

OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS

Form 6-K

February 09, 2005

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 6-K**

**Report of Foreign Issuer**

**Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934**

**For the month of February 2005**

**Commission File Number 1-14522**

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**Open Joint Stock Company**

**Vimpel-Communications**

**(Translation of registrant's name into English)**

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

**(Address of principal executive offices)**

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Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F. Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): \_\_\_\_\_.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): \_\_\_\_\_.

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes  No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-\_\_\_\_\_ .

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

OPEN JOINT STOCK COMPANY

VIMPEL-COMMUNICATIONS

\_\_\_\_\_  
(Registrant)

Date: February 9, 2005  
\_\_\_\_\_

By: /s/ Alexander V. Izosimov  
\_\_\_\_\_

Name: Alexander V. Izosimov

Title: Chief Executive Officer and General Director

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On February 7, 2005, Open Joint Stock Company Vimpel-Communications ( VimpelCom or the Company ) announced, and submitted the press release containing such announcement in a separate Form 6-K dated February 7, 2005, that it priced US\$300.0 million in debt financing through 8% notes due February 2010 (the Notes ) to be issued in the international bond markets (the Debt Financing ). The offering is expected to close on February 11, 2005. VimpelCom intends to use the net proceeds of the Debt Financing partly to repay indebtedness including, at maturity, a portion of the US\$250.0 million notes due April 2005 and partly to continue the development and expansion of its networks, including through possible acquisitions or investments in existing wireless operators within Russia and/or the CIS, or by establishing new wireless operators or entering into local partnerships or joint ventures within Russia and/or the CIS. In connection therewith, VimpelCom disclosed to prospective purchasers of the notes information that has not been previously publicly reported. VimpelCom has elected to provide such information, together with some information that has been previously publicly disclosed, in this Form 6-K.

Nothing herein shall constitute an offer to sell or the solicitation of an offer to buy the Notes, nor shall there be any sale of the Notes in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state. The Notes will be offered to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act of 1933, as amended (the Securities Act ), and outside the United States in reliance on Regulation S under the Securities Act. The Notes will not be registered under the Securities Act. Unless and until so registered, the Notes may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

This Form 6-K 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 (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, 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, notably, in the regions of Russia outside of Moscow and in other countries of the CIS;

our anticipated capital expenditures in Moscow, in the regions of Russia outside of Moscow and in Kazakhstan;

our ability to merge with our subsidiary Open Joint Stock Company KB Impuls ( KB Impuls ) and our expectation that our licenses, frequencies and other permissions that were previously held by Open Joint Stock Company VimpelCom-Region ( VimpelCom-Region ) and that are currently held by KB Impuls will be re-issued to VimpelCom in connection with the mergers of VimpelCom-Region and KB-Impuls, respectively;

our ability to successfully challenge suits, including class action lawsuits by some of our shareholders and tax disputes brought by the Russian tax inspectorate;

our ability to successfully challenge on appeal the decision by the Temuruksky district court of Krasnodarsky Krai of a case brought by a minority shareholder, which suspends the effectiveness of the provision of our charter requiring the super-majority vote of our board of directors with respect to certain matters, including acquisitions of shareholdings in other enterprises;

our ability to achieve the expected benefits from our acquisition of TOO KaR-Tel ( KaR-Tel ), the second largest cellular operator in Kazakhstan, and to successfully challenge claims brought against KaR-Tel by third parties;

our plans to increase our subscriber base;

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expectations as to pricing for our products and services in the future 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

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other statements regarding matters that are not historical facts.

While these statements are based on sources believed to be reliable and on our management's current knowledge and best belief, they are merely estimates or predictions and cannot be relied upon. We cannot assure you that future results will be achieved. The risks and uncertainties that may cause our actual results to differ materially from the results indicated, expressed or implied in the forward-looking statements used in this Form 6-K and the documents incorporated by reference include:

risks relating to changes in political, economic and social conditions in Russia and Kazakhstan;

risks relating to Russian and Kazakh legislation, regulation and taxation, including laws, regulations, decrees and decisions governing each of the Russian and Kazakh telecommunications industry, currency and exchange controls relating to Russian and Kazakh entities and taxation legislation relating to Russian and Kazakh entities, and their official interpretation by governmental and other regulatory bodies and by Russian and Kazakh courts;

risks relating to our acquisition of KaR-Tel, which we acquired on September 3, 2004 through a competitive tender. We had limited opportunity to conduct due diligence in connection with this acquisition and, as we continue the process of integrating KaR-Tel's operations, we may uncover unexpected or unforeseen liabilities and obligations or ultimately incur greater than expected liabilities as a result of this acquisition. In addition, our ownership of KaR-Tel may be challenged and there is a risk that former shareholders of KaR-Tel or their legal successors may prevail in their claims against us. Although we are continuing to conduct due diligence on KaR-Tel, financial data, operating data or other information regarding KaR-Tel is based largely on documents provided to us in connection with the tender process;

risks that various courts or regulatory agencies in which we are involved in legal challenges or appeals may not find in our favor;

risks relating to our company, including demand for and market acceptance of our products and services, regulatory uncertainty regarding our licenses, frequency allocations and numbering capacity, constraints on our spectrum capacity, availability of line capacity, competitive product and pricing pressures and the re-issuance of licenses previously held by VimpelCom-Region;

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 Form 6-K and in the documents incorporated by reference 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 Form 6-K be regarded as a representation or warranty by the Company 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 Form 6-K are made only as of the date of this Form 6-K 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.

**EXPLANATORY NOTE**

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The financial data provided in this Form 6-K has been presented in U.S. dollars and was prepared in accordance with U.S. generally accepted accounting principles ( U.S. GAAP ).

This Form 6-K describes matters that relate generally to VimpelCom 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 the VimpelCom consolidated group. Unless specifically indicated otherwise, the information contained in this Form 6-K does not include financial data, operating data or other information regarding KaR-Tel. To the extent any of the conditions contained in Regulation S-X are met

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requiring the inclusion of separate pro forma and historical financial data for KaR-Tel in our future Annual Reports on Form 20-F filed with the SEC, we intend to make such disclosures in accordance with the requirements of Regulation S-X. In addition, the discussion of our business and the wireless telecommunications industry contains references to numerous technical and industry terms. 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-900 and GSM-1800 are to networks that provide wireless mobile telephone services using GSM in the 900 MHz and 1800 MHz frequency ranges, respectively. References to GSM are to both the GSM-900 and GSM-1800 standards.

References to AMPS are to both analog and digital versions of the Advanced Mobile Phone System cellular standard in the 800 MHz frequency range, and references to D-AMPS are to the digital version of AMPS.

References to spectrum allocated are to one half of the total allocated spectrum, because two equal frequency bands are allocated to permit transmission by base stations and subscriber mobile telephone units.

References to the CIS are to countries of the Commonwealth of Independent States.

References to the regions are to the regions of Russia outside of the Moscow license area, including the city of St. Petersburg.

For the purposes of this Form 6-K, the term super-region includes Russia's seven large geographical regions as well as the Moscow license area.

### **Certain Information with Respect to VimpelCom not Previously Publicly Reported**

#### **Disclosed to Prospective Purchasers of Notes**

#### **Risk Factors**

*The risk factors below are associated with our Company. You should carefully consider all of the information set forth in VimpelCom's Annual Report on Form 20-F for the year ended December 31, 2003 and, in particular, the risks described in the section of the Annual Report on Form 20-F entitled Item 3 Key Information D. Risk Factors. You should also carefully consider risk factors in the Company's Reports on Forms 6-K dated June 10, 2004, July 9, 2004 and October 19, 2004 submitted with the SEC, and other filings made by the Company with the SEC. If any of these risks actually occur, VimpelCom's business, financial condition or results of operations could be harmed.*

*The risks and uncertainties below, in the Annual Report on Form 20-F for the year ended December 31, 2003 and in the Company's other public filings and submissions with the SEC are not the only ones VimpelCom faces, but represent the risks that VimpelCom believes are material. However, there may be additional risks that VimpelCom currently considers not to be material or of which VimpelCom is not currently aware and these risks could have the effects set forth above.*

**Risks Related To Our Business**

**If the telecommunications licenses, frequencies and other permissions previously held by VimpelCom-Region 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 November 26, 2004, we completed the merger of VimpelCom-Region into VimpelCom. In accordance with the new law On Communications (the New Law ), VimpelCom promptly filed applications with the Federal Surveillance Service for Communications (the Service ) for the re-issuance of VimpelCom-Region s licenses to VimpelCom. On December 28, 2004, we received a letter from the Service stating that, although we had complied with the relevant requirements of the New Law, the Service was not in a position to re-issue the licenses previously held by VimpelCom-Region to VimpelCom until the Russian Government adopted regulations establishing the types of telecommunications activities for which a license is required and the material terms and conditions associated with such license as contemplated by the New Law. The letter further stated that VimpelCom, as the legal successor to VimpelCom-Region, could



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assume the obligations of VimpelCom-Region to provide wireless services under the licenses previously held by VimpelCom-Region prior to their re-issuance to VimpelCom. Furthermore, although the letter did not specifically include the frequencies and permissions related to the licenses previously held by VimpelCom-Region, VimpelCom has assumed the obligations of VimpelCom-Region with respect to those frequencies and permissions since they are directly related to the licenses and the ability of VimpelCom to provide wireless services under the licenses previously held by VimpelCom-Region. Upon receipt of the letter on December 28, 2004, we immediately re-filed our applications with the Service for the re-issuance of the licenses to VimpelCom and on January 27, 2005, the Service returned copies of our applications to us. In its letter of January 27, 2005 the Service suggested that in order to complete the re-issuance process in connection with the merger, VimpelCom should apply for the re-issuance of the licenses after the Russian Government approves the regulations establishing the types of telecommunications activities for which a license is required and the related terms and conditions of such licensed activities. The subscriber base and revenues from the licenses previously held by VimpelCom-Region represent a significant and growing portion of our business.

There can be assurance that the Russian Government will issue regulations establishing the types of telecommunications activities for which a license is required and the related terms and conditions of such licensed activities. Despite the guidance and clarifications received from the Service, there can also be no assurance that any or all of the licenses, frequencies and permissions will be re-issued to us, will be re-issued to us in a timely manner or on the same terms and conditions as the licenses, frequencies and permissions previously held by VimpelCom-Region (including with the same scope of service). In addition, despite the guidance and clarifications received from the Service and our view that such guidance and clarifications provide for the continued effectiveness of VimpelCom-Region's licenses until such time as the licenses are re-issued to VimpelCom, there can be no assurance that VimpelCom's right to continue to provide service to subscribers in VimpelCom-Region's licensed areas prior to the re-issuance of the licenses, frequencies and permissions will not be challenged or revoked or that others will not assert that VimpelCom-Region's licenses 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 VimpelCom-Region previously held licenses or not to be able to provide all of the same services it currently provides 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.

### **We could be subject to claims by the Russian tax inspectorate that could materially adversely affect our business.**

On November 26, 2004, VimpelCom received an act from the Russian tax inspectorate with preliminary conclusions following a review of VimpelCom's 2001 tax filing. The preliminary act stated that VimpelCom owed 2.5 billion Russian rubles (or approximately US\$91.0 million at the exchange rate as of December 31, 2004) in taxes plus 1.9 billion Russian rubles (or approximately US\$68.0 million at the exchange rate as of December 31, 2004) in fines and penalties in addition to amounts that VimpelCom previously paid in 2001 for taxes. The preliminary conclusions related to the deductibility of expenses incurred by VimpelCom in connection with the agency relationship between VimpelCom and its wholly-owned subsidiary, KB Impuls. On December 8, 2004, VimpelCom filed its objections to the preliminary act and on December 30, 2004, VimpelCom received a final decision from the tax inspectorate stating that the total amount of additional taxes to be paid by VimpelCom for the 2001 tax year had been reduced to 284.9 million Russian rubles (or approximately US\$10.3 million at the exchange rate as of December 31, 2004) in taxes plus 205.0 million Russian rubles (or approximately US\$7.4 million at the exchange rate as of December 31, 2004) in fines and penalties. The 88.9% reduction in the final decision by the tax inspectorate primarily related to the acceptance by the tax inspectorate of VimpelCom's objection regarding the tax inspector's claim concerning the deductibility of expenses incurred by VimpelCom in connection with the agency relationship between VimpelCom and its wholly-owned subsidiary, KB Impuls, and the withdrawal of the related claim. A significant portion of the final tax decision (excluding fines and penalties) concern deductions for certain value added taxes that the authorities determined were calculated incorrectly. Although we do not agree with the final decision for 2001 by the tax inspectorate, we paid the taxes for 2001 and have initiated offsets for certain of these amounts in future tax years. Based on the amount of the final decision for 2001, we understand that the Ministry of Internal Affairs should review this matter and decide whether to initiate a criminal investigation.

On December 28, 2004, VimpelCom received an act from the Russian tax inspectorate with preliminary conclusions from a review of VimpelCom's 2002 tax filing. The act states that VimpelCom owes an additional 408.5 million Russian rubles (or approximately US\$14.7 million at the exchange rate as of December 31, 2004) in taxes plus 172.1 million Russian rubles (or approximately US\$6.2 million at the exchange rate as of December 31, 2004) in fines and penalties. The act with preliminary conclusions for 2002 did not contain any claims concerning the deductibility of expenses incurred by VimpelCom in connection with the agency relationship between VimpelCom and KB

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Impuls. The 2002 act is a preliminary notice and is not a final tax claim or demand by the tax inspectorate. We have filed our objections to the act containing preliminary conclusions and have not yet received the final decision of the tax inspectorate.

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After we issued our press release on December 8, 2004 in relation to the act with preliminary tax conclusions for 2001, our stock price fell by over 25.0% during a two day trading period. We subsequently received inquiries from US regulators and exchanges seeking information in relation to trading in our stock prior to the issuance of the press release, and we are in the process of responding to these inquiries.

There can be no assurance that the tax authorities will not claim on the basis of the same asserted tax principles or different tax principles that additional taxes are owed by VimpelCom or its subsidiaries, including KB Impuls, for 2001, 2002, 2003 or other tax years or that the Ministry of Internal Affairs will not decide to initiate a criminal investigation. In addition, there can be no assurance whether or to what extent our company will be able to successfully offset the value added taxes in later 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, including an event of default under our outstanding indebtedness.

**We are subject to shareholder class action lawsuits against our company that could have a material adverse effect on our business.**

On December 10 and 17, 2004, two individual purchasers of VimpelCom securities filed lawsuits in the United States District Court for the Southern District of New York against our company, our Chief Executive Officer and our Chief Financial Officer. In substantially similar complaints, the two plaintiffs allege violations under Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder on behalf of themselves and on behalf of all persons or entities who purchased our securities between March 25, 2004 and December 7, 2004. The principal allegations in the complaints relate to the act with preliminary conclusions from the review of VimpelCom's 2001 tax filing by the Russian tax inspectorate, which we disclosed in a December 8, 2004 press release. To date, we have not been served with copies of the complaints. Lead plaintiffs and lead counsel have not yet been appointed in these lawsuits and the deadline for seeking such appointment is February 8, 2005. We believe that the allegations in these lawsuits are without merit and intend to defend against them vigorously. Nonetheless, there can be no assurance as to the outcome or effect of these lawsuits, or that that these plaintiffs will not amend their complaints, or that we will not be subject to further such lawsuits by these or other plaintiffs. If an adverse outcome occurs in any such lawsuit, our business, financial condition and results of operations could be materially adversely affected.

**If we are unable to complete our merger with KB Impuls or some or all of KB Impuls's licenses, frequencies and other permissions are not re-issued to us during the merger process, our business may be materially adversely affected.**

On May 26, 2004, our shareholders approved the merger of KB Impuls into VimpelCom and on October 8, 2004, our shareholders approved amendments to our charter reflecting the merger. The amendments have not yet been registered with the appropriate Russian authorities. We initiated the KB Impuls merger largely in response to public statements by the Minister of Information Technologies and Communications that the re-issuance of the licenses held by KB Impuls to our company would resolve the regulatory dispute with Moscow Gossvyaznadzor, the former local regulatory arm of the former Ministry of Communications. The current legal and regulatory regime is unclear about the timing and procedure of the re-issuance of KB Impuls's licenses, frequencies and other permissions to VimpelCom in the event of a merger or reorganization and this may delay or result in the non-completion of the merger of KB Impuls into VimpelCom. Because of the uncertainty related to the New Law and because some of the regulations contemplated by the New Law have yet to be issued, there can be no assurance that the licenses, frequencies and other permissions of KB Impuls will be re-issued to us or will be re-issued to us in a timely manner or on the same terms and conditions as the existing licenses, frequencies and permissions (including the same scope of service). A substantial delay in our planned merger, the failure to re-issue some or all of

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KB Impuls' s licenses, frequencies and other permissions or the re-issuance of such licenses, frequencies and other permissions on different terms (including scope of service) may materially adversely affect our business.

**We are subject to civil claims and administrative claims by our subscribers that may result in unfavorable outcomes that could adversely affect our business.**

Several subscribers have filed civil suits against us challenging our agency relationship with KB Impuls, claiming that VimpelCom provides telecommunications services without a license in Moscow and the Moscow region and/or claiming that their subscriber agreements should be terminated and that they should be compensated for all amounts paid to us. The former Ministry of Communications was brought into certain of these suits as a third party and has assisted the subscriber in each of the cases in which it is involved. In addition, there have been attempts to bring other parties into these cases, including other regulatory bodies, but to date, these motions have been defeated. Reportedly, some of these subscribers and the company that made the allegations leading to the initiation of the criminal case were coordinating their activities. We have successfully defended our agency relationship against such claims by subscribers, either at the court of first instance or upon appeal. However, in each of these cases, the subscribers have the right to appeal the decision. We cannot assure you that the appeals courts will rule in our favor if the subscribers appeal their adverse decisions. Although Russian court rulings are not generally binding on other Russian courts, rulings that are unfavorable to us may have persuasive force in other cases brought against us and they may make us more vulnerable to unfavorable rulings in cases that may be brought in the future by other subscribers, groups of subscribers or third parties on similar grounds or on the basis of different arguments. Although the monetary value of the claims brought against us to date have not been material, our business may be adversely affected if management is forced to focus its attention and the company' s resources on defending the company against these and similar claims, should they arise. An increase in the number of claims brought against us may cause management to expend additional time and resources to resolve such claims and may ultimately have a material adverse effect on our business and results of operations. In addition, the tax authorities, telecommunications authorities and other governmental and regulatory bodies may file claims against us if, among other things, our subscriber agreements are declared invalid.

Additionally, other subscribers have filed claims against us alleging that we have engaged in fraudulent advertising, that we do not have the right to keep the balance on any prepaid account at the time the subscriber terminates service with us or the time for the use of such account has expired, and that the quality of our telecommunications services is not acceptable. Certain subscribers have also filed similar complaints with the anti-monopoly authorities. In several cases, the anti-monopoly authorities have found in favor of subscribers, ruling that the terms of our prepaid contracts violated the subscribers' rights because unspent amounts under their prepaid contracts were not refunded when the contracts were terminated by the subscribers. The decisions of the anti-monopoly authorities also allege other inconsistencies between our subscriber agreements and Russian law. We have settled with certain of these subscribers, appealed certain rulings of the anti-monopoly authorities and may appeal other rulings. There can be no assurance that we will prevail or that other subscribers will not file claims. In the event that we are required to return such prepaid amounts, we will have to make modifications to our billing system which will result in additional expenses. Some or all of these rulings referred to above may be appealed and other cases have not yet been decided. We cannot assure you that similar claims will not be filed or that the rulings taken by the courts in the future will be in our favor, and adverse decisions may have an adverse effect on our group.

**We may be the subject of criminal investigations that may result in unfavorable outcomes that could materially adversely affect our business.**

On February 4, 2004, our company received a notice from the Moscow Prosecutors' office declaring the initiation of a criminal case against us stemming from allegations by a small Moscow-based company that we operated our business without a license. We immediately appealed and subsequently received a decision from the Moscow Prosecutors' office dismissing the case. The company that made the allegations challenged the decision, but it was upheld by the Savelovsky Municipal Court of Moscow. A second appeal by this company was rejected by the Moscow City Court on July 19, 2004. This decision may be appealed to the Presidium of the Moscow City Court until July 19, 2005 and we cannot assure you that the decision to dismiss the criminal case and the upholding of such decision by the court will be upheld on further appeal. In addition, other criminal investigations may be launched into the activities of our company. Criminal investigations into our activities may have a material

adverse effect on our business.

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**We face intense competition from an increasing number of strong competitors.**

Competition among telecommunications service providers in Russia is intense and increasing as providers are utilizing new marketing efforts to retain existing subscribers and attract new ones. In an effort to compete for subscribers, wireless service providers, including us, have lowered tariffs and, from time to time, offered handset subsidies or increased dealer commissions. For example, in December 2004, our primary competitor in Russia, Open Joint Stock Company Mobile Telesystems, or MTS, introduced an aggressive marketing campaign that provided free prepaid SIM to new subscribers. This resulted in a marked increase in MTS's subscriber figures and market share for the month of December 2004, especially in the Moscow license area. As the penetration rate in Russia increases and the market matures, wireless service providers could be forced to utilize more aggressive marketing schemes to retain existing subscribers and attract new ones. If this were to occur, our company may choose to adopt lower tariffs, offer handset subsidies or increase dealer commissions, any or all of which could adversely affect our business and results of operations.

Furthermore, our competitors have established and will continue to establish relationships with each other and with third parties. MTS has relationships with third parties that have assets and other resources that may give MTS a substantial competitive advantage over our company. Deutsche Telekom AG, a telecommunications company with significant telecommunications assets and experience, has reported that it beneficially owns approximately 10.0% of MTS's voting shares. Sistema, a diverse Russian holding company with interests in several telecommunications companies, recently reported that it beneficially owns approximately 52.0% of MTS's voting shares. MTS may have access to greater financial resources than our company in the future. We also compete with MegaFon. MegaFon has rapidly increased the number of its subscribers in the Moscow license area and the regions and this has resulted in increased competition in the Russian telecommunications industry.

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.

**Increased competition and a more diverse subscriber base have resulted in declining average monthly service revenues per subscriber, which may adversely affect our results of operation.**

While our subscriber base and revenues are growing as we continue to grow our operations in Moscow and to expand into the regions outside of Moscow, our average monthly service revenues per

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subscriber are decreasing. We expect to see a continued decline due to tariff decreases resulting from marketing competition, the increase of mass-market subscribers as a proportion of our overall subscriber mix, and the increase of our subscribers in the regions, where the average monthly service revenues per subscriber tend to be substantially lower than in the Moscow license area. The decline in our average monthly service revenues per subscriber may adversely affect our 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 the Bee Line GSM brand. 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 also 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. Any loss of market share resulting from any or all of these factors could negatively affect our results of operations.

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

We have substantial amounts of outstanding indebtedness, primarily our obligations under the following:

our obligations under the loan agreements with UBS (Luxembourg) S.A., pursuant to which UBS (Luxembourg) S.A. extended three loans totaling US\$750.0 million to our company, which were funded by the issuance of loan participation notes by UBS (Luxembourg) S.A.;

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our obligations under the J.P. Morgan Loan Agreement, pursuant to which J.P. Morgan AG extended a loan of US\$250.0 million to our company, which was funded by the issuance of loan participation notes by J.P. Morgan AG;

our Russian ruble bonds;

secured loans from Sberbank, Nordea Bank Sweden (publ) and Bayerische Hypo-und Vereinsbank AG, Svenska Handelsbanken AB, Bank TuranAlem and Kazkommertsbank;

an unsecured loan from ZAO Raiffeisen Bank Austria; and

our obligations under vendor financing agreements with Alcatel SEL AG, General DataCom and Technoserv.

As of September 30, 2004, our total outstanding indebtedness was approximately US\$1,324.4 million on an actual basis, and US\$1,924.4 million on an as adjusted basis, which assumes the granting of both the US\$300.0 million loan made by UBS (Luxembourg) S.A. to VimpelCom which was funded by the issuance of US\$300.0 million 8.375% loan participation notes due 2011 by UBS (Luxembourg) S.A. (the October 2004 Loan ) and the US\$300.0 million loan to be made by UBS (Luxembourg) S.A. to VimpelCom which will be funded by the issuance of US\$300.0 million 8% loan participation notes due 2010 by UBS (Luxembourg) S.A. (the Loan ) as if both the October 2004 Loan and the Loan were granted to us on September 30, 2004. Our consolidated subsidiaries, which as of September 30, 2004 included VimpelCom-Region and KB Impuls, were the primary or sole obligors on US\$459.5 million, or approximately 34.7%, of our actual total indebtedness as of September 30, 2004. Furthermore, certain of our subsidiaries, including KaR-Tel, are in discussions to obtain additional debt financing, some of which may be secured by VimpelCom. Subsequent to September 30, 2004, VimpelCom-Region merged with VimpelCom, pursuant to which VimpelCom assumed the debt of VimpelCom-Region. In addition, US\$428.4 million of our total outstanding indebtedness was secured by our equipment, securities and real property as of September 30, 2004. Subsequent to September 30, 2004, in addition to our incurrence of the October 2004 Loan, there have been a number of additional changes in certain of our outstanding indebtedness. In October 2004, we signed a mandate letter for the Syndicated Loan Facility of up to US\$200.0 million. If the merger of KB Impuls into VimpelCom has not occurred within one year of execution of the Syndicated Loan Facility, KB Impuls must issue a guarantee in support of such facility. Depending on market conditions, we may try to increase the principal amount of the Syndicated Loan Facility. The Syndicated Loan Facility has not been executed and is currently in the process of syndication. For information regarding these changes, see the section of this Form 6-K entitled Operating and Financial Review and Prospects Liquidity and Capital Resources Financing activities 2004 and Equipment Financing 2004. Our current business plan contemplates that we will need to raise approximately US\$1,000.0 million, including the proceeds from the Loan, in additional 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 2005. 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, premium (if any), 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 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 KB Impuls or other 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. KB Impuls and KaR-Tel 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 [Operating and Financial Review and Prospects](#) [Liquidity and Capital Resources](#) [Financing activities](#).

The restrictions on either KB Impuls or KaR-Tel to repay debt may make it difficult for us to meet our debt service obligations. Although the risks related to our intercompany loans to KB Impuls will be

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eliminated if our merger is completed, we cannot assure you that we will complete this merger.

### **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, the loan agreements with UBS (Luxembourg) S.A. (funded by the issuance of loan participation notes by UBS (Luxembourg) S.A.), the J.P. Morgan Loan Agreement (funded by the issuance of loan participation notes by J.P. Morgan) and our credit facilities with Nordea and Bayerische and Svenska contain a number of different covenants that impose significant operating and financial restrictions on us. Additional covenants are also included in KB Impuls's vendor financing agreements with Alcatel, as well as in our credit agreements with Sberbank. These restrictions significantly limit the ability of, and in some cases prohibit, among other things, our company and certain of our subsidiaries to incur additional indebtedness, create liens on assets, enter into business combinations or engage in certain activities with companies within our group. In addition, if we enter into the Syndicated Loan Facility, we will be subject to a number of other operating and financial restrictions. A failure to comply with these restrictions would constitute a default under the agreements discussed above and could trigger cross payment default/cross acceleration provisions under some or all of the 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;

financing the development of KaR-Tel in Kazakhstan as well as possible acquisitions of operators and licenses in other CIS countries;

improving our debt portfolio structure;

financing the implementation of new technologies, such as third generation, or 3G, services;

improving our infrastructure, including our information technology systems;

financing our subscriber growth strategy;

refinancing existing indebtedness;

enhancing our service and subscriber support;

responding to unexpected increases in the pace of network development;

complying with regulatory requirements or developments;

taking advantage of new business opportunities; and

implementing changes in our business strategy.

Our current business plan contemplates that we will need to raise approximately US\$1,000.0 million, including the proceeds from the Loan, in additional debt financing in the Russian and/or international capital markets and/or in bank financing to meet our projected capital expenditures, scheduled debt repayments and possible acquisitions through 2005. 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 and our acquisition plans. In addition to our acquisition of KaR-Tel in Kazakhstan, we are currently actively pursuing other opportunities for expansion in other countries in the CIS. We cannot, however, give you any

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assurance of the exact amount that we will invest in acquiring such wireless operators or that we will be able to complete any such transactions successfully. If we make any further significant acquisition inside or outside of Russia beyond what is currently contemplated in our business plan, we will need to increase the amount of additional debt financing over this period above the currently projected US\$1,000.0 million. Due to a variety of factors, including perceived risks related to our legal and regulatory developments, our subsidiary, KaR-Tel, operational performance or 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. 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 adversely affect our business.

**We may not realize the anticipated benefits from our acquisition of KaR-Tel, we may assume unexpected or unforeseen liabilities and obligations or incur greater than expected liabilities in connection with this acquisition.**

On September 3, 2004, we completed our acquisition of KaR-Tel, the second largest cellular operator in Kazakhstan, for a purchase price of US\$350.0 million, plus approximately US\$2.0 million of gross acquisition costs. In addition, KaR-Tel had debt of approximately US\$75.0 million, which we assumed at the time of acquisition. The US\$350.0 million purchase price is subject to a possible post-closing adjustment based on a post-closing assessment by the parties of the actual level of indebtedness and cash in KaR-Tel at the time of closing. Based upon our assessment to date of KaR-Tel's strategic and financial position and of future market conditions and trends in Kazakhstan we expect to receive certain benefits from this acquisition. Recognizing the benefits of local expertise when entering a new country, we are currently in negotiations with a local partner to sell a minority interest of 50.0% minus one share in KaR-Tel's parent, Limnotex, for US\$175.0 million cash (which is the same valuation at which our company acquired KaR-Tel). As part of this proposed transaction, we are negotiating a call option that would allow us to re-acquire from the local partner 25.0% minus one share of Limnotex and an additional call option that would allow us to re-acquire from the local partner up to the full amount of the remaining 25.0% share in the event of a deadlock at a shareholders meeting, in each case at a price based on a prescribed formula. We expect to sign the relevant agreements with the local partner in the first quarter of 2005 and close the sale of the 50.0% minus one share in Limnotex to the local partner during the first half of 2005. There can be no assurance that we will be able to enter into and complete this transaction as currently contemplated or at all. The actual outcome of the acquisition and its effects on our company, the proposed sale of a stake to a local partner, and KaR-Tel's results of operations may differ materially from our expectations as a result of the following factors, among others:

adverse rulings in ongoing litigation or of appeals of court or arbitration decisions, or new litigation brought in connection with actions taken prior to our acquisition, including without limitation, litigation with the former shareholders or others regarding ownership issues as well as amounts owed to or owing from such shareholders, litigation with government authorities regarding the allocation of frequencies to KaR-Tel and litigation with the anti-monopoly, tax and customs authorities (see 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. );

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

unexpected or unforeseen liabilities or obligations or greater than expected liabilities incurred prior to or after the acquisition, including tax, customs, indebtedness and other liabilities of KaR-Tel or its parent company Limnotex, or Limnotex's other subsidiaries;

KaR-Tel's ability to comply with the terms of its debt and other contractual obligations;

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KaR-Tel's obligations to purchase equipment and services under its exclusivity agreement with Motorola, Inc., which obligations may contain onerous financial terms and covenants, restrict KaR-Tel from acquiring equipment from other suppliers and prevent KaR-Tel from acquiring

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equipment on attractive terms or in a timely manner and thereby limit KaR-Tel's ability to expand and/or operate its network;

KaR-Tel's ability to maintain favorable interconnection terms as the interconnection provider in Kazakhstan is no longer a monopolist and therefore 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;

KaR-Tel's ability to protect its trademarks and intellectual property in Kazakhstan and to register trademarks and other intellectual property used by KaR-Tel in the past;

developments in competition within Kazakhstan;

governmental regulation of the wireless telecommunications industry in Kazakhstan;

political, economic, social, legal and regulatory developments and uncertainties in Kazakhstan; and

the successful consummation of the sale of a minority interest in KaR-Tel to a strategic local partner.

We participated in a competitive tender to acquire KaR-Tel and as a result, we were able to conduct only a limited due diligence review on KaR-Tel prior to the acquisition. In addition, we received a limited indemnity and there is no assurance that the seller will have the financial capacity to satisfy any indemnity claim we may make against it. Since our acquisition of KaR-Tel on September 3, 2004, we have continued our due diligence of KaR-Tel. We have identified certain instances in which KaR-Tel may not have operated in full compliance with its licenses and permissions (including its telecommunications license and frequency permissions), its charter and laws, rules and regulations applicable to it, instances in which KaR-Tel operated without all required licenses and permissions (including frequency permissions), and instances in which KaR-Tel may not have operated in compliance with its debt and other contractual obligations over extended periods of time. We have also identified certain business practices that are not consistent with our company's best practices including, for instance, the failure to procure adequate insurance and long-term leases of key real estate. In addition, we have not been able to verify the effectiveness of all real property and base station leases of KaR-Tel, some of which may be material to our operations. We have also heard assertions regarding possible questionable payments to government authorities in connection with certain legal proceedings in which KaR-Tel was involved prior to our acquisition. We are continuing to review all of these matters and assertions and are in the process of rectifying such non-compliance where possible, and instituting controls to attempt to ensure that KaR-Tel's business is conducted in a manner consistent with applicable local laws and our company's standards of conduct. We cannot assure you that we will be able to cure all such instances of non-compliance, that we will be able to prevent any such instances from occurring in the future or that such instances of non-compliance will not negatively affect our title to our ownership interest in KaR-Tel, subject KaR-Tel or our company to litigation or a default under debt or other agreements, or result in the imposition of fines or penalties or more severe sanctions, including the suspension or termination of KaR-Tel's telecommunications license and frequency permissions.

**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.**

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

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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,



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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 herein 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. If the Former Shareholders pursue any claims related to KaR-Tel before ICSID or any other forum, we cannot assure you that they will not prevail in any such action, whether such action is brought in Kazakhstan or elsewhere. If the Former Shareholders were to prevail, 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.

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\$19.7 million recorded on KaR-Tel's books as owing to the Former Shareholders as of August 31, 2004 (of which approximately US\$14.3 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\$19.7 million amount has not been included by us in our calculation of the approximate US\$75.0 million total outstanding indebtedness assumed by us at the time of our acquisition of KaR-Tel. This judgment is subject to appeal and 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 agreements, which, if not cured within any applicable grace periods, could trigger cross payment default/cross acceleration provisions under certain of our other 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 agreements between KaR-Tel and the Former Shareholders or their successors in order to avoid any such cross payment default/cross acceleration. Based on the information we have been able to review to date, we believe that the maximum amount we would be required to pay under these debt agreements in order to avoid any such cross payment default/cross acceleration would be approximately US\$19.7 million, excluding any penalties. 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 further due diligence or future investigations, claims or events will not show that KaR-Tel's indebtedness to the Former Shareholders exceeded the approximately US\$19.7 million mentioned above, that KaR-Tel's overall indebtedness exceeded 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 7.55 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. That same day, KaR-Tel also delivered a similar petition to the Ministry of Justice of the Republic of Kazakhstan for forwarding to the Ministry of Justice of the Republic of Turkey. According to news reports quoting Turkish sources, the order is connected with claims by the Turkish government against the Uzan family, which purportedly used to own the Former Shareholders prior to the Former Shareholders being seized by

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the Fund. Such news reports, which have not been confirmed by us, further state that the Fund is not seeking the entire US\$5.5 billion from KaR-Tel alone, but sent orders for the full amount to approximately 200 different companies that were once controlled by members of the Uzan family. Although we believe that the order to pay is without merit or others targeting VimpelCom's ownership of KaR-Tel and that any attempted enforcement of the order to pay outside of Turkey is subject to procedural and substantive hurdles, there can be no assurance that KaR-Tel will prevail with respect to the objections filed (either on substantive or procedural grounds, including that the above-mentioned petitions were filed in a valid and otherwise timely manner in accordance with applicable legal requirements), that claims 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 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, particularly outside of Russia, 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.

Our company is actively pursuing a strategy that includes additional expansion into the CIS. Laws and corporate practices vary in countries in the CIS and generally are not as well developed as in the west or in Russia. 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 immediately 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.

### **Five out of our seven super-regional GSM licenses in Russia, including our GSM license for the Moscow license area, will expire before the maturity of the Notes 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, results of operations and on our ability to repay the Loan.**

Five out of our seven GSM licenses in Russia expire on April 28, 2008, before the maturity of the Notes. We can give you no assurance that these licenses will be renewed upon expiration. For example, the New Law states that an application to renew a license may be rejected if, among others, 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 and our other super-regional licenses in Russia that expire in 2008 are not renewed, our business could 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 may have a material adverse effect on our financial condition and our ability to meet our payment obligations under the Loan.

### **Our wireless licenses may not be extended or may be suspended or revoked, which could adversely affect our business.**

We are required to meet certain terms and conditions to maintain each of our GSM licenses. These conditions include:

commencing service by a certain date;

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meeting certain network capacity benchmarks by specified dates;

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

developing coverage of particular territory or cities by specified dates.

If we fail to meet start-of-service dates, network capacity, territorial coverage requirements or other technical requirements under any of our GSM licenses, or 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 adversely affected. Our GSM licenses covering the Central and Central Black Earth, North Caucasus, Siberian and Volga regions required us, among other things, to meet certain coverage requirements for certain specified cities by December 31, 2001. However, we did not have all of the necessary base stations installed with all necessary permissions by December 31, 2001. Our regional GSM licenses also require that certain networks cover specified cities by a specified date. Russian telecommunications legislation does not clearly define what coverage of a city means and does not clearly regulate the construction and launching of GSM networks. As a result, there is a possibility that the Ministry of Information Technologies and Communications (or any successor to the powers of the former Ministry of Communications) or the Service may interpret the requirements differently than us and, consequently, we may be in violation of our regional GSM licenses despite our best efforts at compliance.

Our GSM licenses covering the Northwest and Ural regions require us to meet certain coverage requirements (expressed as percentages of the population). Our license covering the Northwest region requires us to provide coverage to 20.0%, 40.0% and 80.0% of the covered population by December 31, 2004, December 31, 2006 and December 31, 2011, respectively. Our license for the Ural region requires us to provide coverage to 30.0% and 70.0% of the covered territory's population by December 31, 2005 and December 2012, respectively. Additionally, our GSM licenses covering the Northwest and Ural regions each contain a start-of-service requirement for the area covered by each license. However, these start-of-service requirements do not provide specific start-of-service dates for each administrative subject area covered by each license. In the past, we have interpreted such provisions to require us to install a network in at least one administrative subject area covered by each license. Because we do not know whether the Service will interpret this start-of-service requirement in the same manner as its predecessor, we cannot assure you that it will not determine that we have violated the start-of-service requirement if we do not start to provide service in each administrative subject area within the license area by the start-of-service date specified in the license. In addition to coverage and start-of-service requirements, our licenses require a certain quality of network service. For example, our license for the Moscow license area requires that no more than 5.0% of our calls become interrupted during peak hours. If we fail to meet any of the coverage, network quality or start-of-service requirements in our licenses, we anticipate that the Ministry of Information Technologies and Communications (or any successor to the powers of the former Ministry of Communications) or the Service would provide a warning to our company or our subsidiaries and provide us with an opportunity to cure any non-compliance. We have received one warning from the Service stating that we have not met the network quality requirement in the Moscow license area, and we have been provided an opportunity to cure this 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 Service could decide to suspend or revoke the license. The occurrence of any of these events would adversely affect our ability to build out our networks in the regions in accordance with our business plan and could harm our reputation in the regions.

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. A suspension or termination of any of our GSM licenses could harm our business and our results of operations.

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

Historically, licensed wireless service providers in Russia received frequency allocations at no cost. However, in June 1998, the government enacted a decree requiring wireless service providers to pay a fee for the use of radio frequency spectrum for a specified list of telecommunications services, which included services that we provide. To date, we have not been charged significant fees for frequency allocations in our license areas, other than US\$30.0 million for the use of 15 frequency channels in connection with our receipt of permission to provide GSM-900 services in the Moscow license area and the Central and Central Black Earth super-region. We cannot assure you that we will not be required to pay for additional frequency channels that we use or need, 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 adversely affect our business.

### **We have experienced shortages of available federal telephone numbers in the past and cannot assure you that we will not face such shortages again in the future.**

Federal telephone numbers are an important feature of our mass market strategy. Because we incur fewer costs in acquiring and providing service on federal numbers, we can offer service on federal numbers to price-sensitive subscribers. In the second and third quarters of 2004, we experienced a shortage of federal numbering capacity available to us in Russia resulting from the lack of the required government-promulgated procedures for allocating federal telephone numbers. In response to the shortage, we began reissuing federal numbers of inactive prepaid subscribers to new subscribers up to three months sooner than is provided for in the subscriber agreements. In late 2004, we were allocated approximately 36.8 million federal telephone numbers. The receipt of these numbers temporarily alleviated the shortage. Accordingly, in November 2004, we reinstated the original time period for de-activating numbers of inactive prepaid subscribers. We currently de-activate numbers of our prepaid subscribers after six months of inactivity. Despite the receipt of the federal numbers, we cannot assure you that we will have adequate number capacity in the future. We may not be allocated sufficient numbering capacity in some or all of our license areas. In addition, we may face numbering shortages in the future due to recent governmental pronouncements restricting a wireless operator's ability to transfer federal numbers allocated to one region to a different region. If we were to face such a numbering shortage, our ability to sign up new subscribers in that region could be limited and, ultimately, our revenues and market share could be adversely affected. In addition, we may choose to forestall the onset of a shortage by reissuing federal numbers of inactive prepaid subscribers sooner than is provided for in the subscriber agreements, which could lead to subscriber lawsuits under such agreements or other responses by governmental bodies.

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

Russian and Kazakh law prohibits operation of telecommunications equipment without a relevant permit from the appropriate regulatory body. Due to a reorganization of the Russian Ministry of Information Technologies and Communications in 2004, the Federal Communications Agency temporarily stopped allocating the required permissions to use frequencies or operate telecommunications equipment. Although allocations have resumed, there is a significant backlog of requests for frequency allocations and other permissions. Accordingly, we have not been able to obtain all of the necessary permits for our operations in a timely manner. In general, 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 commercial operation or to

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amend or maintain all of the permissions when we make changes to the location or technical specifications of our base stations. At times, there can be a significant number of base stations or other communications facilities and other aspects of our networks for which we do not have final permission to operate and there can be delays of several months until we obtain the final permissions for particular base stations or other communications facilities and other aspects of our networks. 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 outside of Moscow and in the countries of 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 outside of Moscow and the countries of the CIS where we currently operate or intend to provide services in the future. In many cases, we have been the second, third or fourth wireless operator to enter a particular market. For example, both MTS and MegaFon had operations in the Northwest region, which includes St. Petersburg, before we did. We do not currently hold a GSM super-regional license for the Far East super-region of Russia. As a result of our acquisition of DalTelecom, we now hold GSM-1800 and D-AMPS licenses in three of the 15 regions within the Far East super-region: Amur Region, Kamchatka Region and Khabarovsk Krai. MTS also has operations in Belarus, Ukraine and Uzbekistan and MegaFon has operations in Tajikistan.

As a result, it may be more difficult for our company to attract new subscribers in the regions and/or the countries of 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 regions outside of Moscow are significant to our company, MTS and MegaFon as the rate of subscriber growth in the regions has surpassed the subscriber growth rate in Moscow. If we are not successful in penetrating local markets outside of Moscow, our business may be 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 service 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 adversely affect our business.

**Our strategic partnerships and joint ventures to develop our services in the regions in Russia and the CIS are accompanied by inherent business risks.**

We benefit significantly from the strengths and expertise of our strategic partners, Telenor and Alfa Group. Following the merger of VimpelCom-Region into VimpelCom on November 26, 2004, Telenor and Alfa Group owned 26.6% and 32.9%, respectively, of our voting stock. In 2003, Alfa Group acquired a stake in MegaFon, one of our main competitors. Alfa Group has 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.

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 or Alfa Group dispose of their respective stakes in our company or a third party takes a controlling position in our company. The occurrence of any such event could trigger cross default payment/cross acceleration provisions under certain of our other debt agreements, including the Loan Agreement. In such event, the debtor's 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

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our shareholders' equity. In addition, if Telenor or Alfa were to dispose of their stakes in VimpelCom, our company may be deprived of the important benefits and resources that it derives from Telenor and Alfa Group, respectively, which could materially harm our business.

We may enter into strategic partnerships and joint ventures with other companies in the future to develop other aspects of our business including our GSM operations outside the Moscow license area. 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 a capital contribution or other obligation, thereby forcing us to fulfill the obligation;

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; and

the difficulty of maintaining uniform standards, controls, procedures and policies.

Telenor and Alfa Group may have different strategies in pursuing regional development in the CIS or in other regions than we do, and they may have different strategies from one another. We cannot assure you that we, Alfa Group and Telenor may not wish to pursue different strategies, including in countries where one or both of our strategic shareholders have a presence, including in Ukraine where our strategic shareholders both own a stake in a cellular operator. The agreements currently in place among Telenor, Alfa Group and our company include a non-compete provision, but it is limited to Russia and does not extend to other countries in the CIS. Under the charter approved by our shareholders in May 2002, effectively eight out of nine directors must vote in favor of an acquisition for it to be approved.

On February 4, 2005, we received a decision of the Temruksky district court of Krasnodarsky Krai of a case brought by a minority shareholder which suspends the effectiveness of the provision in our charter requiring the super-majority vote of our board with respect to, among other things, acquisitions of shareholdings in other enterprises, and requires us to amend this provision of our charter so that all issues, including those where there is a conflict of interest or an interested party transaction, will require a simple majority decision of our board members present and having the right to vote on the issue. The decision specifically refers to a potential acquisition by us in Ukraine and states that a conflict of interest among various of our board members has been identified and therefore, our charter should be amended to provide that the decision should be approved by a simple majority of the board who are eligible to vote on the issue. We do not agree with the court's decision and intend to appeal. However, there can be no assurance that we will prevail upon appeal, or that other shareholders will not also challenge the decision or other provisions of our charter or internal documents of our company or the way we interpret other provisions of our charter or internal documents.



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**The limited history of wireless telecommunications in the regions of Russia and Kazakhstan and our limited operating history in GSM in the regions of Russia and Kazakhstan create additional business risks, which could have an adverse affect on our business.**

Wireless telecommunications are relatively new in the Russian regions and Kazakhstan, which have experienced slower economic growth over the past decade than Moscow. 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 an adverse effect on our business.

In addition, we have a limited operating history providing GSM services in the regions of Russia and Kazakhstan. Consequently, we are subject to the risks associated with entering into any new product line. Our failure to properly manage those risks, including those risks specified below, could have an adverse effect on our business:

unrealistic expectations about our operational ability and our ability to meet license and other regulatory requirements;

unrealistic expectations about our ability to obtain in a timely manner and maintain licenses, frequency allocations and other governmental permissions sufficient to provide services to our subscribers;

unexpected difficulties in executing our business plan;

inaccurate assumptions about market size, characteristics and conditions; and

delays in reacting to changing market conditions.

**We depend heavily on our senior management and key technical personnel and, because of our rapid growth and expansion, we may have difficulty attracting and retaining qualified professionals to manage our growth.**

Our future operating results depend in large part upon the continued contributions of key senior managers and technical personnel. We cannot be sure that their services will continue to be available to us in the future, nor do we have key personnel life insurance covering any of our senior managers. Our current CEO and General Director, Alexander Izosimov, assumed his duties in October 2003 and is under contract with our company until October 2006. We could be adversely affected if Mr. Izosimov or any of our other senior managers ceased to actively participate in the management of our business, whether upon the expiration of their contracts or earlier.

In addition, our rapid growth over a short period of time has significantly strained our managerial and operational resources and is likely to continue to do so. Our personnel, systems, procedures and controls may be inadequate to support our future operations. To successfully manage our growth and development, we will depend in large part upon our ability to attract, train, retain and motivate highly skilled employees and management. However, because of the rapid growth of the telecommunications market, there is significant competition for employees who have experience in technology, telecommunications infrastructure and programming. 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. If we cannot attract, train, retain and motivate qualified personnel, then we may be unable to successfully manage our growth or otherwise compete effectively in the Russian mobile telecommunications industry, which could adversely affect our business.



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

Our financing agreements with Sberbank, Alcatel, Nordea and Bayerische, Svenska, Bank TuranAlem and Kazkommertsbank are secured by pledges over certain network, telecommunications and office equipment, securities and real 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 or the real property where such equipment is located. If we lose network or telecommunications equipment following such an event of default, our business could be materially adversely affected.

### **Our business could be adversely affected if our handset and equipment supply arrangements are terminated or interrupted.**

The successful build-out and operation of our networks depend heavily on obtaining adequate supplies of switching equipment, base stations, other equipment and telephone handsets on a timely basis. We currently purchase our GSM equipment from a small number of suppliers, principally Alcatel and Ericsson, although some of the equipment that we use is available from other suppliers. From time to time, we have experienced delays receiving equipment in the regions. Our business could be adversely affected if we are unable to obtain adequate supplies or equipment from Alcatel, Ericsson, Nokia or another supplier 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. From time to time 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 adversely affect our business. We do not carry business interruption insurance to prevent against network disruptions.

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**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 VimpelCom, 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. According to AC&M Consulting, for example, MTS terminates its prepaid subscribers after a subscriber's balance remains \$0 or below for 183 consecutive days or if a prepaid subscriber's account remains inactive for 183 days. According to AC&M Consulting, MegaFon, by contract, terminates a prepaid subscriber's account after 90 days of inactivity. Our current policy is to terminate our prepaid subscribers earlier than 180 days after their services have been suspended; prepaid subscribers' services are suspended immediately upon their balance reaching \$0 or below or if a prepaid subscriber's account remains inactive for 180 days. However, in the past, we have terminated suspended and/or inactive subscribers earlier than 180 days in order to reuse telephone numbers in response to shortages of available federal numbers. For some of the risks associated with the recent shortage and future allocations of federal numbers, please see the section of this Form 6-K entitled "Risk Factors - Risks Related to Our Business." We have experienced shortages of available federal telephone numbers in the past and cannot assure you that we will not face such shortages again in the future.

As a result of these discrepancies, sources suggest that the number of active users may be up to 35.0% less than the total subscriber numbers reported by wireless operators. Because different mobile telecommunications operators may use different methods of calculating subscriber figures, there is a risk that our company may appear to be doing better 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.

### **Risks Related to the Legal and Regulatory Environment in Russia**

**The New 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 New Law adversely affects the activities of our company and all other telecommunications operators in Russia by imposing additional financial burdens on them. Charges for interconnection with Svyazinvest's network are likely to increase in order to provide additional funds for the development and modernization of the Svyazinvest network. Since the tariffs for interconnection and transfer of traffic have not yet been adopted, at present it is difficult to assess the actual volume of this additional financial burden. Another additional financial burden on all operators will be the compulsory payments to the universal services fund. The New Law contemplates that this new fund will be formed from compulsory non-tax levies on all telecommunications operators in order to compensate for the losses of the operators' designated universal service providers. The actual rate of such levies is yet to be declared. Additionally, the New 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 materially 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.

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Unlawful or arbitrary action by the regulatory authorities may have an adverse affect on our business and the value of an investment in the Notes. Regulatory authorities have a high degree of discretion and at times exercise their discretion arbitrarily, without hearing or prior notice, and sometimes in a manner that is contrary to law. Recent press reports have stated that the business environment in Russia has

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deteriorated as a result of the increasingly aggressive and arbitrary actions of law and tax authorities. These actions, unlawful and at times, selective and politically motivated, have included unscheduled inspections by regulators, suspension or withdrawal of licenses and permissions, unexpected tax audits, searches and seizures by law enforcement bodies, criminal prosecutions and civil actions. Unlawful or arbitrary regulatory action directed at us could have a material adverse effect on our business and on the value of the Notes.

**Unlawful or arbitrary action by the regulatory authorities may have an adverse affect on our business and the value of an investment in the Company s securities.**

Governmental, regulatory and tax authorities have a high degree of discretion and at times exercise their discretion arbitrarily, without hearing or prior notice, and sometimes in a manner that is contrary to law. Recent press reports have stated that the business environment in Russia has deteriorated as a result of the increasingly aggressive and arbitrary actions of governmental, regulatory and tax authorities. These actions, which at times have been unlawful, selective and politically motivated, have included unscheduled inspections by regulators, suspension or withdrawal of licenses and permissions, unexpected tax audits, searches and seizures by law enforcement bodies, criminal prosecutions and civil actions. 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/or to 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.

**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 adversely affect our business.**

We cannot assure you that regulators, judicial authorities or third parties will not challenge our compliance with applicable laws, decrees and regulations. 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 Gossvyaznadzor will be satisfied by the remedial actions we have taken or will take.

In 2003 and 2004, we received more than 110 notices from Gossvyaznadzor in connection with our operations under our super-regional GSM licenses. We have received notices with respect to violations of each of our seven super-regional GSM licenses, including our GSM license in the Moscow license area and in the other regions where we hold GSM licenses. We have taken measures that we believe evidence compliance with the requirements of a majority of these notices and are in the process of complying with the remaining notices. We have not complied within the cure periods specified in a number of these 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 New Law as a result of a reorganization of the Ministry of Telecommunications in 2004. 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. With respect to a portion of the cure periods which we have not met, Gossvyaznadzor orally extended the time period for compliance recognizing the cause of the delay, but we have not obtained confirmations of such extensions in writing. 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. 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 adversely affect our business.

**Russia's unpredictable federal and local tax systems give rise to significant uncertainties and risks that 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, Russia's federal and local tax collection system and historically large government budget deficits increase the likelihood that Russia will impose arbitrary or onerous taxes and penalties in the future, which could 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 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



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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. In particular, they can be applied to cross border transactions, irrespective of whether related parties are involved. As the Loan will constitute a cross border transaction, the Russian tax authorities will be able to apply transfer pricing rules to the amount of interest accrued and paid by our company for the purposes of withholding tax exemptions and profits tax deductions. Interest is currently allowed as a deduction if the amount of interest incurred in respect of a debt obligation does not deviate by more than 20.0% from the average level of interest charged on debt obligations issued by our company in the same accounting period under comparable conditions. If there are no such comparable conditions, we may deduct payments of interest in respect of our non-ruble-denominated debt obligations up to a rate of 15.0%. To date, there has been no formal guidance (although some court practice is already available) as to how these rules will be applied. If the tax authorities impose significant additional tax liabilities as a result of transfer pricing adjustments, 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, financial statements of Russian companies are not consolidated for tax purposes under Russian law. As a result, each entity in our group pays its own Russian taxes and may not offset its profit or loss against the loss or profit of another entity in our group, which may result in higher taxes for the group than if taxes were assessed on a consolidated basis.

**INFORMATION ON THE COMPANY**

We are a leading provider of wireless telecommunications services in Russia, operating under the Bee Line GSM brand name. Bee Line GSM is one of the most recognized brand names in Russia. We also provide wireless telecommunications services in Kazakhstan, operating under the K-mobile and EXCESS brand names. In the second quarter of 2005, we plan to roll out the Bee Line GSM brand name in Kazakhstan. Based on independent estimates of the number of subscribers of our competitors, we estimate that our market share of subscribers in Russia was 33.7% as of September 30, 2004, compared to 30.6% as of September 30, 2003. Using the same sources, we estimate that our market share in the Moscow license area was 44.7% as of September 30, 2004, compared to 49.2% as of September 30, 2003, and that our market share in the regions of Russia outside of the Moscow license area was 29.9% as of September 30, 2004, compared to 21.0% as of September 30, 2003. According to our estimates, as of September 30, 2004, our market share of subscribers in Kazakhstan was approximately 31.0%.

As of September 30, 2004, our GSM licenses permitted us to operate wireless networks in areas in Russia populated by approximately 136.0 million people, or approximately 94.0% of the Russian population. We held GSM licenses for seven out of Russia's eight super-regions, including the Moscow license area, as of September 30, 2004. Additionally, as of September 30, 2004, we held GSM licenses for six smaller regions located within the seven super-regions, including the Moscow license area, and we held GSM licenses for three of the 15 regions within the Far East super-region. On September 3, 2004, we acquired 100.0% of KaR-Tel, the second largest cellular operator in Kazakhstan. KaR-Tel holds a national GSM-900 license for the entire territory of Kazakhstan, which has a population of approximately 14.9 million people.

As of September 30, 2004, we had approximately 19.8 million subscribers on our wireless networks in Russia, compared to approximately 9.3 million as of September 30, 2003. As of September 30, 2004, the total number of subscribers on our wireless network was approximately 20.5 million, with approximately 6.6 million, or 32.2%, in the Moscow license area, and approximately 13.2 million, or 64.4%, in the regions of Russia outside of the Moscow license area and approximately 676,300 subscribers, or 3.4%, in Kazakhstan. We increased our subscriber base in

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the Moscow license area by 17.4% during the nine months ended September 30, 2004 compared to 36.7% during the nine months ended September 30, 2003, and by 52.4% in 2003 and 94.3% in 2002. Our subscriber base in the regions outside of the Moscow license area increased by

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128.9% during the nine months ended September 30, 2004 compared to 190.4% during the nine months ended September 30, 2003, and by 301.1% in 2003 and 619.1% in 2002. As of December 31, 2004, the total number of subscribers on our wireless networks reached approximately 26.6 million, with approximately 7.5 million subscribers, or 28.2%, in the Moscow license area, approximately 18.2 million subscribers, or 68.4%, in the regions outside of the Moscow license area and approximately 859,000 subscribers, or 3.4%, in Kazakhstan.

## **Strategic Relationships**

### *Telenor*

Telenor, Norway's leading telecommunications company, became our strategic partner in December 1998. Following the merger of VimpelCom-Region into VimpelCom on November 26, 2004, Telenor owned approximately 26.6% and 29.9% of our company's total voting capital stock and total common stock, respectively. Telenor brings to our alliance valuable experience in developing and implementing wireless voice and data services and sophisticated marketing techniques. In addition, our strategic relationship with Telenor has provided our company with expertise in a number of areas, including:

Product and technology development. As we implement our wireless data and Internet strategy, we have and will continue to draw on Telenor's expertise in product development and implementation, including WAP, GPRS, MMS and other new products and technologies.

Development of the mass market. Telenor helped to develop Norway into one of the world's most highly penetrated wireless telecommunications markets and provides valuable expertise to us as we continue to develop the mass market subscriber segment in Russia.

Telenor is one of the leading foreign investors in the telecommunications industry in the CIS. In addition to its interest in our company, it was recently reported that Telenor owns approximately 56.5% of Kyivstar GSM, one of Ukraine's leading wireless telecommunications service providers. In October 2002, Storm LLC, of which Alfa Group owns 50.1%, acquired from Telenor 7.7% of the issued and outstanding shares of Kyivstar GSM, bringing its ownership of Kyivstar GSM to approximately 43.5%. As of September 30, 2004, Kyivstar GSM was reported to have approximately 4.9 million subscribers, or a 46.0% share of the Ukrainian wireless market.

### *Alfa Group*

Alfa Group became a strategic partner of our company in November 2001, when Eco Telecom Limited, part of the Alfa Group, completed the purchase of 5,150,000 newly issued common shares of VimpelCom for US\$103.0 million. Pursuant to the terms of the transaction agreements, we contributed this US\$103.0 million (together with an additional US\$15.6 million of our own funds) as equity to VimpelCom Region, representing the first of three tranches of equity investments. On November 12, 2002, the second tranche of equity investments in VimpelCom Region was completed when each of Alfa Group, Telenor and VimpelCom purchased 1,462 newly issued common shares for US\$58.5 million. On August 27, 2003, Alfa Group completed the third and final tranche of equity investments in VimpelCom Region by purchasing 1,463 newly issued common

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shares for US\$58.5 million. Following the merger of VimpelCom-Region into VimpelCom on November 26, 2004, Alfa Group owned approximately 32.9% and 24.5% of VimpelCom's total voting stock and total common stock, respectively.

Alfa Group's extensive operations throughout the regions of Russia, combined with its position as one of Russia's largest financial industrial groups, has made it a key partner for us in our transformation into a leading nationwide wireless operator. Alfa Group was formed in Russia in 1989 and is involved in the Russian banking, insurance, asset management, oil and gas and telecommunications sectors. In particular, through Alfa Bank, one of the largest banks in Russia, Alfa Group is active in the regions of Russia outside of Moscow. We believe that the combination of Telenor's expertise in wireless telecommunications and Alfa Group's extensive knowledge of the regions of Russia and the other countries of the CIS has created a complementary strategic partnership and a strong platform from which we can continue to build one of Russia's leading nationwide wireless operators.

Golden Telecom, Inc., a Russian fixed line telecommunications and Internet service provider, recently reported that Alfa Group beneficially owned, through Alfa Telecom Limited, approximately 30.0% of Golden Telecom Inc.'s common stock. In December 2003, Telenor announced that it acquired 19.5% of Golden Telecom, Inc. in exchange for Telenor's 100.0% stake in Open Joint Stock Company Comincom, the parent company of Open Joint Stock Company Combella. Telenor reported that it owned approximately 20.5% of Golden Telecom, Inc.'s common stock following the transaction. Golden Telecom LLC, a small Ukrainian mobile telecommunications service provider, is a subsidiary of Golden Telecom, Inc. In connection with any future expansion outside of Russia, we believe that we can benefit from Telenor's and Alfa Group's activities in other countries of the CIS.

In August 2004, Alfa Group restructured its telecommunications holdings. As a result, Alfa Telecom Limited (an affiliate of Alfa Group) now owns, directly or indirectly, all telecommunications assets of Alfa Group, including Alfa Group's investments in our company, Golden Telecom, Inc., MegaFon and Kyivstar GSM, and is responsible for investments in companies in the telecommunications sector.

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### Strategy

We believe that with our experience building high-quality GSM networks and attracting the mass market subscriber segment in the Moscow license area, coupled with the expertise of our strategic partners, Telenor and Alfa Group, we are well prepared to build on our position as a premier national wireless telecommunications services provider in Russia, to continue the successful regional roll-out of our company and to expand our operations in Kazakhstan and other countries in the CIS. Our strategy focuses on:

*National Expansion in Russia.* Since 2001, we have pursued an aggressive national growth strategy by developing our super-regional GSM license areas.

*Opportunity for growth.* Improving economic conditions in Russia combined with relatively low wireless penetration rates in the regions of Russia compared to the cities of Moscow and St. Petersburg, present us with growth opportunities. In addition, wireless telephony often acts as a substitute for fixed line services in the regions. In 2003, Russia was the second fastest growing wireless service market in the world in terms of the number of new subscribers. According to AC&M Consulting, the number of cellular telecommunications subscribers in Russia increased from 30.3 million as of the end of September 2003 to 59.0 million as of the end of September 2004, and had approached 74.0 million as of the end of 2004. This growth predominantly comes from the regions as the penetration rate exceeded 87.4% in the Moscow license area and 79.3% in St. Petersburg, as of September 30, 2004. The regions generally have lower per capita wealth and disposable income than the Moscow license area, but operational expenses in the regions are also lower and capital expenditure per subscriber is lower because of the falling costs of equipment. Consequently, we expect margins in the regions to be similar to those in Moscow as the regional operations become more mature. We intend to focus our regional expansion, marketing and distribution efforts on areas with higher population density, based on factors such as commercial practicability, strategic importance, market potential, regulatory requirements and competition. In the first nine months of 2004, we expanded our operations in Russia to 15 new regions, and, as of December 31, 2004, we operated in 74 of the 89 regions of the Russian Federation. Further expansion of our GSM network into the remaining regions is an essential component of our strategy to build on our position as a premier national wireless telecommunications operator.

*Continued expansion in the regions.* 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. In 2004, we added approximately 12.4 million new subscribers in the regions of Russia outside of the Moscow license area, including approximately 322,000 subscribers that were added in June 2004 as a result of our acquisition of DalTelecom. See the section in this Form 6-K entitled "Risk Factors - Risks Related to Our Business." It may be more difficult for us to attract new subscribers in the regions outside of Moscow and in the countries of the CIS than it is for our competitors that established a local presence prior to the time that our company did.

*Unified national business model.* We have designed and implemented a unified national business model that draws on our considerable knowledge, experience and expertise with respect to technology and consumers nationally. Our national business model enables us to develop uniform procedures for rolling out our network in the regions, increase network standardization and achieve greater economies of scale in the areas of sales and marketing, customer service, information technology, billing and human resources. This unified

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approach facilitates our development of a single, strong, national brand name and allows us to offer our existing and potential subscribers the same tariff structures and product lines in all of the regions where we operate. While implementing this model, we migrated our regional subscribers to a scalable billing system supplied by Amdocs and introduced a modern customer relations management system. We believe that we were the first in Russia, and one of the first in the world, to introduce online national prepaid roaming. We also provide GPRS-based service across the country and have opened super-regional call centers to better serve our millions of subscribers.

*Maintaining our position as one of the leading providers of GSM wireless telecommunications services in the Moscow license area.* As of September 30, 2004, we had approximately 6.6 million subscribers in the Moscow license area. The Moscow wireless market has matured, with penetration rates exceeding 87.4% as of September 30, 2004, and competition is increasing as a consequence. In confronting the increased competition, we are focusing on three primary subscriber market segments:

*Large corporate users.* We will continue our efforts to increase our market share of large corporate users by designing programs to attract these higher revenue-generating subscribers. These efforts include establishing specialized corporate plans and roaming arrangements, enhancing our specialized customer service, increasing our direct sales forces, launching new dedicated corporate sales offices and providing subscribers with access to the newest handsets, accessories and value added services. We also intend to develop new programs offering nationwide services that can be tailored to meet specific corporate needs and market them to corporations that operate both in Moscow and in the regions where we operate.

*Small and medium-size businesses and high-income individuals.* We believe that the key to the successful penetration of this segment of the market will be the continuous improvement of service quality and product offerings. We are upgrading our information technology support systems as well as continuously improving our customer service. Further, we intend to continue to employ tailored marketing promotions to attract these high usage subscribers and to continue using targeted subscriber retention programs. To attract individual subscribers, we offer a credit contract system with various contract plans, free incoming calls from mobile phones and dedicated customer service.

*Mass market.* We will continue to penetrate the Moscow mass market subscriber segment through prepaid card services, innovative tariff plans and service features intended to address the specific needs of these subscribers. We believe that we have developed the largest distribution network for wireless services in the Moscow license area. As of September 30, 2004, we had 69 independent dealers and more than 3,235 points of sale and our prepaid scratch cards could be purchased at over 10,000 locations in the Moscow license area.

*Increasing revenues from non-voice wireless services.* We intend to increase usage among our existing subscribers and attract new subscribers by offering value added services and allowing our subscribers to access a wide range of services through our networks. The value added services that we offer are becoming an increasingly important part of our strategy both in the Moscow market, which is approaching saturation, and in the regions, which are rapidly developing. We currently provide traditional value added services such as voice mail, call forwarding, call waiting, conference calling, call blocking, caller-ID, automatic dialing and voice dialing. We also provide and are focusing on a variety of messaging services, such as outgoing SMS, EMS, MMS, e-mail, content delivery, games and other infotainment services. Messaging and infotainment services are currently available on all our networks through our Internet portal, BeeOnline, and through our Beeinfo mobile information guide. We have also launched content provider access, or CPA, which will stimulate the growth of content based services. CPA is an infotainment service through which we distribute information and services from third parties to our subscribers. In addition, although we have experienced some recent capacity constraints due to the rapid growth in our subscriber base, our BeePay payment system offers many convenient ways to pay for our services and our BeeBonus card allows customers to accumulate bonus points by purchasing products from participating

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vendors, which can then be used to pay for our services. Capitalizing on new technology-enabled opportunities, we also provide WAP technology services and GPRS. As of September 30, 2004, we provided GPRS roaming with 98 operators in 52 countries, including all major European countries and the United States. While there is still relatively low usage of non-voice services in the Russian market compared to countries with higher wireless penetration rates, non-voice service usage in Russia is growing. During the nine months ended September 30, 2004 and the year ended December 31, 2003, revenue generated by value added services as a percentage of total services revenue reached 14.0% and 11.4%, respectively, compared with 9.0% in the nine months ended September 30, 2003 and 7.4% in the year ended December 31, 2002. We are also actively using Internet technology to support business processes and to increase subscriber loyalty and satisfaction.

*Incorporate new technologies into our operations.* As part of our overall business strategy, we intend to evaluate emerging, state-of-the-art technologies that may be used to complement our existing operations. For example, we have constructed and tested a pilot 3G network, and we intend to introduce 3G technology in some of the biggest cities in our network if we are awarded a 3G license. In July 2004, we completed testing EDGE 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. For further information about these technologies, please see the sections in this Form 6-K entitled *Competition*, *New technology* and *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, adversely affect our business. In addition, in cooperation with Cisco Systems, we are exploring the possibility of offering to our subscribers WLANs, which permit individuals to connect wirelessly to the Internet through a local area network. Initially, we intend to explore the possibility of introducing WLANs in airports, hotels and business centers. For a description of some of the risks involved with these new technologies, please see the section of this Form 6-K entitled *Risk Factors* *Risks Related to Our Business*. We face competition from an increasing number of technologies and may face greater competition as a result of the issuance of new wireless licenses.

*Expansion in the Commonwealth of Independent States.* Although our primary strategic focus has been, and continues to be, Russia, we are also currently actively pursuing opportunities for expansion in other countries of the CIS. Decisions with respect to each acquisition for this expansion require a super-majority decision of our board of directors. In considering such expansion, we are taking into account the economic and political environment and size of territory and population as well as the competitive situation. As part of this strategy, we acquired KaR-Tel, the second largest cellular operator in Kazakhstan, on September 3, 2004. With a population of approximately 14.9 million, Kazakhstan has the highest GDP per capita in the CIS after Russia and a cellular penetration rate estimated at approximately 14.6% as of September 30, 2004. We intend to expand our acquired operations in Kazakhstan with the introduction of our *Bee Line* GSM brand and the implementation of our unified business solutions for information technology, marketing, distribution, customer service, billing and network operations.

**Licenses***GSM*

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 92.0% of Russia's population and permit us to operate a unified dual band GSM-900/1800 network. Our super-regional GSM licenses for the Central and Central Black Earth, North Caucasus, Siberian, Northwest and Volga super-regions were previously held by VimpelCom-Region. We received a GSM-1800 license for the Northwest super-region in September 2002. In March 2003, the former Ministry of Communications amended our initial GSM license for the Northwest super-region to permit us to operate a dual band GSM 900/1800 network in St. Petersburg and the surrounding Leningrad region. On November 26, 2004, we completed the merger of VimpelCom-Region into VimpelCom. In accordance with the New Law, VimpelCom filed applications with the Service for the re-issuance of VimpelCom-Region's licenses to VimpelCom promptly thereafter. On December 28,





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2004, VimpelCom received a letter from the Service stating that the list of communications services to be licensed and the related conditions of such licenses which shall apply to all operators have not yet been adopted by the Russian Government as required by the New Law. We immediately re-filed our applications with the Service for the re-issuance of the licenses to VimpelCom, but the telecommunications licenses and related frequencies and permissions have not yet been re-issued to VimpelCom. In its letter, the Service suggested that in order to complete the re-issuance process in connection with the merger, VimpelCom should apply for the re-issuance of the licenses after the Russian Government approves the list of services and related conditions. The Service specifically stated in the letter that VimpelCom has fulfilled the requirements of the New Law. The Service also stated that until a decision on re-issuance of the licenses is taken, VimpelCom, as the legal successor to VimpelCom-Region, may fulfill obligations to render communications services in accordance with the conditions of VimpelCom-Region's licenses. For a description of some of the risks associated with the re-issuance of VimpelCom-Region's licenses to VimpelCom, please see the section of this Form 6-K entitled "Risk Factors - Risks Related to Our Business." If the telecommunications licenses, frequencies and other permissions previously held by VimpelCom-Region 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.

Our GSM license for the Ural super-region is held through our wholly-owned subsidiary Vostok-Zapad Telecom, which it acquired in December 2002. Vostok-Zapad Telecom's GSM license provides for the operation of a GSM-1800 network in the entire Ural region and a dual band GSM-900/1800 network in seven out of 12 territories within the region. In addition to the seven super-regional GSM licenses, we hold GSM licenses for the following six 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 Stavropol, the Kabardino-Balkarskaya Republic and the Karachaevo-Cherkesskaya Republic, all within the North Caucasus region. These territorial GSM licenses are held through subsidiaries that VimpelCom-Region acquired in 2002 and 2003. In addition to these, our recently acquired subsidiary DalTelecom holds GSM-1800 and D-AMPS licenses to operate in three of the 15 regions within the Far East super-region (Khabarovsk Krai, Amur Region and Kamchatka Region).

Our wholly-owned subsidiary KaR-Tel holds a national GSM license for the entire territory of Kazakhstan. KaR-Tel's license was issued in August 1998 for a term of 15 years. The license contains start-of-service requirements ranging over a five-year period and requires the network to be completed by December 31, 2005.

The following tables summarize the principal terms of our super-regional and territorial GSM licenses in Russia, including the license areas, issue dates, start-of-service requirements, expiration dates, line capacity requirements and territorial coverage requirements. The licenses previously held by VimpelCom-Region are in the process of being re-issued to VimpelCom. For a description of some of the risks associated with the re-issuance of VimpelCom-Region's licenses to VimpelCom, please see the section of this Form 6-K entitled "Risk Factors - Risks Related to Our Business." If the telecommunications licenses, frequencies and other permissions previously held by VimpelCom-Region 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 and Conditions of our Super-Regional GSM Licenses in Russia*

License Area	Issue Date	Start-of-Service Requirement	Expiration Date	Compliance Date	Certain Requirements	
					Line Capacity	Territorial
						Coverage (Cities) or Population
					No Less Than	Coverage (%)

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Moscow	Apr. 28, 1998	Dec. 31, 1998	Apr. 28, 2008	Dec. 31, 2001	100,000	Moscow license area
Central and Central Black Earth	Apr. 7, 2000	July 7, 2000	Apr. 28, 2008	Dec. 31, 2001	20,000	17 cities <sup>(1)</sup>
North Caucasus	Apr. 7, 2000	July 7, 2000 <sup>(2)</sup>	Apr. 28, 2008	Dec. 31, 2001	50,000	10 cities <sup>(3)</sup>
Northwest <sup>(4)</sup>	Sep. 12, 2002	Mar. 12, 2004	Sep. 12, 2012	Dec. 31, 2004	10,000	20.0%
				Dec. 31, 2006	50,000	40.0%
				Dec. 31, 2011	200,000	80.0%
Siberian	Apr. 7, 2000	July 7, 2000	Apr. 28, 2008	Dec. 31, 2001	48,000	12 cities <sup>(5)</sup>
Ural <sup>(6)</sup>				Dec. 31, 2005	50,000	30.0%
	Nov. 14, 2002	May 14, 2004	Nov. 14, 2012	Dec. 31, 2012	200,000	70.0%
Volga	Apr. 7, 2000	July 7, 2000	Apr. 28, 2008	Dec. 31, 2001	14,000	14 cities <sup>(7)</sup>

<sup>(1)</sup> Covers the cities of Belgorod, Bryansk, Ivanovo, Kaluga, Kostroma, Kursk, Lipetsk, Nizhniy Novgorod, Orel, Ryazan, Smolensk, Tambov, Tula, Tver, Vladimir, Voronezh and Yaroslavl.

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- (2) This license was amended to allow us to commence providing services no later than December 31, 2002 in the Republic of Dagestan and no later than December 31, 2004 in Chechnya and Ingushetia. We did not meet the extended start-of-service date for Chechnya and Ingushetia and, accordingly, applied for a second extension. To date, we have not received a response from the service.
- (3) The 10 cities covered are: Grozny, Krasnodar, Maikop, Makhachkala, Nalchik, Nazran, Rostov-on-Don, Tcherkessk, Stavropol and Vladikavkaz. We must also cover Chechnya and Ingushetia, but based on the extension of the start-of-service dates for these areas, we believe that the date by which the territorial requirement coverage must be met was also extended. Please see footnote (2) for more information.
- (4) Covers the cities of Karelia, St. Petersburg, Arkhangelsk, Vologda, Kaliningrad, Leningrad Murmansk, Novgorod, Pskov and Nenetz.
- (5) Covers the cities of Abakan, Barnaul, Dudinka, Gorno-Altaysk, Kemerovo, Krasnoyarsk, Kyzyl, Novokuznetsk, Novosibirsk, Omsk, Tomsk and Tara.
- (6) Vostok-Zapad Telecom holds a GSM-1800 license covering all 12 territories of the Ural super-region and a GSM-900/1800 license covering seven territories of the Ural super-region (Komi Republic, Udmurtskaya Republic, Kirov, Kurgan, Sverdlovsk, Komi-Permyatsky autonomous district and Yamal-Nenets).
- (7) Covers the cities of Astrakhan, Elista, Kazan, Naberezhnye Chelny, Penza, Samara, Saransk, Saratov, Tcheboksary, Togliatti, Ufa, Ulyanovsk, Volgograd and Yoshkar-Ola.

***Principal Terms and Conditions of our Territorial GSM Licenses in Russia***

License Area	Issue Date	Start-of-Service Requirement	Expiration Date	Certain Requirements		
				Compliance Date	Line Capacity No Less Than	Territorial
						Coverage (Cities) or Population Coverage (%)
Amur Region <sup>(1)</sup>	Jan. 10, 2002	July 10, 2003	Jan. 10, 2012	Dec. 31, 2004 Dec. 31, 2011	3,000 20,000	6.0% 51.0%
Kabardino-Balkarskaya Republic <sup>(2)</sup>	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%
Kaliningrad <sup>(3)</sup>	Nov. 4, 1996	Feb. 1, 1998	Aug. 1, 2006	Dec. 31, 1996	1,500	10.0%
				Dec. 31, 1997	2,000	20.0%
				Dec. 31, 1998	3,714	30.0%
				Dec. 31, 1999	6,000	50.0%
				Dec. 31, 2001	19,269	95.0%
Kamchatka Region <sup>(4)</sup>	Jan. 10, 2002	July 10, 2003	Jan. 10, 2012	Dec. 31, 2004	3,000	10.0%
				Dec. 31, 2011	20,000	70.0%
Karachaevo-Cherkesskaya Republic <sup>(5)</sup>	May 19, 2000	May 19, 2001	May 19, 2010			

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				Dec. 31, 2001	100	10.0%
				Dec. 31, 2010	40,000	60.0%
Khabarovsk Krai <sup>(6)</sup>	Jan. 10, 2002	July 10, 2003	Jan. 10, 2012	Dec. 31, 2004	5,000	10.0%
				Dec. 31, 2011	30,000	65.0%
Orenburg <sup>(7)</sup>	June 13, 2000	June 13, 2001	June 13, 2010	Dec. 31, 2001	10,000	5.0%
				Dec. 31, 2003	20,000	10.0%
				Dec. 31, 2005	30,000	16.0%
				Dec. 31, 2010	60,000	32.0%
Samara <sup>(8)</sup>	April 17, 2002	Oct. 17, 2003	April 17, 2012	Dec. 31, 2004	20,000	30.0%
				Dec. 31, 2011	80,000	70.0%
Stavropol <sup>(9)</sup>	Mar. 7, 1997	Mar. 7, 1998 &				