debit from their bank/ATM cards. As of the end of 2006, we have launched this service with two partner banks, including Alfa Bank, and plan to increase the number of participating banks in 2007.

Services for our corporate and high value users. We provide our corporate and high value users with additional value added services, such as Fixed Mobile Convergence, which provides unified phone numbers for office and mobile telephones, Wireless PBX, a special virtual private network for corporate clients, access to corporate networks via GPRS, which allows subscribers to access corporate email and other resources via their cell phone, and corporate SMS, e-mail and voice services. In 2006, we introduced several new products and services for our corporate clients, such as Mobile Office, a turnkey solution for access to corporate resources from laptops through data transmission via GPRS and others, Favorite Region, a program that allows our corporate subscribers to make intercity calls to their regional business divisions with 50.0% discounts and All Included, a service that provides unlimited local mobile traffic on numbers in a single account.

Services designed to improve customer convenience. We offer three major customer convenience products: Universal Payment System, Flexible Recharge and Services Management. Through the Universal Payment System, our subscribers can make payments from a number of convenient locations throughout Russia (including our sales offices, dealers sales outlets, supermarkets, bank branches, gas stations, ATM machines and the Internet). Prepaid subscribers may also replenish their prepaid balances using this service. Flexible Recharge offers further convenience to our subscribers by providing them with additional ways to replenish their accounts. With this service, our subscribers can activate a payment card for another account. Services Management allows our subscribers to turn on and off value added services, change billing plans and request information about outstanding balances and fees, billing plans and lists of activated services, etc. Access to Services Management is provided via USSD, interactive voice response, the SIM Toolkit or the Internet. USSD technology allows for the transmission of information through our GSM network, which provides us with another way to offer value added services to our subscribers. USSD provides subscribers with a faster, more convenient method to activate prepaid scratch cards and Universal Payment Cards, become notified of remaining prepaid balances and gain access to Beeline and Services Management.

Roaming

Roaming allows our subscribers, and subscribers of other wireless operators, to receive and make international, local and long distance calls while outside of their home network. Our roaming service is instantaneous, automatic and requires no additional equipment. Because GSM interacts with other standards used by our roaming partners, GSM subscribers can make and receive calls in other locations that also operate a GSM network. As of December 31, 2006, we had active roaming agreements with 540 GSM providers in 194 countries in Europe, Asia, North America, South America, Australia and Africa. In addition, as of December 31, 2006, we provided GPRS roaming with 276 operators in 113 countries, including all major European countries and the United States. As of December 31, 2006, we also had domestic roaming agreements with 49 regional GSM providers in Russia, which provide roaming for our subscribers in more than 220 cities across Russia. We expect to continue entering into additional roaming agreements around the world and in Russia.

Roaming is provided through individual agreements between us and our roaming partners. Generally, each agreement provides that the operator hosting the roaming call send us a bill for the roaming services used by our subscriber while on the host's network. We pay the host operator directly for the roaming services and then bill the amount due for the provision of roaming services in our subscriber's monthly bill.

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We also have both international and domestic (TAP-file based) roaming services for our prepaid GSM subscribers. In 2003, we became the first Russian wireless company to launch customized application for mobile network enhanced logic, or CAMEL, an intra-network prepaid roaming service. This service allows prepaid subscribers to automatically receive access to roaming services provided they have a positive balance on their accounts. We believe that CAMEL is a unique business service proposition that allows us to implement real time cost control, provide more dynamic service to our clients and reduce bad debt. As of December 31, 2006, we provided CAMEL roaming with 109 operators in 86 countries.

In the CIS, we have entered into roaming arrangements for international and domestic services in each of the countries in which we operate. In 2006, Tacom and URS launched GPRS based roaming services and we also implemented CAMEL throughout Uzbekistan, Ukraine and Tajikistan.

As of December 31, 2006, Kar-Tel had roaming agreements with 269 GSM providers in 101 countries, GPRS roaming with 22 operators in 16 countries and CAMEL roaming with 10 operators in eight countries; Unitel had roaming agreements with 148 providers in 83 countries and CAMEL roaming with four providers in four countries; URS had roaming agreements with 117 providers in 81 countries, GPRS roaming with one operator and CAMEL roaming with 27 operators in 24 countries; Tacom had GPRS roaming with four providers and CAMEL roaming with four providers in four countries; and Armentel had roaming agreements with 181 GSM providers in 80 countries. As of December 31, 2006, we did not have roaming arrangements for our subscribers in Georgia.

Tariff Plans

We offer to both our contract and prepaid subscribers a variety of tariff plans, each appealing to a specific subscriber segment and designed to fit different calling patterns. Our principal tariff plans are marketed under our *Beeline* trade name in Russia and Kazakhstan. In addition, we continue to market our services under the *K-mobile* and *EXCESS* brand names in Kazakhstan. In 2006, we launched our *Beeline* brand name in Ukraine, Uzbekistan and Tajikistan. In 2007, we plan to begin commercial operations under the *Beeline* brand name in Georgia and to roll out our *Beeline* brand name in Armenia.

In 2006, we launched five national Russian ruble-denominated tariffs plans for our prepaid subscribers with no monthly fees: *Speak Easy* (a plan with one uniform price for all outgoing calls), *Family* (a plan that offers a 50.0% discount on all calls to other *Beeline* subscribers), *City* (calls to fixed telephone lines are set at a low price of 1.5 Russian rubles per call), *Click & Speak* (a plan with one low price for all Internet access) and *Want to Speak* (a plan that offers a 90.0% discount after subscribers use their phones for a set number of minutes of outgoing calls per day).

We also launched in 2006 a number of local tariff plans in addition to the national ones described above. The most popular local tariff plan that we offer is *Friends*, a plan with one uniform price for all outgoing calls and no monthly fee.

The following tables summarize the material terms of our most popular tariff plans as of December 31, 2006, excluding value added tax (except for in Uzbekistan):

Tariff Plans in Russia

	Prepaid Plans					Contract Plans ⁽¹⁾	
	Speak Easy	Family	City	Click & Speak	Want to Speak	Live Easy 60-480	Free Style
Connection	Federal or Local	Federal	Federal	Federal	Federal or Local	Federal or Local	Federal or Local
Monthly fee (US\$)	None	None	None	None	None	12.00-70.00	139.00-165.00
Monthly airtime for local calls	None	None	None	None	None	60-480 minutes	Unlimited
Per minute, local calls (US\$)	Prices vary depending on the region of Russia where the subscriber is located.					0.10-0.19	None

(1) Not all contract plans are available in every region of Russia.

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	Prepaid Plan Beeline		Contract Plans	
	Speak Easy	K-mobile (Various Plans) ⁽¹⁾	K-mobile Gold	K-mobile Platinum
Connection	Federal	Federal	Federal	Federal
Monthly fee (US\$)	None	None	7.50	11.20
Monthly airtime for local calls	None	None	30 minutes	60 minutes
Per minute, local calls (US\$)	0.28	0.14-0.33	0.16-0.28	0.15-0.26

(1) Includes the following K-mobile contract plans: Standard, Business, Business + and Classic.

Tariff Plans in Ukraine

	Prepaid Plans			Contract Plans		
	Various Plans ⁽¹⁾	Sweet Life	Personal	Expert	Manager	Free Style
Connection	Federal	Federal	Federal	Federal	Federal	Federal
Monthly fee (US\$)	None	None	4.12	4.12	53.63	105.61
Monthly airtime for local calls	None	None	None	None	500-1,000	1,000 - unlimited
Per minute, local calls (US\$)	0.002-0.16	0.08-0.16	0.00-0.16	0.00-0.12	0.01-0.11	0.11

(1) Includes the following prepaid plans: Simple Things, Popular, Speak Easy and others.

Tariff Plans in Uzbekistan⁽¹⁾

	Prepaid Plans					Contract Plans			
	Live Easy	Want to Talk	Simple Things	Jive	Step	Salsa	Tango	VIP Lux	VIP Elite
Connection	Local	Local	Local	Local	Local	Local	Local	Local	Local
Monthly fee (US\$)	None	None	None	5.00	10.00	16.00	25.00	65.00	90.00
Monthly airtime for local calls	None	None	None	None	200	400	800	3,000	6,000
Per minute, local calls (US\$)	0.03-0.10	0.02-0.10	0.02-0.10	0.02-0.07	0.02-0.05	0.02-0.04	0.02-0.03	0.03	0.02

(1) Prices include VAT of 20.0%.

Tariff Plans in Tajikistan

	Prepaid Plan Simple Things
Connection	Local
Monthly fee (US\$)	None
Monthly airtime for local calls	None
Per minute, local calls (US\$)	0.02-0.12

Tariff Plans in Armenia

Prepaid Plans Contract Plans

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	Easy	Go	Basic	Corporate ⁽¹⁾
Connection	Federal	Federal	Federal	Federal
Monthly fee (US\$)	None	None	8.08	6.79-4.02
Monthly airtime for local calls	None	None	None	None
Per minute, local calls (US\$)	0.12-0.15	0.11	0.08-0.10	0.04-0.08

(1) Includes the following plans: Standard, Universal, Premium, Team and Corporation.

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Customer service

We place a high priority on providing consistently high quality customer service to our subscribers. We provide customer service in both Russian and English, 24 hours a day, seven days a week. We now have customer service centers in all of our sales offices throughout the country, including 15 dedicated walk-in centers in Moscow. In addition, we handle the majority of our customer contacts through 13 call centers. Automation has significantly improved our ability to provide high quality customer service to our subscribers. As of December 31, 2006, we employed approximately 3,500 service representatives in our subscriber service department (of which approximately 3,050 were in Russia and approximately 450 were in the CIS), as well as a varying number of personnel on temporary contracts in support functions. Service representatives handle subscriber activation and disconnection, follow up with subscribers who are late in paying their bills and answer questions regarding equipment usage, billing and disconnection due to lack of payment. We have invested and will continue to invest in our information technology, billing systems and customer service, including the development of call centers. We have also implemented a knowledge base system for customer service in all the regions of Russia where we operate.

Customer Payments and Billing

In 2002, we installed a new Customer Care and Billing system, called CCBS Ensemble, to support expected subscriber growth, geographic expansion and the introduction of new services. The accuracy and flexibility of CCBS Ensemble are important components in our strategy to provide efficient and responsive customer service and also permit us to generate accurate and timely subscriber information and analysis. Through CCBS Ensemble, we have integrated our billing, ordering and collection processes onto a single platform, which eliminates the need for redundant systems and enhances our customer service. CCBS Ensemble has supported and will continue to support us in the rapid deployment of advanced next generation services, such as online stock quotes, traffic reports and entertainment services using mobile devices. It has also been instrumental in enabling us to become the first wireless telecommunications operator to offer commercial GPRS in Russia.

In order to reduce our exposure to U.S. dollar devaluation, we established an internal exchange rate for subscriber invoices and began requiring payment for subscriber invoices specified in U.S. dollar equivalents to be made in Russian rubles based on our fixed exchange rate of 28.7 Russian rubles. In order to meet Russian legal requirements, we plan to migrate all of our U.S. dollar linked tariff plans to Russian ruble denominated tariff plans in July 2007. For more information, please see [Item 3 Key Information D. Risk Factors Risks Related to Our Business](#). As we switch to Russian ruble denominated tariff plans, our business and results of operations may be materially adversely affected.

Subscribers are required to pay their bills within 25 days of the invoice date. If bills are not paid on time, we block all outgoing calls and subscribers are charged a penalty fee (0.02% of the invoice amount for each day overdue). After 35 days, the telephone number of the subscriber is blocked. In order to reduce the risk of bad debt, we require prospective subscribers to provide copies of valid passports, check the potential subscriber against a list of known bad debtors and enforce credit limits on deposits. Contract subscribers have their telephone number blocked when their accounts become more than 35 days overdue and have their wireless service terminated when their accounts become more than 60 days overdue. Our current policy is to terminate our prepaid subscribers 180 days after their services have been suspended. We typically block a prepaid subscriber's service in two cases: (1) their balance drops to US\$0 or below, or (2) an account shows no chargeable activity for six months.

Marketing and Sales

Target subscribers

We separate our primary target subscribers into three large groups:

large corporate subscribers;

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small and medium-size business subscribers and high income individual subscribers; and

mass market subscribers.

Businesses and governmental entities that use mobile services on a contract basis are grouped together as part of our corporate segment and further subdivided according to the number of personnel employed by the entity: (1) large corporate subscribers are those with more than 600 employees, and (2) small and medium-size business subscribers are those with 600 employees or less.

As of December 31, 2006, we had a total corporate subscriber base of approximately 1.84 million, of which approximately 66.0% were comprised of small and medium-size businesses and approximately 44.0% were comprised of large corporate subscribers, compared to approximately 1.31 million as of December 31, 2005. Our corporate segment generated approximately 9.0% of our total revenues in 2006.

The typical large corporate subscriber is less price sensitive, uses more airtime and pays on a contract basis for our wireless services. We provide our corporate and high use subscribers with a range of additional value added services, including specialized customer service, tailored pricing arrangements and access to sophisticated technical opportunities, such as individual corporate wireless networks.

The typical mass market subscriber is more price sensitive, uses less airtime and prepays for our wireless services. As a result of our mass marketing efforts, combined with a growing acceptance among Russians of wireless telecommunications and declining costs associated with obtaining such services, we are attracting a large number of subscribers from the mass market and expect this trend to continue.

Our subscriber growth has been primarily fueled by GSM subscribers, given the popularity of the GSM standard and our network capacity. Through our GSM network, we are able to offer a number of advanced services to the corporate and high value subscriber, while at the same time provide lower priced services for the more cost-sensitive mass market subscriber.

Advertising

We advertise our services and products under the Beeline brand name, which we believe is one of the most recognized brand names in Russia. In April 2005, we launched a marketing campaign to re-style our major brand name, changing it from Bee Line GSM to Beeline. As part of the campaign, we introduced a new logo and unveiled a new corporate strategy, which focuses on customer service and building longer-term relationships with our subscribers. We provide promotional information in our subscriber invoices and on our prepaid cards to inform subscribers of alternative pricing arrangements, dealer locations and new value added services targeted to specific market segments. Advertising has been placed in popular publications, on radio and television and via outdoor media. We conduct our advertising campaigns in cooperation with our licensees to further increase the exposure of the Beeline brand name. We derive substantial marketing benefits from brand recognition, both with existing subscribers traveling outside of our service areas and with potential new subscribers moving into our license areas. We also work with dealers on joint advertising and to ensure that the integrity and high quality image of the Beeline brand name is preserved. For the past two years, our Beeline brand name has been named the most valuable brand in Russia by Interbrand Group, with a current estimated value of more than US\$5.0 billion.

Distribution and marketing

As of December 31, 2006, we had one of the largest distribution networks for wireless services in Russia with over 2,580 independent dealers and over 32,850 points of sale. In 2005, we entered into dealer agreements with five national wireless retail chains in Russia and in 2006, we entered into dealer agreements with an additional two national wireless retail chains in Russia. As of the end of 2006, the seven agreements with the national chains collectively had over 8,260 points of sale across Russia. In addition, as of December 31, 2006, our prepaid scratch cards could be purchased at over 158,640 locations across Russia. We sell prepaid scratch cards at our sales offices as well as through a network of dealers and various retail distribution channels, such as bank branches, supermarkets, grocery stores, kiosks, restaurants and gas stations. Subscribers may also replenish their prepaid balances and pay credit invoices through our Universal Payment System service. Subscribers can make payments through the Universal Payment System at one of many cash collection points located throughout Russia (including our sales offices, dealers sales outlets, supermarkets, bank branches, gas stations, ATM machines and the Internet). In 2006, our company collected cash from subscribers at over 87,870 points throughout Russia.

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Our distribution strategy currently focuses on making our products and services more affordable and available to potential new and existing subscribers. As a result of this strategy, we tend to attract a greater mix of mass-market subscribers, most of whom enroll through independent dealers as compared to our corporate and high value customers who mostly enroll directly with us.

Dealer commissions in Russia continued to decline in 2006. In 2006, we continued implementing our distribution platform for sales throughout the CIS and have introduced a unified process for dealer commission payments in each of the countries in which we operate. Average dealer commissions tend to be lower in the CIS countries and in regions of Russia outside of the Moscow license area. As the proportion of prepaid subscribers was higher as a percentage of our total subscriber base and dealer commissions per subscriber were decreased in our dealer agreements, our average dealer commissions per subscriber have decreased. We expect dealer commissions to remain stable in 2007. We believe that we enjoy a good relationship with our dealers. We believe that our prompt and accurate payments to dealers, our timely delivery of products and services and our dealer relationship policies provide us with an advantage over our competitors.

The table below sets forth the dealer commissions in Russia and the CIS as of December 31, 2006 (in U.S. dollars, per subscriber):

	New Contract	New Prepaid
	Subscribers	Subscribers
Russia	6-100	6-25
Kazakhstan	3.2-12	4.61
Ukraine	1-2	2.5
Tajikistan	3- 6	4.5
Uzbekistan	1.2-12	3.77
Armenia		12.0% of the starting balance (US\$0.78)

Loyalty programs

Our loyalty programs are designed to retain our existing subscribers. We take a segmented approach to retaining our customers. We offer dedicated service managers to our high-revenue generating customers, as well as various loyalty programs that provide our customers with benefits for remaining a Beeline customer.

In March 2005, we launched our Hi-Light Club loyalty program for our high value (high ARPU) subscribers in the Moscow license area. Throughout 2005 and 2006, we introduced numerous services for our Hi-Light Club members, including dedicated customer service by phone and in our sales offices, discounts on handsets, free calls on the subscribers' birthday, US\$5 credit for prepaid subscribers and special services from our partners. In February 2007, we introduced this program throughout the other regions of Russia.

In December 2006, we launched a new service called Trusted Payment aimed at increasing subscriber loyalty and decreasing the amount of time our subscribers are silent. This service provides our prepaid subscribers with a short-term credit in the event they are unable to top up their balance. In April 2006, we launched a loyalty family program called Malina in the Moscow license area with other vendors and service providers. Through a variety of incentives, this program aims to decrease churn among our mass market subscribers, increase usage of Beeline services and attract target market subscribers from our competitors. As of the end of 2006, there were approximately 1.0 million Moscow families participating in this program.

Wireless Equipment and Operations*Wireless network infrastructure*

GSM technology is based on an open architecture, which means that equipment from any supplier can be added to expand the initial network. Our GSM/GPRS/EDGE networks, which use Alcatel, Ericsson, Siemens, Huawei and Nokia equipment, are integrated wireless networks of base station equipment, packet core equipment and digital wireless switches connected by fixed microwave transmission links, fiber optic cable links and leased lines.

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The table below sets forth certain information on our network equipment as of December 31, 2006:

	GSM Base			Territorial Coverage
	Stations	Base Station Controllers	Switches	
Russia	19,241	549	141	2.6 million sq. kilometers
Kazakhstan	1,791	39	8	15 major cities
Ukraine	1,653	22	7	16 major cities
Tajikistan	107	3	1	13 major cities
Uzbekistan	626	8	6	14 major cities
Armenia	205	6	2	11 major cities
Georgia	10	2	1	2 major cities

In 2007, our network development in Russia will focus on increasing our current network capacity to meet planned subscriber growth and network quality targets as well as on expanding regional network coverage in small towns. In Moscow, we intend to expand indoor and underground coverage, more rapidly adjust our network capacity to changing market demands and upgrade to new products. We also plan on strengthening our wireless networks in Tajikistan and Ukraine and expanding network coverage in Kazakhstan and Uzbekistan. In 2006, we also began our network development in Armenia and Georgia. The first phase of network development in the CIS is to cover all the big cities and areas along the main roads.

We have designed, put into operation and are constantly developing BeeNet, our fiber optic network designed to connect base stations and base station controllers to, the switches and to interconnect our mobile and gateway switches and platforms and to connect our network to other telecom operators. As of December 31, 2006, our fiber optic network in Russia included over 1,700 telecommunications nodes to which virtually all base stations are connected either directly or through microwave technology. As of December 31, 2006, we had approximately 7,670 kilometers of fiber optic cable in Russia, including 2,490 kilometers of long distance (intercity) fiber optic cable. We have an additional 4,950 kilometers of fiber optic cable currently under construction in Russia. The development of our fiber optic network is in accordance with the expansion plans of our GSM networks. Our fiber optic network is intended to help us resolve transmission capacity problems, increase reliability and quality and be independent from the providers of transmission lines. To the extent excess capacity is available on our fiber optic network, we lease the excess capacity to third parties. In 2005 and 2006 our revenues from leasing excess fiber optic capacity were approximately US\$1.4 million and US\$2.2 million, respectively.

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 space 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 antennas. We are currently engaged in a number of disputes with local environmental authorities who are requesting that our company receive ecological surveys in connection with our practice of locating base stations on the roofs of residential apartment buildings. Please see the section of this Annual Report on Form 20-F entitled Item 3 Key Information D. Risk Factors Risks Related to Our Business Failure to obtain all permits required to use frequencies or operate telecommunications equipment could result in a disruption of our business.

In order to provide a stable and error-free operation of our wireless networks, our maintenance personnel perform daily software and database integrity checks. Base stations are inspected on a rotational basis periodically. The base station inspection includes checking the battery, power supply and combiners.

Interconnect arrangements and telephone numbering capacity

We need access to a wireline network to enable our subscribers to initiate calls to, and to receive calls from, persons using wireline networks. Our interconnect agreements provide us with this access. We have interconnect agreements with several wireline service providers in Russia, including Golden Telecom, Inc., MTT, Comstar, Rostelecom and ASVT.

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Pursuant to our interconnection arrangements, we pay for the use of lines and outgoing traffic. Interconnection fees typically involve an initial one-time fee for connection, a monthly rental fee per line and a per minute of usage traffic fee for local calls, which vary depending on the destination called. In the first quarter of 2006, we began revising interconnect charges with our interconnect operators in Russia in connection with the introduction of calling party pays, or CPP, on July 1, 2006. Per these new arrangements, each fixed and mobile operator with whom we have an agreement pays for its outgoing traffic at a rate of 0.95 Russian rubles per minute. As a result, the direct negative effect of CPP (in the form of lost revenue from incoming calls) was offset by increased interconnect payments from fixed line operators and the introduction of a first minute charge on certain tariff plans.

We are required to pay 10 Russian rubles per federal telephone number allocated to us after January 1, 2005. The Federal Communications Agency allocates federal numbering capacity on a non-geographical basis for all wireless telecommunications providers in Russia. We currently believe we have been allocated sufficient federal numbering capacity for the development of our network in Russia. For more information about numbering capacity allocation, please see, Item 4 Information on the Company Regulation.

In April 2006, we received a license for long distance and international communications services. The license is valid for a period of seven years and contains the customary conditions for licenses of this kind, including a start-of-service requirement which is December 12, 2007. During 2006-2007, we intend to implement this license by deploying a multi-service federal transit network. For more information, please see the section of this Annual Report on Form 20-F entitled Item 3 Key Information D. Risk Factors Risks Related to Our Business Our ability to provide wireless services would be severely hampered if our access to local and long distance line capacity was limited or if the commercial terms of our interconnect agreements were significantly altered.

We also have a number of interconnection arrangements with fixed line operators in the CIS. In Kazakhstan, we have arrangements with AO Kazakhtelecom and TOO TNS-Plus for the purpose of routing incoming and outgoing traffic through Kazakhstan, other countries of the CIS, cellular operators and Internet traffic. We also have arrangements with Altel and K-Cell. In Uzbekistan, we have an interconnection arrangement with Uzbektelecom and in Tajikistan with Tadjiktelecom. Moreover, in Tajikistan, we have a license to provide international communications. In Ukraine, a large percentage of our long distance and international traffic is routed through Ukrtelecom, Ukomline, Utel and Golden Telecom, Inc. In Armenia, we have an arrangement with Armentelecom. In addition, Armentel has a license for long distance telecommunications service.

Handsets and accessories

Our subscribers must have a handset that can be used on our wireless networks. Subscribers can purchase handsets from us, from a dealer or supplier or from another service provider. We do not expect to earn a significant profit on the sale of handsets and accessories. Rather, we intend to sell handsets and accessories to help attract subscribers and ensure the supply of handsets in the marketplace. Therefore, we may offer handsets or accessories below cost as part of a sales promotion and in response to competition. In the future, we may consider shifting our handset sales to independent dealers as the wireless market grows and dealers retail operations develop.

We sell dual mode GSM-900/1800, dual mode AMPS/D-AMPS and tri-band GSM handsets manufactured by Sony Ericsson, Motorola, Nokia, Philips, Siemens, Alcatel and other suppliers. Alcatel and Nokia provide training to our sales force, dealers and engineering staff as well as cooperate with us on marketing and promotion. We have signed agreements with most of our major handset suppliers that allow us to establish service centers for the repair of their handsets in order to reduce the amount of time that a handset is out of service.

Competition

The Russian wireless telecommunications market

The Russian 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 wireless services is largely due to the expansion of the Russian economy and corresponding increases in disposable income; declining tariffs and the costs of handsets and accessories, which have made wireless services more affordable to the mass market subscriber segment; advertising, marketing and distribution activities, which has led to increased public awareness of, and access to, the wireless telecommunications market; and improved service quality and coverage.

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The table below indicates the number of subscribers, the wireless penetration rates and the annual subscriber growth in Russia (based on estimates of AC&M Consulting as of December 31, 2006, 2005, 2004, 2003 and 2002).

Period	Penetration		Annual Subscriber Growth
	Subscribers	Rate	
2002	18,005,000	12.4%	123.9%
2003	36,230,000	25.0%	101.2%
2004	74,350,000	51.2%	105.2%
2005	125,760,000	86.6%	69.1%
2006	151,920,000	104.6%	20.8%

The Russian wireless telecommunications market is highly concentrated. Industry analysts estimate that the top three mobile operators, MTS, our company and MegaFon, collectively held almost 84.9% of the wireless market in Russia as of December 31, 2006. Competition in Russia is intense, especially in the Moscow license area and the City of St. Petersburg, and we expect competition to increase in the future as a result of greater market penetration, consolidation in the industry, the growth of current operators and new technologies, products and services. As a result of increased competition, wireless providers are utilizing new marketing efforts to retain existing subscribers and attract new ones, including aggressive price promotions.

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

The following table illustrates our primary wireless competitors in Russia and their respective subscriber market share as of December 31, 2006.

	Subscribers in Russia	National Market Share	Market Share in Moscow	Market Share in Regions
MTS ⁽¹⁾	51,221,600	33.7%	42.2%	31.9%
VimpelCom ⁽²⁾	48,141,200	31.7%	38.2%	30.3%
MegaFon ⁽¹⁾	29,604,500	19.5%	18.9%	19.6%
Tele2 ⁽¹⁾	6,475,000	4.3%		
Uralsvyazinform ⁽¹⁾	4,412,000	2.9%		
SMARTS ⁽¹⁾	3,649,000	2.4%		

(1) Source: AC&M Consulting.

(2) Source: Company estimates.

MTS. One of our primary competitors in Russia is MTS. MTS is the largest GSM wireless operator in Russia in terms of the number of subscribers and has a greater share of the high value subscriber market and greater frequency allocations than we do, which provides MTS with a potential advantage in the quality of its GSM-900 service. MTS reportedly holds licenses to operate wireless networks in areas populated by approximately 143.5 million people in 87 regions in Russia.

According to AC&M Consulting, as of December 31, 2006, MTS had approximately 76.1 million subscribers in Russia and the CIS, including 51.2 million subscribers in Russia, representing a market share of subscribers of approximately 33.7% in Russia.

MegaFon. In addition to MTS, we also compete with MegaFon, the third largest wireless operator in Russia in terms of the number of subscribers. MegaFon holds GSM-900/1800 licenses to operate in all 88 regions of Russia.

According to AC&M Consulting, as of December 31, 2006, MegaFon had approximately 29.7 million subscribers in Russia and the CIS. MegaFon's market share of subscribers in Russia was approximately 19.5% as of December 31, 2006. In 2003, Alfa Group acquired CT Mobile, which owns approximately 25.1% of MegaFon's common stock. For more information on Alfa Group's ownership interest in MegaFon, please

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see the section of this Annual Report on Form 20-F entitled Item 3 Key Information D. Risk Factors Risks Related to Our Business MegaFon, a national telecommunications operator, may receive preferential treatment from the regulatory authorities and benefit from the resources of its shareholders, potentially giving it a substantial competitive advantage over us.

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Other competitors in Russia. In addition to MTS and MegaFon, which operate in all of the regions where we operate, we compete with a number of local telecommunications companies. For example, we compete with Closed Joint Stock Company Middle Volga Interregional Association of Radio and Telecommunication Systems, or SMARTS, a company that holds licenses, either directly or indirectly through joint ventures, for GSM-900 networks in the Volga license area, certain parts of the Central and Central Black Earth license area, the Ural license area and the North Caucasus license area. We also compete with Uralsvyazinform in the Ural super-region and Tele2 in the cities of St. Petersburg, Belgorod, Kursk, Voronezh, Smolensk, Nizhniy Novgorod, Omsk, Kemerovo, the Udmurtskaya Republic, Rostov-on-Don, the Komi Republic, Arkhangelsk, Murmansk, Novgorod, Lipetsk and Chelyabinsk.

The Kazakh wireless telecommunications market

According to our estimates, there were approximately 7.8 million subscribers in Kazakhstan as of December 31, 2006, representing a penetration rate of approximately 52.7%.

The following table shows our primary wireless competitors in Kazakhstan and their market shares as of December 31, 2006:

Operator	National	
	Subscribers	Market Share
KaR-Tel	3,826,500	49.5%
GSM Kazakhstan LLP	3,539,000	45.2%
Altel	463,000	5.9%

Source: Company estimates.

GSM Kazakhstan LLP. Currently, KaR-Tel's only major GSM competitor in Kazakhstan is GSM Kazakhstan LLP, which markets its services under the K-Cell and Activ brand names. GSM Kazakhstan LLP was established in September 1998 pursuant to a joint venture between Turkcell, the largest mobile operator in Turkey, and Joint Stock Company Kazakhtelecom, the national telecommunications provider in Kazakhstan. In May 2000, Turkcell sold all its shares of GSM Kazakhstan LLP to Fintur Holdings BV. Fintur Holdings BV is reportedly owned 58.55% by TeliaSonera and 41.45% by Turkcell. We estimate that K-Cell had approximately 3.5 million subscribers as of December 31, 2006, which, according to our estimates, represents a 45.2% market share. Because of its strategic relationships, GSM Kazakhstan LLP may have access to greater financial resources than our company in the future.

Other competitors in Kazakhstan. Joint Stock Company Altel, or Altel, is the oldest wireless services provider in Kazakhstan. Altel rolled out its first network in 1994, operating in the analog N-AMPS standard. Altel was the only wireless service provider until 1998 when the Kazakh government issued two GSM licenses, one to KaR-Tel and a second to GSM Kazakhstan LLP. Altel's market share has fallen dramatically since 1998. In late 2003, it rolled out a new digital network in CDMA 2000-1x standard in an attempt to introduce a more competitive product and in 2006, Altel announced that operations of its N-AMPS network would be halted. N-AMPS subscribers were offered to migrate to Altel's CDMA 2000-1x network, which operates under the Dalacom brand name.

According to industry reports, a third GSM operator launched commercial operations in February 2007.

The Ukrainian wireless telecommunications market

According to AC&M Consulting, there were approximately 48.9 million subscribers in Ukraine as of December 31, 2006, representing a penetration rate of approximately 104.7%. There are currently four wireless operators with national coverage in Ukraine: Kyivstar, Closed Joint Stock Company Ukrainian Mobile Communications, or UMC, Astelit and URS.

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The following table shows our primary wireless competitors in Ukraine and their respective market share as of December 31, 2006:

Operator	Subscribers	National
		Market Share
Kyivstar ⁽²⁾	21,510,000	44.0%
UMC ⁽²⁾	20,002,000	40.9%
Astelit ⁽²⁾	5,550,000	11.3%
URS ⁽¹⁾	1,876,000	3.8%

(1) Source: Company estimates.

(2) Source: AC&M Consulting.

Kyivstar and UMC. In Ukraine, we compete primarily with Kyivstar and UMC, who, according to AC&M Consulting, had approximately 21.5 million and 20.0 million subscribers, respectively, as of December 31, 2006. Kyivstar reportedly operates a dual-band GSM-900/1800 network covering more than 96.0% of Ukraine's population (including approximately 1,300 large cities and towns). Kyivstar is owned 56.5% by Telenor Mobile Communications AS, a sister company of Telenor East Invest AS and a member of the Telenor ASA group of companies and 43.5% by Storm LLC, a member of the Alfa Group of companies. In February 2006, we made a non-binding proposal to Telenor ASA and Altimo, a member of the Alfa Group of companies, to acquire 100.0% of Kyivstar. On June 1, 2006, we withdrew our proposal to Telenor and Altimo due to the lack of progress between Telenor and Altimo on reaching agreement on a market-based separation mechanism. Please see the section of this Annual Report on Form 20-F entitled *Item 3 Key Information D. Risk Factors Risks Related to Our Business*. If we invest in or acquire other companies, particularly outside of Russia, we may face certain risks inherent in such transactions.

UMC was the first mobile operator in Ukraine and began operating in 1994. In March 2003, MTS acquired 100.0% of UMC's shares.

The wireless telecommunications market in Tajikistan

According to our estimates, as of December 31, 2006, there were approximately 814,000 subscribers in Tajikistan, representing a penetration rate of approximately 12.0%. The following table shows our primary wireless competitors in Tajikistan and their respective market share as of December 31, 2006:

Operator	Subscribers	National
		Market Share
Indigo	226,700	27.5%
Babilon Mobile	304,500	37.0%
TT-Mobile	146,600	17.5%
Tacom	73,400	8.9%
TK Mobile	64,000	7.8%

Source: Company estimates.

The wireless telecommunication market in Uzbekistan

According to our estimates, as of December 31, 2006, there were approximately 2.7 million subscribers in Uzbekistan, representing a penetration rate of approximately 10.2%. The following table shows our primary wireless competitors in Uzbekistan and their respective market share as of December 31, 2006:

National

Operator	Subscribers	Market Share
MTS-Uzbekistan	1,449,400	53.4%
Unitel	766,500	28.2%
COSCOM	384,400	14.2%
Perfectum Mobile	109,100	2.9%
UzbekMobile	6,700	0.2%

Source: Company estimates.

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According to our estimates, as of December 31, 2006, there were approximately 1.2 million subscribers in Armenia, representing a penetration rate of approximately 36.7%. The following table shows our primary wireless competitors in Armenia and their respective market share as of December 31, 2006:

Operator	National	
	Subscribers	Market Share
VivaCell	700,000	60.7%
Armentel	452,000	38.2%

Source: Company estimates.

New technology

Potential users of wireless networks may find their telecommunications needs satisfied by other current and developing technologies, particularly in the broadband wireless services sector. In the future, wireless services, including wireless data services, may also compete more directly with traditional wireline services and with IP protocol telephony, both wireline and wireless.

3G wireless technologies are beginning to be implemented in many countries. 3G technologies, including UMTS, are considered significantly superior to existing second generation standards, such as GSM and, therefore, are likely to become competing technologies in the future. The Ministry of Information Technologies and Communications is working on developing a regulatory framework for 3G licenses in Russia. Our company, MTS and MegaFon have each tested 3G networks in Russia. MegaFon and our company continue to run 3G test systems. In April 2007, our company, MTS and MegaFon were awarded 3G licenses in Russia. We intend to invest a significant amount of resources in building out our 3G network, including approximately US\$300.0-350.0 million in 2007-2008, and we expect to provide 3G services throughout Russia by the end of 2010. In 2006, we introduced UMTS video call and high speed data access services in Tajikistan. We are currently implementing 3G services in Tajikistan, which we are using as a pilot program for the development of 3G services. 3G coverage area is limited to Dushanbe, the capital of Tajikistan. In 2007, we plan to expand the coverage area and portfolio of 3G services in Tajikistan. We currently do not have plans to develop 3G services in the other countries in which we operate.

In July 2004, we completed testing EDGE technology with our major suppliers in several regions, including Moscow and the Northwest, Ural and North Caucasus super-regions. EDGE is an advanced technology that allows subscribers to connect to the Internet and send and receive data, including digital images, web pages and photographs, up to three times faster than an ordinary GSM/GPRS network. As a result, EDGE enables GSM operators to offer higher-speed mobile-data access to its subscribers. EDGE is an advanced, high-speed data transmission technology that allows for faster data transmission, as well as the ability to transmit audio/video streaming. As of December 31, 2006, EDGE technology was in commercial operation in more than 45 regions in Russia. We expect to launch EDGE technology in an additional 10 regions in 2007.

Next generation network, or NGN, technology is also expected to be a significant technological development in the future. NGN is a wireless technology that seamlessly combines conventional telephone, business data and Internet capabilities in a single Internet Protocol network that delivers the quality and reliability of traditional telephone networks while offering the innovation and flexibility of the Internet.

Next Generation Home Location Register, or NgHLR, was first used by our company in September 2006 in Tajikistan. NgHLR consolidates 2G, 3G and IP Multimedia Systems subscriber profiles and allows us to cut operating costs. We expect NgHLR to be commercially launched in Georgia and Kazakhstan in the first quarter of 2007.

One aspect of NGN strategy is the introduction of the IP Multimedia Subsystem, which enables NGN to provide multimedia to end customers as well as legacy voice services. Our company carries our testing activities on the solutions of main infrastructure vendors to ensure the readiness of network infrastructure for the smooth introduction of new services on marketing demand.

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Seasonality

Our business is subject to certain seasonal effects. Specifically, sales of our contract and prepaid tariff plans tend to increase during the December holiday season, and then decrease in January and February. Our marketing efforts during periods of decreasing sales help to offset these seasonal effects. As with contract and prepaid tariff plans sales, minutes of use per subscriber also typically decrease in October and November. Our roaming revenues increase significantly from June to September, when many of our subscribers are traveling to vacation destinations outside of our network. Roaming on our network by subscribers of other networks tends to decrease during the December holiday season.

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 name. We have registered and applied to register certain trademarks and service marks with the Russian Agency for Patents and Trademarks in connection with our wireless 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 in certain countries of the CIS.

Our registered trademarks and service marks include our brand name, logos and certain advertising features. With respect to domain names, we have registered the VimpelCom.com domain name with Network Solutions, which is one of the principal domain name registration services for the Internet. We have also registered the VimpelCom.ru, beeline.ru, beelinegsm.ru, beelineonline.ru, beelineplus.ru and certain other domain names with the Russian Scientific Research Institute on Development of Public Networks. We have registered national domain names such as beeline.tj, beeline.ua, beeline.kz, and beeline.am with the national registrars of Tajikistan, Ukraine, Kazakhstan and Armenia, respectively. Our copyrights are principally in the area of computer software for service applications developed in connection with our wireless and wireline network platform. We have copyrights to some of the designs we use in marketing and advertising our wireless services in Russia.

Organizational Structure

VimpelCom is the parent company of a number of operating subsidiaries and holding companies. The table below sets forth our significant operating subsidiaries, including those subsidiaries that hold our principal GSM licenses, and our percentage ownership interest in each subsidiary as of December 31, 2006. Our percentage ownership interest and voting power in each of the subsidiaries is identical.

Subsidiary	Country of Incorporation	Percentage Ownership	
		Interest	
Closed Joint Stock Company Sakhalin Telecom Mobile	Russia	89.6%	
Closed Joint Stock Company Karachaevo-Cherkessk Telesot	Russia	80.0%	
Closed Joint Stock Company Kabardino-Balkarskiy GSM	Russia	80.0%	
Closed Joint Stock Company Impuls KB	Russia	100.0%	
Closed Joint Stock Company MSS-Start	Russia	100.0%	
Closed Joint Stock Company RTI Service-Svyaz	Russia	100.0%	
Limited Liability Company Dominanta	Russia	75.0%	
KaR-Tel ⁽¹⁾	Kazakhstan	50.0%	plus one share
Tacom ⁽²⁾	Tajikistan	80.0%	
URS ⁽³⁾	Ukraine	100.0%	
Unitel ⁽⁴⁾	Uzbekistan	100.0%	
Mobitel ⁽⁵⁾	Georgia	51.0%	
Armentel ⁽⁶⁾	Armenia	90.0%	

(1) Owned indirectly through 100.0% ownership interest in VimpelCom Finance B.V., which in turn owns a 50.0% plus one share interest in Limnotex, the parent company of KaR-Tel.

(2) Owned indirectly through 100.0% ownership interest in VimpelCom Finance B.V., the parent company of VimpelCom (BVI) Ltd. which in turn owns a 80.0% interest in Tacom.

- (3) Owned indirectly through 100.0% ownership interest in each of URS's shareholders: Crayola Properties Limited, Cradel Investments Limited, Wintop Management Limited, Crisden Holdings Limited and Cellcroft Holdings Limited.

- (4) Owned indirectly through 100.0% ownership interest in each of Unitel's participants: Freevale Enterprises, Inc. (BVI) and Silkway Holding B.V., which hold 21.0% and 79.0% in Unitel, respectively. In April 2007, we entered into an agreement to sell 33.3% in Freevale Enterprises, Inc (BVI). Upon consummation of this sale transaction our indirect shareholding in Unitel will decrease to 93.0%. The transaction is expected to close in the third quarter of 2007.

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- (5) Owned indirectly through 100.0% ownership interest in Watertrail Industries Ltd. (BVI).
- (6) Owned directly. In April 2007, we acquired the remaining 10.0% of Armentel that we did not already own and consequently increased our ownership interest in Armentel to 100.0%.

Properties

Our principal place of business is in a series of five buildings consisting of approximately 24,000 square meters that we own at 10 Ulitsa 8 Marta in Moscow. We use these buildings as an executive, administrative and sales office, warehouse and operating facility. The main switches for our D-AMPS network are also located at this site. In addition, we own a series of six buildings on Lesnoryadsky Pereulok in Moscow, constituting approximately 15,500 square meters, that are used as administrative offices and warehouse and operating facilities and that house the main switches for our Moscow GSM-900/1800 network. We also 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 sales and administrative office and subscriber service center. We also own office buildings in some of our regional license areas and lease space on an as-needed basis. In 2007, we leased three new administrative buildings in the center of Moscow on Ulitsa Krasnoproletarskaya, consisting of approximately 32,400 square meters. Our headquarters will be located in these buildings beginning in mid-2007. The premises on 10 Ulitsa 8 Marta and Lesnoryadsky Pereulok will be used mainly as technical centers.

For description of certain telecommunications equipment that we own, please see [Wireless Equipment and Operations](#) [Wireless network infrastructure](#) above.

Legal Proceedings

Telenor Litigation

Claim 1. On January 26, 2006, Telenor filed a lawsuit against our company in the Moscow City Arbitration Court in order to obtain a declaration invalidating the decision of the September 2005 EGM approving the acquisition by our company of URS as an interested party transaction. In this lawsuit, Telenor asserts that there were legal violations in the process of convening the September 2005 EGM and approval of the acquisition as an interested party transaction and that, as a result, the decision taken by the September 2005 EGM violated Telenor's rights and interests and should be invalidated. On May 15, 2006, the Moscow City Arbitration Court dismissed this claim. Telenor appealed the decision to the Court of Appeals. On July 27, 2006 and November 2, 2006, the Court of Appeals and the Federal Arbitration Court of the Moscow District, respectively, affirmed the Moscow City Arbitration Court decision and denied Telenor's appeals. Our company has been informed by the Review Panel of the Supreme Arbitration Court that it reviewed Telenor's appeal of the lower court decisions and it is transferring the lower court decisions to be reviewed by the Presidium of the Supreme Arbitration Court because certain aspects of the lower court decisions were based on, what the Review Panel apparently believes to be, incorrect interpretations of Russian law. The interpretations of Russian law of the Review Panel are not binding on the Presidium of the Supreme Arbitration Court. The hearing of the Presidium of the Supreme Arbitration Court has been set for June 5, 2007.

Claim 2. On January 26, 2006, Telenor filed another lawsuit against our company in the Moscow City Arbitration Court in order to obtain a declaration that the decision of our General Director relating to our acquisition of URS was invalid. Telenor asserts that the General Director's decision to complete the acquisition of URS without the approval of eight out of nine members of our board of directors exceeded the scope of his authority under our company's charter and the Joint Stock Company Law. On June 26, 2006, the Moscow City Arbitration Court ruled in favor of our company and dismissed Telenor's claim. Telenor appealed this decision, and on September 7, 2006, the Court of Appeals affirmed the June 26, 2006 ruling by the Moscow City Arbitration Court in favor of our company. On December 21, 2006, the Federal Arbitration Court of the Moscow District affirmed the June 26, 2006 ruling of the Moscow City Arbitration Court and the September 7, 2006 ruling of the Court of Appeals in favor of our company in this claim. Telenor appealed this ruling to the Review Panel of the Supreme Arbitration Court. On April 23, 2007, the Review Panel of the Supreme Arbitration Court refused to transfer the case to the Presidium of the Supreme Arbitration Court for review, ruling that there were no grounds for overturning the lower courts decisions. There are no further appeals that can be made by Telenor with respect to this claim.

Claim 3. On January 31, 2006, Telenor filed a third lawsuit against our company, the sellers of URS and Mr. Mordechai Korf in the Moscow City Arbitration Court seeking to obtain an order declaring the acquisition of URS invalid and unwinding the acquisition. In support of its claims, Telenor asserts that there were a number of violations of

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law in the process of convening the September 2005 EGM and the completion of the acquisition of URS and that, as a result, the acquisition was invalid and should be reversed. On November 21, 2006, the Moscow City Arbitration Court dismissed this claim. Telenor has appealed this decision, and the hearing at the Court of Appeals is scheduled for June 14, 2007.

We believe that the September 2005 EGM was properly convened and the acquisition of URS was properly consummated in accordance with the September 2005 EGM approval, applicable law and our charter. However, the provisions of Russian law and our charter applicable to the convocation of the September 2005 EGM, the effectiveness of the decision of the September 2005 EGM and our implementation of that decision are subject to possible different interpretations and a Russian court could disagree with our interpretation. Therefore, there can be no assurance that we will prevail at any stage of the litigation relating to these lawsuits. In addition, there can be no assurance that other claims by Telenor or other third parties regarding our acquisition, operation and/or funding of URS, challenging our ownership interest in URS or other matters will not be made. There can also be no assurance that any such litigation will not result in the unwinding of the URS acquisition, deprive us of our ownership interest in URS or result in us paying monetary damages and that, in such event, our company will be able to recover the purchase price that it paid to the sellers, any portion of the funds that our company invested in URS during the period prior to the unwinding of the URS acquisition or any other monetary losses that our company will have incurred in connection with our ownership of URS. In the event a decision unfavorable to us in any lawsuits by Telenor or third parties becomes binding, it could have a material adverse effect on our company, its business, its expansion strategy and its financial results, including an event of default under our outstanding indebtedness. For a discussion of some of the risks associated with our acquisition of URS, 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**. We have a limited noncompete agreement with our strategic shareholders and our strategic shareholders may pursue different development strategies from us and one another in Russia, the CIS or other regions, which may hinder our company's ability to expand and/or compete in such regions and may lead to a further deterioration in the relationship between our two strategic shareholders, **Item 3 Key Information D. Risk Factors Risks Related to Our Business**. Our acquisition of URS is being challenged by Telenor and may be challenged by other parties and **Item 3 Key Information D. Risk Factors Risks Related to Our Business**. The Telenor Nominees are alleging possible conflicts of interest arising from the alleged business relationships between the Alfa Group Nominees and the sellers of URS, and are claiming that our disclosure with respect to the URS acquisition is inadequate.

KaR-Tel Litigation

On January 10, 2005, KaR-Tel received an order to pay issued by the Fund in the amount of approximately US\$5.5 billion (stated as approximately Turkish Lira 7.6 quadrillion and issued prior to the introduction of the New Turkish Lira, which became effective as of January 1, 2005). The order, dated as of October 7, 2004, was delivered to KaR-Tel by the Bostandykski Regional Court of Almaty. The order does not provide any information regarding the nature of, or basis for, the asserted debt, other than to state that it is a debt to the Turkish Treasury and the term for payment was May 6, 2004. On January 17, 2005, KaR-Tel delivered to the Turkish consulate in Almaty a petition to the Turkish court objecting to the propriety of the order. KaR-Tel received the Fund's response to the petition in June 2006. In its response to KaR-Tel's petition, the Fund asserts, among other things, that the order to pay was issued in furtherance of its collection of approximately US\$5.5 billion in claims against the Uzan group of companies that were affiliated with the Uzan family in connection with the failure of T. Imar Bankasi, T.A.S. The Fund's response to KaR-Tel's petition asserts that the Uzan group of companies includes the Former Shareholders and KaR-Tel. KaR-Tel submitted a response to the Fund's defense in which it denied in material part the factual and legal assertions made by the Fund in support of the order to pay. Our company believes that the order to pay is without merit, in part due to the fact that the Former Shareholders have not owned any interest in KaR-Tel since November 2003, when their interests were redeemed in accordance with a decision of the Review Panel of the Supreme Court of Kazakhstan, and that any attempted enforcement of the order to pay in relevant jurisdictions outside of Turkey is subject to procedural and substantive hurdles. However, there can be no assurance that KaR-Tel will prevail in its petition for the cancellation of the order to pay (either on substantive or procedural grounds), that claims targeting VimpelCom's ownership of KaR-Tel will not be brought by the Fund directly against VimpelCom or its other subsidiaries or that KaR-Tel and/or VimpelCom or its other subsidiaries will not be required to pay amounts claimed to be owed in connection with the order or on the basis of other claims made by the Fund. The adverse resolution of this matter, and any others that may arise in connection with the order by the Fund or any other claims made by the Fund, could have a material adverse effect on our business, financial condition and results of operations, including an event of default under some or all of our outstanding indebtedness. For more information on this risk, and other risks associated with our acquisition of KaR-Tel, refer to the section of this Annual Report on Form 20-F entitled **Item 3 Key Information D. Risk**

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Factors Risks Related to Our Business Claims by the Former Shareholders and/or the Fund or others may prevent us from realizing the expected benefits of our acquisition of KaR-Tel, result in increased liabilities and obligations, including possible defaults under our outstanding indebtedness and deprive us of the value of our ownership interest.

Disputes with the Russian Tax Authorities

On July 6, 2006, we received the Russian tax inspectorate's final decision with respect to the audit of our 2003 and 2004 Russian tax filings. The decision states that we owe an additional 1,804.0 million Russian rubles in taxes (including 349.0 million Russian rubles in fines and penalties), which is approximately US\$68.5 million (including approximately US\$13.3 million in fines and penalties) at the exchange rate as of December 31, 2006.

The majority of the claim set forth in the tax inspectorate's final decision relates to its view that we incorrectly deducted certain doubtful and bad subscriber debts during the 2003 and 2004 tax years. However, the tax inspectorate has acknowledged that the amounts in question can be partly deducted during the 2005 tax year to the extent they are not deductible during either 2003 or 2004. We settled the tax liability in the tax inspectorate's final decision by offsetting the amount in the claim with (i) previously overpaid taxes for prior periods in the amount of 456.0 million Russian rubles, which is approximately US\$17.2 million at the exchange rate as of December 31, 2006, and (ii) refunds due to our subsidiaries that have been merged into our company in the amount of 362.0 million Russian rubles, which is approximately US\$13.7 million at the exchange rate as of December 31, 2006. We have also previously received confirmation that we overpaid taxes for 2003 and 2004 in the amount of 795.0 million Russian rubles, which is approximately US\$30.2 million at the exchange rate as of December 31, 2006, and we offset this amount against the tax liability in the tax inspectorate's claim for 2003 and 2004. We settled the portion of the tax inspectorate's claim that was not otherwise offset, in the amount of 191.0 million Russian rubles, which is approximately US\$7.3 million at the exchange rate as of December 31, 2006, with a cash payment in July 2006.

Notwithstanding our settlement of the tax liability in the tax inspectorate's final decision for 2003 and 2004, our company does not agree with many of the findings of the tax inspectorate and accordingly filed a lawsuit against the tax inspectorate challenging this decision. On November 24, 2006, the Moscow City Arbitration Court issued a ruling partially granting our claim of a refund in the amount of 490.0 million Russian rubles, or approximately US\$18.6 million at the exchange rate as of December 31, 2006. The tax inspectorate is appealing this portion of the ruling, and we are appealing the portion of the ruling with which we disagreed. On February 13, 2007, the Moscow Court of Appeals sustained the ruling of the Moscow City Arbitration Court. Both the tax inspectorate and we continue to disagree with the courts' rulings and have filed appeals with the Federal Arbitration Court of the Moscow District. The hearing in the Federal Arbitration Court of the Moscow District is scheduled for May 25, 2007.

During 2006, following the court rulings in the litigation relating to the final tax decision for 2003 and 2004, we reassessed the risk relating to potential additional tax liability in periods following 2004 and recorded a charge of US\$25.8 million in the income tax expense line and a charge of US\$24.2 million in the other expenses line of the consolidated statement of income for the year ended December 31, 2006. We do not agree with the tax decision and continue to challenge it in Russian court. If we are successful in our lawsuit, up to the entire amount that was recorded as an expense in the consolidated statement of income may be accrued as income in future periods.

For the risks related to this matter, see Item 3 Key Information D. Risk Factors Risks Related to Our Business. We could be subject to claims by the Russian tax inspectorate that could have a material adverse effect on our business. For more information regarding the effects of prior tax claims on our financial statements, see the section of this Annual Report on 20-F entitled Item 5 Operating and Financial Review and Prospects and our consolidated financial statements and Note 20 thereto included elsewhere in this Annual Report on Form 20-F.

Far East Litigation

In the recent past, we have filed lawsuits relating to the unwillingness of the Russian regulators to issue to us licenses and frequencies for certain sub-divisions in the Far East super-region of Russia. We have filed three lawsuits against Russian regulatory bodies as described in further detail below.

In July 2006, VimpelCom filed a lawsuit with the Moscow City Arbitration Court against the Federal Surveillance Service for Communications, or the Service, the Russian regulatory body responsible for issuing telecommunications licenses. The lawsuit sought a court order that would require the Service to issue a GSM-1800 license for certain

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regions of the Far East super-region to our company. Although the Moscow City Arbitration Court ruled in our favor, the Moscow City Arbitration Court's ruling was overturned on appeal. No further appeals have been filed by our company in connection with this claim.

Our company and its predecessors applied to the Russian State Radio Frequency Commission, or the SRFC, for frequencies in the Far East super-region on a number of occasions but these applications were either denied or not reviewed. In October 2005, we filed a complaint with the Russian Federal Antimonopoly Service, or the FAS, regarding the refusal of the SRFC to allocate to us GSM-900/1800 frequencies in the Far East super-region, GSM-900 frequencies in the territories within the Urals and Northwest super-regions and E-GSM frequencies throughout Russia. On March 1, 2006, the FAS ruled that the SRFC violated the law by refusing to allocate frequencies to our company in the Far East super-region, territories in the Urals and Northwest super-regions and, in the case of the E-GSM frequencies, throughout Russia. The FAS ruling stipulated that the SRFC should review our application for issuance of the frequencies at its April 24 and May 30, 2006 meetings. The SRFC indicated that it does not agree with the order, and it and the Federal Communications Agency filed lawsuits challenging the FAS ruling. The courts dismissed these lawsuits. Our company initiated proceedings to obtain a court order that would require SRFC to follow the FAS ruling. Our claim was denied by the Moscow City Arbitration Court in relevant part on the grounds that we did not have standing to bring this claim and this ruling was upheld on appeal. No further appeals have been filed by our company in connection with this claim.

In September 2005, we submitted an application to the SRFC for Far East frequencies. The SRFC did not respond for nine months and, in July 2006, we filed a lawsuit in the Moscow City Arbitration Court against the SRFC to obtain a ruling declaring the SRFC's failure to review our application illegal and required the SRFC to issue the requested frequencies. On September 19, 2006, the Moscow City Arbitration Court ruled in favor of our company and ordered the SRFC to issue the requested frequencies. The SRFC appealed the ruling of the Moscow City Arbitration Court and, in November 28, 2006, the Court of Appeals sustained the lower court's ruling but modified the language of that ruling by requiring the SRFC to review our application for frequencies rather than compelling it to issue the frequencies. The SRFC failed to comply with the court decision and in January 2007 we initiated enforcement proceedings. The SRFC subsequently reviewed and rejected our application on the grounds that the Far East region has limited frequencies and the enforcement proceedings were terminated by the enforcement authorities. Our company believes that it is entitled to Far East frequencies and that the SRFC has violated applicable law in its refusal to issue frequencies to our company.

For more detail regarding the lawsuits to which our company is a party and the matters discussed in this Legal Proceedings section, please refer to the section of this Annual Report on Form 20-F entitled Item 3 Key Information D. Risk Factors Risks Related to Our Business.

Management cannot make an estimate of the effects of the ultimate resolution of the unresolved matters described above on our company's consolidated financial statements. Other than the information disclosed above, to date, we have no provision in our accounts for any of the matters described above.

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REGULATION

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 and Kazakhstan. We are also subject to significant regulation in the other countries of the CIS in which we operate. However, as 94.6% of our subscribers are located in Russia and Kazakhstan and 97.6% of our operating revenues are derived from our operations in Russia and Kazakhstan, we do not believe that a discussion of the regulations of Ukraine, Tajikistan, Uzbekistan, Armenia or Georgia is warranted or that such regulations are material to our business and results of operations.

Regulation in Russia

The Communications Law, which came into effect on January 1, 2004, is the principal legal act regulating the Russian telecommunications industry. The Communications Law contemplates the issuance of various orders and regulations by the Russian Government to supplement the legal framework. As of the date of this Annual Report on Form 20-F, almost all of the orders and regulations contemplated by the Communications Law have been promulgated. It is expected that during 2007, the regulations on payments for the use of the radio frequencies spectrum and the rules on the provision of telematic services will be issued. However, there is still some uncertainty regarding a number of aspects of the regulation of the telecommunications industry in Russia, including the wireless 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 wireless 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.

Under the Communications Law, all service providers have access to the Interconnected Telecommunications Network, or ITN, which is a centrally managed complex of telecommunications networks owned by different enterprises and governmental agencies of the Russian Federation. Each service provider has the right to interconnect its networks with the ITN as long as the individual service provider complies with the conditions set forth in its license and Russian law.

On March 3, 2006, certain amendments to the Communications Law were introduced, in particular legislation implementing calling party pays, or CPP, which became effective on July 1, 2006. The CPP legislation prohibits mobile operators from charging their subscribers for incoming calls.

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;

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registration of its REDs with the Federal Surveillance Service for Communications;

permission to operate communications networks (including communications facilities); and

a decision on allocation of numbering resources.

Russian Regulatory Authorities

The Ministry of Information Technologies and Communications of the Russian Federation, or the Ministry, is 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 (in accordance with the Russian Constitution, federal laws, legal acts issued by the President and the Russian Government), and make proposals to the President and the Russian Government on issuance of legal acts regarding the following issues:

reorganization of the structure in the telecommunications area;

development of telecommunications;

international cooperation in the telecommunications area; and

security in the telecommunications area.

The Ministry controls and coordinates the activity of the Federal Communications Agency, Federal Surveillance Service for Communications and Federal Agency for Information Technologies.

The primary functions of the Federal Surveillance Service for Communications, or the Service, relevant to our business and the wireless industry are the licensing of activities in the area of telecommunications and information technologies, control over telecommunications and information technologies, control over radiation of REDs and high frequency devices, the registration of REDs and high frequency devices.

The primary functions of the Federal Communications Agency include arranging for the implementation of inter state and federal special purpose programs in the area of telecommunications and information technologies, rendering services in the area of telecommunications and information technologies to the general public on the terms established by federal laws, including ensuring allocation and proper use of radio frequencies (radio frequency bands) intended for civil use and the numbering resources in accordance with the established procedure, arranging of operation, development and upgrade of the federal telecommunications, national information technologies and telecommunications structure, issuance of individual legal acts on the basis of and in furtherance of existing legislation and, maintaining registers, records and cadastres.

In addition to the bodies mentioned above, the Federal Security Service is primarily responsible for the development and maintenance of networks for the Russian Government and the Russian Ministry of Health Protection has some authority over the location of telecommunications equipment. Furthermore, the Federal Surveillance Service for Protection of Consumer Rights and Human Well-Being is responsible for the protection of consumer rights and the Federal Surveillance Service for Ecology and Use of Nature is responsible for regulating companies environmental compliance.

Licensing to Provide Telecommunications Services

Legal entities and individual entrepreneurs may render commercial telecommunications services only on the basis of a license to engage in such telecommunications services. On February 18, 2005, the Russian Government issued a regulation under No. 87, or Regulation 87, which lists the types of telecommunications activities for which a license is required under the Communications Law and establishes the material license terms for each of the activities. Regulation 87 became effective on March 8, 2005.

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Under the Communications Law, the Service will issue 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. Under the Communications Law, licenses to provide telecommunications services may be issued for three to 25 years, and one person may hold several different licenses. Licenses are issued on the basis of the results of tenders (auctions, contests) if:

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- (1) telecommunications services are rendered with the use of a radio frequencies band, and the state commission for radio frequencies determines that the radio frequencies band available for rendering services limits the number of telecommunications operators that may provide services in a particular territory; or
- (2) a particular territory has limited access to the public service communications network, including limited numbering capacity, and the relevant federal executive body in the communications area determines that the number of telecommunications operators in such territory must be limited.

Rules for holding tenders (auctions, contests) for obtaining a telecommunications license are established in Regulation No. 8 of the Russian Government dated January 12, 2006, or Regulation 8. Tenders are conducted in the form of an auction or in the form of a contest. The specific form is selected by the Federal Communications Agency. Regulation 8 provides for cases when an auction must be conducted. For instance, an auction for obtaining a license for provision of telecommunication services with the use of a radio frequencies band must be held in cases where the radio frequencies band is not allocated to radio services and/or is not used by a radio electronic device of any type.

The Service has the right to renew an existing license upon application by an operator. A license renewal application 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.

Article 35 of the Communications Law provides that licenses may be re-issued by a relevant licensing body (currently, the Service) as follows:

- (1) Upon application by the license holder, the license may be re-issued to the legal successor of the license holder. For this purpose, the successor is required to furnish documents evidencing (a) that the telecommunications networks and devices required to render telecommunications services under the license have been transferred to the successor and (b) if radio frequencies are used to render telecommunications services on the basis of the license being re-issued, the permissions to use such frequencies have been transferred to the successor.
- (2) In the event of the reorganization of a legal entity by means of a merger, take-over or transformation, the license can be re-issued on the basis of the successor's application.
- (3) In the event of the reorganization of a legal entity by means of a split or spin-off, the license will be re-issued upon application by the interested successor(s). For this purpose, the interested successor must furnish documents evidencing (a) that the telecommunications networks and devices required to render telecommunications services under the license have been transferred to the successor and (b) if radio frequencies are used to render telecommunications services on the basis of the license being re-issued, the permissions to use such frequencies have been transferred to the successor. If a successor challenges the right of another successor to have the license re-issued, the dispute between them shall be resolved in court.
- (4) In the event of the reorganization of a legal entity or a change in the details of a legal entity or an individual entrepreneur specified in the license, the licensee shall, within 30 days of such reorganization or change, file an application to have the license re-issued and provide the documents confirming the changes specified in such an application. If such an application is not filed within the established period of time, the license shall cease to be effective.
- (5) The licensing body must re-issue the license within 30 days from the date of receipt of the relevant application.
- (6) The fee for re-issuance of a license is 1,000 Russian rubles, and the fee is paid to the federal budget.
- (7) Following license re-issuance, the licensing authority must amend the register of telecommunications licenses accordingly.

- (8) If the Service refuses to re-issue a license, the licensee may be liable to its subscribers as provided by Russian law and its service provider agreements.

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The Communications Law identifies a limited number of reasons pursuant to which licenses to provide telecommunications services may be suspended by the Service. Prior to suspension, the Service may issue a warning that the license may be suspended if:

- (1) authorized state agencies identify a violation involving failure to comply with the rules established by the federal laws and other regulatory acts of the Russian Federation in the telecommunications area;
- (2) authorized state agencies identify violations of the license terms by the licensee; or
- (3) the licensee fails to render services for over three months, including failure to render services from the date specified in the license as the start-of-service date.

The Service may suspend a license if:

- (1) it identifies violations that may impair the rights, lawful interests, life or health of people, and provision for the needs of the state administration, including the presidential communications, the Russian Government's communications, national defense needs, security of the state and law enforcement;
- (2) the permission of the state commission for radio frequencies for the use by the licensee of radio frequencies is cancelled, if such cancellation renders provision of services impossible; or
- (3) the licensee fails to comply with a notice issued by the Service which requires that an identified violation be cured, including a notice which was issued in connection with the warning of a potential suspension of the license.

A warning of a potential suspension of the license and the decision to suspend the license shall be communicated by the Service to the licensee in writing and shall contain the basis for such decision or warning within ten days from the date of such decision or warning. The Service must establish a reasonable period for the licensee to cure the violation which resulted in the warning of a potential suspension of the license. Such period may not exceed six months. If the licensee fails to cure the violation within the established period, the Service may suspend the license and request that a court cancel the license. If the licensee cures the violation which triggered suspension of the license, the Service must restore the license.

Further, the Communications Law provides that a telecommunications license may be cancelled for the following reasons:

- (1) a license may be cancelled by a court on the basis of a claim filed by an interested person or the Service if:
 - (a) inaccurate information was contained in the documents which served as the basis for the decision to issue such license;
 - (b) the licensee fails to cure the deficiencies which triggered the license suspension; or
 - (c) the licensee fails to perform the obligations it assumed in the course of the tender (auction, bidding) if the license was issued on the basis of the results of a tender (auction, bidding).

- (2) the Service will cancel a license in the following cases:
- (a) liquidation of a legal entity or winding up of its activities as a result of a reorganization, except for a reorganization in the form of a transformation;
 - (b) certificate of state registration of an individual as an individual entrepreneur ceases to be in effect;
 - (c) licensee files a request to cancel the license; or
 - (d) the license fee is not paid within three months from the date on which the applicant is notified of the license issuance.

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If the license is cancelled, the license fee will not be refunded. The decision of the Service to cancel a license must be communicated to the licensee within 10 days from the date of such decision and may be appealed in court.

A licensee must pay a fee for a review of an application for issuance of a license in the amount of 300 Russian rubles, and a fee for the issuance of a telecommunications license (i) in the amount of 15,000 Russian rubles (which is applicable, among other things, to licenses for telecommunication services involving use of the radio frequencies spectrum) or 1,000 Russian rubles (depending on the types of services to be provided under the license) multiplied by the number of constituent subdivisions of the Russian Federation where the services are supposed to be provided under the license, or (ii) in the amount established by the terms of the tender (auction, bidding) if the license is issued on the basis of the results of a tender (auction, bidding). Licenses issued prior to the enactment of the Communications Law and Regulation 87 generally contain a number of other detailed conditions, including a date by which service must begin, requirements for adhering to technical standards and a schedule of the capacity of the network that the licensee must attain. The license conditions issued prior to the enactment of the Communications Law and Regulation 87 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. Pursuant to Regulation 87, the license conditions 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.

Universal Services Fund

All telecommunications operators are required to make compulsory payments to a universal services fund in the amount of 1.2% of each operator's revenues, which is calculated as the difference between the revenues from telecommunications services provided in the general access network and revenues from interconnection services and routing traffic services in the general access network. Amounts paid as value added tax are excluded from the calculation of revenues. The fees are payable quarterly. The fund was formed in order to compensate operators for losses from offering universal services in distant regions of Russia. In February 2006, the Constitutional Court of the Russian Federation ruled that the provisions of the Communications Law related to the procedure for payments to a universal services fund were not in compliance with the Constitution of the Russian Federation and instructed the Federal Assembly to amend the relevant provisions of the Communications Law before January 1, 2007. On December 29, 2006, the Federal Assembly amended the Communications Law and confirmed the current universal services fund rate of 1.2% of revenues from communications services and requiring operators to make payments on a quarterly basis within 30 days after a particular quarter ends. The amendments took effect as of January 1, 2007.

Radio Frequency Allocation

Before the Communications Law came into effect, after obtaining a license, wireless telecommunications operators had to apply for frequencies in order to operate a network. A decision on allocation of radio frequencies is typically made by the Federal Communications Agency within 120 days after submission of an application by an operator. The decision on whether to allocate radio frequencies is based on the conclusions of the State Radio Frequency Service, a service within the Federal Communications Agency. Among other factors, the State Radio Frequency Service evaluates the electromagnetic compatibility of the REDs. The State Radio Frequency Service's determinations are issued only upon approval of the Defense Ministry and the Federal Security Service of the Russian Federation. The regulations governing the State Radio Frequency Service were adopted on July 2, 2004. 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. Under the Regulation on Frequency Allocation, a permit may be extended if the conditions for the use of radio frequencies, as indicated in the permit, are unchanged. Extensions are effected by way of an addendum to the permit. Further, a permit for use of radio frequencies may be re-issued to a legal successor of a reorganized operator without additional approvals from the Ministry of Defense and/or the Federal Security Service provided that certain requirements are met. In addition, the new entity must submit documents to the Federal Communications Agency confirming that it is the legal successor to the rights and obligations of the reorganized operator.

Pursuant to the Regulation on Frequency Allocation and Regulation 320, the Federal Communications Agency is responsible for examination of electromagnetic compatibility, allocation of radio frequencies and further registration of radio frequencies allocations. Pursuant to Regulation 318, the Federal Surveillance Service for Communications is responsible for registration of REDs and high frequency devices.

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Prior to enactment of further regulations, we continue to pay for the use of the radio frequencies spectrum on the basis of Government Decree No. 552, dated June 2, 1998, On Payments for the Use of Radio Frequency Spectrum, and on the basis of Government Decree No. 895, dated August 6, 1998, On Approval of Regulations on Payment for the Use of the Radio Frequency Spectrum in the Russian Federation. These decrees require all operators to pay an annual fee (set by the Radio Frequency Service and approved by the former Anti-Monopoly Ministry) for the use of their frequency spectrums. In addition, the Communications Law provides that the users of the radio frequency spectrum shall make a one-time payment and annual payments for the use of the spectrum to ensure control over radio frequencies, conversion of the radio frequencies spectrum and financing for the transfer of the operating REDs to other radio frequency bands. Under the Communications Law, the Russian Government is required to define the amounts of payments, the procedure for the transfer of such payments and the use of proceeds from such payments.

Pursuant to an amendment to the Communications Law, which came into effect on January 1, 2005, state surveillance over activities in the telecommunications area is funded by the Russian Government. Prior to the amendment, operators were required to make payments for funding such a surveillance on a monthly basis in an amount equal to 0.3% of the revenues generated from the provision of communications services.

Equipment Certification

Telecommunications equipment used in Russia requires confirmation of compliance with certain technical requirements in the area of telecommunications and information technologies. The Federal Communications Agency is responsible for confirming 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.

Numbering Capacity

Numbering capacity is allocated pursuant to a procedure established by the Russian Government. In the past, numbering capacity was allocated through Open Joint Stock Company Giprosvyaz, a company controlled by the former Ministry of Communications. However, under the Communications Law, numbering capacity is to be issued on the basis of a governmental regulation specifying the procedure for allocation and use of numbering resources. This regulation, Regulation 350, was issued by the Russian Government on July 13, 2004. Under Regulation 350, 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 and Regulation 350, the Federal Communications Agency must adopt a decision on allocating numbering capacity within 60 days of receiving an application. Pursuant to Regulation 318, the Service will be responsible for control over compliance with the procedure of allocation and proper use of numbering resources. Under the Communications Law, an operator is required to pay a state duty for the allocation of numbering capacity. Under the Communications Law, an operator is required to pay a state duties for the allocation of numbering capacity and access codes for telecommunication services. The amounts of these duties is established in the Tax Code of the Russian Federation at 10 Russian rubles per number and 10,000 Russian rubles per access code. Also, pursuant to amendments to the Tax Code of the Russian Federation, duties for signaling point codes were introduced in the following amounts: 100,000 Russian rubles per code in an international indicator, 10,000 Russian rubles per code in a long-distance indicator and 1,000 Russian rubles per code in a local indicator.

On November 17, 2006, the Ministry of Information Technologies and Communications adopted a new regulation pertaining to certain aspects of the Russian federal numbering system. The two major areas affected by the regulation are as follows:

- (1) *Numbering capacity usage in the ABC codes.* Effective July 1, 2007, federal telephone numbers using the ABC code may be used by mobile subscribers only if they are registered as additional numbers under local communications services provisions. As these additional numbers can only be allocated to subscribers by the local network operators, all numbering capacity in the ABC code allocated under our GSM licenses must be re-allocated under licenses for local communications services. Consequently, we have applied for licenses for local communications services and following our receipt of such licenses we will apply for numbering allocation. Upon receipt of same, we will migrate all relevant subscribers. We estimate that approximately 1.1 million of our current numbers will be affected.

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- (2) *Russian system and plan of numbering.* The new regulation adopted on November 17, 2006 approved a new system and plan of numbering which materially changed the principles of numbering allocation and utilization in Russia. According to the new plan, only the following numbers in the DEF code are available: 903, 905, 906, 909, 960-969, and 972-979. Therefore the numbering capacity in the DEF code for 902 and 908 may no longer be used and we are required to transfer subscribers using federal numbers in these codes to federal numbers in other codes. We estimate that approximately 480,000 of our current numbers will be affected by this change.

For the risks related to the new numbering system, see the section of this Annual Report on Form 20-F entitled *Item 3 Risk Factors*. We may encounter difficulties in expanding and operating our networks.

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 (e.g., provision of long distance telephone connections to fixed-line users, or provision of local telephone connections to fixed-line users) may be regulated by the federal government. Wireless telecommunications operators are free to set their own tariffs.

However, recently adopted amendments to the Communications Law, which came into effect on July 1, 2006, provide that the users are not to pay anything for incoming calls.

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 wireless 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, or 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. However, if either we or our Russian subsidiaries were considered to be Significant Operators under the Communications Law, then certain regulations would apply, such as limitations on increases in tariffs for interconnection services and services for traffic channeling.

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. In 1997, the former Ministry of Communications and the Federal Security Service reached an agreement on matters relating to the implementation of SORM in the telecommunications industry. 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. Recent legislation extended access to electronic traffic to three other state agencies, including the tax authorities. Currently, 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.

The procedure of 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*.

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Regulation of the Internet

Currently, there is no comprehensive regulatory scheme directly applicable to Internet content. As a result, it is somewhat unclear what type of licenses may be required for the provision of Internet and Internet related services. The Russian media has reported, however, that the Russian parliament has recently begun to consider the possibility to issue legislation regarding Internet content.

Regulation in Kazakhstan

The new law On Communications in Kazakhstan, or the Kazakhstan Communications Law, was adopted on July 5, 2004 and became effective on July 10, 2004. Several provisions that acted to stimulate competition in the sphere of domestic long distance, or DLD, and international long distance, or ILD, were later adopted and became effective as of January 1, 2006.

The Kazakhstan Communications Law is the principal act regulating the telecommunications industry in Kazakhstan and it sets forth general principles for the regulation of the telecommunications industry, the authority of each regulatory agency, telecommunications networks cooperation rules and consumer rights protections, among others. In accordance with the Kazakhstan Communications Law, the government of Kazakhstan and certain other governmental agencies adopted a number of acts regulating specific aspects of the telecommunication industry, the most important of which are outlined in greater detail below. The Kazakhstan Communications Law was recently amended and uncertainty remains regarding any further developments in the Kazakhstan Communications Law.

As discussed in more detail below, 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; and

a decision on allocation of numbering resources.

In addition, a provider of telecommunication services is required to use telecommunications equipment and software that has been certified as complying with specific technical requirements.

The participation of foreign capital in Kazakhstan's telecommunications market is limited by a law regulating national security. 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 a DLD or 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 a DLD or ILD operator who possesses certain communication lines (including fiber optic and radio-relay cables).

Kazakhstan Regulatory Authorities

The Kazakhstan Communications Law establishes, *inter alia*, the authority of the Kazakh government to draft and maintain government policy on frequency allocations, approve qualification requirements for DLD and ILD operators, approve procedures for auctions of telecommunications licenses, approve the licensing terms, conditions and qualification requirements when granting telecommunications licenses and set forth the procedures and payment amounts for the right to provide services with the use of frequencies. Under the Kazakhstan Telecommunications Law, the Kazakh government has additional authority over the telecommunications industry. The list of such authority is open. In addition, more powers may be granted to the Kazakh government by adoption of new laws and Presidential decrees.

Under the Kazakhstan Communications Law, the Agency on Information and Communications, or the AIC, is the central executive body authorized to oversee policy and governmental operations in the sphere of telecommunications. The AIC acts in accordance with Governmental Decree No. 724 adopted on July 22, 2003 (as amended). Currently, the

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AIC is not included in Kazakhstan's government structure. The AIC replaced the Committee on Communications and Information of the Ministry of Transport and Communications in accordance with Presidential Decree No. 1107 On Further Improvement of the Governmental Administration System of the Republic of Kazakhstan adopted on June 13, 2003.

The AIC is authorized to oversee government policy on telecommunications services and adopt relevant acts. The AIC has adopted rules On Providing Telecommunications Services, On Providing Wireless Telecommunications Services and On Connecting Telecommunications Networks to the Public Telecommunications Network.

The AIC also exercises control over certain telecommunications activities, including the use of frequencies, issuing licenses to provide telecommunications services and compliance with such issued licenses, and determines the list of radio-electronic and high-frequency telecommunications equipment permitted to be used and/or imported into Kazakhstan. The AIC is further authorized (through its local subdivisions) to issue permits to use telecommunications equipment and may disconnect any unauthorized equipment.

Together with, and subject to the approval of, the Ministry of Defense, the AIC is authorized to allocate frequencies in Kazakhstan. In addition, the Inter-Agency Commission on Radio frequencies, or the ICR, a consultative-advisory agency of the Kazakh government, provides recommendations on government policy regarding frequencies. Currently, the commission consists of, among others, representatives from the AIC, the Prime-Minister Chancellery, the Ministry of Transport and Communications, the Ministry of Civil Defense, the Ministry of Internal Affairs and the National Security Committee.

The National Security Committee, along with certain other governmental defense bodies, maintains a level of control over the telecommunications industry as part of its investigative operations.

Licensing to Provide Telecommunications Services

Legal entities and individual entrepreneurs may only provide telecommunications services if they have been issued a relevant license. The following is a list of activities (among others) subject to licensing:

local telecommunications services;

DLD telecommunications services;

ILD telecommunications services;

IP telecommunications services (Internet-telephony);

data transmission services (including the Internet and telegraph);

telecommunications services through leased lines;

satellite mobile communications services;

cellular communications services;

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mobile telecommunications services (including services of mobile radio and radiotelephony communications, trunking and paging services);

private network services;

mail services; and

technical operation of communications lines and networks (including telecommunications equipment and network infrastructure elements).

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In accordance with the Kazakhstan Communications Law, licenses to perform services involving frequencies and numbering resources must be issued pursuant to a competition in the following cases:

telecommunications services that are rendered with the use of frequency bands within a specified range (the ICR has recommended that the number of telecommunications operators that may provide services in a particular territory should be limited due to the lack of available frequencies);

a particular territory has limited access to the public service communications network (the AIC determines whether a particular territory has limited access to telecommunications operators).

The AIC may refuse to grant a telecommunications license in the event that: frequencies are not available or there is a lack of numbering capacity; the requested type of activity is subject to an auction; there is a risk to national security; or there are adverse health risks.

A telecommunications license may be suspended under the following circumstances:

- (1) the operator uses frequencies without a permit;
- (2) the operator assigns to another person or entity (for a certain period of time or for an unlimited duration) the right to use frequencies permitted only for use by that operator;
- (3) the operator violates certain rules governing the operation of radio-electronic equipment;
- (4) the operator violates certain licensing terms and conditions which result in damage to the state or third parties or there is a real threat of such damage;
- (5) the operator does not provide the AIC with proper disclosure of information necessary to evaluate the operator's activity; or
- (6) the operator does not render telecommunications services for a period of one year, beginning on the day after the license has been issued, unless otherwise provided in the license.

A license may only be revoked by a court ruling after consideration of whether:

- (1) the licensee has complied with the requirements for this type of activity;
- (2) the court prohibits the licensee from performing this type of activity;
- (3) the licensee has eliminated the reasons under which the license was suspended; and
- (4) the licensee deliberately provided false information during the process of obtaining the license.

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A license may be re-issued to a licensee upon application if the type of activity licensed is re-named without altering its essential terms or if the licensee changed its name (including the organization's legal form) or principal place of business (assuming it was included in the license).

In addition to the Kazakhstan Communications Law, Government Regulation No. 998, adopted on September 29, 2004, On certain issues of licensing of telecommunications activities establishes additional requirements for telecommunications operators, and regulates procedures for issuing licenses and establishes competition rules.

Radio Frequency Allocation

Frequencies are allocated in accordance with a table establishing frequency allocations in the ranges of 3 kHz to 400 GHz for all types of radio-electronic equipment, or the Table. The Table was approved by Governmental Decree No. 1379 adopted on September 11, 2000. The Kazakhstan Communications Law also provides for a schedule of frequency band development and use to be approved by the AIC in accordance with the ICR's recommendations.

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Frequency allocations may be changed to accommodate the government's administration, defense or national security. In such cases, the Kazakhstan Communications Law provides for reimbursement of damages to be paid to the operator.

An application for a frequency allocation permit may be rejected, among other reasons, under the following circumstances:

- (1) the requested frequencies do not comply with the Table;
- (2) the frequency equipment named in the application does not comply with the national standard for radio-electronic and high-frequency equipment compatibility;
- (3) the requested frequency band has already been allocated to another operator;
- (4) the applicant does not have the relevant license for radio-frequency use;
- (5) the ministry of defense does not provide its approval for the relevant radio-frequency band; or
- (6) in the negative opinion of the International Telecommunications Union (under limited circumstances).

The procedures for allocating frequencies is determined by the rules on frequency allocation for radio-services providers and the allocation of radio-frequency bands and channels for radio-electronic equipment approved by Ordinance No. 146-p of the chairman of the AIC and the Ministry of Defense, dated July 15, 2004, and Ordinance No. 413 of the Minister of Defense of the Republic of Kazakhstan.

To obtain a permit for frequency allocation, operators must pay a set fee, as well as annual fees for the use of the frequencies. The amount of the fees is set forth by Government Decree No. 932 adopted on August 21, 2002 (as amended). All fees and dues are tied to a monthly calculated rate.

Equipment Certification

The Kazakhstan Communications Law establishes that telecommunications equipment and radio-electronic and high-frequency equipment must be certified in accordance with the applicable legislation. The list of equipment which must be certified was approved by Government Decree No. 367 adopted on April 20, 2005 (as amended). This decree divides telecommunications equipment into two groups – one that requires certification in Kazakhstan and the other that may be used subject to a declaration of compliance issued by the manufacturer.

Numbering Capacity

The AIC is authorized to determine the procedure for allocating numbering capacity and keeps a register of the allocated and reserved numbering resources. An operator's numbering capacity will be revoked if the operator's license has been terminated or if the operator violates a relevant law. Kazakhstan law also provides for mobile number portability, which allows a subscriber to keep his same mobile number after switching service providers.

Competition

Two government agencies in Kazakhstan control antimonopoly legislation – the Agency on the Regulation of Natural Monopolies and the Committee for Competitive Protection of the Ministry of Industry and Trade of the Republic of Kazakhstan.

The Agency on the Regulation of Natural Monopolies oversees natural monopolies. Currently, there are two telecommunications operators which fall under control of this agency – Joint Stock Company Transtelecom and Joint Stock Company Kazakhtelecom. The list of natural monopolies is determined in a governmental registry and approved, maintained and controlled by the agency.

The Committee for Competitive Protection oversees the maintenance of antimonopoly legislation and regulates the market players holding dominate positions in a relevant market. As a general rule, to be recognized as a dominant player, an operator must have more than a 35.0% share of its relevant market (individually, or together as a group, or

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under an agreement with another player). The list of dominant players is determined in a governmental registry and approved, maintained and controlled by the committee. Currently, the list holds two wireless telecommunications operators, KaR-Tel and GSM Kazakhstan LLP, which operates under the K-Cell brand name.

A player included in the registry of dominant players must provide the committee with the following information:

a report on the results of its financial and business activity;

data on the sale or transfer of its shares;

data on monopoly goods/services, including volume, market price and revenues; and

a schedule of any price increases and the reasons for any such increases.

The committee may introduce additional regulations for dominant market players in accordance with the legislative requirements set forth in the Law On Competition and Monopoly Activity Limitation .

Tariffs

Telecommunications tariffs may be subject to governmental regulation only if they are the tariffs of natural monopolies or if, in the case of dominant market players, the regulation was introduced in accordance with Governmental Decree No. 1212. The Kazakhstan Communications Law states that tariffs must contain equal conditions for all telecommunications subscribers and must be based on reasonable and fair expenses.

The rules On Providing Wireless Telecommunications Services establish that operators must notify subscribers no later than 30 days prior to the introduction of new tariffs or changes in existing plans. Also, the telecommunications operator must provide subscribers with certain services free of charge as specified in the Kazakhstan Communications Law and Governmental Decree No. 292 adopted on September 3, 2004. The services include connections to ambulances, law enforcement, fire fighting, emergency, rescue and information services.

Interconnection

Until recently, telecommunications networks were required to use the state-controlled fixed line operator, Joint Stock Company Kazakhtelecom, for interconnecting between networks. However, beginning January 1, 2006, telecommunications providers may now interconnect directly with each other in accordance with interconnection agreements between the operators. Dominant operators are required to enter into an interconnection agreement with any applicant. The structure of interconnection agreements is approved by the AIC.

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 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 the section of this Annual Report on Form 20-F entitled Item 3 Key Information D. Risk Factors and elsewhere in this Annual Report on Form 20-F.

Overview

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The VimpelCom group of companies includes cellular companies operating in Russia, Kazakhstan, Ukraine, Uzbekistan and Tajikistan and, with our recently acquired companies, in Georgia and Armenia. We operate our telecommunications services in Russia, Kazakhstan, Ukraine, Tajikistan, Uzbekistan and Georgia under the Beeline brand name. We believe that Beeline is one of the most recognized brand names in Russia. We also continue to provide wireless telecommunications services in Kazakhstan under the K-mobile and EXCESS brand names. In Armenia, we provide wireless telecommunications services under the Armentel brand name.

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As of December 31, 2006, we had a total subscriber base of approximately 55.1 million, compared to approximately 45.4 million as of December 31, 2005. Of the total number of our subscribers as of December 31, 2006, 48.1 million, or 87.3%, were located in Russia, 3.8 million subscribers, or 6.9%, in Kazakhstan, 1.9 million, or 3.4%, in Ukraine, 73,400, or 0.1%, in Tajikistan, 766,500, or 1.4%, in Uzbekistan and 452,000, or 0.8%, in Armenia.

Based on independent estimates of the number of subscribers of our competitors, we estimate that our market share of subscribers in Russia was 31.7% as of December 31, 2006, compared to 34.3% as of December 31, 2005. We also estimate that, as of December 31, 2006, our market share in Kazakhstan was approximately 49.5%, compared to 37.2% as of December 31, 2005. According to our estimates, as of December 31, 2006, we had a market share of 3.8% in Ukraine, 8.9% in Tajikistan and, 28.2% in Uzbekistan and 38.2% in Armenia. As of December 31, 2006, we had not commenced operations in Georgia.

In January and February 2006, we acquired a 100.0% interest in Buztel, the fourth largest GSM operator in Uzbekistan, and a 100.0% interest in Unitel, the second largest cellular operator in Uzbekistan. As of the date of its acquisition, Unitel served approximately 364,000 subscribers, representing, according to our estimates, a 31.0% market share in Uzbekistan. In July 2006, we merged Buztel into Unitel.

In July 2006, we acquired 51.0% of Georgian cellular operator Mobitel, and a call option for the remaining 49.0%. At the time of its acquisition, Mobitel did not conduct any commercial operations. Upon closing of the transaction, we held a tender for purchase of equipment and started construction and development of our Beeline network. We launched commercial operations in Georgia in March 2007.

In November 2006, we acquired 90.0% of Armentel, a fixed-line and mobile operator in Armenia.

Reportable Segments

Beginning with the fiscal year ended December 31, 2005, management decided to reorganize our reportable segments based on the countries in which we operate. As of December 31, 2006, our reportable segments were: (1) Russia, which includes the operating results of VimpelCom and all of our subsidiaries operating in Russia; (2) Kazakhstan, which includes the operating results of KaR-Tel; (3) Ukraine, which includes the operating results of URS; (4) Tajikistan, which includes the operating results of Tacom; (5) Uzbekistan, which includes the operating results of Unitel; (6) Georgia, which includes the operating results of Mobitel; and (7) Armenia, which includes the operating results of Armentel.

Our management analyzes the reportable segments separately because of different economic environments and the different stages of development of markets of wireless telecommunications services in Russia compared to the CIS, which require different investment and marketing strategies. Though historically the Moscow license area has been a more developed market for our company's services compared to the regions of Russia outside of the Moscow license area, we no longer believe this is the case. Accordingly, we consolidated these segments into one reportable segment encompassing the entire territory of Russia.

Please note that our selected financial data, consolidated financial statements and related notes included elsewhere in this Annual Report on Form 20-F and the following discussion and analysis include only four months of operating results for Kazakhstan for the fiscal year ended December 31, 2004, only two months of operating results for Ukraine for the fiscal year ended December 31, 2005, only eleven months of operating results for Uzbekistan for the fiscal year ended December 31, 2006, and less than two months of operating results for Armenia for the fiscal year ended December 31, 2006.

Trends in Operating Results

We have experienced significant growth in both our operating revenues and operating income in recent years. We have increased both our operating revenues and operating income primarily by increasing our total subscriber base, as well as by extracting additional revenues from our existing subscribers. Our subscriber base increased to 55.1 million, as of December 31, 2006, from 45.4 million, as of December 31, 2005. The net additions in our subscriber base were almost equally split between Russia and the countries of the CIS, of which the largest additions were in Kazakhstan (approximately 1.8 million new subscribers) and Ukraine (approximately 1.6 million new subscribers). In the future, we expect our subscriber growth will come primarily from the countries outside of Russia.

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Subscriber growth during 2005 and 2006 was primarily attributable to organic growth rather than through acquisitions. Approximately 1.7% and 0.4% of our operating revenues in the years ended December 31, 2006 and 2005, respectively, were generated by subsidiaries acquired during the respective years, with the remaining increase generated through organic growth and greenfield roll-outs. In 2005 and 2006, we gained approximately 362,500 and 764,000 subscribers, respectively, as a result of our acquisitions of controlling interests in other wireless telecommunications companies (measured as of the date of acquisition). For more information on these and other acquisitions, see [Mergers and Recently Completed Acquisitions](#) below.

In 2006, the growth in our operating revenues and operating income came predominantly from Russia, which represented 90.4% of our total consolidated operating revenue and 100.4% of our total consolidated operating income. The Russian cellular market, however, has approached saturation and as a result, we no longer expect to see large increases in our subscriber base in this country. Even though our subscriber base increased in Russia by 11.7% in 2006, our total market share in Russia decreased to 31.7%, as of December 31, 2006, from 34.3%, as of December 31, 2005, in large part due to intensified competition and marketing efforts by our competitors. As the wireless market in Russia has reached saturation, we are focusing less on subscriber market share growth and more on revenue growth.

In 2006, we reversed the downward ARPU trend of the past few years and our ARPU grew from US\$7.5 in 2005 to US\$8.0 in 2006. Our revenue growth was predominately fueled by an increase in ARPU in Russia, which increased from US\$7.4 in 2005 to US\$7.9 in 2006. In Russia, we will continue to focus on growth in ARPU and revenue coupled with strict cost control in 2007. In the future, we expect ARPU to gradually increase as Russia's average disposable income also increases and as a result of the introduction and marketing of new, specialized products and services to our existing subscribers and corporate subscribers. As subscriber and cellular traffic increase, we generally expect to report higher revenue and operating income as a result of economies of scale and the implementation of a unified business model. Other key components of our growth strategy in Russia will be to increase our share of the high value subscriber market, improve subscriber loyalty, make selective acquisitions of regional operators and acquire new subscribers as a result of typical churn in our industry.

In the countries of the CIS outside of Russia, we will focus on strengthening our commercial operations and on subscriber growth. Most of the wireless markets in the CIS are still in a phase of rapid subscriber growth with penetration rates substantially lower than in Russia, including Kazakhstan (51.7%), Uzbekistan (10.4%), Tajikistan (11.9%), Georgia (45.8%) and Armenia (37.0%). As the infrastructure for telecommunications networks improves and the use of mobile devices becomes more widely-accepted, we expect substantial increases in the number of new subscribers using cellular services and we believe we are well-positioned to capitalize on this growth. Going forward, we expect the contribution of these countries to our financial results to increase at a higher proportionate rate than in Russia. Like Russia, the penetration rate in Ukraine is over 100.0% and accordingly, the opportunity for subscriber growth in Ukraine is less than the other countries of the CIS in which we operate.

Subscriber Data

We offer both contract and prepaid services to our subscribers. The following table indicates our subscriber figures, as well as our prepaid subscribers as a percentage of our total subscriber base, for the periods indicated:

	As of December 31,		
	2006	2005	2004
Russia	48,141,200	43,096,700	25,724,600
Kazakhstan	3,826,500	2,050,300	859,000
Ukraine	1,876,100	256,800	
Tajikistan	73,400	26,500	
Uzbekistan	766,500		
Armenia	452,000		
Total number of subscribers	55,135,700	45,430,300	26,583,600
Percentage of prepaid subscribers ⁽¹⁾	96.5%	96.9%	95.8%
Percentage of active subscribers	82.7%	83.6%	

(1) Prepaid subscribers are those who pay for their services in advance. This definition is broader than the one historically used by our company as it includes advance payment subscribers who were previously considered contract subscribers.

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In May 2005, we introduced an active subscriber definition as an additional characteristic of our subscriber base. Pursuant to this definition, a subscriber is considered active if the subscriber's activity resulted in income to our company during the most recent three months. Such activity includes all incoming and outgoing calls, subscriber fee accruals, debits related to service, outgoing SMS, MMS, data transmission and receipt sessions, but does not include incoming SMS and MMS sent by our company or abandoned calls. As of December 31, 2006, we had approximately 55.1 million subscribers, of which 82.7% were considered active. We believe that introduction of the active subscriber definition provides our shareholders, investors and others with an additional criterion for analyzing our subscriber base and is more in line with international standards. Introduction of the definition does not change our total subscriber base accounting policy.

Russia. As of December 31, 2006, we had approximately 48.1 million subscribers in Russia, which, according to independent estimates, represented a 31.7% share of the Russian cellular market. Most of our subscriber growth in Russia in 2006 came from the regions outside of the Moscow license area, where our subscriber base increased from approximately 33.8 million, as of December 31, 2005, to approximately 38.0 million, as of December 31, 2006, an increase of approximately 12.4%. Our Moscow subscriber base also increased from approximately 9.3 million, as of December 31, 2005, to approximately 10.1 million, as of December 31, 2006, an increase of approximately 8.6%.

According to AC&M Consulting, as of December 31, 2006, there were approximately 151.9 million subscribers in Russia in terms of the number of subscriptions (as calculated by the number of valid SIM cards as reported by each of the mobile operators according to their churn policies), bringing total cellular penetration in Russia to 104.7% (and exceeding 150.0% in Moscow and 139.0% in St. Petersburg).

Churn policies differ among operators, which may lead to discrepancies in subscriber figures. Because a subscriber may own several SIM card subscriptions from one or more cellular providers, we believe the actual number of subscribers in Russia is substantially less than the 151.9 million cited by AC&M Consulting. For more information on differences in subscriber figures and other operating data among the leading wireless telecommunications providers, please see the section of this Annual Report on Form 20-F entitled Item 3 Key Information D. Risk Factors Risks Related to Our Business. No standard definition of a subscriber exists in the mobile telecommunications industry; therefore, comparisons between subscriber data of different companies may be difficult to draw. Other calculations, including those for minutes of usage, also vary within the mobile telecommunications industry.

Kazakhstan. According to our estimates, our subscriber base in Kazakhstan grew from approximately 2.1 million subscribers, as of December 31, 2005, to approximately 3.8 million subscribers, as of December 31, 2006, an increase of 86.6%. We estimate that our market share in Kazakhstan as of December 31, 2006 was 49.5% compared to 37.2% as of December 31, 2005. In 2006, we became the market leader in Kazakhstan after two full years of operation. Industry analysts estimate that the total number of subscribers in Kazakhstan, as of December 31, 2006, was approximately 7.7 million, which represented a penetration rate of approximately 51.7%. Given the current level of penetration, we believe that the mobile telecommunications market in Kazakhstan will expand rapidly in the next few years.

Ukraine. According to our estimates, our subscriber base in Ukraine grew from approximately 256,800 subscribers, as of December 31, 2005, to approximately 1.9 million subscribers, as of December 31, 2006, an increase of 630.6%. We estimate that our market share in Ukraine as of December 31, 2006 was 3.8% compared to 0.9% as of December 31, 2005. Industry analysts estimate the penetration rate in Ukraine (according to the number of valid SIM cards) as of December 31, 2006 exceeded 100.0%, but that the actual penetration rate was closer to approximately 70.0%. Despite the high penetration rate, we believe that there remain opportunities for subscriber growth in Ukraine and in 2007, the primary focus of our operations in Ukraine will be to increase our market share of subscribers. In the short term, we believe that this will lead to increased price competition among the major wireless operators and accordingly, we expect our ARPU to remain low in Ukraine for the foreseeable future.

Both before and after our acquisition of URS, Telenor and the Telenor Nominees have consistently objected to the acquisition. Following the URS acquisition, Telenor filed three lawsuits in Russia that, among other things, challenge the validity of the September 2005 EGM approving the acquisition and the adequacy of corporate approvals for the URS acquisition, and seek the unwinding of the URS acquisition. We continue to litigate these three Telenor lawsuits. To date, we have prevailed in each stage of the court proceedings in each of the three lawsuits. Each of the lawsuits remains subject to further appeal by Telenor. Telenor has requested that the Supreme Arbitration Court of Russia

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consider their appeal in two of the lawsuits that have so far reached this stage of appeal. We have been informed that with respect to at least one of the two lawsuits challenging the validity of the September 2005 EGM the Review Panel of the Supreme Arbitration Court has decided to transfer the lower courts' decisions to be reviewed by the Presidium of the Supreme Arbitration Court because certain aspects of the lower court rulings were based on, what the Review Panel apparently believes to be, incorrect interpretations of Russian law. The interpretations of Russian law of the Review Panel are not binding on the Presidium of the Supreme Arbitration Court.

We believe that the September 2005 EGM was properly convened and the acquisition of URS was properly consummated in accordance with the September 2005 EGM approval, applicable law and our charter. However, the provisions of Russian law and our charter applicable to the convocation of the September 2005 EGM, the effectiveness of the decision of the September 2005 EGM and our implementation of that decision are subject to possible different interpretations and a Russian court could disagree with our interpretation. Therefore, there can be no assurance that we will prevail at any stage of the litigation relating to these lawsuits or that other claims by Telenor or other third parties regarding our acquisition, operation and/or funding of URS, challenging our ownership interest in URS or other matters will not be made. It is also possible that third parties will seek monetary damages from us or challenge our ownership interest in URS in connection with their claims against the parties that sold URS to our company. There can also be no assurance that any such litigation will not result in the unwinding of the URS acquisition, deprive us of our ownership interest in URS or result in us paying monetary damages and that, in such event, our company will be able to recover the purchase price that it paid to the sellers, any portion of the funds that our company invested in URS during the period prior to the unwinding of the URS acquisition or any other monetary losses that our company will have incurred in connection with our ownership of URS. For a discussion of some of the risks associated with our acquisition of URS, 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." We have a limited non-compete agreement with our strategic shareholders and our strategic shareholders may pursue different development strategies from us and one another in Russia, the CIS or other regions, which may hinder our company's ability to expand and/or compete in such regions and may lead to a further deterioration in the relationship between our two strategic shareholders, "Item 3 Key Information D. Risk Factors Risks Related to Our Business." Our acquisition of URS is being challenged by Telenor and may be challenged by other parties and "Item 3 Key Information D. Risk Factors Risks Related to Our Business." The Telenor Nominees are alleging possible conflicts of interest arising from the alleged business relationships between the Alfa Group Nominees and the sellers of URS, and are claiming that our disclosure with respect to the URS acquisition is inadequate.

Tajikistan. According to our estimates, our subscriber base in Tajikistan grew from approximately 26,500 subscribers, as of December 31, 2005, to approximately 73,400 subscribers, as of December 31, 2006, an increase of 177.0%. We estimate that our market share in Tajikistan, as of December 31, 2006, was 8.9%. We estimate that the total number of subscribers in Tajikistan, as of December 31, 2006, was approximately 821,500, which represented a penetration rate of approximately 11.9%.

Uzbekistan. On January 18, 2006 and February 9, 2006, we acquired 100.0% ownership interests in Buztel and Unitel, respectively. At the time of its acquisition, Unitel had approximately 364,000 subscribers, representing, according to our estimates, a 31.0% market share in Uzbekistan. According to our estimates, as of December 31, 2006, we had approximately 766,500 subscribers, representing a market share of approximately 28.2%. We estimate that the total number of subscribers in Uzbekistan, as of December 31, 2006, was approximately 2.7 million, which represented a penetration rate of approximately 10.4%.

Georgia. On July 11, 2006, we acquired a 51% interest in Mobitel. At the time of its acquisition, Mobitel did not conduct any commercial operations. In March 2007, we launched commercial operations in Georgia under the Beeline brand name. We estimate that the total number of subscribers in Georgia, as of December 31, 2006, was approximately 2.1 million, which represented a penetration rate of approximately 45.8%.

Armenia. On November 16, 2006, we gained approximately 600,000 fixed-line subscribers and 400,000 mobile subscribers when we acquired a 90.0% interest in Armentel. According to our estimates, as of December 31, 2006, we had approximately 452,000 mobile subscribers, representing a market share of approximately 38.2%. We estimate that the total number of mobile subscribers in Armenia, as of December 31, 2006, was approximately 1.2 million, representing a penetration rate of approximately 37.0%. We intend to continue providing fixed-line services in Armenia and will focus on increasing our subscriber base in both segments.

Table of Contents**Certain Performance Indicators**

The following discussion analyzes certain operating data, such as average monthly service revenues per subscriber, or ARPU, minutes of use per subscriber, or MOU, and churn rate, that is not included in our financial statements. We provide this operating data because it is regularly reviewed by management and because management believes it is useful in evaluating our performance from period to period. Beginning in the first quarter of 2006, we introduced two additional performance indicators, MOU_{ACT} and ARPU_{ACT}, which refer to minutes of use per active subscriber and average monthly services revenues per active subscriber, respectively. We introduced these performance indicators on an active subscriber basis because they provide important information about the quality of our subscriber base and revenue flow.

We believe that presenting information about ARPU, MOU, ARPU_{ACT} and MOU_{ACT} is useful in assessing the usage and acceptance of our products and services, and that presenting our churn rate is useful in assessing our ability to retain subscribers. This additional operating information may not be uniformly defined by our competitors and, accordingly, may not be comparable with similarly titled measures and disclosures by other companies.

ARPU

ARPU is a non-U.S. GAAP financial measure calculated for each month in the relevant period by dividing our service revenue during that month, including 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 subscribers during the month. This figure includes both prepaid and contract customers. See Additional Reconciliations of Non-U.S. GAAP Financial Measures (Unaudited) for more information regarding our use of ARPU as a non-U.S. GAAP financial measure.

ARPU_{ACT} is ARPU calculated on the basis of our active subscribers only.

The following tables shows our average ARPU and our average ARPU_{ACT} for the periods indicated:

	Year ended December 31,		
	2006	2005	2004
ARPU:			
Russia	US\$ 7.9	US\$ 7.4	US\$ 10.1
Kazakhstan	US\$ 10.1	US\$ 10.5	US\$ 15.7
Ukraine	US\$ 4.1	US\$ 4.1	
Tajikistan	US\$ 4.4		
Uzbekistan	US\$ 10.4		
Armenia	US\$ 15.7		
Georgia			
Total ARPU	US\$ 8.0	US\$ 7.5	US\$ 10.1

	Year ended December 31,		
	2006	2005	2004
ARPU_{ACT}:			
Russia	US\$ 9.6	US\$ 8.5	
Kazakhstan	US\$ 12.6	US\$ 11.3	
Ukraine	US\$ 5.0	US\$ 4.3	
Tajikistan	US\$ 6.8		
Uzbekistan	US\$ 11.9		
Armenia	US\$ 15.6		
Georgia			
Total ARPU_{ACT}	US\$ 9.7	US\$ 8.7	

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After steadily declining in 2004 and 2005, our ARPU stabilized and increased slightly to US\$8.0 in 2006 from US\$7.5 in 2005. The increase in ARPU in 2006 was primarily attributable to the improved quality of our subscriber base, increased traffic on our network, an increase in interconnect fees between mobile operators and the introduction of a first-minute charge on certain tariff plans. Additionally, ARPU increased in 2006 in part due to our switch to Russian ruble denominated tariffs, which reduced the negative effect on revenues of a depreciating Russian ruble value of the

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U.S. dollar, and the implementation of a fixed exchange rate for our U.S dollar linked tariffs, which was set at a Russian ruble/U.S. dollar exchange rate that was above the official exchange rate. The decline in ARPU during previous periods was primarily attributable to an increase in the number of mass market subscribers as a proportion of the total number of our subscribers as a result of accelerated growth of our subscriber base in the regions, which typically comprises mass market subscribers, and a gradual reduction in our tariffs. Mass market subscribers generally have lower ARPU compared to corporate and business subscribers.

In Russia, we expect that cellular operators will seek to stabilize margins and continue their focus on revenue growth. We will target our marketing efforts on stimulating mobile service usage, including the use of value added services, by our existing subscribers through promotional campaigns and events. As a result, we expect ARPU in Russia to continue to stabilize and potentially slightly increase in the near future as historical downward pressure on ARPU from the growth of our mass market subscriber segment is reduced now that the market has become saturated and any continued downward pressure on ARPU is expected to be offset by increased usage of both voice services and value added services. In the CIS, we expect that an increasing percentage of our subscribers will be mass market subscribers and that ARPU in these countries will decrease in the near future.

As subscriber growth rates in Russia have slowed, we are increasingly reliant on ARPU growth for our operations to continue to expand. Our business strategy contemplates such growth and we are expending significant resources to increase our revenues per subscriber, particularly by marketing new products and value added services to both our existing subscribers and new corporate subscribers.

MOU

MOU is calculated for each month of the relevant period by dividing the total number of minutes of usage (including both billable minutes of usage and free minutes of usage) for incoming and outgoing calls during that month (excluding guest roamers) by the average number of subscribers during the month.

MOU_{ACT} is MOU calculated on the basis of our active subscribers only.

The following tables show our average MOU and our average MOU_{ACT} for the periods indicated:

	Year ended December 31,		
	2006	2005	2004
MOU:			
Russia	120.1	103.6	98.0
Kazakhstan	56.8	51.3	69.3
Ukraine	121.8	34.6	
Tajikistan	77.4		
Uzbekistan	279.5		
Armenia	163.7		
Georgia			
Total MOU	117.9	101.4	96.5

	Year ended December 31,		
	2006	2005	2004
MOU _{ACT} :			
Russia	145.9	120.4	
Kazakhstan	70.4	55.3	
Ukraine	149.7	36.2	
Tajikistan	121.1		
Uzbekistan	320.5		
Armenia	162.9		
Georgia			
Total MOU_{ACT}	143.4	117.6	

The increase in MOU in Russia during the past three years was primarily attributable to an increase in MOU in both the Moscow license area and the regions of Russia due to national marketing campaigns aimed at increasing local

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traffic, which offered discounts and attractive prices on outgoing and incoming traffic to our subscribers. The increase in MOU in Ukraine in 2006 compared to 2005 was primarily attributable to an increase in the number of new subscribers who use their cellular telephones with more frequency than existing subscribers and marketing campaigns offering discounts and free minutes of usage to subscribers.

Churn rate

We define our churn rate as the total number of subscribers disconnected from our network within a given period expressed as a percentage of the midpoint of subscribers in our network at the beginning and end of that period. Contract subscribers are disconnected if they have not paid their bills for two months and prepaid subscribers are disconnected six months after their services have been blocked. We typically block a prepaid subscriber's service in two cases: (1) their balance drops to zero or below, or (2) an account shows no chargeable activity for six months.

Migration of subscribers from our D-AMPS network to our GSM network, as well as migration between prepaid and contract forms of payment, is technically recorded as churn, which contributes to our churn rate even though we do not lose those subscribers. Similarly, a large proportion of prepaid customers who change tariff plans by purchasing a new SIM card with our company are also counted as churn.

The following table shows our churn rates for the periods indicated:

	Year ended December 31,		
	2006	2005	2004
Russia churn rate	35.4%	30.4%	29.3%
Kazakhstan churn rate	32.8%	30.3%	19.0%
Ukraine churn rate	18.6%		
Tajikistan churn rate	95.1%		
Uzbekistan churn rate	44.9%		
Armenia churn rate	9.1%	19.0%	
Total churn rate	35.1%	30.4%	29.6%

In general, a high level of churn is typical in cellular markets where a large proportion of the subscribers are prepaid or mass market subscribers, such as in Russia and the CIS. We believe the increase in our churn rate in 2006 compared to 2005 is due to intense seasonal promotional campaigns in Russia introduced by us and our competitors. The increase in our churn rate in Kazakhstan in 2005 and 2006 was due to price cutting by our major competitor in Kazakhstan in the first half of 2005 and isolated problems with our dealer network in the beginning of 2005. The very high churn rate in Tajikistan in 2006 was due to typical churn resulting from our acquisition of Tacom and launch of the Beeline brand name in Tajikistan. We expect our churn rate in both Russia and Kazakhstan to remain stable during 2007 as a greater proportion of our customer base continues to come from the regions of Russia and the CIS, which traditionally have lower churn rates than the Moscow license area, and as the results of our customer loyalty and retention marketing efforts over the past two years are realized.

Recently Completed Mergers and Acquisitions

On December 22, 2006, we acquired an additional 20.0% ownership interest in Tacom for a purchase price of US\$5.0 million, bringing our total ownership interest in Tacom to 80.0%.

On April 28, 2006, we completed the mergers of Sotovaya Company, StavTeleSot, Vostok-Zapad Telecom, Orenсот and DalTelecom into VimpelCom. On May 31, 2006 we completed the mergers of Extel and Beeline-Samara into VimpelCom.

On January 18, 2006, we acquired 100.0% of Buztel, which holds national GSM-900 and 1800 licenses that cover the entire territory of Uzbekistan, for a purchase price of US\$60.0 million plus the assumption of approximately US\$2.4 million in debt. On February 9, 2006, we acquired 100.0% of Unitel, which holds national GSM-900 and 1800 licenses for Uzbekistan, for a purchase price of US\$200.0 million plus the assumption of approximately US\$7.7 million in debt. On July 24, 2006, we completed the merger of Buztel into Unitel. In April 2007, we entered into an agreement to sell a 33.3% ownership interest in our wholly-owned subsidiary, Freevale Enterprises, Inc. (BVI), for US\$20.0 million. Freevale Enterprises, Inc. (BVI) owns 21.0% of Unitel. The transaction is expected to close in the third quarter of 2007.

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On July 11, 2006, we acquired 51.0% of Mobitel, which holds national GSM-1800 license that covers the entire territory of Georgia, for a purchase price of US\$12.6 million plus the assumption of approximately US\$0.2 million in net debt.

On November 16, 2006, we acquired 90.0% of Armentel, which holds a GSM-900 license and a CDMA license and has fixed-line operations in Armenia, for a purchase price of approximately US\$445.0 million. In April 2007, we acquired from the Government of Armenia the remaining 10.0% of Armentel for a purchase price of 38.6 million (or approximately US\$52.3 million). In addition, we will pay the Government of Armenia an amount representing 10.0% of the retained net profit of Armentel for the period following the closing of the acquisition of 90.0% of the Armentel shares and up to the closing of the acquisition of 10.0% of the Armentel shares.

On December 14, 2006, we acquired 75.0% of Limited Liability Company Dominanta, a company which renders mobile digital television services in the DVB-H standard in Moscow, the Moscow region and other regions of Russia, for a purchase price of approximately US\$10.5 million.

On March 21, 2007, KaR-Tel acquired 99.0% of Limited Liability Partnership Teta Telecom, a holding company which holds 100.0% of Limited Liability Partnership KZ-Trans, a fiber-optic operator in Kazakhstan, and a minority interest in Limited Liability Partnership TNS-Plus, which holds a license for long-distance operations, for an aggregate purchase price of approximately US\$10.1 million.

For more information regarding our mergers and acquisitions for each of 2006, 2005 and 2004, see Liquidity and Capital Resources Investing activities.

Reclassifications

Certain reclassifications have been made to the prior years consolidated financial statements to conform to the current year's presentation. Customer advances were presented net of value added tax. Please see Note 2 to our audited consolidated financial statements included in this Annual Report on Form 20-F.

Revenues

We generate our revenues from providing wireless telecommunications services and selling handsets and accessories. Our primary sources of revenues consist of:

Service Revenues

Our service revenues include (1) revenues from airtime charges from contract and prepaid subscribers, monthly contract fees, interconnect fees from other mobile and fixed-line operators, roaming charges and charges for value added services such as messaging, mobile internet, infotainment, caller number identification, voice mail and call waiting and (2) connection fees, which are one time charges for the allocation of a telephone number. In the past, connection fees were a notable component of our service revenues. However, in response to competitive factors, we have reduced or eliminated most connection fees in Russia. We expect that connection fees will not be a significant source of revenues going forward.

During 2006, we generated US\$4,847.7 million in service revenues. Service revenues constituted approximately 99.5%, 98.9% and 98.0% of our total operating revenues, without giving effect to revenue-based taxes, for the years ended December 31, 2006, 2005 and 2004, respectively. We believe that service revenues will continue to increase in 2007 primarily as a result of increased usage of our mobile services and value added services due to our marketing campaigns and strong operating platform, coupled with higher living standards in Russia and the rapid expansion of the Russian economy.

During 2006, we generated US\$503.9 million of our service revenues from interconnect revenues, or 10.3% of total operating revenues. This increase was primarily related to changes implemented by us in connection with the introduction of CPP in July 2006. Specifically, in response to the introduction of CPP we began to charge fixed-line operators rather than our subscribers for incoming calls, we amended the terms of interconnect fees with other mobile

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operators and we adjusted pricing on some tariff plans. As a result of these changes, over the next few years, we expect an increase in interconnect revenues payable by fixed-line operators, along with an increase in interconnect fees between mobile operators. Our interconnect revenues increase in 2006 was also due to an increased usage. We expect usage to continue to increase in the next few years.

During 2006, roaming revenues generated by our subscribers amounted to US\$149.5 million, or 3.1% of total operating revenues, and our roaming revenues received from other wireless services operators for providing roaming services to their subscribers amounted to US\$126.8 million, or 2.6% of total operating revenues. Over the next several years, we expect our roaming revenues from wireless users to stabilize as a percentage of our total operating revenues.

During 2006, we generated US\$641.2 million of revenue, or 13.2% of total operating revenues, from value added services. We currently provide traditional value added services, such as voice mail, call forwarding, call waiting, conference calling, call barring, caller-ID, automatic dialing and alternative dialing. We also provide a variety of messaging value added services, such as outgoing SMS and MMS, as well as content delivery, such as games and other infotainment services. Over the next several years, we expect that revenues from value added services will increase as a percentage of our total operating revenues in each of our operating segments.

Sales of Handsets and Accessories

We sell wireless handsets and accessories to our subscribers for use on our networks. Sales of handsets and accessories constituted approximately 0.4%, 0.9% and 1.8% of our total operating revenues, during the years ended December 31, 2006, 2005 and 2004, respectively. Over the next several years, we expect revenues from sales of handsets and accessories to remain stable in absolute terms but to continue to decrease as a percentage of our total operating revenues.

Expenses

We have two categories of expenses directly attributable to our revenues: service costs and the costs of handsets and accessories.

Service Costs

Service costs include interconnection and traffic costs, channel rental costs, telephone line rental costs, roaming expenses and charges for connection to special lines for emergencies. Our service margin percentage during 2006 was 79.9% compared to 83.8% during 2005 and 84.2% during 2004. Service margin represents aggregate service revenues less service costs, expressed as a percentage of aggregate service revenues. The decrease in our service margin in 2006 is primarily due to the introduction of CPP as our interconnect fees per minute increased due to revised payment terms with other mobile and fixed-line operators. In 2006, our interconnect costs represented 56.5% of our total service costs as compared to 18.0% of our total service costs in 2005. We expect that over the next few years service margin will slightly decrease as a result of our response to the introduction of CPP.

Costs of Handsets and Accessories

Our costs of handsets and accessories sold represent the amount that is payable for this equipment. We purchase handsets and accessories from third party manufacturers for resale to our subscribers for use on our networks. We recorded profits from the sales of handsets and accessories of US\$0.9 million during 2006, US\$2.2 million during 2005 and US\$8.1 million during 2004. The decrease in sales of handsets and accessories during 2006 and 2005 was primarily the result of a decrease in the price of handsets and an increase in dealer sales (as opposed to sales directly from our company). Profits from the sale of handsets and accessories are calculated as the difference between the revenues generated from the sales and the costs of the handsets and accessories sold.

Operating Expenses

In addition to service costs and the costs of handsets and accessories, our operating expenses include:

Selling, general and administrative expenses. Our selling, general and administrative expenses include:

dealers commissions;

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salaries and outsourcing costs, including related social contributions required by Russian law;

marketing and advertising expenses;

other miscellaneous expenses, such as insurance, operating taxes, license fees, and accounting, audit and legal fees;

repair and maintenance expenses;

rent, including lease payments for base station sites; and

utilities.

Marketing and sales related expenses comprise a large portion of our selling, general and administrative expenses and consist primarily of dealers' commissions, salaries and outsourcing costs and advertising expenses. Acquisition cost per subscriber, or SAC, is a non-U.S. GAAP financial measure calculated as dealers' commissions (for sales and bonuses for exclusivity, if any), advertising expenses and handset subsidies for the relevant period divided by the number of new subscribers added to our networks during the relevant period. Dealers' bonuses for exclusivity were previously included in general and administrative expenses, but are now considered dealers' commission expenses. Historical figures including SAC were recalculated accordingly. See *Additional Reconciliation of Non-U.S. GAAP Financial Measures (Unaudited)* for more information regarding our use of SAC as a non-U.S. GAAP financial measure.

During 2006, our SAC increased to US\$16.1 from US\$13.2 in 2005, which was a decrease from US\$13.9 in 2004. The increase in our SAC in 2006 is primarily due to an increase in our advertising and marketing expenses. As the Russian market becomes saturated and subscriber growth slows, we believe that our SAC is becoming a less reliable performance indicator as the bulk of our marketing and advertising expenses relate to retaining our existing subscriber base, rather than attracting new subscribers. In Russia, we believe that SAC will generally continue to increase as it becomes more difficult to attract new subscribers in a saturated market. We believe that SAC, however, will decrease in the CIS (excluding Russia) as SAC is typically lower in these countries than in Russia primarily as a result of lower dealer commissions and advertising costs.

Depreciation and amortization expense. We depreciate the capitalized costs of our tangible assets, which consist mainly of telecommunications equipment and buildings owned by us. We amortize our intangible assets, which consist primarily of telecommunications licenses and frequency allocations, telephone line capacity for local numbers in the Moscow license area and the regions. Effective January 1, 2002, goodwill is no longer being amortized and is subject to an annual impairment test. In response to the new telecommunications regulations adopted by the Russian Government in February 2005, we re-assessed the useful life estimates of our GSM telecommunications licenses. Beginning January 1, 2005, we changed the estimated remaining useful life of GSM telecommunications licenses and frequency allocations from the initial expiration dates of the GSM licenses in Russia (held by VimpelCom and its subsidiaries), which varied from April 2008 to September 2012, to December 31, 2012. The change was driven by the implementation of the Communications Law, which our management believed reduced the risk that GSM telecommunications licenses and frequency allocations would not be re-issued. Please see Note 3 to our consolidated financial statements included elsewhere in this Annual Report on Form 20-F for more information on our change in the useful life of the licenses.

Intangible assets constituted 23.2% of our total assets and 49.7% of our shareholders' equity as of December 31, 2006. Our capital investments for 2006 were approximately US\$1,512.1 million for the purchase of property and approximately US\$679.8 million for the acquisition of new entities (net of cash holdings of acquired companies). Our capital investments for 2005 were approximately US\$1,635.3 million for the purchase of property and approximately US\$307.0 million for the acquisition of new entities (net of cash holdings of acquired companies). Our increased capital expenditures caused our total depreciation and amortization expenses to increase by 77.7% during 2006 compared to 71.9% during 2005 and 75.4% during 2004.

Provision for doubtful accounts. We include in our operating expenses an estimate of the amount of our accounts receivable that we believe will ultimately be uncollectible. We base the estimate on historical data and other relevant factors, such as the financial condition of the economy as a whole. Looking forward, over the next several years, we expect our provision for doubtful accounts to continue to remain low as a percentage of net operating revenues due to the large number of prepaid subscribers as a proportion of our total subscriber base. In addition, we are continually reviewing our collection practices to identify ways to manage risk and improve how we monitor and collect accounts receivable.

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Interest expense. We incur interest expense on our vendor financing agreements, loans from banks, including the loans from UBS (Luxembourg) S.A., capital leases and other borrowings. Our interest bearing liabilities carry both fixed and floating interest rates. On our borrowings with a floating interest rate, the interest rate is linked either to LIBOR or to EURIBOR. During 2006, our interest expense amounted to US\$186.4 million, or 3.8% of our consolidated total operating revenues, a 26.4% increase compared to US\$147.4 million, or 4.6% of our consolidated total operating revenues, during 2005. Our interest expense depends on a combination of prevailing interest rates and the amount of our outstanding interest bearing liabilities. The increase in our interest expense during 2006 compared to 2005 was primarily attributable to an increase in the overall amount of our debt during 2006 as compared to 2005. In 2007, based upon our current plans, we expect to raise approximately US\$800.0 million in debt financing in the Russian and/or international capital markets and/or in bank financing (including financing arrangements entered into in 2007 to date) to meet our projected capital expenditures, scheduled debt repayment and possible acquisitions through 2007. The actual amount of debt financing that we will need to raise will be influenced by the actual pace of traffic growth over the period, network construction, including our acquisition plans and our ability to continue revenue growth and stabilize ARPU. In addition, we are currently actively pursuing further opportunities for expansion. For more information on the risks associated with acquisitions, please see the section of this Annual Report on Form 20-F entitled **Item 3 Key Information D. Risk Factors Risks Related to Our Business**. If we invest in or acquire other companies, particularly outside of Russia, we may face certain risks inherent in such transactions. We cannot, however, give you any assurance of the exact amount that we will invest in acquiring wireless operators or that we will be able to complete any acquisitions successfully. If we make any further significant acquisitions beyond what is currently contemplated, we will need to increase the amount of additional debt financing over this period above the amount currently projected. For the risks associated with our ability to meet our financing needs, 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 anticipate that we will need additional capital and we may not be able to raise it and **Item 3 Key Information D. Risk Factors Risks Related to Our Business**. 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.

Income tax expense. As of December 31, 2006, our operating income was subject to taxation in the Russian Federation, Kazakhstan (since September 2004), Ukraine (since November 2005), Tajikistan (since December 2005), Uzbekistan (since January 2006) and Armenia (since November 2006). As of December 31, 2006, there were no taxable operations in Georgia.

The statutory tax rate in Russia is 24.0%. The statutory income tax rate in Kazakhstan is 30.0%. The statutory tax rate in Ukraine and Tajikistan is 25.0%. The statutory tax rate in Armenia and Georgia is 20.0%. In Uzbekistan there is a complex income tax regime, that results in an effective rate of approximately 19%. Income tax expense includes both current and deferred tax expense. Our effective income tax rate of 32.2% during 2006 was higher than our effective income tax rate of 26.4% in 2005 primarily due to the effect of recognition of the tax claims brought by the Russian tax authorities and permanent differences between Russian tax accounting and U.S. GAAP accounting, in particular with respect to recognition of foreign currency exchange gains or losses and non-deductible expenses. Russia's federal and local tax laws and regulations are subject to frequent change, varying interpretations and inconsistent enforcement. For more information, 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**. We could be subject to claims by the Russian tax inspectorate that could have a material adverse effect on our business and **Item 3 Key Information D. Risk Factors Risks Related to the Legal and Regulatory Environment in Russia**. Russia's unpredictable federal and local tax systems give rise to significant uncertainties and risks that complicate our tax planning and business decisions.

Results of Operations

The table below shows, for the periods indicated, the following statement of operations data expressed as a percentage of net operating revenues. Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the current year presentation. For more information, see **Reclassifications**.

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	Year ended December 31,		
	2006	2005	2004
Consolidated statements of income			
Operating revenues:			
Service revenues and connection fees	99.6%	98.9%	98.0%
Sales of handsets and accessories	0.3	0.9	1.8
Other revenues	0.1	0.2	0.2