

OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS  
Form 20-F  
April 08, 2010  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**  
**FORM 20-F**

- .. **Registration Statement Pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934**  
**OR**
  
- x **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2009**  
**OR**
  
- .. **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
**OR**
  
- .. **Shell Company Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
**Commission File Number: 1-14522**

**OPEN JOINT STOCK COMPANY**  
**VIMPEL-COMMUNICATIONS**

(Exact name of registrant as specified in its charter)

**Russian Federation**

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

**Jeffrey D. McGhie**

**Vice President, General Counsel**

**10 Ulitsa 8 Marta, Building 14**

**Moscow, Russian Federation 127083**

**Tel: +7 495 725 0700**

**Fax: +7 495 721 0017**

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

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

<b>Title of Each Class</b>	<b>Name of Each Exchange on Which Registered</b>
American Depositary Shares, or ADSs, each representing one-twentieth of one share of common stock	New York Stock Exchange
Common stock, 0.005 Russian rubles nominal value	New York Stock Exchange*

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

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

None

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

None

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

51,281,022 shares of common stock, 0.005 Russian rubles nominal value.

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

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

Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

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

Other

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

Item 17  Item 18

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

**Table of Contents**

**TABLE OF CONTENTS**

ITEM 1.*	<u>Identity of Directors, Senior Management and Advisers</u>	1
ITEM 2.*	<u>Offer Statistics and Expected Timetable</u>	1
ITEM 3.	<u>Key Information</u>	1
ITEM 4.	<u>Information on the Company</u>	26
ITEM 4A.	<u>Unresolved Staff Comments</u>	71
ITEM 5.	<u>Operating and Financial Review and Prospects</u>	71
ITEM 6.	<u>Directors, Senior Management and Employees</u>	99
ITEM 7.	<u>Major Shareholders and Related Party Transactions</u>	106
ITEM 8.	<u>Financial Information</u>	109
ITEM 9.	<u>The Offer and Listing</u>	110
ITEM 10.	<u>Additional Information</u>	111
ITEM 11.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	124
ITEM 12.	<u>Description of Securities other than Equity Securities</u>	125
ITEM 13.	<u>Defaults, Dividend Arrearages and Delinquencies</u>	127
ITEM 14.	<u>Material Modifications to the Rights of Security Holders and Use of Proceeds</u>	127
ITEM 15.	<u>Controls and Procedures</u>	127
ITEM 16A.	<u>Audit Committee Financial Expert</u>	128
ITEM 16B.	<u>Code of Ethics</u>	128
ITEM 16C.	<u>Principal Accountant Fees and Services</u>	128
ITEM 16D.	<u>Exemptions from the Listing Standards for Audit Committees</u>	129
ITEM 16E.	<u>Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u>	129
ITEM 16F.	<u>Change in Registrant's Certifying Accountant</u>	129
ITEM 16G.	<u>Corporate Governance</u>	129
ITEM 17.**	<u>Financial Statements</u>	131
ITEM 18.	<u>Financial Statements</u>	131
ITEM 19.	<u>Exhibits</u>	131

\* Omitted because the item is inapplicable.

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

**Table of Contents**

**EXPLANATORY NOTE**

This Annual Report on Form 20-F describes matters that relate generally to Open Joint Stock Company Vimpel-Communications, also referred to as VimpelCom or our company, an open joint stock company organized under the laws of the Russian Federation, and its consolidated subsidiaries. Thus, we use terms such as we, us, our and similar plural pronouns when describing the matters that relate generally to VimpelCom's consolidated group. On February 28, 2008, we completed our acquisition of 100.0% of the outstanding shares of Golden Telecom, Inc. As we did not consolidate Golden Telecom into our U.S. GAAP financial statements until the effective acquisition date, the historical financial and operating data of VimpelCom set forth in this Annual Report on Form 20-F reflect Golden Telecom's results only following the effective acquisition date, unless otherwise indicated. References in this Annual Report on Form 20-F to Golden Telecom are to Golden Telecom, Inc. and its consolidated subsidiaries with respect to the presentation of financial and operating data, unless the context otherwise requires.

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

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

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

Unless the context otherwise requires, references to our operations in the CIS are to our operations in the Commonwealth of Independent States outside of the Russian Federation. Although Georgia is no longer a member of the CIS, consistent with our historic reporting practice, we continue to include Georgia in our CIS mobile reporting segment.

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

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

References to 3G technologies are to third generation mobile technologies, including UMTS.

References to mobile services are to our wireless voice and data transmission services but excluding Wireless Fidelity technology, or WiFi.

References to our mobile subscribers are to active subscribers of our mobile telecommunications services. A subscriber is considered active if the subscriber's activity resulted in income to VimpelCom during the most recent three months and if the subscriber remained in the mobile subscriber base at the end of the reported period. Such activity includes all incoming and outgoing calls, subscriber fee accruals, debits related to service, mobile Internet service via Universal Serial Bus, or USB, modems, outgoing short messaging service, or SMS, and multimedia messaging service, or MMS, and data transmission and receipt sessions, but does not include incoming SMS and MMS sent by our company or abandoned calls. We calculate monthly average minutes of use per mobile subscriber, or MOU, and monthly average revenue per mobile subscriber, or ARPU, on the basis of subscriber data using the active subscriber definition. Previously, we reported mobile subscriber data on the basis of registered mobile subscribers. A registered

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

mobile subscriber is an authorized user of mobile services, using one SIM card (GSM/3G) with one or several selective numbers. Other mobile telecommunications operators may apply mobile subscriber policies that differ from ours.

References to Russian rubles are to the lawful currency of the Russian Federation.

References to US\$ or \$ or USD or U.S. dollars are to the lawful currency of the United States of America.

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

In October 2009, Telenor ASA, the parent company of our shareholder Telenor East Invest AS, and Altimo Holdings & Investments Ltd., or Altimo, a member of the Alfa Group and the parent company of Eco Telecom Limited, announced that they agreed to combine their ownership of our company and Closed Joint Stock Company Kyivstar G.S.M., or Kyivstar, under a new company called VimpelCom Ltd. Kyivstar is a Ukrainian mobile operator, 56.5% of which is owned by a subsidiary of Telenor ASA and 43.5% of which is owned by a subsidiary of Altimo. We refer to the proposed combination in this Annual Report on Form 20-F as the VimpelCom Ltd. Transaction. According to the Registration Statement on Form F-4 of VimpelCom Ltd. and the related prospectus filed with the SEC, as amended, referred to in this Annual Report on Form 20-F as the VimpelCom Ltd. Prospectus, the VimpelCom Ltd. Transaction involves a series of transactions, including an exchange offer by VimpelCom Ltd. comprised of (i) an offer to all holders resident in the United States (including its territories and possessions) of shares of our common and preferred stock and to all holders of our ADSs, wherever located, referred to in this Annual Report on Form 20-F as the U.S. Offer, and (ii) a separate voluntary tender offer to all holders of shares of our common and preferred stock, wherever located, referred to in this Annual Report on Form 20-F as the Russian Offer. The Russian Offer and the U.S. Offer are collectively referred to in this Annual Report on Form 20-F as the Offers. Completion of the Offers is conditioned upon greater than 95.0% of our shares, including those represented by ADSs, being validly tendered and not withdrawn, in addition to other conditions. The Offers commenced on February 9, 2010. The U.S. Offer acceptance period will expire at 5:00 p.m. New York City time on April 15, 2010, unless extended. The Russian Offer acceptance period will expire three business days later, at 11:59 p.m. Moscow time on April 20, 2010, unless extended. On February 9, 2010, our board of directors unanimously recommended to holders of our common and preferred shares and ADSs to tender their securities to VimpelCom Ltd. in the Offers and elect to exchange such tendered securities for depositary receipts representing depositary shares of VimpelCom Ltd. and not to accept the nominal cash consideration alternative offered by VimpelCom Ltd. in the Offers. For additional information relating to the risks associated with the VimpelCom Ltd. Transaction, see the section of this Annual Report on Form 20-F entitled Item 3 Key Information D. Risk Factors Risks Related to Our Business Alfa Group and Telenor may not be able to complete the proposed combination of our company and Kyivstar. For additional information about the recommendation of our board of directors and the Offers, see our solicitation/recommendation statement on Schedule 14D-9 filed with the SEC on February 9, 2010, as amended. Unless otherwise indicated, the discussion and analysis in this Annual Report on Form 20-F does not take into account the potential impact of the successful completion of the VimpelCom Ltd. Transaction on VimpelCom's operating and financials results and trends.

**Table of Contents**

**CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS**

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

our strategy to generate sufficient net cash flow in order to meet our debt service obligations;

our plans to develop and provide integrated telecommunications services to our customers, increase fixed and mobile telephone use and expand our operations in Russia and the CIS;

our ability to execute our business strategy successfully and achieve the expected benefits from our existing and future acquisitions;

our ability to extract anticipated synergies or to integrate an acquired business into our group in a timely and cost-effective manner;

our ability to successfully challenge claims brought against Limited Liability Partnership KaR-Tel, or KaR-Tel;

our expectations as to pricing for our products and services in the future, improving the total average monthly service revenues per subscriber and our future operating results;

our ability to meet our projected capital requirements;

our ability to meet license requirements and to obtain, maintain, renew or extend licenses, frequency allocations and frequency channels and obtain related regulatory approvals;

our ability to obtain and maintain interconnect agreements; and

other statements regarding matters that are not historical facts.

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

risks relating to changes in political, economic and social conditions in each of the countries in which we operate;

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

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

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

risks relating to our company, including demand for and market acceptance of our products and services, regulatory uncertainty regarding our licenses, frequency allocations and numbering capacity, constraints on our spectrum capacity, availability of line capacity and competitive product and pricing pressures;

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

other risks and uncertainties.

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



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

Not required.

**ITEM 2.\* Offer Statistics and Expected Timetable**

Not required.

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

The following selected consolidated statement of financial data and consolidated balance sheets data present a summary of VimpelCom's historical consolidated financial information at December 31, 2009, 2008, 2007, 2006 and 2005 and for the years then ended and are derived from VimpelCom's audited consolidated financial statements and their related notes. The selected financial data set forth below should be read in conjunction with VimpelCom's consolidated financial statements and their related notes included elsewhere in this Annual Report on Form 20-F and the section of this Annual Report on Form 20-F entitled "Item 5 Operating and Financial Review and Prospects."

	Years Ended December 31,				
	2009	2008	2007	2006	2005
	(In thousands of U.S. dollars, except per share and per ADS amounts)				
<b>Operating revenues:</b>					
Service revenues	US\$ 8,580,815	US\$ 9,999,850	US\$ 7,161,833	US\$ 4,847,661	US\$ 3,175,221
Sales of equipment and accessories	109,959	107,946	6,519	19,265	30,478
Other revenues	19,788	17,190	6,528	2,931	5,419
<b>Total operating revenues</b>	<b>8,710,562</b>	<b>10,124,986</b>	<b>7,174,880</b>	<b>4,869,857</b>	<b>3,211,118</b>
Revenue based taxes	(7,660)	(8,054)	(3,782)	(1,879)	
<b>Net operating revenues</b>	<b>8,702,902</b>	<b>10,116,932</b>	<b>7,171,098</b>	<b>4,867,978</b>	<b>3,211,118</b>
<b>Operating expenses:</b>					
Service costs	1,878,443	2,262,570	1,309,287	872,388	514,124
Cost of equipment and accessories	110,677	101,282	5,827	18,344	28,294
Selling, general and administrative expenses	2,389,998	2,838,508	2,206,322	1,503,615	1,085,807
Depreciation	1,393,431	1,520,184	1,171,834	874,618	451,152
Amortization	300,736	360,980	218,719	179,846	142,126
Impairment loss		442,747			
Provision for doubtful accounts	51,262	54,711	52,919	21,848	11,583
<b>Total operating expenses</b>	<b>6,124,547</b>	<b>7,580,982</b>	<b>4,964,908</b>	<b>3,470,659</b>	<b>2,233,086</b>
<b>Operating income</b>	<b>2,578,355</b>	<b>2,535,950</b>	<b>2,206,190</b>	<b>1,397,319</b>	<b>978,032</b>
<b>Other income and expenses:</b>					
Interest income	51,714	71,618	33,021	15,471	8,658
Net foreign exchange (loss) gain	(411,300)	(1,142,276)	72,955	24,596	7,041

Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

Interest expense	(598,531)	(495,634)	(194,839)	(186,404)	(147,448)
Other (expenses) income, net	(32,114)	(17,404)	3,240	(38,844)	(5,853)
Equity in net loss of associates	(35,763)	(61,020)	(211)		
Total other income and expenses	(1,025,994)	(1,644,716)	(85,834)	(185,181)	(137,602)
<b>Income before income taxes and cumulative effect of change in accounting principle</b>	1,552,361	891,234	2,120,356	1,212,138	840,430
Income tax expense	435,030	303,934	593,928	390,663	221,901
Income before cumulative effect of change in accounting principle	1,117,331	587,300	1,526,428	821,475	618,529
Cumulative effect of change in accounting principle				(1,882)	
<b>Net income</b>	US\$ 1,117,331	US\$ 587,300	US\$ 1,526,428	US\$ 819,593	US\$ 618,529
Net income attributable to the noncontrolling interest	(4,449)	62,966	63,722	8,104	3,398
<b>Net income attributable to VimpelCom</b>	US\$ 1,121,830	US\$ 524,334	US\$ 1,462,706	US\$ 811,489	US\$ 615,131
Weighted average common shares outstanding (thousands)	50,647	50,700	50,818	50,911	51,066

**Table of Contents**

	Years Ended December 31,				
	2009	2008	2007	2006	2005
	(In thousands of U.S. dollars, except per share and per ADS amounts)				
Income before cumulative effect of change in accounting principle attributable to VimpelCom per common share	US\$ 21.71	US\$ 10.32	US\$ 28.78	US\$ 15.98	US\$ 12.05
Income before cumulative effect of change in accounting principle attributable to VimpelCom per ADS equivalent <sup>(2)</sup>	US\$ 1.09	US\$ 0.52	US\$ 1.44	US\$ 0.80	US\$ 0.60
Net income attributable to VimpelCom per common share	US\$ 21.71	US\$ 10.32	US\$ 28.78	US\$ 15.94	US\$ 12.05
Net income attributable to VimpelCom per ADS equivalent <sup>(1)</sup>	US\$ 1.09	US\$ 0.52	US\$ 1.44	US\$ 0.80	US\$ 0.60
Weighted average diluted shares	50,678	50,703	50,818	50,947	51,085
Diluted income before cumulative effect of change in accounting principle attributable to VimpelCom per common share <sup>(2)</sup>	US\$ 21.69	US\$ 10.32	US\$ 28.78	US\$ 15.97	US\$ 12.04
Diluted income before cumulative effect of change in accounting principle attributable to VimpelCom per ADS equivalent <sup>(1)</sup>	US\$ 1.08	US\$ 0.52	US\$ 1.44	US\$ 0.80	US\$ 0.60
Diluted net income attributable to VimpelCom per common share <sup>(2)</sup>	US\$ 21.69	US\$ 10.32	US\$ 28.78	US\$ 15.93	US\$ 12.04
Diluted net income attributable to VimpelCom per ADS equivalent <sup>(2)</sup>	US\$ 1.08	US\$ 0.52	US\$ 1.44	US\$ 0.79	US\$ 0.60
Dividends per share	US\$ 6.30	US\$ 11.46	US\$ 6.47		
Dividends per ADS equivalent	US\$ 0.31	US\$ 0.57	US\$ 0.32		

- (1) Each ADS is equivalent to one-twentieth of one share of common stock. On November 22, 2004, we changed the ratio of our ADSs traded on The New York Stock Exchange ( NYSE ) from four ADSs for three common shares to four ADSs for one common share. VimpelCom ADS holders as of record at the close of business on November 19, 2004 received two additional ADSs for every ADS held. On August 8, 2007, we changed the ratio of our ADSs traded on the NYSE from four ADSs for one common share to twenty ADSs for one common share. VimpelCom ADS holders as of record at the close of business on August 17, 2007 received four additional ADSs for every ADS held. All share information presented herein reflects the change in the ratio. There were no changes to our underlying common shares.
- (2) Diluted income before cumulative effect of change in accounting principle attributable to VimpelCom and diluted net income attributable to VimpelCom per common share and ADS equivalent includes dilution for employee stock options for 2009, 2008, 2007, 2006 and 2005.

	At December 31,				
	2009	2008	2007	2006	2005
	(In thousands of U.S. dollars)				
<b>Consolidated balance sheets data:</b>					
Cash and cash equivalents	US\$ 1,446,949	US\$ 914,683	US\$ 1,003,711	US\$ 344,494	US\$ 363,646
Working capital (deficit) <sup>(1)</sup>	(447,742)	(1,407,795)	(272,784)	(487,420)	(457,927)
Property and equipment, net	5,561,569	6,425,873	5,497,819	4,615,675	3,211,112
Telecommunications licenses, goodwill and other intangible assets, net	4,527,255	5,124,555	2,217,529	1,957,949	1,500,799
Total assets	14,732,541	15,725,153	10,568,884	8,436,546	6,307,036
Total debt, including current portion <sup>(2)</sup>	7,353,047	8,442,926	2,766,609	2,489,432	1,998,166
Total liabilities	9,715,364	11,115,307	4,868,688	4,235,777	3,377,861
Redeemable noncontrolling interest	508,668	469,604			
Total equity	US\$ 4,508,509	US\$ 4,140,242	US\$ 5,700,196	US\$ 4,200,769	US\$ 2,929,175



**Table of Contents**

- (1) Working capital is calculated as current assets less current liabilities.
- (2) Includes bank loans, Russian ruble denominated bonds, equipment financing and capital lease obligations for all periods presented. Subsequent to December 31, 2009, there have been additional changes in certain of our outstanding indebtedness. For information regarding these changes, see Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Financing activities 2010.

**SELECTED OPERATING DATA**

The following selected operating data as of December 31, 2009, 2008, 2007, 2006 and 2005 has been derived from internal company sources and from independent sources that we believe to be reliable. The selected operating data set forth below should be read in conjunction with VimpelCom's consolidated financial statements and their related notes included elsewhere in this Annual Report on Form 20-F and the section of this Annual Report on Form 20-F entitled Item 5 Operating and Financial Review and Prospects. Our subscriber data, ARPU and MOU for all periods indicated in the table below and churn figures for the years 2008 and 2009 in the table below are reported on the basis of active subscribers.

	2009	2008	As of December 31 2007	2006	2005
<b>Selected industry operating data:</b>					
Estimated population: <sup>(1)</sup>					
Russia	140,681,500	142,008,800	142,008,800	145,166,700	145,166,700
Kazakhstan	15,704,000	15,571,500	15,571,500	14,953,000	14,938,400
Ukraine	45,813,764	46,192,300	46,192,300	48,457,000	48,457,000
Tajikistan	7,011,000	7,215,700	7,215,700	6,919,900	6,780,400
Uzbekistan	28,381,000	27,100,000	27,100,000	26,021,300	
Armenia	2,990,000	3,230,100	3,230,100	3,200,000	
Georgia	4,318,000	4,500,000	4,500,000		
Cambodia	15,097,000				
Estimated mobile subscribers: <sup>(2)</sup>					
Russia	209,206,000	187,830,000	172,870,000	151,920,000	125,760,000
Kazakhstan	16,581,000	14,437,927	12,692,511	7,735,500	5,510,300
Ukraine	55,251,400	55,793,102	55,596,318	49,219,900	30,205,100
Tajikistan	4,334,900	3,428,061	2,131,103	821,500	275,000
Uzbekistan	16,569,900	12,276,098	5,931,796	2,716,700	
Armenia	2,616,700	2,561,280	1,868,571	1,184,000	
Georgia	3,894,800	3,757,055	2,690,405		
Cambodia	5,477,100				
Mobile penetration rate: <sup>(3)</sup>					
Russia	148.7%	132.3%	121.7%	104.6%	86.6%
Kazakhstan	105.6%	92.7%	81.5%	51.7%	36.9%
Ukraine	120.6%	120.8%	120.4%	103.4%	63.8%
Tajikistan	61.8%	47.5%	29.5%	11.9%	4.1%
Uzbekistan	58.4%	45.3%	21.9%	10.4%	
Armenia	87.5%	79.3%	57.8%	37.0%	
Georgia	90.2%	83.5%	59.8%		
Cambodia	36.3%				
<b>Selected company operating data:</b>					
End of period mobile subscribers:					
Russia	50,886,127	47,676,844	42,221,252	39,782,690	35,936,356
Kazakhstan	6,135,275	6,269,927	4,603,300	3,052,878	1,813,938
Ukraine	2,004,729	2,052,493	1,941,251	1,523,682	249,189
Tajikistan	743,140	624,624	339,393	72,028	
Uzbekistan	3,514,516	3,636,243	2,119,612	700,470	
Armenia	545,201	544,271	442,484	415,965	
Georgia	399,161	225,055	72,655		

Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

Cambodia	367,474				
<b>Total mobile subscribers</b>	<b>64,595,623</b>	<b>61,029,457</b>	<b>51,739,947</b>	<b>45,547,713</b>	<b>37,999,483</b>
MOU <sup>(4)</sup>					
Russia	211.4	219.1	192.1	145.9	120.4
Kazakhstan	93.1	104.3	94.6	70.4	55.3
Ukraine	208.7	231.8	163.2	149.7	36.2
Tajikistan	172.9	238.9	220.6	121.1	
Uzbekistan	314.0	287.8	274.0	320.5	
Armenia	237.8	152.1	169.9	178.0	
Georgia	138.3	113.6	102.5		
Cambodia	78.2				

**Table of Contents**

	As of December 31									
	2009		2008		2007		2006		2005	
<b>ARPU<sup>(5)</sup></b>										
Russia	US\$	10.1	US\$	13.9	US\$	12.6	US\$	9.6	US\$	8.5
Kazakhstan	US\$	8.1	US\$	11.7	US\$	13.1	US\$	12.6	US\$	11.3
Ukraine	US\$	4.7	US\$	7.6	US\$	4.7	US\$	5.0	US\$	4.3
Tajikistan	US\$	7.1	US\$	9.5	US\$	9.7	US\$	6.8		
Uzbekistan	US\$	4.7	US\$	6.4	US\$	7.1	US\$	11.9		
Armenia	US\$	13.2	US\$	14.6	US\$	16.7	US\$	17.0		
Georgia	US\$	8.9	US\$	9.0	US\$	7.4				
Cambodia	US\$	1.4								
<b>Churn rate<sup>(6)</sup></b>										
Russia		42.8%		34.6%		32.9%		35.4%		30.4%
Kazakhstan		46.3%		31.5%		23.5%		32.8%		30.3%
Ukraine		81.0%		84.0%		61.8%		18.6%		
Tajikistan		52.9%		42.8%		4.6%		95.1%		
Uzbekistan		63.7%		55.6%		61.7%		44.9%		
Armenia		58.6%		106.2%		49.7%		9.1%		
Georgia		46.6%		47.2%		1.0%				
Cambodia		n/a								
<b>Number of GSM base stations<sup>(7)</sup>:</b>										
Russia		28,718		26,633		22,088		19,241		15,659
Kazakhstan		3,191		3,119		2,291		1,791		1,126
Ukraine		3,039		3,015		2,294		1,653		596
Tajikistan		523		494		326		107		6
Uzbekistan		1,625		1,573		928		626		
Armenia		518		503		379		205		
Georgia		609		514		215				
Cambodia		552								
<b>End of period broadband subscribers<sup>(8)</sup>:</b>										
Russia		2,110,881		1,181,916						
Ukraine		109,345		24,147						
Kazakhstan		1,342		154						
Uzbekistan		9,029		5,766						
Armenia		26,196		9,234						
Total broadband subscribers		2,256,793		1,221,217						

- (1) Estimated population statistics for the year 2009 were provided by Informa Telecoms & Media (© 2010 Informa Telecoms & Media), except for the statistics on Ukraine, which were provided by AC&M Consulting, a management consulting and research agency specializing in the telecommunications industry in Russia and the CIS. Estimated population statistics for the year 2008 and 2007 for all countries were published by the Interstate Statistical Committee of the CIS. For the years 2006 and 2005, estimated population statistics for Russia were published by the Federal State Statistics Service, or Goskomstat, of Russia; estimated population statistics for Kazakhstan were published by the Statistics Agency of Kazakhstan; estimated population statistics for Ukraine were published by Goskomstat of Ukraine; and estimated population statistics for Uzbekistan, Armenia, Tajikistan and Georgia were provided by our company.
- (2) Estimated mobile subscriber statistics by country for the year 2009 were provided by Informa Telecoms & Media (© 2010 Informa Telecoms & Media), except for the statistics on Ukraine, which were provided by AC&M Consulting. For the years 2008 and 2007, estimated mobile subscriber statistics for all countries were provided by AC&M Consulting. For the years 2006 and 2005, estimated registered mobile subscriber statistics for Russia and Ukraine were published by AC&M Consulting. Estimated registered mobile subscriber statistics for Kazakhstan, Uzbekistan, Tajikistan, Armenia and Georgia for the years 2006 and 2005 were provided by our company.
- (3) Estimated mobile penetration rate statistics for the year 2009 were provided by Informa Telecoms & Media (© 2010 Informa Telecoms & Media), except for the statistics on Ukraine, which were provided by AC&M Consulting. For the years 2006 and 2005, penetration rates for Russia and Ukraine are based on data provided by AC&M Consulting. Penetration rates for all other countries for the years 2006 and 2005 and all countries for the years 2008 and 2007 are calculated by dividing the total estimated number of mobile subscribers in each relevant area (see Note (2)) by the total estimated population in such area (see Note (1)) as of the end of the relevant period.
- (4)

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

- MOU is calculated by dividing the total number of minutes of usage for incoming and outgoing calls during the relevant period (excluding guest roamers) by the average number of mobile subscribers during the period and dividing by the number of months in that period.
- (5) ARPU is calculated by dividing our mobile service revenue during the relevant period, including roaming revenue and interconnect revenue, but excluding revenue from connection fees, sales of handsets and accessories and other non-service revenue, by the average number of our mobile subscribers during the period and dividing by the number of months in that period.
- (6) Churn rate for 2009 and 2008 is based on active subscribers, while churn for previous years was reported on the basis of registered subscribers. We define churn rate of mobile subscribers as the total number of churned mobile subscribers over the reported period expressed as a percentage of the average of our mobile subscriber base at the starting date and at the ending date of the period. The total number of churned mobile subscribers is calculated as the difference between the number of new subscribers who engaged in a revenue generating activity in the reported period and the change in the mobile subscriber base between the starting date and the ending date of the reported period. Migration between prepaid and contract forms of payment and between tariff plans may technically be recorded as churn, which contributes to our churn rate even though we do not lose those subscribers. For previous periods we defined our churn rate of registered subscribers as the total number of registered subscribers disconnected from our network within a given period expressed as a percentage of the midpoint of registered subscribers in our network at the beginning and end of that period. Contract subscribers were disconnected if they had not paid their bills for up to two months. Prepaid subscribers were disconnected in two cases: (1) an account had been



## **Table of Contents**

blocked after the balance drops to US\$0 or below for up to six months or (2) an account showed no chargeable transaction for up to ten months. The exact number of months prior to disconnection varied by country and depended on the legislation and market specifics.

Migration between prepaid and contract forms of payment was technically recorded as churn, which contributed to our churn rate even though we did not lose those subscribers. Similarly, prepaid customers who changed tariff plans by purchasing a new SIM card with our company were also counted as churn. Policies regarding the calculation of churn differ among operators.

(7) Including 3G base stations.

(8) Broadband subscribers are those subscribers in the registered subscriber base who were a party to a revenue generating activity in the past three months. Such activities include monthly internet access using fiber-to-the-building, or FTTB, xDSL and WiFi technologies as well as mobile home internet service via USB modems.

### **B. Capitalization and Indebtedness**

Not required.

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

Not required.

### **D. Risk Factors**

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

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

## **RISKS RELATED TO OUR BUSINESS**

### **The current international economic crisis and potential economic instability in Russia and the other markets in which we operate could materially adversely affect our business.**

In late 2008, the economies of Russia and all other markets in which we operate were adversely affected by the international economic crisis. Among other things, the crisis led to a slowdown in gross domestic product growth and devaluations of the currencies in Russia and the other markets in which we operate. The timing for a reversal of the current negative economic trends is difficult to predict. In addition, because Russia and Kazakhstan, currently our two largest markets, produce and export large amounts of oil, their economies are particularly vulnerable to fluctuations in the price of oil on the world market and those fluctuations can adversely affect such economies. The current global recession and any future downturns in the economies of Russia, and the other markets in which we operate or may operate in the future could diminish demand for our services, constrain our ability to retain existing subscribers and collect payments from them and prevent us from executing our growth strategy. Adverse economic conditions could also hurt our liquidity and prevent us from obtaining financing needed to fund our growth strategy, which could have a material adverse effect on our business, financial condition and results of operations.

### **Alfa Group and Telenor may not be able to complete the proposed combination of our company and Kyivstar.**

In October 2009, Telenor ASA and Altimio announced that they agreed to combine their ownership of our company and Kyivstar under a new company called VimpelCom Ltd. in the VimpelCom Ltd. Transaction. According to the VimpelCom Ltd. Prospectus, the VimpelCom Ltd. Transaction involves a series of transactions, including the U.S. Offer and the Russian Offer. On February 9, 2010, our board of directors unanimously recommended to holders of our common and preferred shares and ADSs to tender their securities to VimpelCom Ltd. and elect to exchange such tendered securities for depositary receipts representing depositary shares of VimpelCom Ltd. and not to accept the nominal cash consideration alternative offered by VimpelCom Ltd. in the Offers. For additional information about the recommendation of our board of directors and the Offers, see our solicitation/recommendation statement on Schedule 14D-9 filed with the SEC on February 9, 2010, as amended. Completion of the Offers is conditioned upon greater than 95.0% of our shares, including those represented by ADSs, being validly tendered and not withdrawn, in addition to other conditions. There can be no certainty or assurance that these conditions will be satisfied or when they will be satisfied. As a result, the completion of the Offers and the VimpelCom Ltd. Transaction may be delayed or may not occur and the market price for our ADSs may be adversely affected.

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

According to the VimpelCom Ltd. Prospectus, as soon as practicable following completion of the Offers VimpelCom Ltd. intends to cause us to de-list our ADSs from trading on the New York Stock Exchange, terminate the deposit agreement relating to our ADSs and make a filing with the SEC requesting that our reporting obligations under the Exchange Act be terminated as soon as reasonably practicable. Any of these actions could have a material adverse effect on the price and liquidity of our ADSs.

According to the VimpelCom Ltd. Prospectus, if more than 95.0%, but fewer than 100.0% of our shares, including those represented by our ADSs, are tendered into the Offers, VimpelCom Ltd. expects to commence squeeze-out proceedings in accordance with Russian law as soon as practicable after the completion of the Offers. However, there can be no certainty or assurance regarding the terms of the squeeze-out proceedings and the timing for completing them.

## **Table of Contents**

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

We have substantial amounts of outstanding indebtedness. As of December 31, 2009, our total debt for equipment financing, capital leases, bank and other loans was approximately US\$7,353.0 million. For more information regarding our outstanding indebtedness, see the sections of this Annual Report on Form 20-F entitled "Item 5 Operating and Financial Review and Prospects" "Liquidity and Capital Resources" "Financing activities."

Our substantial leverage and the limits imposed by our debt obligations could have significant negative consequences, including limiting our ability to obtain additional financing, constraining our ability to invest in our business and placing us at a possible competitive disadvantage relative to less leveraged competitors which 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, 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, could materially adversely affect our business, financial condition, results of operations and business prospects.

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

The loan agreements and vendor financing agreements under which we borrow funds (as set forth in further detail in "Item 5 Operating and Financial Review and Prospects" "Liquidity and Capital Resources" "Financing activities" ) contain a number of different covenants that impose on us certain operating and financial restrictions. Some of these covenants relate to the financial performance of our company, such as the level of earnings, debt, assets and shareholders equity. Other covenants limit the ability of, and in some cases prohibit, among other things, our company and certain of our subsidiaries from incurring additional indebtedness, creating liens on assets, entering into business combinations or engaging in certain activities with companies within our group. A failure to comply with these covenants would constitute a default under these relevant loan and vendor financing agreements and could trigger cross payment default/cross acceleration provisions under some or all of these agreements discussed above. In the event of such a default, the debtor's obligations under one or more of these agreements could, under certain circumstances, become immediately due and payable, which could have a material adverse effect on our business, our liquidity and our shareholders' equity.

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

The actual amount of debt financing that we will need to raise will be influenced by the actual pace of subscriber growth and growth in usage over the period, capital expenditures, our acquisition plans and our ability to continue to generate sufficient amounts of revenue and ARPU growth. If we incur additional indebtedness, the related risks that we now face could increase. Specifically, we may not be able to generate enough cash to pay the principal, interest and other amounts due under our indebtedness. Due to a variety of factors, including a significant tightening in credit standards, deterioration in the availability of financing, or significant rise in interest rates in Russia, the United States or the European Union, we may not be able to borrow money within the local or international capital markets on acceptable terms or at all. As a result, we may be unable to make desired capital expenditures, take advantage of investment opportunities, refinance existing indebtedness or meet unexpected financial requirements, and our growth strategy and liquidity may be negatively affected. This could cause us to be unable to repay indebtedness as it comes due, to delay or abandon anticipated expenditures and investments or otherwise limit operations, which could materially adversely affect our business, financial condition and results of operations.

### **Our debts denominated in foreign currencies expose us to foreign exchange loss and convertibility risks.**

We have introduced Russian ruble denominated mobile and fixed-line tariff plans throughout our license areas in Russia and we denominate tariffs in local currencies in most of our CIS operations. As we continue to have U.S. dollar- and Euro-denominated debts and continue to buy our telecommunications equipment in foreign currencies, we are exposed to higher foreign exchange loss risks related to the varying exchange rate of the Russian ruble and local CIS currencies against the U.S. dollar or Euro. Unless properly hedged, these risks could have a material adverse effect on our business, financial condition and results of operations. There can be no assurance that we will be able to effectively hedge currency fluctuations due to the cost or availability of hedging instruments. Also, the imposition of exchange controls or other similar

restrictions on currency convertibility in the CIS countries could limit our ability to convert currencies in a timely manner or at all, which could have a material adverse effect on our business, financial condition and results of operations.

**Fluctuations in the value of the Russian ruble and CIS currencies against the U.S. dollar, as well as our ability to convert our revenues, could materially adversely affect our business, financial condition and results of operations.**

A significant amount of our costs, expenditures and liabilities are denominated in U.S. dollars, including capital expenditures and borrowings. We are required to collect revenues from our subscribers and from other Russian telecommunications operators for interconnect charges in Russian rubles, and there may be limits on our ability to convert these Russian rubles into foreign currency. We hold part of our readily available cash in U.S. dollars and Euros in order to manage against the risk of Russian ruble

## Table of Contents

devaluation. Even though we have entered into forward and option agreements to hedge some of our financial obligations, if the U.S. dollar value of the Russian ruble were to dramatically decline, we could have difficulty repaying or refinancing our foreign currency denominated indebtedness. Significant changes in the Russian ruble to the value of the U.S. dollar or the Euro, unless effectively hedged, could result in significant variability in our earnings and cash flows. There can be no assurance that we will be able to effectively hedge currency fluctuations due to the cost or availability of hedging instruments. An increase in the Russian ruble value of the U.S. dollar could, unless effectively hedged, result in a net foreign exchange loss due to an increase in the Russian ruble value of our U.S. dollar denominated liabilities. In turn, our net income could decrease. Accordingly, fluctuations in the value of the Russian ruble against the U.S. dollar could materially adversely affect our business, financial condition and results of operations. For more information about the market risks we are exposed to as a result of foreign currency exchange rate fluctuations, please see the section of the Annual Report on Form 20-F entitled **Item 11 Quantitative and Qualitative Disclosures About Market Risk**.

In Kazakhstan, our costs, expenditures and current liabilities are denominated in the Kazakh tenge. Although our tariffs are also denominated in the Kazakh tenge, our subsidiary KaR-Tel has long-term financial liabilities denominated in the U.S. dollar. Similar to Kazakhstan, our costs, expenditures, current liabilities and tariffs in Ukraine are denominated in the Ukrainian hryvnia, but our subsidiary, Closed Joint Stock Company Ukrainian RadioSystems, or URS, has long-term financial liabilities denominated in the U.S. dollar. If the U.S. dollar value of the Kazakh tenge or the Ukrainian hryvnia declines, we could have difficulty repaying or refinancing our foreign currency denominated indebtedness, which could have a material adverse effect on our business, financial condition and results of operations. Also, the imposition of exchange controls or other similar restrictions on currency convertibility in Kazakhstan, Ukraine, Uzbekistan and other CIS countries could limit our ability to convert currencies in a timely and profitable manner, which could adversely affect our business, financial condition and results of operations.

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

Two of our beneficial shareholders, Telenor East Invest AS, or Telenor, and Eco Telecom Limited, part of the Alfa Group of companies, or the Alfa Group, each beneficially owns enough voting stock to block shareholder decisions that require at least a 75.0% majority vote. Telenor has reported that it beneficially owned 29.9% of our voting capital stock and Alfa Group has reported that it beneficially owns 44.0% of our voting capital stock. There is a risk that either of them could use its greater than 25.0% beneficial ownership of our voting capital stock to block certain shareholder decisions in a manner that may not be in our best interest or in the best interest of our minority shareholders or other security holders. For more information regarding each of Telenor's and Alfa Group's beneficial ownership of our shares, see the section of this Annual Report on Form 20-F entitled **Item 7 Major Shareholders and Related Party Transactions A. Major Shareholders**.

Furthermore, each of Telenor and Alfa Group has sufficient votes to elect at least three candidates to our board of directors. Several important decisions of our board may require the approval of at least eight out of nine directors, including: the approval of the business priorities and strategic orientations of our company; acquisitions or sales of shareholdings in other companies; approval and amendment of the annual budget and business plan (and approving any agreements beyond the limits of the approved budget and business plan); approval, amendment or termination of internal documents of our company (except those requiring shareholder approval); and appointment, dismissal and early termination of the authority of the general director. Therefore, there is a risk that Telenor's and Alfa Group's respective nominees to our board of directors could use their positions to block certain board decisions requiring an eight out of nine vote of the board in a manner that may not be in our best interest or the best interest of our minority shareholders or other security holders. For more information regarding our board of directors and each of Telenor's and Alfa Group's right to nominate directors, see the section of this Annual Report on Form 20-F entitled **Item 6 Directors, Senior Management and Employees**.

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

The agreements currently in place among Telenor, Alfa Group and our company include a non-compete provision, but it is limited to Russia and does not extend to the CIS or any other country. In 2003, after receiving a waiver of this non-compete provision from our board (which waiver was approved by our three independent, disinterested directors as such terms are defined under Russian law), Alfa Group acquired a stake in Open Joint Stock Company MegaFon, or MegaFon, one of our main competitors. At the time, Alfa Group confirmed that following its acquisition of a stake in MegaFon, our company continues to be its primary investment vehicle in the Russian telecommunications industry. 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.

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

Telenor and/or Alfa Group may have different strategies from us and from one another in pursuing development in the CIS or other regions outside of the CIS. For example, an affiliate of Telenor and a member of the Alfa Group of companies reportedly own 56.5% and 43.5%, respectively, of Kyivstar a mobile operator in Ukraine which competes with our Ukrainian subsidiary, URS. According to public reports and the VimpelCom Ltd. Prospectus, companies in the Telenor ASA group and Alfa Group

---

## Table of Contents

have been involved in various disputes and litigations regarding their ownership of and control over Kyivstar and our company has been unsuccessfully sued in the Russian courts by Telenor challenging our company's acquisition of URS. Resolution or withdrawal of pending disputes between companies in the Telenor ASA group and/or Alfa Group are a condition to closing of the VimpelCom Ltd. Transaction. However, if our strategic shareholders fail to complete the VimpelCom Ltd. Transaction, the disputes between our strategic shareholders may continue.

The directors affiliated with Telenor and Alfa Group, respectively, have the ability to block decisions affecting our ability to expand our operations to the extent board approval is required. If shareholder approval is required, either or both of our strategic shareholders may have the ability to block decisions affecting our ability to expand our operations at the relevant shareholders meeting.

We cannot assure you that we, Telenor and Alfa Group may not wish to pursue different strategies, including in countries where one or both of our strategic shareholders have a presence and that our strategic shareholders will not take steps to block or challenge decisions affecting our ability to expand our operations in the future. Furthermore, if and to the extent that our strategic shareholders have different expansion strategies, it could lead to a further deterioration in their relationship which could have a material adverse effect on our business, financial condition and prospects.

**Our strategic shareholders are involved in various disputes and litigations which have caused a deterioration in their relationship and could lead to a further deterioration which could have a material adverse effect on our business, financial condition and prospects and which could subject our company to further claims.**

According to public reports and the VimpelCom Ltd. Prospectus, companies in the Telenor ASA group and Alfa Group have been involved in various disputes and litigations regarding their ownership of and control over Kyivstar. In addition, Alfa Group has commenced an arbitration in Geneva against Telenor claiming damages for breach of the shareholders agreement between Alfa Group and Telenor relating to VimpelCom in connection with alleged delays in our completion of the acquisition of URS. Telenor has also filed a claim in the U.S. federal court against several companies within the Alfa Group alleging violations of U.S. securities laws in connection with certain purchases of our securities. We are not a party to this arbitration or court proceeding. Furthermore, the Eighth Arbitrazh Apellate Court in Omsk has held Telenor liable for approximately US\$1.7 billion in damages payable to our company in connection with a court case, or the Farimex Case, brought against Telenor by Farimex Products, Inc., the purported holder of 25,000 of our ADSs. While we were named a third party to the case, we have not participated in the proceedings to date. Under Russian law, a person named as a third party to a claim is generally a person potentially interested in the case who can participate in the proceedings if it so chooses. The claim alleges, among other things, damages caused to our company by the actions of Telenor with regard to delaying our entrance into the Ukrainian telecommunications market. Press reports state that Telenor believes that Farimex is linked to Alfa Group and that Alfa Group denies any such links. Telenor has stated that it has appealed the court's decision. In addition, in connection with the US\$1.7 billion judgment rendered against Telenor by the Eighth Arbitrazh Apellate Court in the Farimex Case, the court bailiff has arrested 15.3 million of our ordinary shares owned by Telenor. We understand that these shares can, under certain circumstances, be sold by the court bailiff to satisfy the court judgment. We also understand that the court bailiff may transfer the shares to us to the extent that they cannot be sold to satisfy the court judgment within a certain period of time. We are monitoring the case and are studying what, if any, consequences (including possible tax consequences) may arise from the judgment. We received a letter from Telenor, dated March 31, 2009, addressed to our former CEO, relating to the Farimex Case. In the letter, Telenor alleges that in connection with the Farimex Case there have been gross violations of Telenor's procedural and substantive rights, and states, among other things, that they expect that VimpelCom would publicly denounce the Farimex Case and publicly state that it will have nothing to do with the case or any proceeds from the Farimex Case. Telenor also stated in the letter that if for any reason we accept, whether actively or through our own inaction, the payment of proceeds of enforcement of the Farimex Case, Telenor will not hesitate to pursue whatever remedies against us (and, if appropriate, any of our management involved, personally) as may be available to Telenor in the United States and Europe, or before any transnational courts or agencies. On April 3, 2009, we responded to Telenor's letter and stated, among other things, that if and when we are faced with a decision respecting the outcome or implications of the Farimex Case, we, of course, will act in accordance with all applicable laws, rules and regulations and in the best interests of our shareholders and that we will protect our reputation and will defend our company and our officers and directors against actions taken against us or them.

In April 2009, for the purpose of control over VAT payments, the Russian tax authorities requested us to provide the details of the court decision holding Telenor liable to us for approximately US\$1.7 billion in the Farimex Case. Our management believes that the amount of this decision is not subject to VAT or other tax and communicated this view to the Russian tax authorities. However, if the Russian tax authorities disagree with our management's view, the authorities could make a claim for VAT or other tax based on the amount of this decision and there can be no assurance that we will not be required to make VAT payments to the tax authorities in connection with the Farimex Case.

We are not actively participating in the proceedings in the Farimex Case. At this stage, we do not know what, if any, further actions we will take or will be required to take regarding this matter and cannot predict what, if any, impact this matter may have on our strategic shareholders, named board members or the Company.

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

Resolution or withdrawal of pending disputes between companies in the Telenor ASA group and/or Alfa Group is a condition to closing of the VimpelCom Ltd. Transaction. However, if our strategic shareholders fail to complete the VimpelCom Ltd. Transaction, the disputes between our strategic shareholders may continue. To the extent that our strategic shareholders continue to engage in disputes and litigations in connection with the matters described above or with other matters, it could lead to a further deterioration in their relationship which could have a material adverse effect on our business, financial condition and prospects



## **Table of Contents**

and could lead to further claims being made against our company by our strategic shareholders or others, which in turn could result in a material adverse effect on our business, financial condition and prospects. For more information about litigation relating to Telenor and Alfa Group, please see the section of this Annual Report on Form 20-F entitled **Item 4 Information on the Company Legal Proceedings**.

**A disposition by one or both of our strategic shareholders of their respective stakes in our company or a change in control of our company, including as a result of any forced sale of Telenor's stake in connection with the Farimex Case, could harm our business.**

Under certain of our debt agreements, we have change of control provisions that may require us to make a prepayment if certain parties acquire beneficial or legal ownership of or control over more than 50.0% of the shares in our company. These changes of control provisions generally exclude acquisitions of shares by reputable international telecommunications operators with at least a minimum specified debt rating. If a change of control is triggered and we fail to make any required prepayment, this could lead to an event of default, and could trigger cross default/cross acceleration provisions under certain of our other debt agreements. In such event, our obligations under one or more of these agreements could become immediately due and payable, which would have a material adverse effect on our business, financial condition and results of operations.

Alfa Group has disclosed that its affiliate, Eco Telecom, has pledged all of our common shares, preferred shares and ADSs owned by it as security in connection with a US\$2.0 billion loan from the Bank for Development and Foreign Economic Affairs, or Vnesheconombank, a Russian state bank. In addition, as discussed in the immediately prior risk factor, in connection with the US\$1.7 billion judgment rendered against Telenor in the Farimex Case, the court bailiff has arrested 15.3 million of our ordinary shares owned by Telenor. We understand that these shares can, under certain circumstances, be sold by the court bailiff to satisfy the court judgment. For more information about these matters, please see the section of this Annual Report on Form 20-F entitled **Item 7 Major Shareholders and Related Party Transactions A. Major Shareholders** and **Item 4 Information on the Company Legal Proceedings**. If Telenor or Alfa Group were to dispose of their stakes in VimpelCom, either voluntarily or involuntarily through, for example, a sale of Telenor's shares by the court bailiff or the foreclosure on the Eco Telecom's pledged shares, respectively, our company may be deprived of the benefits and resources that it derives from Telenor and Alfa Group, respectively, which could have a material adverse effect on our business, financial condition and results of operations.

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

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

past and future compliance with the terms of the telecommunications license and permissions of the acquired companies, their ability to get additional frequencies and their past and future compliance with applicable 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;

the acquired company's inability to comply with the terms of its debt and other contractual obligations;

the acquired company's ability to obtain or maintain favorable interconnect terms;

our inability to extract anticipated synergies or to integrate an acquired business into our group in a timely and cost-effective manner;

changes to the incumbent management personnel of our acquired companies or the possible deterioration of relationships with employees and customers as a result of integration;

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

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

the acquired company's inability to protect its trademarks and intellectual property and to register trademarks and other intellectual property used by such company in the past;

developments in competition within each jurisdiction, including the entry of new competitors or an increase in aggressive competitive measures by our competitors;

governmental regulation of the relevant industry in each jurisdiction, ambiguity in regulation and changing treatment of certain license conditions;

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

claims by third parties challenging our ownership or otherwise.

For information about our acquisitions, please see the section of this Annual Report on Form 20-F entitled "Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Investing Activities."

Our company may still pursue a strategy that includes additional expansion. Any future acquisitions or investments could be significant and in any case could involve risks inherent in assessing the value, strengths and weaknesses of such opportunities,

## **Table of Contents**

particularly if we are unable to conduct thorough due diligence prior to the acquisition. 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.

On September 16, 2009, we signed an agreement for the acquisition of a 78.0% stake in Millicom Lao Co., Ltd., a mobile telecommunications operator with operations in the Lao PDR, from Millicom Holding B.V. (Netherlands), or Millicom, and Cameroon Holdings B.V. (Netherlands). On March 31, 2010, Millicom notified us that we had not completed the agreement to acquire Millicom's 74.1% holding in Millicom Lao Co. Ltd. despite all conditions precedent having been met. The notice also stated that Millicom reserved its rights under the terms of the agreement, including the right to seek compensation for any loss of value and indicated its intention to proceed with the sale of its Laos operation. The transaction has not yet been closed by us due to the absence of an endorsement from the Lao government. We continue to seek such endorsement, however, there is no assurance that we will receive the endorsement and complete the transaction. If we do not complete the transaction, Millicom may bring an action against us. For information about this transaction, please see the section of this Annual Report on Form 20-F entitled "Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Investing Activities Other acquisitions and dispositions."

### **A deterioration in macroeconomic conditions could require us to write down goodwill on certain of our assets.**

When we purchase a company, we record the difference between the fair value of the assets and the purchase price as goodwill. This goodwill is subject to impairment tests on an ongoing basis. We had goodwill impairment charges of US\$315.0 million in our fixed operations in Russia and US\$53.8 million in our Ukrainian mobile operations in 2008. A deterioration in macroeconomic conditions in the countries in which we operate and/or a significant difference between the performance of an acquired company and the business case assumed at the time of acquisition could require us to further write down the value of the goodwill. A write down in goodwill could impact the covenants under our debt agreements and could lead to a material adverse effect on our business, financial condition and results of operations.

### **The benefits of our business strategy may not materialize if we are unable to successfully integrate Golden Telecom and develop our combined business and if the assumptions underlying our strategy prove to be incorrect.**

With the acquisition of Golden Telecom, our corporate strategy now focuses on providing integrated telecommunications services in addition to our core mobile consumer business. To execute our strategy, our management is required to devote a significant amount of time and resources to the process of integrating the operations of Golden Telecom with VimpelCom's operations, which may decrease the time management has to manage the combined company's business, service existing clients, attract new clients, develop new services or strategies and respond to increasing forms of competition. Our inability to integrate successfully could have a material adverse effect on our company's business, financial condition and results of operations.

Our new corporate strategy is based on certain beliefs and assumptions, among others, that the mobile and fixed-line assets of VimpelCom and Golden Telecom are complementary, that consumer Internet penetration in our markets is set to grow significantly and that the combination of each company's respective telecommunications assets will enable us to develop and deliver bundled telecommunications products and take advantage of cross-selling opportunities to grow our mobile and fixed-line subscriber bases. If any of our beliefs or assumptions proves to be incorrect or if we are unable to effectively execute our strategy, the return on our substantial investment in Golden Telecom may not materialize and our business, financial condition and results of operations would be materially adversely affected.

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

Future revenues from our prepaid mobile subscribers, our primary source of revenues, and our contract mobile subscribers are unpredictable. We do not require our prepaid mobile subscribers to enter into long-term service contracts and cannot be certain that they will continue to use our services in the future. We require our contract mobile subscribers to enter into service contracts; however, many of these service contracts can be cancelled by the subscriber with limited advance notice and without significant penalty. Our churn rate fluctuates significantly and is difficult to predict. Our churn rate was 45.8% (based on active subscribers), 38.2% (based on active subscribers) and 34.1% in 2009, 2008 and 2007, respectively. Consumption of mobile telephone services are driven by the level of consumer discretionary income. Deterioration in the economic situation could cause subscribers to have less discretionary income, thus affecting their spending on our services. The loss of a larger number of subscribers than anticipated could result in a loss of a significant amount of expected revenues. Because we incur costs based on our expectations of future revenues, our failure to accurately predict revenues could adversely affect our business, financial condition, results of operations and business prospects.

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

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

Over the course of the last four fiscal years, we have acquired companies in Armenia, Georgia, Uzbekistan, Tajikistan, Ukraine and Cambodia as well as in several regions of Russia. We have also entered into a joint venture in Vietnam. Most significantly, we acquired Golden Telecom, thereby entering the fixed-line voice, data and broadband markets in Russia and certain other countries of the CIS. Management of this growth has required significant managerial and operational resources and is likely to continue to do so. If we are unable to successfully manage our growth and efficiently integrate our acquisitions, our further development could be hampered and our business, financial condition and results of operations could suffer.

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

We have been subject to substantial claims by the Russian tax inspectorate with respect to other tax years for which we have been audited in the past. These claims have resulted in additional payments, including fines and penalties, by our company to the tax authorities. We have challenged and are currently challenging certain claims by the Russian tax inspectorate in court. For more information regarding tax claims and their effects on our financial statements, see the sections of this Annual Report on Form 20-F

## **Table of Contents**

entitled Item 4 Information on the Company Legal Proceedings and Item 5 Operating and Financial Review and Prospects and Note 24 to our consolidated financial statements included elsewhere in this Annual Report on Form 20-F. Tax audits both in Russia and in other countries in which we operate are conducted regularly. In addition, for more information concerning the tax risks we face, see the risk factor in this section entitled Risks Related to the Legal and Regulatory Environment in Russia and the CIS Unpredictable tax systems give rise to significant uncertainties and risks that complicate our tax planning and business decisions.

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

### **Our competitors may receive preferential treatment from the regulatory authorities and benefit from the resources of their shareholders, potentially giving them a substantial competitive advantage over us.**

Our competitors, including Mobile TeleSystems OJSC, or MTS, OJSC MegaFon, or MegaFon, Telecommunication Investment Joint Stock Company Svyazinvest, or Svyazinvest, GSM Kazakhstan and others, may receive preferential treatment from the regulatory authorities and benefit from the resources of their shareholders, potentially giving them a substantial competitive advantage over us. Additionally, current or future relationships among our competitors and third parties may restrict our access to critical systems and resources. New competitors or alliances among competitors could rapidly acquire significant market share. We cannot assure you that we will be able to forge similar relationships or successfully compete against them.

Recent press reports indicate that the Russian government is planning to reorganize Svyazinvest, the state-controlled telecommunications company, and create a fourth federal mobile communications operator. If this plan is successfully realized, the newly organized company may receive preferential treatment from the regulatory authorities in licensing, frequency allocation, tariff regulation, access to existing infrastructure, and the regulatory regime, among others.

### **Increased competition and a more diverse subscriber base in our mobile business may have a material adverse effect on our results of operations, including revenues.**

We cannot assure you that our revenue will grow in the future, as subscriber growth rates slow and competition puts pressure on prices. Nevertheless, our business strategy contemplates revenue growth and we are expending significant resources to increase our revenues, particularly by marketing new products and value added services to both our existing subscribers and new corporate and business subscribers. If we are unsuccessful in our marketing campaigns or the services we introduce are not well received by consumers, we will not generate the revenue anticipated and our ARPU may decline, which may materially adversely affect our business, financial condition and results of operations.

In addition, as the subscriber penetration rates increase and the markets in which we operate mature, mobile services providers, including our company, may 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 materially adversely affect our business, financial condition and results of operations.

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

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

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

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

To successfully manage our business, we depend in large part upon our ability to attract, train, retain and motivate highly skilled employees and management. There is significant competition for such employees, particularly during economic downturns such as the one we are currently experiencing. 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 business or otherwise compete effectively in the telecommunications industry, which could have a material adverse effect on our business, financial condition, results of operations and business prospects.

---

## **Table of Contents**

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

We lend funds to, and make further debt investments in, one or more of our subsidiaries under intercompany loan agreements and other types of contractual agreements. Certain of our subsidiaries 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, see Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Financing activities. The restrictions on our subsidiaries to repay debt may make it difficult for us to meet our debt service obligations, which may adversely affect our business, financial condition, results of operations and business prospects.

### **Claims by the former shareholders of Limited Liability Partnership KaR-Tel and/or the Turkish Savings Deposit Insurance Fund or others may result in increased liabilities and obligations, including possible defaults under our outstanding indebtedness, and deprive us of the value of our ownership interest in KaR-Tel.**

On January 10, 2005 KaR-Tel, received an order to pay issued by the Savings Deposit Insurance Fund, or the Fund, a Turkish state agency responsible for collecting state claims arising from bank insolvencies, in the amount of approximately US\$5.0 billion (stated as approximately Turkish Lira 7.6 quadrillion and issued prior to the introduction of the New Turkish Lira, which became effective as of January 1, 2005). Our company believes that the order to pay is without merit, has filed a petition for cancellation of the order to pay and continues to contest the order. However, there can be no assurance that KaR-Tel will prevail in its petition for the cancellation of the order to pay or that we will not be subject to protracted litigation with the Fund or others. The adverse resolution of this matter and any other matter that may arise in connection with the order to pay issued by the Fund or any other claims made by the Fund or the former shareholders of KaR-Tel, could have a material adverse effect on our business, financial condition and results of operations, including an event of default under some or all of our outstanding indebtedness. For more information about our litigation relating to KaR-Tel, please see the section of this Annual Report on Form 20-F entitled Item 4 Information on the Company Legal Proceedings.

### **We may be subject to claims in connection with Sky Mobile.**

On February 13, 2008, we advanced to Crowell Investments Limited, or Crowell, a loan in the principal amount of US\$350.0 million for a term of 18 months at an interest rate of 10.0%. Crowell owns 25.0% of KaR-Tel's parent company, Limnotex Developments Limited, or Limnotex, where VimpelCom owns the remaining 75.0%. To secure its borrowing, Crowell gave us a security interest over 25.0% of the shares of Limnotex. The loan agreement was entered into after Crowell acquired the entire issued share capital of the parent company of Limited Liability Company Sky Mobile, or Sky Mobile, a mobile operator in Kyrgyzstan. In connection with the loan, Crowell granted our company two call options over the entire issued share capital of Sky Mobile's parent company. In March 2008, KaR-Tel and Sky Mobile entered into a management agreement pursuant to which KaR-Tel agreed to assist in operation and management of Sky Mobile's mobile network and, on an exclusive basis, with provision of products and services in Kyrgyzstan. On May 29, 2009, the terms of the loan agreement, call option agreement and the management agreement were amended. The term of the loan was extended until February 11, 2014. The security interest over 25.0% of the shares of Limnotex was replaced with a security interest over 100.0% of the shares of the parent company of Sky Mobile. On May 15, 2009, VimpelCom and Sky Mobile also entered into a trademark license agreement for the non-exclusive use of BeeLine brand by Sky Mobile.

Since November 2006, the Chief Executive Officer and directors of our company have received several letters from MTS and its representatives asserting that Sky Mobile's business and its assets were misappropriated from Bitel, an MTS affiliate, and demanding that we not purchase Sky Mobile, directly or indirectly, or participate or assist in the sale of Sky Mobile to any other entities. These letters have suggested that, should we purchase Sky Mobile or facilitate the purchase by any parties, MTS will take legal action against our company in order to protect MTS's interest in Bitel and Bitel's assets, including Bitel's alleged interests in certain of Sky Mobile's assets. There can be no assurance that MTS or any other party will not bring an action against our company and KaR-Tel in connection with Sky Mobile or, if so brought, that we will prevail in any such lawsuit. The adverse resolution of any matter that may arise in connection with Sky Mobile could have a material adverse effect on our company, its business, its expansion strategy and its financial results.

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

We are required to meet certain terms and conditions under our licenses, including meeting certain conditions established by the legislation regulating the communications industry. For more information on our licenses and their related requirements, please see the sections of this Annual Report on Form 20-F entitled Item 4 Information on the Company Licenses and Item 4 Information on the Company Regulation of Telecommunications.

If we fail to comply with the conditions of our licenses or with the requirements established by the legislation regulating the communications industry, or if we do not obtain permits for the operation of our equipment, use of frequencies or additional licenses for broadcasting directly or

through agreements with broadcasting companies, we anticipate that we would have an opportunity to cure any non-compliance. However, we cannot assure you that we will receive a grace period, and we cannot assure you that any grace afforded to us would be sufficient to allow us to cure any remaining non-compliance. In the event that we do not cure any remaining non-compliance, the applicable regulator could decide to suspend and seek termination of the license. The occurrence of any of these events could materially adversely affect our ability to build out our networks in accordance with our plans and could harm our reputation. Our subsidiary in Kazakhstan has not fully complied with the coverage conditions of its GSM license.



## **Table of Contents**

If we fail to fulfill the specific terms of any of our licenses, frequency permissions or other governmental permissions or if we provide services in a manner that violates applicable legislation, government regulators may levy fines, suspend or terminate our licenses, frequency permissions, or other governmental permissions or refuse to renew licenses that are up for renewal. A suspension and the subsequent termination of GSM licenses, 3G license, Long distance and international services license or refusal to renew our licenses could materially adversely affect our business, financial condition and results of operations.

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

Most of our licenses are granted for specified terms, and we can give you no assurance that any license will be renewed upon expiration. Our super-regional GSM licenses in Russia will expire in 2012 and 2013, our territorial GSM licenses in Russia will expire in various years from 2010 to 2012 and our mobile licenses in the CIS will expire in various years from 2010 to 2021. Our 3G license in Russia will expire in 2017. Most of our fixed telecommunications licenses expire in various years from 2010 to 2014. If renewed, our licenses may contain additional obligations, including payment obligations, or may cover reduced service areas or scope of service.

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

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

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

At present we make payments for radio-frequency spectrum use under decrees of the Russian federal government. As a whole, the fees for all available frequency assignments have been significant. At the same time, today's system of payment for radio-frequency spectrum use is not in line with the Russian federal telecommunications law and we expect that this payment system will be changed eventually. As a result, we cannot assure you that the fees we pay for radio-frequency spectrum use will not increase, and such an increase could negatively affect our financial results. For more information, please see the section of this Annual Report on Form 20-F entitled **Item 4 Information on the Company Regulation of Telecommunications**.

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

Our ability to secure and maintain interconnect agreements with other wireless and local, domestic and international fixed-line operators on cost-effective terms is critical to the economic viability of our operations. Interconnection is required to complete calls that originate on our respective networks but terminate outside of our respective networks, or that originate from outside our networks and terminate on our respective networks. A significant increase in our interconnect costs or a lack of available line capacity for interconnection could have a material adverse effect on our ability to provide services. We anticipate that Russian fixed-line providers may increase their interconnect costs in the near future due to the change in the policy of other fixed-line operators with respect to billing for interconnect traffic. We cannot exclude the possibility of further increase of interconnect costs in case of increase of the Ruble inflation rate.

In April 2006, we received a license for long distance and international communications services in Russia. The license is valid for a period of seven years and contains the customary conditions for licenses of this kind, including a start-of-service requirement. To date, we have not received access codes and we have communicated with the Ministry of Communications and Mass Media of the Russian Federation, or the Ministry, regarding the lack of access codes. Although the Ministry has informed us that we have the right to provide traffic transmission services of the connected networks of other communications operators using our own long distance and international telephone communications network, due to the lack of access codes it remains unclear whether we will be able to satisfy our start-of-service requirement, the deadline for which is currently August 12, 2010. If we fail to meet our start-of-service requirement, we could lose our license for long distance and international communications services in Russia, and this, in turn, would limit our access to long distance and international line capacity and hamper the further development of our business.

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

We have in the past been unable to obtain frequency allocations necessary to test or expand our networks. For example, our applications for GSM-900 frequencies in five regions within the Urals super-region and eight regions in the Northwest super-region were denied. Further, we were denied a grant of GSM-900, GSM-1800 frequencies in the Far East super-region and E-GSM frequencies throughout all of Russia by Russia's State Radio Frequency Commission, or the SRFC. Although our company received frequencies in three regions within the Far East super-region through tenders conducted in 2007, our company was denied frequencies for eight other regions within the Far East super-region. The Federal Antimonopoly Service, or FAS, has

## Table of Contents

declared that the terms of these tenders violated Russian antimonopoly law and, together with our company, filed a lawsuit challenging the results of the tenders. In the fall of 2009 the Russian courts decided to cancel certain licenses granted in the Far East super-region which had been obtained through the tenders conducted in 2007, including the licenses granted to us in three regions. For more information about this litigation, please see the section of this Annual Report on Form 20-F entitled "Item 4 Information on the Company Legal Proceedings."

In addition, we may encounter difficulties in building our networks or we may face other factors beyond our control that could affect our ability to begin operating our networks, decrease the quality of our services, increase the cost of construction or operation of our networks or delay the introduction of services. For example, in accordance with recently introduced amendments to the law "On Communications," or the Communications Law, operators will have to obtain regulatory approval to begin operating a new network but the implementing procedures have not been announced. This creates regulatory uncertainty that could hamper development of our networks. As a result, we could experience difficulty in increasing our subscriber base or could fail to meet license requirements, either of which may have a material adverse effect on our business.

The laws of Russia and the CIS prohibit the operation of telecommunications equipment without a relevant permit from the appropriate regulatory body. It is frequently not possible for us to procure all of the permissions and registrations for each of our base stations, including registration of our title to land plots underlying our base stations and constructions permits, or other aspects of our network before we put the base stations into operation or to amend or maintain all of the permissions when it is necessary to change the location or technical specifications of our base stations. At times, there can be a number of base stations or other communications facilities and other aspects of our networks for which we do not have final permission to operate. This problem may be exacerbated if there are delays in issuing necessary permits.

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

### **It may be more difficult for us to attract new mobile subscribers 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 geographic areas where we operate. In many cases, we have been the second, third, or fourth mobile operator to enter a particular market. As a result, it may be more difficult for our company to attract new subscribers than it is for our competitors (including MTS and MegaFon and their respective affiliates in Russia and the CIS) that entered markets and established a local presence in some cases years before we did. The mobile markets outside Russia are significant to our company, as the rate of subscriber growth in Russia has significantly slowed as a result of oversaturation. In many of these markets outside of Russia we entered the market when other mobile operators were already well established. If we are not successful in penetrating markets where we operate, our business may be materially adversely affected.

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

The issuance of additional telecommunications licenses or the implementation of new technology in any of the license areas in which we operate could greatly increase competition and threaten our business. For example, in 2006, 2007 and 2008, our competitors, Tele2 and Sky Link, were awarded GSM licenses in parts of Russia and the CIS. In addition, a third GSM license was recently issued in Kazakhstan, and it was recently reported that Tele2 purchased an interest in the company holding this license. This acquisition will result in increased competition in the Kazakh market. An additional GSM license has been issued in Armenia and France Telecom has reportedly purchased an interest in the company holding this license. Furthermore, the government of Armenia has recently liberalized the fixed line market in Armenia, which will result in increased competition. If competitors are able to operate telecommunications networks that are more cost effective than ours, then they may have competitive advantages over us, which could harm our business. We may also face competition from emerging communications technologies. As an example, Internet Protocol, or IP, telephony and Worldwide Interoperability for Microwave Access, or WiMax, may provide greater competition for us in the future. The increased availability or marketing of these technologies could reduce our subscribers and adversely affect our business, financial condition and results of operations.

Providers of traditional fixed-line telephone services and mobile operators that have obtained fixed-line licenses may compete more effectively with us. The fixed-line market has historically been dominated by Svyazinvest in Russia, Kazakhtelecom in Kazakhstan, Ukrtelecom in Ukraine, Uzbektelecom in Uzbekistan and Tajiktelecom in Tajikistan, all former state monopoly telecommunications services providers. These

companies and other established competitors, such as Rostelecom, have some competitive advantages over our fixed-line operations, including:

significant resources and greater market presence and network coverage;

brand name recognition, customer loyalty and goodwill;

## **Table of Contents**

control over domestic transmission lines and over access to these lines by other participants; and

close ties to national and local regulatory authorities who may be reluctant to adopt policies that would result in increased competition for Svyazinvest, Uzbektelecom, Kazakhtelecom or Ukrtelecom and other historically state-owned companies.

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

The telecommunications industry is characterized by rapidly changing technology and evolving industry standards. We experience new customer demands for more sophisticated telecommunications and Internet services in Russia, Ukraine and the CIS as well as for other new technologies. Accordingly, our future success will depend, in part, on the adoption of a favorable policy and regulation of standards utilizing these technologies. Our success will also depend on our ability to adapt to the changing technological landscape. However, the rapid technological advances in the telecommunications industry make it difficult to predict the extent of future competition. It is possible that the technologies we utilize today will become obsolete or subject to competition from new technologies in the future for which we may be unable to obtain the appropriate license.

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

On April 20, 2007, the Federal Communications Agency announced the results of three tenders for awarding 3G licenses and our company was awarded a license for the provision of IMT-2000/UMTS 3G mobile radiotelephony communications services for the entire territory of the Russian Federation. The 3G license was granted subject to certain capital commitments. The major conditions are that VimpelCom will have to build a certain number of base stations that support 3G standards and will have to start services provision by certain dates in each subject of the Russian Federation, and also will have to build a certain number of base stations by the end of the third, fourth and fifth years from the date of granting the license. Part of the frequency spectra related to the 3G license are currently used by other commercial and governmental entities and our 3G network development will require those entities to vacate those frequency spectra. Additionally, 3G network development requires significant financial investments and there can be no assurance that our company will be able to develop a 3G network on commercially reasonable terms; that we will not experience delays in developing our 3G network or that we will be able to meet all of the license terms and conditions. If we experience substantial problems with our 3G services, or if we fail to introduce new services on a timely basis relative to our competitors, it may impair the success of our 3G services, delay or decrease revenues and profits and therefore may hinder recovery of our significant capital investments in 3G services as well as our growth.

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

We may enter into strategic partnerships and joint ventures with other companies to develop our business and expand our operations. For example, in July 2008 we entered into a joint venture to provide mobile services in Vietnam. In October 2008 we acquired a minority stake in the Euroset group, a mobile handset retailer and dealer for major mobile network operators in Russia, which we refer to as Euroset in this Annual Report on Form 20-F. For more information about the joint venture in Vietnam and our acquisition of a minority stake in Euroset, please see the section of this Annual Report on Form 20-F entitled Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Investing Activities.

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

the possibility that a strategic or joint venture partner or partners will default in connection with their obligations;

the possibility that a strategic or joint venture partner will hinder development by blocking capital increases and other decisions if that partner runs out of money, disagrees with our views on developing the business, or loses interest in pursuing the partnership or joint projects;

risk inherent in the business of the partnership or joint venture itself, such as funding and liquidity;

diversion of resources and management time;

potential joint and several or secondary liability for transactions and liabilities of the partnership or joint venture entity;

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

the loss of a strategic or joint venture partner and the associated benefits, such as insight into operating a business in an economic, social and political environment that is unfamiliar to us.

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

We currently offer our subscribers a number of value added services, including voice mail, SMS, call forwarding, wireless Internet access, IP telephony, known as VoIP, entertainment and information services, music and data transmission services. Despite investing significant resources in marketing, we may not be successful in creating or competing in a market for these value added services. We cannot assure you that subscribers will continue to utilize the services we offer. If we fail to obtain widespread commercial and public acceptance of our new services, our visibility in the telecommunications markets in Russia and the CIS could be jeopardized, which could result in a significant loss of our subscriber base and have a material adverse affect on our business, financial condition, results of operations and business prospects.

---

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

Russia has experienced periods of high levels of inflation since the early 1990s. Inflation increased dramatically following the August 1998 financial crisis, reaching a rate of 84.4% in 1998. In the following years inflation steadily declined to reach 8.8% in 2009. However, inflationary pressure on the Russian ruble remains significant, as evidenced by the increase in the inflation rate in 2007 to 11.9%, in 2008 to 13.3%. Although the inflation rate decreased in 2009 to 8.8% it may increase again in 2010 as a result of challenging worldwide economic conditions. Our profit margins could be adversely affected if we are unable to sufficiently increase our prices to offset any significant future increase in the inflation rate, which may become more difficult as we attract more mass market subscribers and our subscriber base becomes more price sensitive. Inflationary pressure in Russia and the other CIS countries where we have operations could materially adversely affect our business, financial condition and results of operations.

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

We may be exposed to database piracy which could result in the unauthorized dissemination of information about our subscribers, including their names, addresses, home phone numbers, passport details and individual tax numbers. The breach of security of our database and illegal sale of our subscribers' personal information could materially adversely impact our reputation, prompt lawsuits against us by individual and corporate subscribers, lead to a loss in subscribers and hinder our ability to attract new subscribers. In case of detection of severe customer data security breaches, the regulatory authority can sanction our company, and such sanction can include suspension of operations for some time period. These factors, individually or in the aggregate, could have a material adverse affect on our business, financial condition, results of operations and business prospects.

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

Anti-monopoly and consumer protection regulators in Russia and the CIS have oversight over consumer affairs and advertising. Some of our operators in the CIS have been recognized as dominant entities on their respective national markets. We have been receiving notices from the Russian and other CIS anti-monopoly regulators and the consumer protection regulators alleging violations of competition, dominant position, consumer rights and advertising regulations. In December 2009 and March 2010, the Russian anti-monopoly regulators commenced proceedings against us alleging violations of the Russian law "On Protection of Competition" relating to our pricing for interconnection and roaming services. Although we believe that we have not violated Russian law, if a violation is found, we could face fines of up to 15.0% of the revenues we derived from the relevant services. Regulatory measures taken in response to competition violations may include *inter alia* the requirement to discontinue certain activities, the imposition of fines, confiscation of monopolistic revenue, restrictions on increase of tariffs or restrictions on acquisitions or on other activities, such as contractual obligations. For more information about these proceedings, please see the section of this Annual Report on Form 20-F entitled "Item 4 Information on the Company Legal Proceedings FAS Litigation."

Anti-monopoly regulators in Russia and the CIS are also authorized to regulate companies deemed to be a dominant force in, or a monopolist of, a market. Because the law does not always clearly define "market" in terms of either services provided or geographic area of activity, it is difficult to determine under what circumstances we could be subject to these or similar measures. However, in 2002, we were entered into the register of business entities for having a market share in the telecommunications market in the Moscow license area of over 35.0%. On April 8, 2009, the antimonopoly body by its order had excluded us from the regional section of the Register for Moscow region in connection with entering VimpelCom into the Federal register in accordance with the antimonopoly body order of the same date as set out below in more detail. In October 2006, a new law "On Protection of Competition" became effective, which introduced new criteria pursuant to which the Russian anti-monopoly regulators may determine that a company has a dominant position in a particular market of goods or services if such company has a market share between 35.0-50.0% or over 50.0%. However, in accordance with certain provisions of the Communications Law and for purposes of application of the Law on Foreign Investment in Strategic Enterprises, which came into force on May 7, 2008, which we refer to as the Foreign Investment Law, a mobile telecommunications operator is deemed to have a dominant position if its share of the Russian mobile telecommunications market exceeds 25.0%. Our company received an order dated April 8, 2009 from the FAS which we refer to as the FAS Order, stating that a group of persons consisting of our company and two of our Russian subsidiaries, one of which has been merged with and into our company, has a dominant position in the Russian mobile telecommunications market as our share in this market exceeds 25.0%. Because of the inconsistencies in the laws referenced above and ambiguity in the text of the FAS Order, it is not clear whether our company may now be deemed to have a dominant position for purposes of the law "On Protection of Competition." If our company is deemed to have a dominant position in the telecommunications market, our company could be prohibited from taking certain actions that could be viewed by the anti-monopoly regulators as abusive of our dominant position. As a result, our ability to set tariff prices may be restricted or we may be required to include provisions into our subscriber agreements that would be detrimental to our company. Thus, we may be subject to anti-monopoly regulation, which could adversely affect our business and our growth strategy.

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

KaR-Tel is subject to governmental control over tariffs because it is recognized as an entity having a dominant position on the Kazakhstan mobile market. KaR-Tel is required by law to notify the state antimonopoly body of any increase of its tariffs and to justify such increase. The antimonopoly body is required to carry out an examination of proposed tariff increase and has the right to prohibit it.



## **Table of Contents**

ArmenTel has also been recognized as an entity having a dominant position on the fixed-line telecommunication services market in Armenia. It is restricted in its ability to increase tariffs at the retail and wholesale level.

In connection with the FAS approval of our acquisition of a 49.9% stake in Euroset, the FAS issued an order that prohibits Euroset from setting discriminatory terms in its sale of services of mobile telecommunications operators for a period of three years. Our company does not control Euroset, and we cannot assure you that Euroset will comply with the FAS order. If Euroset fails to comply with the FAS order, the FAS may fine us and Euroset and it may apply to a court to invalidate the acquisition of our 49.9% stake in Euroset. Additionally, the FAS order may limit our ability to develop our distribution capabilities through Euroset.

The concepts of affiliated persons and group of persons that are fundamental to the anti-monopoly laws and to the laws on joint stock companies in Russia and the CIS are not clearly defined and are subject to different interpretations. Consequently, anti-monopoly regulators or other competent authorities may challenge the positions we or certain of our officers, directors, or shareholders have taken in this respect despite our best efforts at compliance. Any successful challenge by an anti-monopoly regulator or other competent authority may expose us or certain of our officers, directors, or shareholders to fines or penalties and may result in the invalidation of certain agreements or arrangements. This may adversely affect the manner in which we manage and operate certain aspects of our business.

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

### **Our equipment supply arrangements may be terminated or interrupted and our existing equipment and systems may be subject to disruption and failure, which could cause us to lose customers, limit our growth and violate our licenses.**

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

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

Problems with our backbone, switches, controllers, fiber optic network or network nodes at one or more of our base stations, whether or not within our control, could result in service interruptions or significant damage to our networks. All of our equipment for provision of mobile services in Moscow is located primarily in two buildings in Moscow. Disruption to the operation of these buildings such as from electricity outages or damage to these buildings could result in disruption of our mobile services in Moscow. Golden Telecom's subsidiary, Sovintel, stores a network node at state-owned premises in Moscow, pursuant to an agreement with the Russian authorities. Sovintel's loss of its right to continue occupying the premises could have a materially adverse affect on our business, financial condition and results of operations.

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

Our ability to manage our business successfully is contingent upon our ability to implement sufficient operational resources systems and processes to support our rapid growth. We may face risks in connection with the correct use of the newly introduced systems and processes in the regions of Russia and the CIS or integrating new technologies into existing systems. For example, if our billing system develops unexpected limitations or problems, subscriber bills may not be generated promptly and/or correctly. This could materially adversely impact our business

since we would not be able to collect promptly on subscriber balances.

Our operations in the CIS and the operations of Golden Telecom employ billing and management information systems which may not provide our management with information that is sufficient in amount or accuracy. Golden Telecom is in the process of integrating its billing and management information systems, which will allow it to bill its customers and to manage other

---

## **Table of Contents**

administrative tasks through a unified system. If Golden Telecom is unable to integrate and upgrade its billing and management information systems to support its integrated operations, its billing may be insufficient, which could have a material adverse effect on our revenues. Furthermore, Golden Telecom relies on agent billing and information systems to provide information necessary to generate invoices in certain areas of its operations. Golden Telecom may encounter risks associated with verification and calculation of volumes of long-distance services provided to end users, invoicing and revenue recognition.

### **Sale of handsets and other devices could have a negative impact on our Company.**

Historically the vast majority of our revenue has come from providing telecommunications services, with relatively little of our revenue coming from sales of handsets and other devices. In 2008 we significantly increased our sale of devices by beginning to sell broadband internet modems and entering into an agreement with Apple Sales International to sell iPhones. Sales of devices tend to yield lower profit margins than sale of services and the need to maintain devices in inventory can have a negative impact on our working capital. In addition, sales of handsets are sensitive to changes in economic conditions and there can be no assurance that we will be able to fulfill our purchase commitment under the agreement with Apple Sales International. For more information, please see the section of this Annual Report on Form 20-F entitled "Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Contractual Obligations."

### **Russian companies may be required to adopt a decision on liquidation when their net assets are negative.**

Under Russian law, if a company's net asset value at the end of its second or any subsequent financial year, as determined under Russian accounting standards, is less than the minimum charter capital required by law, such company must adopt a decision to liquidate (if the company is registered as a limited liability company) or perform a number of actions provided by the law (if the company is registered as a joint-stock company). If it fails to do so within a reasonable period, the company's creditors are entitled to request early termination and acceleration of the company's obligations to them and to demand compensation of damages, and governmental agencies may seek involuntary liquidation of such company. Limited Liability Company Kolangon-Optim, or Kolangon-Optim, and certain of our other subsidiaries had negative net assets as of December 31, 2009. We believe that these subsidiaries are solvent and continue to meet all of their obligations to creditors, however, if an involuntary liquidation of our subsidiaries were to occur, our business, financial condition and results of operations could be materially adversely affected.

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

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

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

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

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

## **RISKS RELATED TO OUR OPERATIONS IN RUSSIA AND THE CIS**

**Investors in emerging markets, such as Russia and the CIS, are subject to greater risks than investors in more developed markets, including significant political, legal and economic risks and risks related to fluctuations in the global economy.**

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

Investors in emerging markets should be aware that these markets are subject to greater risks than more developed markets, including in some cases significant political, legal and economic risks. Emerging market governments and judiciaries often exercise broad, unchecked discretion and are susceptible to abuse and corruption. Emerging economies are subject to rapid change and the information set out herein may become outdated relatively quickly. The economies of Russia and the CIS, like other emerging economies, are vulnerable to market downturns and economic slowdowns elsewhere in the world. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in these markets and materially adversely affect their economies. These developments could severely limit our access to capital and could materially adversely affect the purchasing power of our subscribers and, consequently, our business. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved and investors are urged to consult with their own legal, financial and tax advisors.

## **Table of Contents**

### **We face a number of economic, political, social and regulatory risks relating to conducting business outside of Russia.**

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

### **The limited history of mobile telecommunications services in the CIS and our limited operating history in the CIS create additional business risks.**

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

## **RISKS RELATED TO THE POLITICAL ENVIRONMENT IN RUSSIA AND THE CIS**

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

Political and economic relations between Russia and the other countries of the CIS are complex and recent conflicts have arisen between the government of Russia and the governments of some of the countries of the CIS. For example, the relationship between Russia and Ukraine has been historically strained due to, among other things, Ukraine's failure to pay arrears relating to the supply of energy resources, Russia's introduction of an 18.0% value added tax on Ukrainian imports and provocative statements by some politicians. The relationship between Russia and Georgia has also been strained due to several ongoing disputes which resulted in military conflict in August 2008 and may lead to military and/or economic conflict in the future. Although our company operates in the CIS through local subsidiaries, governmental officials and consumers may associate our group and our brand with Russia. Any deterioration in political and economic relations between Russia and the other countries of the CIS could have a material adverse effect on our business, financial condition and results of operations.

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

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

## **RISKS RELATED TO THE ECONOMIC SITUATION IN RUSSIA AND THE CIS**

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

The physical infrastructure in Russia and the CIS largely dates back to Soviet times and has not been adequately funded and maintained in recent years. Particularly affected are the rail and road networks, power generation and transmission, communications systems and building stock. The public switched telephone networks have reached capacity limits and need modernization, which may inconvenience our subscribers and will require us to make additional capital expenditures. Additional investment is required to increase line capacity. In addition, continued growth in local, long-distance and international traffic, including that generated by our subscribers, and development in the types of services provided may

require substantial investment in public switched telephone networks. Any efforts to modernize infrastructure may result in increased charges and tariffs, potentially adding costs to our business. The deterioration of the physical infrastructure harms the economies of these countries, disrupts the transportation of goods and supplies, adds costs to doing business and can interrupt business operations. These difficulties can impact us directly; for example, we have needed to keep portable electrical generators available to help us maintain base station operations in the event of power failures. Further deterioration in the physical infrastructure could have a material adverse effect on our business.

## **Table of Contents**

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

The banking and other financial systems in Russia and the CIS are not well developed or regulated, and laws relating to banks and bank accounts are subject to varying interpretations and inconsistent applications. For example, in Russia, there are a limited number of banks that meet international banking standards and the transparency of the Russian banking sector in some respects lags behind internationally accepted norms. Most creditworthy Russian banks are located in Moscow and there are fewer creditworthy Russian banks in the regions outside of Moscow. Recently, there has been an increase in lending by Russian banks, which many believe has been accompanied by a deterioration in the credit quality of the borrowers. The deficiencies in the Russian banking system, coupled with a decline in the quality of the credit portfolios of Russian banks, may result in the banking sector being more susceptible to the current worldwide credit market downturn and economic slowdown. The credit crisis that began in the United States in the Autumn of 2008 has resulted in decreased liquidity in the Russian credit market and weakened the Russian financial system. Efforts by the Russian government to increase liquidity have been stymied by an unwillingness in the banking sector to lend to other banks and to the real economy. The current lack of liquidity and economic slowdown have raised the possibility of Russian corporate defaults and led to bank failures and downgrades of Russian banks by credit rating agencies. More bank failures and credit downgrades may result in a crisis throughout the Russian banking sector. Starting from the fourth quarter of 2008, a majority of the Russian banks experienced difficulties with funding on domestic and international markets and interest rates increased significantly. Some of the banks were unable to service their obligations and were sold to larger banks. Credit ratings of several banks have been lowered. The Russian Government has provided liquidity to the banking system and interest rates started to decrease in the second half of 2009, but major banks are still unwilling or unable to transfer money to the economy in the form of loans. A prolonged or serious banking crisis or the bankruptcy of a number of banks, including banks in which we receive or hold our funds, could materially adversely affect our business and our ability to complete banking transactions in Russia.

The banking and financial systems in the CIS are even less developed than in Russia and may be more susceptible to the current economic downturn. Few international banks have subsidiaries in Kazakhstan, Uzbekistan, Ukraine and Armenia, and no international banks operate subsidiaries in Tajikistan and Georgia. We have attempted to mitigate our banking risk by receiving and holding funds with the most creditworthy banks available in each country. However, in the event of a banking crisis in any of these countries or the bankruptcy or insolvency of the banks from which we receive, or with which we hold, our funds could result in the loss of our deposits or negatively affect our ability to complete banking transactions in these countries, which could have a material adverse effect on our business, financial conditions and results of operations.

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

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

## **RISKS RELATED TO THE SOCIAL ENVIRONMENT IN RUSSIA AND THE CIS**

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

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

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





**Table of Contents**

**RISKS RELATED TO THE LEGAL AND REGULATORY ENVIRONMENT IN RUSSIA AND THE CIS**

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

Although the Communications Law regarding license renewals in Russia has been clarified, the licensing procedures, including obtaining new frequencies and numbering capacity and the consequences of non-compliance remains unclear.

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

restrictions or delays in obtaining additional numbering capacity, receiving new licenses and frequencies, receiving regulatory approvals for rolling out our networks in the regions for which we have licenses, receiving regulatory approvals for changing our frequency plans and importing and certifying our equipment;

difficulty in complying with applicable legislation and the terms of any notices or warnings received from the regulatory authorities in a timely manner;

significant additional costs;

delays in implementing our operating or business plans; and

a more competitive operating environment.

**Telecommunications operators in Russia and the CIS are subject to regulatory levies and fees and may become subject to pricing regulation.**

Russian telecommunications operators are obligated to pay levies and fees under the Communications Law and pursuant to existing regulation. For example, every telecommunications operator is required to make compulsory payments to a universal services fund in the amount of 1.2% of its revenues (excluding revenues from traffic transmissions). Additionally, the Communications Law provides for payments for numbering capacity allocation, including through auctions in instances where numbering capacity is scarce. Because telecommunications operators apply for numbering allocation on a regular basis, this payment requirement may have a material adverse effect on the financial condition of operators.

Telecommunications regulators in Russia and the CIS may impose additional levies and fees on our operations from time to time. Such payment obligations create financial burdens and we may not be able to pass related costs on to subscribers, which, in turn could have a material adverse effect on our business, financial condition and results of operations. It has been reported that Kazakh and Ukrainian authorities are each considering implementing new compulsory payments to their respective universal telecommunications services funds and that the Tajik authorities are considering implementing a significant increase in license fees for mobile telecommunications operations.

In the recent past, amendments to the Communications Law have been proposed which would have resulted in the regulation of tariffs set by mobile operators for interconnection and transfer of traffic. According to the proposed amendments, an operator will be subject to such regulation if it, together with its affiliated persons, owns at least 25.0% of the installed capacity of the operational networks that are part of the public communications network and relate to the same type of communications services technology, such as communications networks using DEF codes, within a subject territory of the Russian Federation or throughout the Russian Federation. Although the proposed amendments were not adopted, these or similar amendments may be adopted in the future and would restrict our ability to set tariffs. Such restrictions could have a material adverse affect on our business, financial condition and results of operations.

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

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

Governmental, regulatory and tax authorities have a high degree of discretion and at times exercise their discretion arbitrarily, without a hearing or prior notice, and sometimes in a manner that is contrary to law. In Russia, governmental actions have included unscheduled inspections by regulators, suspension or withdrawal of licenses and permissions, unexpected tax audits, criminal prosecutions and civil actions. Russian federal and local government entities have also used common defects in matters surrounding share-issuances and registration as pretexts for court claims and other demands to invalidate such issuances and registrations and void transactions. Authorities also have the power in certain circumstances, by regulation or government act, to interfere with the performance of, nullify or possibly terminate contracts. Although such actions have been condemned at the highest government levels, they continue to take place according to press reports.

**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 may materially adversely affect our business.**

Our operations and properties are subject to considerable regulation by various governmental entities in connection with obtaining and renewing various licenses, frequencies and permissions, as well as ongoing compliance with existing laws, decrees and regulations. We cannot assure you that regulators, judicial authorities or third parties will not challenge our compliance with such laws, decrees and regulations. Governmental agencies exercise considerable discretion in matters of enforcement and interpretation of applicable laws, decrees and regulations, the issuance and renewal of licenses, frequencies and permissions and in monitoring licensees' compliance therewith. Communications regulators conduct periodic inspections and have the right to conduct additional unscheduled inspections during the year. We have been able to cure violations found by the regulators within

## **Table of Contents**

the applicable grace period but were nevertheless required to pay fines. We cannot assure you that in the course of future inspections conducted by regulatory authorities, we will not be found to have violated any laws, decrees or regulations, that we will be able to cure such violations within any grace periods permitted by such notices, or that the regulatory authorities will be satisfied by the remedial actions we have taken or will take.

In Russia, we routinely receive notices with respect to violations of our GSM and other licenses. To the extent possible, we take measures to comply with the requirements of the notices. Nonetheless, at any given time, there may be outstanding notices with which we have not complied within the cure periods specified in the notices, primarily due to delays in the issuance of frequency permits, sanitation-epidemiological permissions, and permissions for the operation of our equipment and communication facilities in connection with the rollout of our networks (including our transportation network) by responsible regulatory authorities. Accordingly, at any given time a certain percentage of our base stations and equipment may not have all permissions required causing us to be in violation of the terms of our GSM and other licenses. Failure to comply with the provisions of a notice due to a delay in the issuance of such permits or permissions by the regulatory bodies at times has not been, and in the future may not be, an acceptable explanation to the authorities issuing the notices. In 2006, 2007, 2008 and 2009, in order to comply with notices from the regulator, we switched off a number of base stations that were operating without the necessary permissions. If we switch off additional base stations, the quality of service of our networks in those areas may deteriorate. We are also potentially responsible for violations of legislation by our dealers and sub-dealers in failing to obtain personal data such as name, address and passport number when selling SIM-cards. We cannot assure you that we will be able to cure such violations within the grace periods permitted by such notices or that the regulator 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 the regulator or any other authority will not result in the imposition of fines or penalties or more severe sanctions, including the suspension and subsequent termination of our licenses, frequency allocations, authorizations, registrations, or other permissions, any of which could increase our estimated costs and materially adversely affect our business.

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

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

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

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

The independence of the judicial system and its immunity from political, economic and nationalistic influences in Russia and the CIS remains largely untested. Judicial precedents have no formal binding effect on subsequent decisions. Not all legislation and court decisions are readily available to the public or organized in a manner that facilitates understanding. The judicial systems can be slow. Enforcement of court orders can in practice be very difficult. All of these factors make judicial decisions in Russia and the CIS difficult to predict and make effective redress uncertain. Additionally, court claims are often used in furtherance of political aims. We may be subject to such claims and may not be able to receive a fair hearing. Additionally, court orders are not always enforced or followed by law enforcement agencies.

None of the countries where we operate, including Russia, are parties to any multilateral or bilateral treaties with most Western jurisdictions, including the United Kingdom, for the mutual enforcement of judgments of state courts. Consequently, should a judgment be obtained from a court in any of such jurisdictions, it is highly unlikely to be given direct effect in the courts of Russia and the CIS. However, Russia is party to a bilateral agreement for mutual assistance in civil cases with Ukraine. In addition, Russia (as successor to the Soviet Union), Ukraine and Kazakhstan are party to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, which we refer to as the New York Convention. A foreign arbitral award obtained in a state that is party to the New York Convention should be recognized and enforced by a Russian court (subject to the qualifications provided for in the New York Convention and compliance with Russian civil procedure regulations and other procedures and requirements established by Russian legislation and non-violation of Russian public policy). There is also a risk that Russian procedural legislation will be changed by way of introducing further grounds preventing foreign court

judgments and arbitral awards from being recognized and enforced in Russia. In practice, reliance upon international treaties may meet with resistance or a lack of understanding on the part of Russian courts or other officials, thereby introducing delays and unpredictability into the process of enforcing any foreign judgment or any foreign arbitral award in the Russian Federation.

---

## **Table of Contents**

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

The tax systems in Russia and the CIS are unpredictable and give rise to significant uncertainties, which complicate our tax planning and business decisions. Tax laws in Russia and the CIS have been in force for a relatively short period of time as compared to tax laws in more developed market economies.

Russian companies are subject to a broad range of taxes imposed at the federal, regional and local levels, including but not limited to 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 or unclear enforcement. It is not uncommon for differing opinions regarding legal interpretation to exist both between companies subject to such taxes and the ministries and organizations of the Russian Government and between different branches of the Russian Government such as the Federal Tax Service and its various local tax inspectorates, resulting in uncertainties and areas of conflict. Tax declarations are subject to review and investigation by a number of tax authorities which are enabled by law to impose penalties and interest charges. The fact that a tax declaration has been audited by tax authorities does not bar that declaration, or any other tax declaration applicable to that year, from a further tax review by a superior tax authority during a three-year period. As previous audits do not exclude subsequent claims relating to the audited period, the statute of limitations is not entirely effective. In some instances, even though it may potentially be considered unconstitutional, Russian tax authorities have applied certain taxes retroactively. Within the past few years the Russian tax authorities appear to be taking a more aggressive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed.

In addition, on October 12, 2006, the Plenum of the Supreme Arbitration Court of the Russian Federation issued Ruling No. 53 which introduced a new concept of "unjustified tax benefit" which is defined mainly by reference to specific examples of such tax benefits, such as absence of business purpose, which may lead to disallowance thereof for tax purposes. There is no practice or guidance on interpretation of this new concept by the tax authorities or courts, but it is likely that the tax authorities will actively seek to apply this concept when challenging tax positions taken by taxpayers in Russian courts. Although the intention of this ruling was to combat abuse of tax law, in practice there is no assurance that the tax authorities will not seek to apply this concept in a broader sense than may have been intended by the Supreme Arbitration Court. Furthermore, there is a trend to broaden the application of criminal responsibility for tax violations as exemplified by Resolution No. 64 of the Russian Supreme Court, "On the practice of applying responsibility for tax crimes," dated December 28, 2006. We are subject to periodic tax inspections that may result in tax assessments and additional amounts owed by us for prior tax periods. For more information on such risks, please see "Risks Related to Our Business." We could be subject to claims by the Russian tax inspectorate that could have a material adverse effect on our business. For more information about our disputes with the Russian tax authorities, please see the section of this Annual Report on Form 20-F entitled "Item 4 Information on the Company Legal Proceedings."

Russia's federal and local tax collection system increases the likelihood that Russia will impose arbitrary or onerous taxes and penalties in the future, which could materially adversely affect our business. Uncertainty related to Russian tax laws exposes us to significant fines and penalties and to enforcement measures despite our best efforts at compliance, and could result in a greater than expected tax burden. Uncertainty relating to Russian transfer pricing rules could lead tax authorities to impose significant additional tax liabilities as a result of transfer pricing adjustments or other similar claims, and could have a material adverse effect on our company.

Under current Russian accounting and tax principles, financial statements of Russian companies are not consolidated for tax purposes. As a result, each Russian-registered entity in our group pays its own Russian taxes and we cannot offset the profits or losses in any single Russian entity against the profits or losses of any other Russian entity. As a result, our overall effective tax rate may increase. 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 have a material adverse effect on our financial results.

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

We could be materially adversely affected by the adoption of new laws or regulations restricting foreign participation in, or increasing state regulation of, the telecommunications industry in Russia and/or the CIS. The Foreign Investment Law places limits on the amount of foreign investment in companies that are deemed to be strategic. Pursuant to the Foreign Investment Law, a company operating in the telecommunications sector may be deemed strategic to the extent that it holds a dominant position in the Russian communications market (except for the Internet services market) or, in the case of fixed-line telecommunications, in the particular company's market covering five or more Russian regions or covering Russian cities of federal importance. In connection with the passage of the Foreign Investment Law, amendments were adopted to certain provisions of the Communications Law which provide that with respect to mobile telecommunications, a company will be deemed to have a dominant position for purposes of application of the Foreign Investment Law if its share of the Russian

mobile telecommunications market exceeds 25.0%. According to the FAS Order, the FAS has determined that a group of persons consisting of our company and two of our Russian subsidiaries, one of which has been merged with and into our company, has a dominant position as our share of the Russian mobile telecommunications market exceeds 25.0%. As a consequence, our company is now deemed to be a strategic enterprise and, among other things, any transaction for acquisition by a foreign investor of a direct or indirect control over more than 50.0% of our voting shares will now require the prior approval of the Russian authorities pursuant to the Foreign Investment Law. There can be no assurance that the limits on foreign investment pursuant to the Foreign Investment Law would not have a material adverse effect on our business, financial condition, results of operations and prospects.

## **Table of Contents**

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

Our growth strategy may also be limited by laws in jurisdictions outside of Russia and the CIS restricting foreign ownership. For example, the law of Vietnam currently restricts foreign ownership of a majority stake in certain types of telecommunications companies.

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

The regulation and supervision of the securities market, financial intermediaries and issuers are considerably less developed in Russia and the CIS than in the United States and Western Europe. Disclosure and reporting requirements, anti-fraud safeguards, insider trading restrictions and fiduciary duties are relatively new to Russia and the CIS and are unfamiliar to most companies and managers. In addition, Russian securities rules and regulations can change rapidly, which may materially adversely affect our ability to conduct securities-related transactions, including our ability to attract investments in our securities in the Russian market. We may be subject to fines or other enforcement measures despite our best efforts at compliance, which could cause our financial results to suffer and harm our business.

**Uncertainty relating to the interpretation and application of interested party transaction rules could result in the invalidation of transactions.**

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

**We may be exposed to liability for actions taken by our subsidiaries.**

In certain cases we may be jointly and severally liable for any obligations of a subsidiary under a transaction. We may also incur secondary liability for any obligations of a subsidiary in certain cases involving bankruptcy or insolvency. The other shareholders of the subsidiary may seek compensation from us for the losses sustained by the subsidiary that were caused by us. This type of liability could result in significant obligations and materially adversely affect our business.

**Provisions under Russian law relating to shareholder rights and obligations may impose additional costs on us or make strategic transactions more costly and difficult to accomplish.**

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

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

The Law on Joint Stock Companies imposes certain rights and obligations in connection with acquisitions of major stakes in open joint stock companies. Generally, an investor crossing the 30.0%, 50.0% or 75.0% voting share ownership thresholds in an open joint stock company is required to make a mandatory offer to purchase all outstanding shares of the company. A person/legal entity that acquires more than 95.0% of a

company's voting shares is obliged either to (a) notify other shareholders of their right to tender their securities to such a person/legal entity, or (b) exercise the right to purchase all outstanding shares and securities convertible into shares. These provisions could lead to uncertainty with respect to, and increase the cost of, investments and transactions involving share transfers.



---

**Table of Contents**

**RISKS RELATED TO OUR COMMON STOCK AND ADSs**

**Russian law considers the depositary as the beneficial owner of our common shares underlying our ADSs.**

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

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

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

Due to the above, the ADS holder could be deprived of the rights and benefits that holders of shares of our common stock have under Russian law.

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

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

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

Additionally, Russian regulations have been enacted that restrict the total number of shares of outstanding stock allowed to circulate outside of Russia through an ADS program. Under the relevant regulations, not more than 25.0% of the total number of shares of outstanding stock of each class of a company deemed to be a strategic enterprise, such as our company, is allowed to circulate abroad. Previous ADS programs, including our existing ADS program, should be exempt under a general grandfather rule. However, in the future, we may be required to reduce the size of our ADS program or to amend the depositary agreement for the ADSs. In addition, a maximum of 70.0% of the shares to be issued in the offering for a new ADS program may be placed outside of Russia, while the remaining 30.0% must be placed inside Russia through a broker or stock exchange.

**The price of our ADSs may be volatile.**

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

litigation initiated against us could result in substantial costs and a diversion of management's attention and resources.

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

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

However, the Russian tax rules applicable to ADS holders are characterized by significant uncertainties. Russian tax authorities have not provided any guidance regarding the treatment of ADS arrangements, and there can be no certainty as to how the Russian tax authorities will ultimately treat those arrangements. In particular, it is unclear whether Russian tax authorities will treat U.S. holders as the beneficial owners of the underlying shares for the purposes of the United States-Russia double tax treaty. In 2006, the Ministry of Finance expressed an opinion that ADS holders (rather than the depository) should be treated as the

**Table of Contents**

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

**We may not pay dividends on our common stock and ADSs, which may make us less attractive to investors.**

In March 2007, our board of directors approved our dividend policy. Subject to the constraints and guidelines contained in the dividend policy as well as those under Russian law, the policy contemplates that our board will recommend the payment of cash dividends annually and the amount of the annual dividend will generally be equal to at least 25.0% of our consolidated net income, as determined under U.S. GAAP.

A dividend in the amount of 166.88 Russian rubles per share of our common stock (or approximately US\$1.60 per ADS based on the Russian Central Bank exchange rate as of March 28, 2007) for 2006 was approved at our annual general meeting of shareholders on June 29, 2007. A dividend of 270.01 Russian rubles per share of our common stock (or approximately US\$0.55 per ADS, based on the Russian Central Bank exchange rate as of December 31, 2007) for 2007 was approved at our annual general meeting of shareholders on June 9, 2008. In April 2009, our board of directors recommended to the annual general meeting shareholders not to pay dividends on our common stock based on the results for 2008. On December 17, 2009, following the November 2009 recommendation of our board of directors to pay dividends, our shareholders approved an interim cash dividend based on our operating results for the nine months ended September 30, 2009 in the amount of 190.13 Russian rubles per share of our common stock (or approximately US\$0.31 per ADS based on the exchange rate as of December 17, 2009, the date of the extraordinary general shareholder meeting approving the dividend). We cannot assure you that we will pay dividends on our common stock and ADSs in the future and any decision by our company not to pay dividends or to reduce dividend payments in the future could materially adversely affect the value of our common stock or ADSs.

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

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

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

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

We are a telecommunications operator, providing voice and data services through a range of mobile, fixed and broadband technologies. The VimpelCom group of companies includes companies operating in Russia, Kazakhstan, Ukraine, Uzbekistan, Armenia, Tajikistan, Georgia and in the Kingdom of Cambodia. We also own 40.0% of an operator in the Socialist Republic of Vietnam. The operations of these companies cover a territory with a total population of approximately 340.0 million. With our acquisition of Golden Telecom, a leading provider of fixed-line telecommunications and Internet services in Russia and the CIS, we have transformed VimpelCom into a leading integrated telecommunications provider in Russia and the CIS.

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

Our net operating revenues were US\$8,702.9 million for the year ended December 31, 2009, compared to US\$10,116.9 million for the year ended December 31, 2008. Our operating income was US\$2,578.4 million for the year ended December 31, 2009, compared to US\$2,536.0 million for the year ended December 31, 2008. Our net income attributable to VimpelCom was US\$1,121.8 million for the year ended December 31, 2009, compared to US\$524.3 million for the year ended December 31, 2008.

As of December 31, 2009, our total number of mobile subscribers in Russia, the CIS and Cambodia was 64.6 million (including 50.9 million in Russia, 6.1 million in Kazakhstan, 3.5 million in Uzbekistan, 2.0 million in Ukraine, 0.5 million in Armenia, 0.7 million in Tajikistan, 0.4 million in Georgia and 0.4 million in Cambodia). As of December 31, 2009, we had approximately 2.3 million residential broadband subscribers.

## **Table of Contents**

As of December 31, 2008, our total number of mobile subscribers in Russia and the CIS was 61.0 million (including 47.7 million in Russia, 6.3 million in Kazakhstan, 3.6 million in Uzbekistan, 2.1 million in Ukraine, 0.5 million in Armenia, 0.6 million in Tajikistan and 0.2 million in Georgia). As of December 31, 2008, we had approximately 1.2 million residential broadband subscribers.

We currently operate our telecommunications services in Russia, Kazakhstan, Ukraine, Armenia, Tajikistan, Uzbekistan, Georgia, Cambodia and Vietnam primarily under the Beeline brand name.

## **History and Development**

Our company is an open joint stock company organized under the laws of the Russian Federation with the legal name Open Joint Stock Company Vimpel-Communications. Our company was registered in the Russian Federation on September 15, 1992 as a closed joint stock company and re-registered as an open joint stock company on July 28, 1993. Our registered offices are located at 10, Ulitsa 8-Marta, Building 14, Moscow, Russian Federation 127083. Our telephone number is +7 (495) 725 0700.

In November 1996, we became the first Russian company since 1903 to list shares on the NYSE. Our American Depositary Shares, or ADSs, are traded under the symbol VIP .

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

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

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

In September 2004, we began to implement our strategic plan to expand our operations into the CIS by acquiring KaR-Tel, a mobile telecommunications services provider with a national GSM license in Kazakhstan. We continued our growth strategy throughout 2005 and 2006 by acquiring 100.0% of URS in Ukraine in November 2005, 60.0% of Limited Liability Company Tacom ( Tacom ) in Tajikistan in December 2005, 100.0% of each of Bakarie Uzbekistan Telecom Limited Liability Company ( Buztel ) and Limited Liability Company Unitel ( Unitel ) in Uzbekistan in January and February 2006, respectively, 51.0% of Limited Liability Company Mobitel ( Mobitel ) in Georgia in July 2006 and 90.0% of ArmenTel in Armenia in November 2006. In July 2006, we merged Buztel into Unitel.

In September 2005, we acquired 89.6% of Closed Joint Stock Company Sakhalin Telecom Mobile, or STM, which holds GSM-1800 and D-AMPS licenses covering the territory of Sakhalin.

In August 2007, we acquired 100.0% of Closed Joint Stock Company Corporation Severnaya Korona, which we refer to as CSK and which holds GSM-900/1800 and D-AMPS licenses covering the Irkutsk region.

In November 2004 and May 2005, respectively, we completed the mergers of our subsidiaries, Open Joint Stock Company VimpelCom-Region and Open Joint Stock Company KB Impuls into VimpelCom. In April and May 2006, we completed the mergers of the following wholly-owned subsidiaries into VimpelCom: Closed Joint Stock Company Sotovaya Company, Closed Joint Stock Company StavTeleSot, Closed Joint Stock Company Vostok-Zapad Telecom, Open Joint Stock Company Orensot, Open Joint Stock Company Dal Telecom International, Closed Joint Stock Company Extel, and Open Joint Stock Company Beeline-Samara, which we refer to collectively as the Merged Companies. On October 30, 2008, we completed the merger of CSK and Closed Joint Stock Company Karachaevo-CherkesskTeleSot into VimpelCom. On February 6, 2009, we completed the merger of Closed Joint Stock Company Kabardino-Balkarskiy GSM into VimpelCom.

On January 18, 2008, our indirect wholly-owned subsidiary Lillian Acquisition, Inc. ( Lillian ) commenced a tender offer to purchase, at a price of \$105.0 per share in cash, any and all outstanding shares of Golden Telecom's common stock, on the terms and subject to the conditions specified in an offer to purchase dated January 18, 2008. Upon the closing of the initial offer period and the subsequent offer period on February 26, 2008, Golden Telecom shareholders had tendered over 94.0% of the outstanding shares of Golden Telecom. On February 28, 2008, Lillian was merged with and into Golden Telecom, with Golden Telecom continuing as the surviving corporation. As a result of the merger, Golden Telecom became our indirect wholly-owned subsidiary.

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

In June 2008, we completed our acquisition of 49.0% of Closed Joint Stock Company Investelectrosvyaz (hereinafter "Corbina Telecom") operating under trade mark Corbina from Inure Enterprises Ltd. for approximately US\$404.0 million. Corbina Telecom owns a fibre-optic network which provides FTTB broadband Internet services in Russia. As a result of this acquisition, together with our subsidiary Sovintel we own 100.0% of the shares of Corbina Telecom.

In July 2008, we acquired a 90.0% stake in Sotelco, a company holding a GSM 900/1800 license and related frequencies in Cambodia, for US\$28.0 million. We also acquired a call option to purchase the remaining 10.0% stake for market value at the exercise date.

Also in July 2008, we signed an agreement with Global Telecommunications Corporation, which we refer to as GTEL, a Vietnamese state-owned enterprise, and its subsidiary GTEL Technical Service and Commercial Joint Stock Company ("GTEL TSC") to establish a joint venture company, GTEL-Mobile Joint Stock Company, or GTEL-Mobile, in which we received a 40.0% interest for US\$267.0 million. In September 2008, GTEL-Mobile received a GSM 1800 license and frequencies.

**Table of Contents**

On October 23, 2008, we acquired 49.9% of Morefront Holdings Ltd., or Morefront, which owns 100.0% of Euroset, which we refer to as Euroset, the leading mobile handset retailer and dealer for major mobile network operators in Russia, for US\$226.0 million. We have agreed on put and call arrangements, exercisable after three years, with respect to a further 25.0% of Morefront shares. This acquisition allowed us to significantly enhance our distribution capabilities.

On September 16, 2009, we signed an agreement for the acquisition of a 78.0% stake in Millicom Lao Co., Ltd., a mobile telecommunications operator with operations in the Lao PDR, from Millicom and Cameroon Holdings B.V. (Netherlands). The purchase price for the acquisition will be determined on the completion date and will be based on an enterprise value of Millicom Lao Co., Ltd. of US\$102.0 million. On March 31, 2010, Millicom notified us that we had not completed the agreement to acquire Millicom's 74.1% holding in Millicom Lao Co. Ltd. despite all conditions precedent having been met. The notice also stated that Millicom reserved its rights under the terms of the agreement, including the right to seek compensation for any loss of value and indicated its intention to proceed with the sale of its Laos operation. The transaction has not yet been closed by us due to the absence of an endorsement from the Lao government. We continue to seek such endorsement, however, there is no assurance that we will receive the endorsement and complete the transaction. If we do not complete the transaction, Millicom may bring an action against us. For information relating to the risks associated with this transaction, see the section of this Annual Report on Form 20-F entitled **Item 3 Key Information D. Risk Factors Risks Related to Our Business**. We may not realize the anticipated benefits from acquisitions and we may assume unexpected or unforeseen liabilities and obligations or incur greater than expected liabilities in connection with acquisitions.

For more information on our recent acquisitions, see the **Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Investing Activities**.

Our investing activities included payments related to the purchase of equipment, telephone line capacity, buildings and other assets as a part of the ongoing development of our mobile networks and fixed-line business. In 2007, 2008 and 2009, we paid approximately US\$1,690.7 million, US\$2,444.6 million and US\$932.4 million, respectively, for the purchase of property and equipment, intangible assets, software and other non-current assets. In 2009, we did not have any payments in respect of acquisitions, compared to US\$4,134.6 million during 2008 and US\$301.3 million during 2007. Our capital expenditures (excluding acquisitions) in 2010 will mainly consist of network roll-out for both 2G and 3G and maintenance expenditures (excluding acquisitions). Our management expects our total capital expenditures (excluding acquisitions) in 2010 to be approximately 15.0-20.0% of our 2010 annual consolidated net operating revenues. In 2007, 2008 and 2009, our capital expenditures were 24.7%, 25.4% and 9.4% of our consolidated net operating revenues, respectively. The actual amount of our capital expenditures (excluding acquisitions) for 2010 will depend on market development and our performance. For more information on our principal capital investments and investing activities, including acquisitions and divestitures of interests in other companies, and method of financing, see the sections of this Annual Report on Form 20-F entitled **Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Investing Activities** and **Item 5 Operating and Financial Review and Prospects Liquidity and Capital Resources Future liquidity and capital requirements**.

In October 2009, Telenor ASA, the parent company of Telenor, and Altimo, a member of Alfa Group and the parent company of Eco Telecom, announced that they agreed to combine their ownership of our company and Kyivstar, under a new company called VimpelCom Ltd. Kyivstar is a Ukrainian mobile operator, 56.5% of which is owned by a subsidiary of Telenor ASA and 43.5% of which is owned by a subsidiary of Altimo. According to the VimpelCom Ltd. Prospectus, the proposed combination involves a series of transactions, including an exchange offer by VimpelCom Ltd. comprised of the Offers. Completion of the Offers is conditioned upon greater than 95.0% of our shares, including those represented by ADSs, being validly tendered and not withdrawn, in addition to other conditions. The Offers commenced on February 9, 2010. The U.S. Offer acceptance period will expire at 5:00 p.m. New York City time on April 15, 2010, unless extended. The Russian Offer acceptance period will expire three business days later, at 11:59 p.m. Moscow time on April 20, 2010, unless extended. On February 9, 2010, our board of directors unanimously recommended to holders of our common and preferred shares and ADSs to tender their securities to VimpelCom Ltd. and elect to exchange such tendered securities for depositary receipts representing depositary shares of VimpelCom Ltd. and not to accept the nominal cash consideration alternative offered by VimpelCom Ltd. in the Offers. For additional information relating to the risks associated with the VimpelCom Ltd. Transaction, see the section of this Annual Report on Form 20-F entitled **Item 3 Key Information D. Risk Factors Risks Related to Our Business Alfa Group and Telenor** may not be able to complete the proposed combination of our company and Kyivstar. For additional information about the recommendation of our board of directors and the Offers, see our solicitation/recommendation statement on Schedule 14D-9 filed with the SEC on February 9, 2010, as amended. Unless otherwise indicated, the discussion and analysis in this Annual Report on Form 20-F does not take into account the potential impact of the successful completion of the VimpelCom Ltd. Transaction on VimpelCom's operating and financials results and trends.

**Organizational Structure**

VimpelCom is incorporated and existing under the laws of Russian Federation. It is the main operating company of the group and the parent company of a number of operating subsidiaries and holding companies in various jurisdictions. The table below sets forth our significant operating subsidiaries, including those subsidiaries that hold our principal telecommunications licenses, and our percentage ownership interest, both direct and indirect, in each subsidiary as of April 1, 2010. Our percentage ownership interest is identical to our voting power in each of the

subsidiaries. VimpelCom has other operating subsidiaries, which licenses are described herein below.



**Table of Contents**

<b>Subsidiary</b>	<b>Country of Incorporation</b>	<b>Percentage Ownership Interest</b>
LLC EDN Sovintel	Russia	100.0%
CJSC Investelectrosviaz	Russia	100.0%
LLP KaR-Tel	Kazakhstan	75.0% <sup>1</sup>
LLC Tacom	Tajikistan	80.0% <sup>2</sup>
CJSC Ukrainian RadioSystems	Ukraine	100.0% <sup>3</sup>
LLC Golden Telecom	Ukraine	100.0% <sup>4</sup>
LLC Unitel	Uzbekistan	100.0% <sup>5</sup>
LLC Mobitel	Georgia	51.0% <sup>6</sup>
CJSC ArmenTel	Armenia	100.0%
Sotelco Ltd	Cambodia	90.0% <sup>7</sup>

1 Indirect ownership through VC Finance BV (Netherlands) and Limnotex Developments Ltd. (Cyprus).

2 Indirect ownership through VC Finance BV (Netherlands) and VimpelCom (BVI) Limited.

3 Indirect ownership through five direct Cypriot subsidiaries.

4 Indirect ownership through Golden Telecom Inc. (Delaware) and its subsidiaries.

5 Indirect ownership through our direct subsidiaries in Netherlands and BVI.

6 Indirect ownership through our direct subsidiary in BVI.

7 Indirect ownership through our subsidiaries in Cyprus and BVI.

**Licenses****Mobile Telecommunications Licenses***Russia*

*GSM Licenses.* We hold GSM licenses for seven out of the eight Russian super-regions. In total, our super-regional GSM licenses cover approximately 96.0% of Russia's population and permit us to operate a unified dual band GSM-900/1800 network.

We do not currently hold a GSM super-regional license for the Far East super-region of Russia. We currently hold GSM-1800 licenses in the following regions of the Far East super-region: Amur region, Koryakskiy Autonomous Region of Kamchatka Krai, Khabarovsk Krai, Sakhalin region and Irkutsk region (GSM-900/1800), excluding an administrative-territorial unit of special status – Ust-Ordynskiy Buryatskiy Autonomous Region.

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

*3G Licenses.* On April 20, 2007, the Federal Communications Agency announced that our company was awarded one of three UMTS licenses in Russia. The license was issued on May 21, 2007 and had start of service requirements, including a requirement to install a total of 6,096 3G base stations throughout Russia. The license expires on May 21, 2017.

For additional information relating to the risks relating to the 3G license award, see the section of this Annual Report on Form 20-F entitled "Item 3 Key Information D. Risk Factors Risks Related to Our Business Our failure to keep pace with technological changes and evolving industry standards could harm our competitive position and, in turn, materially adversely affect our business."

*CIS*

*Kazakhstan.* KaR-Tel holds a national GSM-900/1800 license for the entire territory of Kazakhstan.

*Uzbekistan.* Unitel holds national GSM-900/1800 and UMTS licenses covering the entire territory of Uzbekistan.

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

*Ukraine.* URS holds a GSM-900 license that covers the entire territory of Ukraine and two GSM-1800 licenses that cover 24 of Ukraine's 27 administrative regions (including the Kyiv Region, but excluding the City of Kyiv, the Dnipropetrovsk Region and the Odessa Region). Golden Telecom (Ukraine) holds 3 GSM-1800 licenses covering the territory of Ukraine, excluding the Dnipropetrovsk Region, Kharkov Region, Lviv Region.

**Table of Contents**

*Armenia.* ArmenTel, which provides both fixed-line and mobile services, holds GSM-900/1800 and UMTS licenses for the entire territory of Armenia.

*Tajikistan.* Tacom holds national GSM-900/1800 and UMTS licenses for the entire territory of Tajikistan.

*Georgia.* Mobitel holds GSM-1800 and E-GSM licenses for the entire territory of Georgia.

The following tables summarize the principal terms of our GSM licenses, including the license areas, initial issue dates and expiration dates. Renewal applications have been or will be submitted where necessary for any licenses expiring in 2010.

***Principal Terms of our Super-Regional GSM Licenses in Russia***

	<b>Valid From</b>	<b>Expiration Date</b>
Moscow	Apr. 28, 2008	Apr. 28, 2013
Central and Central Black Earth	Apr. 28, 2008	Apr. 28, 2013
North Caucasus	Apr. 28, 2008	Apr. 28, 2013
North-West <sup>(1)</sup>	Sep. 12, 2002	Sep. 12, 2012
Siberian	Apr. 28, 2008	Apr. 28, 2013
Ural <sup>(2)</sup>	Nov. 14, 2002	Nov. 14, 2012
Volga	Apr. 28, 2008	Apr. 28, 2013

- (1) We hold a GSM license covering 10 territories of the North-West super-region, which contains certain requirements related to the licensed territories: (i) GSM 900/1800 standard for the following territories within the North-West super-region: the city of Saint Petersburg, Leningrad region; and (ii) GSM-1800 standard for the following territories within the North-West super-region: Kareliya Republic, Nenetskiy Autonomous Region, Arkhangelsk region, Vologda region, Kaliningrad region, Murmansk region, Novgorod region, Pskov region.
- (2) We hold a GSM license covering all 11 territories of the Ural super-region, which contains certain requirements related to the licensed territories: (i) GSM-900/1800 standard for the following territories within the Ural super-region: Komi Republic, Udmurtskaya Republic, Kirov region, Kurgan region, Sverdlovsk region, Yamal Nenets autonomous district, the city of Kudymkar, Kudymkar metropolitan region, Yus vinsky metropolitan region, Yurlinsky metropolitan region, Kochevsky metropolitan region, Kossinsky metropolitan region, Gaynsky metropolitan region of Permskiy Krai; and (ii) GSM-1800 standard for the following territories within the Ural super-region: Orenburg region, Tyumen region, Chelyabinsk region, Hanty-Mansiyskiy autonomous district Yugra and Permskiy krai (not including the city of Kudymkar, Kudymkar metropolitan region, Yus vinsky metropolitan region, Yurlinsky metropolitan region, Kochevsky metropolitan region, Kossinsky metropolitan region and Gaynsky metropolitan region).

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

<b>License Area</b>	<b>Issue Date</b>	<b>Expiration Date</b>	<b>Type of License</b>
Amur region	Jan. 10, 2002	Jan. 10, 2012	GSM-1800
Kamchatka region	Jan. 10, 2002	Jan. 10, 2012	GSM-1800
Karachaevskaya Republic <sup>(1)</sup>	May 19, 2000	May 19, 2010	GSM-900/1800
Khabarovsk Krai	Jan. 10, 2002	Jan. 10, 2012	GSM-1800
Orenburg region	Jun. 13, 2000	Jun. 13, 2010	GSM-900/1800
Kaliningrad region	Aug. 1, 2006	Aug. 1, 2011	GSM-900
Irkutsk region <sup>(2)</sup>	Sept. 13, 2001	Sept. 13, 2011	GSM-900/1800
Sakhalin <sup>(3)</sup>	Oct. 18, 2001	Oct. 18, 2011	GSM-1800

- (1) The license for the Karachaevskaya Republic, which is part of the North Caucasus super-region, was re-issued from Karachaevskaya TeleSot to VimpelCom as a result of the merger on February 6, 2009. Certain requirements for this license have not been met because VimpelCom provides mobile services in this license area.

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

- (2) The license for the Irkutsk region, excluding an administrative-territorial unit of special status Ust-Ordynskiy Buryatskiy Autonomous Region, which is part of the Far East region, was re-issued from Corporation Severnaya Korona to VimpelCom as a result of the merger on October 30, 2008.
- (3) The license for the Sakhalin region, which is part of the Far East super-region, is held by STM.

*Principal Terms of our Mobile Licenses in the CIS*

<b>License Area</b>	<b>Issue Date</b>	<b>Expiration Date</b>	<b>Type of License</b>	<b>Territorial Coverage</b>
Kazakhstan	Aug. 24, 1998	Aug. 24, 2013	GSM-900/1800	Entire territory of Kazakhstan
Uzbekistan	Jan. 6, 2005	Aug. 6, 2016	GSM-900/1800 and UMTS	Entire territory of Uzbekistan
Ukraine				
URS	May 16, 2006	July 21, 2021	GSM-900	Entire territory of Ukraine

**Table of Contents**

License Area	Issue Date	Expiration Date	Type of License	Territorial Coverage
URS	Oct. 20, 2005	Oct. 20, 2020	GSM-1800	23 out of 27 administrative regions of Ukraine
URS	Dec. 15, 2005	Dec. 15, 2020	GSM-1800	Kyiv region
GTU	May 18, 2006	May 18, 2021	GSM-1800	Entire territory of Ukraine, excluding Kyiv, Kyiv region and Dnipropetrovsk, Kharkiv and Lviv region <sup>(1)</sup>
GTU	Oct. 19, 2007	May 18, 2021	GSM-1800	Kyiv region
GTU	Oct. 19, 2007	July 7, 2014	GSM-1800	Kyiv
Armenia	Feb. 23, 1995	Mar. 3, 2013	GSM-900/1800 and UMTS	Entire territory of Armenia
Tajikistan	Aug. 29, 2005	Aug. 29, 2010	UMTS	Entire territory of Tajikistan
	Jun. 18, 2009	Jun. 18, 2014	GSM-900/1800	Entire territory of Tajikistan
Georgia	Dec. 16, 2005	Jul. 23, 2013 <sup>(2)</sup>	GSM-1800 and E-GSM	Entire territory of Georgia

(1) There are no frequency licenses for Dnipropetrovsk, Kharkiv and Lviv regions.

(2) Mobitel LLC has been granted multiple radiofrequency and numeration capacity licenses with varying issue and expiration dates. The indicated date is the earliest date of expiration of one of the radiofrequency licenses and the earliest date of expiration of one of the numeration capacity licenses.

**Principal Terms of our International Mobile Licenses**

License Area	Issue Date	Expiration Date	Type of License	Territorial Coverage
Socialist Republic of Vietnam <sup>(1)</sup>	Sep. 05, 2008	Sep. 05, 2023	GSM-1800	Entire territory of Vietnam
The Kingdom of Cambodia <sup>(2)</sup>	Jan. 03, 2007	Jan. 03, 2042	GSM-900/1800	Entire territory of Cambodia

(1) License is held by GTEL-Mobile, in which VimpelCom holds a 40.0% interest.

(2) License is held by Sotelco.

**Fixed-line, Data and Long Distance Licenses**

The tables below set forth the principal terms of the fixed-line, data and long distance licenses which are important to our operations (other than mobile operations) in Russia, Ukraine, Kazakhstan, Uzbekistan, Armenia and Tajikistan. Renewal applications will be submitted where necessary for any licenses expiring in 2010.

**Principal Terms of our Fixed-Line, Data and Long Distance Licenses in Russia**

License Type	Region	Expiration Date
<b>Local Communications Services excluding local communications services using payphones and multiple access facilities</b>	Moscow, <sup>(3)</sup> Nizhny Novgorod <sup>(3)</sup>	March 9, 2012
	Khabarovsk, <sup>(3)</sup> Novosibirsk <sup>(3)</sup>	January 23, 2012
	St. Petersburg <sup>(3)</sup>	February 16, 2011
	Ekaterinburg <sup>(3)</sup>	August 27, 2011
	Rostov-on-Don <sup>(3)</sup>	August 30, 2011
	Moscow, <sup>(7)</sup>	May 23, 2013
	St. Petersburg <sup>(7)</sup>	October 5, 2010
	Nizhny Novgorod <sup>(1)</sup>	October 5, 2010
	Moscow, <sup>(3)</sup> St. Petersburg <sup>(3)</sup>	September 21, 2011

Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

**Local Communications Services  
using multiple access facilities**

Novosibirsk,<sup>(3)</sup> Nizhny Novgorod,<sup>(3)</sup> Khabarovsk<sup>(3)</sup>  
Ekaterinburg<sup>(3)</sup>  
Rostov-on-Don<sup>(3)</sup>  
Nizhny Novgorod<sup>(1)</sup>

March 9, 2012  
July 20, 2010  
March 26, 2013  
February 27, 2013

**Table of Contents**

<i>License Type</i>	<i>Region</i>	<i>Expiration Date</i>
<b>Leased Communications Circuits Services</b>	Moscow, <sup>(3)</sup> St. Petersburg, <sup>(3)</sup> , Novosibirsk, <sup>(3)</sup> Nizhny Novgorod, <sup>(3)</sup> Rostov-on-Don, <sup>(3)</sup> Khabarovsk <sup>(3)</sup>	July 5, 2011
	Ekaterinburg <sup>(3)</sup>	July 20, 2010
	Moscow <sup>(4)</sup>	May 18, 2011
	Moscow <sup>(7)</sup>	August 28, 2013
	St. Petersburg, <sup>(7)</sup>	October 4, 2011
	Nizhny Novgorod <sup>(1)</sup>	November 28, 2013
	Moscow <sup>(2)</sup>	July 5, 2011
<b>Voice Communications Services in Data Transmission Networks</b>	Moscow, <sup>(3)</sup> St. Petersburg, <sup>(3)</sup> Novosibirsk, <sup>(3)</sup>	March 15, 2011
	Ekaterinburg, <sup>(3)</sup> Nizhny Novgorod, <sup>(3)</sup> Rostov-on-Don, <sup>(3)</sup>	
	Khabarovsk <sup>(3)</sup>	
	Rostov-on-Don <sup>(4)</sup>	May 7, 2013
	St. Petersburg <sup>(4)</sup> , Novosibirsk, <sup>(4)</sup> , Ekaterinburg, <sup>(4)</sup>	June 21, 2011
	Nizhny Novgorod, <sup>(4)</sup> Khabarovsk <sup>(4)</sup>	January 27, 2011
	Nizhny Novgorod <sup>(1)</sup>	
	Moscow <sup>(2)</sup>	May 25, 2011
	Moscow <sup>(6)</sup>	January 23, 2012
	Russian Federation <sup>(3)</sup>	May 31, 2012
<b>International and National Communications Services Telematic Services</b>	Moscow, <sup>(3)</sup> St. Petersburg <sup>(3)</sup>	August 18, 2013
	Novosibirsk, <sup>(3)</sup> Nizhny Novgorod, <sup>(3)</sup> Rostov-on-Don, <sup>(3)</sup>	
	Khabarovsk <sup>(3)</sup>	October 4, 2012
	Ekaterinburg <sup>(3)</sup>	July 20, 2010
	Moscow <sup>(4)</sup>	August 31, 2012
	Moscow, <sup>(7)</sup> St. Petersburg <sup>(7)</sup>	November 21, 2010
	St. Petersburg, <sup>(4)</sup> Ekaterinburg, <sup>(4)</sup> Nizhny Novgorod, <sup>(4)</sup>	
	Novosibirsk, <sup>(4)</sup> Khabarovsk <sup>(4)</sup>	May 21, 2011
	Rostov-on-Don <sup>(4)</sup>	December 26, 2012
	Nizhny Novgorod <sup>(1)</sup>	December 23, 2010
<b>Intra-zonal Communications Services</b>	Moscow <sup>(6)</sup>	January 23, 2012
	Moscow <sup>(2)</sup>	June 5, 2011
	Moscow, <sup>(3)</sup> St. Petersburg <sup>(3)</sup>	February 16, 2011
	Novosibirsk, <sup>(3)</sup> Ekaterinburg, <sup>(3)</sup> Nizhny Novgorod, <sup>(3)</sup>	February 16, 2011
	Rostov-on-Don, <sup>(3)</sup> Khabarovsk <sup>(3)</sup>	
<b>Data Transmission Services</b>	Nizhny Novgorod <sup>(1)</sup>	October 5, 2010
	Moscow, <sup>(3)</sup> St. Petersburg <sup>(3)</sup>	August 18, 2013
	Ekaterinburg <sup>(3)</sup>	July 20, 2010
	Novosibirsk, <sup>(3)</sup> Nizhny Novgorod, <sup>(3)</sup> Rostov-on-Don, <sup>(3)</sup>	October 4, 2012
	Khabarovsk <sup>(3)</sup>	
	Moscow, <sup>(7)</sup> St. Petersburg <sup>(7)</sup>	April 17, 2014
	Moscow <sup>(4)</sup>	August 29, 2012
	St. Petersburg, <sup>(4)</sup> Ekaterinburg, <sup>(4)</sup>	
	Nizhny Novgorod <sup>(4)</sup>	June 5, 2012
	Novosibirsk, <sup>(4)</sup> Rostov-on-Don <sup>(4)</sup>	March 9, 2012
Nizhny Novgorod <sup>(1)</sup>	December 23, 2010	
Moscow <sup>(6)</sup>	January 23, 2012	



Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

<b>Communications Services</b>	Moscow <sup>(2)</sup> Moscow, <sup>(3)</sup> St. Petersburg, <sup>(3)</sup> Novosibirsk, <sup>(3)</sup>	June 5, 2011
<b>for the Purposes of Cable Broadcasting</b>	Ekaterinburg, <sup>(3)</sup> Nizhny Novgorod, <sup>(3)</sup> Rostov-on-Don, <sup>(3)</sup> Khabarovsk <sup>(3)</sup> Moscow <sup>(4)</sup> St. Petersburg <sup>(4)</sup> Novosibirsk, <sup>(4)</sup> Rostov-on-Don <sup>(4)</sup>	December 6, 2012 September 21, 2011 September 18, 2012 November 28, 2013
<b>Communications Services</b>	Moscow <sup>(5)</sup> St. Petersburg <sup>(5)</sup>	June 19, 2011 July 28, 2011
<b>for the Purposes of TV Broadcasting</b>	Moscow <sup>(6)</sup>	June 19, 2011

- (1) These licenses are held by ADS.
- (2) These licenses are held by Dicom.
- (3) These licenses are held by Sovintel.
- (4) These licenses are held by Investelectrosvyaz.

**Table of Contents**

- (5) These licenses are held by Kolangon-Optim.  
 (6) These licenses are held by Dominanta.  
 (7) These licenses are held by Raskom.

*Principal Terms of our Fixed-Line, Data and Long Distance Licenses in the CIS*

License Type	Region	Expiration Date
<b>Local Communication Services</b>	Ukraine (excluding Kyiv, Kyiv Region, Odessa, Odessa Region) <sup>(1)</sup>	October 29, 2013
	DECT <sup>(2)</sup> Ukraine (Kyiv, Odessa, Odessa Region, Dnipropetrovsk, Dnipropetrovsk Region, Lviv, Lviv Region) <sup>(1)</sup>	September 20, 2010
	DECT Ukraine (Kyiv Region, Donetsk, Donetsk Region, Zaporozhye, Zaporozhye Region, Kharkov, Kharkov Region) <sup>(1)</sup> Ivano-Frankovsk, Ivano-Frankovsk Region <sup>(9)</sup> Uzbekistan <sup>(3)</sup>	November 11, 2019 January 12, 2019 July 4, 2011
	Alma-aty and Alma-aty Region, Atyrau and Atyrau Region, Astana, Akmolinskaya Region <sup>(4)</sup> Alma-aty, Alma-aty Region <sup>(10)</sup> Kyiv, Kyiv Region, Odessa Region <sup>(1)</sup>	Unlimited Unlimited October 12, 2012
<b>International and National Communications Services</b>	Armenia <sup>(7)</sup> IP Ukraine <sup>(5)</sup> Ukraine <sup>(5)</sup> Armenia <sup>(7)</sup> Uzbekistan <sup>(6)</sup> Uzbekistan <sup>(11)</sup> Uzbekistan <sup>(11)</sup> Ukraine <sup>(1)</sup> Kyiv, Odessa, Odessa Region, Donetsk, Donetsk Region, Kharkov, Kharkov Region, Lviv, Lviv Region, Dnipropetrovsk, Dnipropetrovsk Region <sup>(1)</sup>	March 3, 2013 December 30, 2019 February 3, 2011 March 3, 2013 January 15, 2015 March 27, 2011 April 23, 2011 October 14, 2015 December 31, 2013
	Ukraine (excluding Kyiv, Odessa, Odessa Region, Donetsk, Donetsk Region, Kharkov, Kharkov Region, Lviv, Lviv Region, Dnipropetrovsk, Dnipropetrovsk Region) <sup>(1)</sup>	January 28, 2014
<b>Telematic Services</b>	Tajikistan <sup>(8)</sup> Tajikistan <sup>(8)</sup> Tajikistan <sup>(8)</sup> Uzbekistan <sup>(3)</sup>	August 11, 2011 September 27, 2012 July 24, 2012 August 29, 2011
<b>Data Transmission Services</b>	Uzbekistan <sup>(11)</sup> Kazakhstan <sup>(4) (10) (12)</sup> Tajikistan <sup>(8)</sup>	July 21, 2010 Unlimited December 12, 2010
<b>Communications Services for the Purposes of Cable IPTV Broadcasting</b>	Kyiv <sup>(1)</sup>	May 18, 2017
<b>Communications Services for the Purpose of Radio &amp; TV Broadcasting</b>	Kyiv, Dnipropetrovsk, Odessa, Zaporozhye, Lviv, Kharkov <sup>(1)</sup>	December 12, 2011

- (1) These licenses are held by GTU.  
 (2) Digital Enhanced Cordless Telecommunications, or DECT.  
 (3) These licenses are held by Buzton.  
 (4) These licenses are held by SA-Telcom.  
 (5) This license is held by URS.  
 (6) Buzton holds two licenses in this region, both of which expire on the same date.  
 (7) These licenses are held by ArmenTel.

- (8) These licenses are held by Tacom.
- (9) These licenses are held by TTK .
- (10) This license is held by TNS-Plus.
- (11) These licenses are held by Unitel.
- (12) These licenses are held by KaR-Tel.

**Table of Contents***Principal Terms of our International Fixed-Line, Data and Long Distance Licenses*

<i>License Type</i>	<i>Region</i>	<i>Expiration Date</i>
<b>Voice Over Internet Protocol Services</b>	The Kingdom of Cambodia <sup>(1)</sup>	January 3, 2042

(1) License is held by Sotelco

For more information on the risks related to access to local and long distance services, please see the section of this Annual Report on Form 20-F entitled **Item 3 Key Information D. Risk Factors Risks Related to Our Business** Our ability to provide telecommunications services would be severely hampered if our access to local and long distance line capacity was limited or if the commercial terms of our interconnect agreements were significantly altered. For more information on licensing regulations and other risks related to our licenses, please see the sections of this Annual Report on Form 20-F entitled **Item 3 Key Information D. Risk Factors Risks Related to Our Business** , **Item 3 Key Information D. Risk Factors Risks Related to the Legal and Regulatory Environment in Russia and the CIS**, and **Regulation of Telecommunications**.

**Strategy**

Our corporate strategy focuses on five major areas: extracting maximum value from the Russian mobile consumer business, strengthening the corporate business segment, developing the consumer Internet access business, growing our business in the CIS and expanding into new geographical areas and lines of business. The cornerstones of this strategy are as follows:

*Extract maximum value from the Russian mobile consumer business.* The core of our business has always been and remains the mobile consumer business in Russia. Our strategy is to continue revenue growth in Russia by growing ARPUs through stimulation of usage of our voice and data services with stable pricing and to acquire and retain good quality subscribers through a combination of sales and loyalty programs, with a special focus on closely working with and appropriately incentivizing own-branded, national and local retailers.

*Strengthen the corporate business segment.* Now that we are an integrated mobile and fixed-line operator, we believe that we have unique opportunities in the Russian market to serve corporate customers and grow our business in the corporate segment. We are actively pursuing opportunities to cross-sell products based on existing relationships that were previously established by Golden Telecom in the large corporate sector and our existing relationships in the small and medium enterprise segment, and opportunities to sell new convergent services, ranging from simple bill consolidation to more advanced services that make the fixed-line and mobile user experience seamless.

*Develop the consumer Internet access business.* The consumer Internet access business in Russia is still well behind that in many western countries in terms of end-user Internet penetration, and we are actively pursuing this growth opportunity by providing a full portfolio of Internet access products, ranging from 3G mobile access to FTTB.

*Grow our business in the CIS.* Many CIS markets have entered, or are about to enter, a more mature stage. We continue to focus on capturing the remaining subscriber penetration growth and are also emphasizing using in the CIS the best practices and business infrastructure, including managerial processes and IT infrastructure for billing and for products and services, that has been built in Russia in order to compete successfully in more mature environments.

*Capture attractive opportunities to expand into new business areas.* As we have done in the past, we continue to look for new opportunities to expand our geographical and/or business line footprint, recognizing that any expansion must have a very sound financial as well as strategic rationale. We put special importance on our current expansion efforts and on developing the new businesses that we have acquired, specifically in Vietnam and Cambodia, which both have high growth rates and potential.

We are also strongly focusing on increasing overall efficiency of our operations.

**Competitive Strengths**

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

*Recognized brand name.* We market our mobile services under our Beeline brand name in nine countries (Russia, Kazakhstan, Ukraine, Uzbekistan, Armenia, Tajikistan, Georgia, Cambodia and Vietnam). We established our Beeline brand in Russia in 1993 and launched the Beeline brand name in Kazakhstan in 2005, in Ukraine, Uzbekistan and Tajikistan in 2006, in Georgia in 2007, in Armenia in 2008 and in Cambodia and Vietnam in 2009. Since June 2009, Sky Mobile has been operating under our Beeline brand. Primarily as a result of our

## Table of Contents

innovative marketing and brand licensing efforts, our Beeline brand name is among the most recognized brand names in Russia. For the past four years, our Beeline brand name has been named the most valuable brand in Russia by Interbrand Group. The Beeline brand has also been ranked in the top 75 of the 100 Most Powerful Brands in the World by Milward-Brown. In 2009, the Beeline brand was ranked 39<sup>th</sup> in the top 50 most valuable European brands by Eurobrand 2009 Research, becoming the first Eastern European company to be included in this exclusive list. In the end of 2008 we re-launched the Beeline brand for the business and corporate services sector in Russia and Ukraine. In the first half of 2009, we launched Beeline for the business and corporate services sector in Kazakhstan and Uzbekistan. We strengthened our brand position in the Business and Corporate services sector by providing special product and services offerings, including all products and services provided to corporate clients by Golden Telecom and Corbina Telecom.

*Product and service innovation.* In our mobile business, we continue to seek out new products and services to provide our subscribers with faster access and easier usage to be competitive in the markets in which we operate. We continue to develop services oriented towards our prepaid consumer segment, such as allowing customers to stay connected while temporarily accruing a negative account balance and best-in-market portfolio of call completion services. We strengthened our mobile instant messaging service through the launch of new features, made our service interoperable with competitors and we continue to grow our mobile instant messaging community successfully. We also offer different tariffs and solutions to all market segments and types of companies, including special tariff options and bundles for data access services for GPRS and 3G.

We began launching 3G services in several markets in Russia in the second half of 2008, we roll out 3G technology as frequencies are cleared and network construction in each region is completed. Our subscribers benefit from 3G service in more than 55 regions (153 cities) at the end of 2009. We also offer USB modems (for GPRS and 3G use) to all customer segments.

For our business and corporate clients, we offer a wide range of services, including mobile e-mail, mobile office and corporate internet access.

*Convergence.* Following our acquisition of Golden Telecom, we now offer a broad portfolio of competitive services in both the fixed-line corporate data market and the residential broadband Internet market that are designed to match the needs of our customers. Importantly, the vast majority of these services are provided via a superior technology, FTTB.

*Blackberry.* We are authorized by Research in Motion and the Russian regulatory authorities to sell and provide secured corporate mail services through Blackberry handsets. This approval allows us to compete for enterprise customers that have historically been associated with our primary competitor in the business segment by providing business customers with a second mobile device.

*Specialized customer care.* We provide specialized customer service to our different subscriber segments. We believe that in our core business areas, VimpelCom has achieved best practices in the accessibility of its call centers. We believe that our ability to provide specialized customer service has helped us maintain a high level of subscriber satisfaction with our products and services and control churn. We also believe that Golden Telecom has provided particularly strong customer service to its corporate subscribers. We have learned lessons and applied best practices across both sides of our customer care and now offer customers a common approach to customer care.

*Broad distribution network.* We have one of the largest distribution networks for mobile services in Russia with approximately 3,100 independent dealers. In addition, we have approximately 4,800 branded kiosks (branded stands) and 6,600 non-specialized independent retail outlets where Beeline contracts may be purchased. In total, we have more than 35,300 points of sale in Russia. We also have approximately 51,100 locations in Russia where prepaid scratch cards are sold and 240,200 points where cash is collected. We are also rapidly expanding our distribution in the CIS and already have approximately 35,500 points of sales throughout the CIS countries. In October 2008, we acquired 49.9% of Euroset with put and call arrangements for 25.0% of additional shares exercisable in three years. As of December 31, 2009, Euroset operates approximately 4,360 outlets in Russia, Ukraine, Belarus, Kazakhstan and Kyrgyzstan and we believe this acquisition will allow us to significantly enhance our distribution capabilities.

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

*Unified, sophisticated mobile network.* We are able to provide uniform mobile products and services that we develop and launch on an international rather than local basis due to our centralized IT platform which operates throughout our unified mobile network system covering our license areas in Russia and the CIS. We believe that our level of centralization and standardization is unique in the license areas where we operate and that this gives us a competitive advantage and efficiency in developing and rolling out new services. We build our mobile networks with advanced technology from the world's leading mobile telecommunications equipment suppliers, such as Alcatel-Lucent, Ericsson, Nokia, Nokia-Siemens Networks (NSN), Motorola and Huawei in order to provide our subscribers with high-quality, dependable networks capable of offering enhanced value added services and features. We launched our 3G network in 2008 and plan to follow the same principles of centralization that we have applied to our 2G network and building on a philosophy of a convergent 2G/3G core.

*Extensive fixed infrastructure.* Through the combination of VimpelCom's and Golden Telecom's fixed assets, including both long distance fiber lines and city rings, we have what we believe is one of the best high-speed fixed asset bases in

**Table of Contents**

Russia, which enables us to efficiently carry our own traffic and to offer data communications capacity on a wholesale basis. In addition, we expect the increased network capacity will allow us to deliver a broader range of products at a higher speed.

**Competition - Mobile Services**

As of December 31, 2009, our company provided mobile telecommunications services in Russia, Kazakhstan, Uzbekistan, Ukraine, Armenia, Tajikistan, Georgia, Cambodia and Vietnam. The following table provides a breakdown of our total number of mobile subscribers and the estimated mobile penetration rates in each of our geographic areas of operation for each of the last three financial years.

	Year Ended December 31,		
	2009	2008	2007
<b>End of period mobile subscribers:</b>			
Russia	50,886,127	47,676,844	42,221,252
Kazakhstan	6,135,275	6,269,927	4,603,300
Uzbekistan	3,514,516	3,636,243	2,119,612
Ukraine	2,004,729	2,052,493	1,941,251
Armenia	545,201	544,271	442,484
Tajikistan	743,140	624,624	339,393
Georgia	399,161	225,055	72,655
Cambodia	367,474	n/a	n/a
<b>Total</b>	<b>64,595,623</b>	<b>61,029,457</b>	<b>51,739,947</b>
<b>Mobile penetration rate:*</b>			
Russia	148.7%	132.3%	121.7%
Kazakhstan	105.6%	92.7%	81.5%
Uzbekistan	58.4%	45.3%	21.9%
Ukraine	120.6%	120.8%	120.4%
Armenia	87.5%	79.3%	57.8%
Tajikistan	61.8%	47.5%	29.5%
Georgia	90.2%	83.5%	59.8%
Cambodia	36.3%	n/a	n/a

\* See Notes (1)-(3) of the selected industry operating data table in the section of this Annual Report on Form 20-F entitled "Item 3 Key Information A. Selected Financial Data - Selected Operating Data."

*The Russian mobile telecommunications market*

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

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

Period	Subscribers <sup>(1)</sup>	Penetration Rate <sup>(2)</sup>	Annual Subscriber Growth
2009	209,206,000	148.7%	11.4%
2008	187,830,000	132.3%	8.7%
2007	172,870,000	121.7%	13.8%



## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

- (1) Estimates for 2009 were provided by Informa Telecoms & Media (© 2010 Informa Telecoms & Media). Estimates for 2008 and 2007 were provided by AC&M Consulting.
- (2) Penetration rates for 2009 were provided by Informa Telecoms & Media (© 2010 Informa Telecoms & Media ). Penetration rates for 2008 and 2007 were calculated by dividing the total estimated number of mobile subscribers by the total estimated population in Russia published by the Interstate Statistical Committee of the CIS as of the end of the relevant period.

The Russian mobile telecommunications market is highly concentrated. Industry analysts estimate that the top three mobile operators, MTS, our company and MegaFon, collectively held more than 80.0% of the mobile market in Russia as of December 31, 2009. Competition for subscribers in Russia is intense and we expect competition to increase in the future as a result of greater market penetration, consolidation in the industry, the growth of current operators and new technologies, products and services. As a result of increased competition, mobile providers are utilizing new marketing efforts to retain existing subscribers and attract new ones, including aggressive price promotions.

**Table of Contents**

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

The following table shows our and our primary mobile competitors' respective subscriber numbers in Russia as of December 31, 2009:

<b>Operator</b>	<b>Subscribers in Russia</b>
MTS	69,271,900
VimpelCom	50,886,127
MegaFon	50,542,000
Tele2	14,451,000
Uralsvyazinform	5,748,610
SMARTS	2,947,700

Source: © 2010 Informa Telecoms & Media for all companies apart from VimpelCom.

*MTS.* One of our primary competitors in Russia is MTS. According to Informa Telecoms & Media, as of December 31, 2009, MTS had approximately 69.3 million subscribers in Russia. It has a greater share of the high value subscriber market and greater frequency allocations than we do, which provides MTS with a potential advantage in the quality of its GSM-900/1800 service. MTS reports that it holds licenses to operate mobile networks in almost all of the regions in Russia.

*MegaFon.* In addition to MTS, we also compete with MegaFon, the third largest mobile operator in Russia in terms of the number of subscribers. According to Informa Telecoms & Media, as of December 31, 2009, MegaFon had approximately 50.5 million subscribers. MegaFon holds GSM-900/1800 licenses to operate in all regions of Russia. In 2003, Alfa Group acquired CT Mobile, which owns approximately 25.1% of MegaFon's common stock. For more information on Alfa Group's ownership interest in MegaFon, please see the section of this Annual Report on Form 20-F entitled "Item 3 Key Information D. Risk Factors Risks Related to Our Business Our competitors may receive preferential treatment from the regulatory authorities and benefit from the resources of their shareholders, potentially giving them a substantial competitive advantage over us."

*Tele2.* Tele2 has been operating in Russia since 2003 and is now considered to be a significant player in the Russian telecommunications market. According to Informa Telecoms & Media, as of December 31, 2009, Tele2 had approximately 14.5 million subscribers. It currently provides GSM mobile services in 32 regions of Russia, including St. Petersburg and Leningrad region, as well as Archangelsk, Murmansk, Novgorod region, Republic of Komi, Smolensk, Kursk, Voronezh, Belgorod, Lipetsk, Nizhny Novgorod, Rostov, Krasnodar Territory and Republic of Adygei, Udmurtia Republic, Chelyabinsk, Omsk and Kemerovo, Bryansk, Vladimir, Vologda, Kaluga, Kirov, Kostroma, Novosibirsk, Orel, Ryazan, Tambov, Tver, Tomsk, Tula, and Petrozavodsk regions.

*Other competitors in Russia.* In addition to MTS and MegaFon, which operate in all of the regions where we operate, and Tele2, we compete with a number of local telecommunications companies. For example, we compete with Closed Joint Stock Company "Middle Volga Interregional Association of Radio and Telecommunication Systems," or SMARTS, a company that holds licenses, either directly or indirectly through joint ventures, for GSM-900 or 1800 networks in the Volga license area, certain parts of the Central and Central Black Earth license area, the Ural license area and the North Caucasus license area. We also compete with Uralsvyazinform in the Ural super-region.

#### *The Kazakh mobile telecommunications market*

According to Informa Telecoms & Media estimates, there were approximately 16.6 million subscribers in Kazakhstan as of December 31, 2009, representing a penetration rate of approximately 105.6%.

The following table shows our and our primary mobile competitors' respective subscriber numbers in Kazakhstan as of December 31, 2009:

<b>Operator</b>	<b>Subscribers</b>
GSM Kazakhstan	7,165,000
KaR-Tel (VimpelCom)	6,135,275
Mobile Telecom Service	1,164,200
Altel	1,087,800

Source: © 2010 Informa Telecoms & Media for all companies apart from VimpelCom.

**Table of Contents**

*GSM Kazakhstan LLP.* Currently, KaR-Tel's only major GSM competitor in Kazakhstan is GSM Kazakhstan, which markets its services under the K-Cell and Activ brand names. According to Informa Telecoms & Media, as of December 31, 2009, GSM Kazakhstan had approximately 7.2 million subscribers. GSM Kazakhstan is 49.0% owned by JSC Kazakhtelecom, the national telecommunications provider in Kazakhstan, and 51.0% owned by Fintur Holdings BV. Fintur Holdings is 58.6% owned by TeliaSonera and 41.5% owned by Turkcell (TeliaSonera has a 37.3% ownership interest in Turkcell).

*Other competitors in Kazakhstan.* KaR-Tel also competes in Kazakhstan with JSC AITel (owned 100% by Kazakhtelecom and operating under the Dalacom and PATHWORD brand names) and Mobile Telecom Services LLP (operating under the NEO brand name and 51.0% owned by Kazakhtelecom). AITel is the oldest mobile services provider in Kazakhstan. AITel operates a code division multiple access, or CDMA, 2000-1x network, a digital network launched by AITel in 2003 in order to compete with KaR-Tel and GSM Kazakhstan LLP, which had each been issued GSM licenses in Kazakhstan at that time. Mobile Telecom Service launched commercial GSM operations in 2007. In December 2009, the European operator Tele2 announced its commitment to purchase a 51.0% stake in Mobile Telecom Service.

*The Uzbek mobile telecommunications market*

According to Informa Telecoms & Media, as of December 31, 2009, there were approximately 16.6 million subscribers in Uzbekistan, representing a penetration rate of approximately 58.4%.

The following table shows our and our primary mobile competitors' respective subscribers in Uzbekistan as of December 31, 2009:

<b>Operator</b>	<b>Subscribers</b>
MTS-Uzbekistan	7,070,000
Unitel (VimpelCom)	3,514,516
COSCOM	5,074,000
Perfectum Mobile	556,600
UzbekMobile	68,000

Source: © 2010 Informa Telecoms & Media for all companies apart from VimpelCom.

*MTS-Uzbekistan.* According to Informa Telecoms & Media, as of December 31, 2009, MTS-Uzbekistan had approximately 7.1 million subscribers. MTS-Uzbekistan is 100.0% owned by MTS and operates a GSM-900/1800 network.

*COSCOM.* According to Informa Telecoms & Media, as of December 31, 2009, COSCOM had approximately 5.1 million subscribers. COSCOM is 74.0% owned by TeliaSonera and 26.0% owned by a local Uzbek company. It operates GSM-900/1800 and 3G networks.

*Other competitors in Uzbekistan.* Unitel also competes with smaller operators Perfectum Mobile and UzbekMobile.

*The Ukrainian mobile telecommunications market*

According to AC&M Consulting, as of December 31, 2009, there were approximately 50.7 million subscribers in Ukraine, representing a penetration rate of approximately 120.6%. There are currently four mobile operators with national coverage in Ukraine: Kyivstar, JSC Ukrainian Mobile Communications, or UMC, LLC Astelit and URS.

The following table shows our and our primary mobile competitors' respective subscribers in Ukraine as of December 31, 2009:

<b>Operator</b>	<b>Subscribers</b>
Kyivstar	22,022,261
UMC	17,564,410
Astelit	12,210,000

URS (VimpelCom)

2,004,729

Source: © 2010 Informa Telecoms & Media for all companies apart from VimpelCom.

*Kyivstar and UMC.* In Ukraine, URS competes primarily with Kyivstar and UMC, which, according to AC&M Consulting, had approximately 22.0 and 17.6 million subscribers, respectively, as of December 31, 2009. UMC, which is 100% owned by MTS, was the first mobile operator in Ukraine and operates a GSM-900/1800 network in Ukraine. UMC also received a CDMA-450 license in 2006. Kyivstar reportedly operates a dual-band GSM-900/1800 network covering more than 96.0% of Ukraine's population. Kyivstar is 56.5% owned by Telenor Mobile Communications AS, an affiliate of Telenor East Invest AS and a member of the Telenor ASA group of companies, and 43.5% by Storm LLC, a member of the Alfa Group of companies.

*Other competitors in Ukraine.* URS also competes with Astelit, which operates throughout Ukraine and, according to AC&M Consulting, had approximately 12.2 million subscribers as of December 31, 2009. URS also competes with Ukrtelecom, the incumbent telecommunications operator in Ukraine, which was awarded the country's only 3G license in 2005 and launched 3G service under the Utel brand in November 2007.

**Table of Contents***The Armenian mobile telecommunications market*

According to Informa Telecoms & Media, as of December 31, 2009, there were approximately 2.6 million subscribers in Armenia, representing a penetration rate of approximately 87.5%. There are currently two mobile operators with national coverage in Armenia: VivaCell and ArmenTel. The third mobile operator, France Telecom, was granted a GSM-900/1800 network license in October 2008.

The following table shows our and our primary mobile competitor's respective subscribers in Armenia as of December 31, 2009:

<b>Operator</b>	<b>Subscribers</b>
VivaCell - MTS	2,070,000
ArmenTel (VimpelCom)	545,201

Source: © 2010 Informa Telecoms & Media for all companies apart from VimpelCom.

*VivaCell.* According to Informa Telecoms & Media, as of December 31, 2009, VivaCell had approximately 2.1 million subscribers. VivaCell, which is 80.0% owned by MTS and 20.0% owned by K-Telecom, was the second mobile operator to enter the telecommunications market in Armenia and operates a GSM-900/1800 and 3G networks.

*The Tajik mobile telecommunications market*

According to Informa Telecoms & Media, as of December 31, 2009, there were approximately 4.3 million subscribers in Tajikistan, representing a penetration rate of approximately 61.8%.

The following table shows our and our primary mobile competitors' respective subscribers in Tajikistan as of December 31, 2009:

<b>Operator</b>	<b>Subscribers</b>
Babilon Mobile	1,401,300
Indigo	1,523,000
Tacom (VimpelCom)	743,140
TT-Mobile	267,500
TK Mobile	366,600

Source: © 2010 Informa Telecoms & Media for all companies apart from VimpelCom.

*Babilon Mobile.* According to Informa Telecoms & Media, as of December 31, 2009, Babilon Mobile had approximately 1.4 million subscribers. Babilon has a national GSM-900/1800 license and a 3G license.

*Indigo.* According to Informa Telecoms & Media, as of December 31, 2009, Indigo had approximately 1.5 million subscribers. Indigo consists of two companies: Indigo-Tajikistan and Somoncom both of which hold GSM-900/1800 and 3G licenses. TeliaSonera owns 59.4% of Somoncom and 60.0% of Indigo Tajikistan.

*Other competitors in Tajikistan.* Tacom also competes with TT-Mobile (brand MLT/Megafon), which holds GSM-900/1800 and 3G licenses, and TK Mobile, which holds a CDMA-2000 1X license.

*The Georgian mobile telecommunications market*

According to Informa Telecoms & Media, as of December 31, 2009, there were approximately 3.9 million subscribers in Georgia, representing a penetration rate of approximately 90.2%.

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

The following table shows our and our primary mobile competitors' respective subscribers in Georgia as of December 31, 2009:

<b>Operator</b>	<b>Subscribers</b>
Magticom	1,413,400
Geocell	1,892,000
Mobitel (VimpelCom)	399,161

Source: © 2010 Informa Telecoms & Media for all companies apart from VimpelCom.

**Table of Contents**

*Magticom.* According to Informa Telecoms & Media, as of December 31, 2009, Magticom had approximately 1.4 million subscribers. Magticom markets its services under the Magti and Bali brand names. Magticom's network covers approximately 97.0% of Georgia's population.

*Geocell.* According to Informa Telecoms & Media, as of December 31, 2009, Geocell LLC had approximately 1.9 million subscribers. Geocell holds a UMTS 3G license and 97.5% is owned by Fintur Holdings.

*The Cambodian mobile telecommunications market*

According to Informa Telecoms & Media, as of December 31, 2009, there were approximately 5.5 million subscribers in Cambodia, representing a penetration rate of approximately 36.3%.

The following table shows our and our primary mobile competitors' respective subscribers in Cambodia as of December 31, 2009:

<b>Operator</b>	<b>Subscribers</b>
CamGSM	2,307,000
Viettel Cambodia	1,032,900
Mfone	858,230
Axiata Cambodia	733,100
Sotelco (VimpelCom)	367,464

Source: © 2010 Informa Telecoms & Media for all companies apart from VimpelCom.

*CamGSM.* According to Informa Telecoms & Media, as of December 31, 2009, CamGSM had approximately 2.3 million subscribers. CamGSM holds a national GSM-900 and 3G licenses.

*Viettel Cambodia.* According to Informa Telecoms & Media, as of December 31, 2009, Viettel Cambodia had approximately 1.0 million subscribers. Viettel Cambodia holds a national GSM-900/1800 license.

*Mfone.* According to Informa Telecoms & Media, as of December 31, 2009, Mfone had approximately 0.9 million subscribers. Mfone holds national GSM-900 and 3G licenses.

*Axiata Cambodia.* According to Informa Telecoms & Media, as of December 31, 2009, Axiata Cambodia had approximately 0.7 million subscribers. Axiata Cambodia holds a national GSM-900 license.

**Competition-Fixed-line Services***Business and Corporate Services (BCS)*

*Russia.* The Beeline Business brand competes principally on the basis of unique convergent services and bundles, installation time, network quality, geographical network reach, customer service, range of services offered and price. We face significant competition from other service providers, including:

Regional subsidiaries of incumbent Svyazinvest (including Rostelecom), a holding group with a majority government ownership, for services in St. Petersburg and Russian regional cities;

Comstar-UTS, a subsidiary of Sistema Telecom and affiliate of MTS, for services to corporate customers and the small and medium enterprise, or SME, market;



## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

TransTelecom, owned by the Russian Railways, for corporate data networking services across Russia; and

More than 180 other small operators in the regions.

*Ukraine.* In the voice services market to business customers in Kyiv, we compete with Ukrtelecom, the System Capital Management group's multiregional alternative operators and a number of other small operators.

The provision of Internet and data services is not licensed in Ukraine. As a result, there is a high level of competition, with approximately 400 Internet service providers, or ISPs, in Ukraine. Our main competitors in the corporate market for data are Ukrtelecom and Datagroup.

In the fast growing residential broadband Internet market, our company faces competition from Ukrtelecom and from Volya-Cable in Kyiv.

*Uzbekistan.* We are a large independent fixed-line services operator in Uzbekistan, where we offer a full spectrum of integrated telecommunication services. In Uzbekistan, we compete with the state-owned provider, Uzbektelecom, East Telecom, Sarkor Telecom, Sharq Telecom and EVO.

There is a high level of competition in the capital city of Tashkent. The Internet market in the regions remains undeveloped.

## **Table of Contents**

*Armenia.* We are the largest fixed-line services operator in Armenia, where we offer a broad spectrum of fixed-line services to government and corporate customers across Armenia. In 2009, the following eight companies with whom we compete were granted fixed-line technology licenses: (internet service providers) iCON, Cornet-AM, Bionet, Web, Hi-Tech Gateway Inc., Arminco, Softlink; and (restaurant complex) Complex Dzoraghbyur.

*Kazakhstan.* We are very fast growing alternative internet service provider. In Kazakhstan, we compete primarily with state-owned provider, Kazakhtelecom (whose holding group includes Nursat, Sygnum, Kepter Telecom and Vostok Telecom), KazTransCom, owned by the KazMunayGas, TransTelecom, owned by the Kazakhstan Temir Zholy (railways), Astel (a leader in the provision of satellite services) and several other small operators in the regions.

### *Carrier and Operator Services*

*Russia.* For voice services, VimpelCom's main competitors are long distance carriers Rostelecom, TransTelecom and MTT. For data networking services, its main competitors are Orange, TransTelecom and Synterra and for IP transit services, its main domestic competitors are TransTelecom, Rostelecom and Synterra.

For voice services, main competitors of VimpelCom are long distance carriers Rostelecom, TransTelecom and MTT. For data networking services, its main competitors are Orange and TransTelecom, and for IP transit services, its main domestic competitors are TransTelecom and Rostelecom. An international carrier TeliaSonera also actively sells global IP transit services in Russia.

*Ukraine.* In Ukraine, carrier and operator services market competitors include Ukrtelecom, Ucomline (Farlep-Optima), Velton and Datagroup.

### *Consumer Internet Services*

Our consumer Internet access business in Russia grew rapidly over 2009 as a result of increased demand by individuals. Increased demand for Internet access services is largely due to declining costs and tariffs, which have made services more affordable to the mass market subscriber segment. Our marketing and distribution activities have also lead to increased public awareness about services.

In terms of end-user Internet penetration, the consumer Internet access business in Russia is divided between two clusters of markets: the first one consists of Moscow and St. Petersburg, the second comprises all other Russian regions. While the market for consumer Internet access is already saturated in Moscow and in St. Petersburg, in other regions the end-user Internet penetration remains quite low and has still been increasing dramatically. According to iKS-Consulting, the end-user Internet penetration stood at approximately 25.0% in Russia as of December 31, 2009. Internet penetration growth is limited by personal computer penetration in Russia which stood at 56.0% as of December 31, 2009 (according to iKS-Consulting) and by the sizeable number of cities with low-rise buildings.

The basic technologies of Internet access in Russia include: fixed broadband Internet access (comprising asymmetric digital subscriber line, or ADSL, Ethernet, Docsis and other regional home networks), wireless broadband Internet access (including WiFi, WiMax, 3G, CDMA) and dial-up.

According to iKS-Consulting, fixed broadband Internet access comprised approximately 23.0% of connections in Russia as of December 31, 2009. The percentage of fixed broadband Internet access subscribers has increased, particularly in Moscow (where the percentage grew to 73.0% as of December 31, 2009 (according to iKS-Consulting)) and other major cities. Competition for subscribers is intense and we expect it to increase in the future as a result of wider market penetration, consolidation of the industry, current operators growth and appearance of new technologies, products and services. As a result of increasing competition, Internet providers are utilizing new marketing efforts, i.e. aggressive price promotions, in order to retain existing subscribers and attract new ones.

Our main competitors in the fixed broadband market are Svyazinvest Group, Comstar UTS, Acado, Er-Telecom and various local home network providers. Competition is based primarily on network coverage, local tariff prices, Internet connection speed, services quality, customer service level, brand identity and the range of value-added and other subscriber services offered.

The number of our Dial-Up subscribers has decreased in the Russian regions and more drastically, in Moscow.

The basic technologies of Internet access in CIS include: fixed broadband Internet access (comprising ADSL and Ethernet); wireless broadband Internet access (including 3G, CDMA, WiFi); and Dial-Up.

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

During 2009, we significantly increased the number of broadband subscribers in the CIS (especially in Ukraine and Armenia). In 2009, the number of our Dial-Up subscribers slightly decreased in Armenia and Ukraine.

### **Description of our Mobile Telecommunications Business**

#### *Services*

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

voice telephony services;

value-added and call completion services;

access to both national and international roaming services; and

other services.

## **Table of Contents**

### *Voice telephony services*

We primarily offer our mobile telecommunications services to our subscribers under two types of payment plans: contract plans and prepaid plans. As of December 31, 2009, approximately 4.0% of our subscribers in Russia were on contract plans and approximately 96.0% of our subscribers in Russia were on prepaid plans. As of December 31, 2009, approximately 2.8% of our subscribers in the CIS segment, excluding Russia, were on contract plans and approximately 97.2% of our subscribers in the CIS, excluding Russia, were on prepaid plans.

### *Value-added services and call completion services*

We provide all of our customers with a variety of value-added services and call completion services:

**Call completion services.** Our call completion services include two groups of services: Possibilities with zero services and Basic voice services, which allow us to increase voice traffic and revenue without causing average price per minute to decrease. Our call completion services comprised approximately 12.0% of our total voice revenue as of December 31, 2009.

**Value added services.** Our value added services include messaging services content/infotainment services, data access services (on GPRS and 3G basis), media and content delivery channels.

Our messaging portfolio include SMS, MMS (which allows subscribers to send pictures, audio and video to mobile phones and to e-mail), voice messaging and mobile instant messaging. Different price offers for messaging services are proposed to different segments of our customers.

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

SMS Services (including information services such as news, weather, entertainment chats and friend finder);

Voice Services (including referral services);

Downloadable content (downloadable to telephone content, including music, pictures, games and video);

Ringback Tone, or RBT, (customized ringtones); and

Wireless Applications, or WAP, Services.

Our data access services are offered on GPRS and 3G basis and include access to Internet and WAP (even without phone settings).

Our media and content delivery channels include RBT, Chameleon (based on CellBroadcast), IVR content sales numbers, USSD-menu (self-care and entertainment portal), STK-menu, WAP-portal (targeted on surfing, downloads sales and enriched information).

We are also testing new mobile business areas, including mobile advertising.

### *Roaming*

Roaming allows our subscribers and subscribers of other mobile operators, to receive and make international, local and long distance calls while outside of their home network. Our roaming service is instantaneous, automatic and requires no additional equipment.

As of December 31, 2009, VimpelCom had active roaming agreements with 545 GSM networks in 213 countries in Europe, Asia, North America, South America, Australia and Africa. In addition, as of December 31, 2009, VimpelCom provided GPRS roaming with 376 networks in 160 countries. Active roaming expansion is completed as we have already covered all main roaming destinations. However, we expect to

continue developing roaming services for our subscribers.

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

In 2003, we became the first Russian mobile company to launch a customized application for mobile network enhanced logic, or CAMEL, an intranetwork prepaid roaming service. This service allows prepaid subscribers to automatically receive access to roaming services provided they have a positive balance on their accounts. CAMEL service allows us to implement real time cost control, provide more dynamic service to our clients and reduce bad debts. As of December 31, 2009, we provided CAMEL roaming together with 177 operators in 124 countries.

As of December 31, 2009, KaR-Tel, provided voice roaming on 422 networks in 159 countries, GPRS roaming on 190 networks in 80 countries and CAMEL roaming on 105 networks in 60 countries. Unitel provided voice roaming on 320 partner networks in 131 countries, GPRS roaming on 127 networks in 76 countries and CAMEL roaming on 84 networks in 60 countries. URS provided voice roaming on 204 partner networks in 120 countries, GPRS roaming on 61 networks in 44 countries and CAMEL roaming on 38 networks in 19 countries. ArmenTel provided voice roaming on 51 partner networks in 19 countries, GPRS roaming on 52 networks in 29 countries and CAMEL roaming on 38 networks in 19 countries. Tacom provided voice roaming on 112 networks in 55 countries and GPRS roaming on 40 networks in 30 countries, and on March 20, 2008, we

## **Table of Contents**

launched a technical solution that allows Tacom subscribers to roam on 363 networks worldwide. Mobitel provided roaming on 45 partner networks in 33 countries, GPRS roaming on 11 networks in 10 countries and CAMEL roaming on 26 networks in 22 countries.

### *USB-modem*

We provide our prepaid customers with wireless Internet access through GPRS/EDGE and HSDPA networks. The service was commercially launched in September 2008. We currently offer Internet access through USB modems in every region of Russia and our subscribers will be able to benefit from 3G speeds in more than 55 regions/153 cities. We offer special wireless Plug&Play USB modems, which provide our customers with a convenient tool for Internet access. In addition to providing internet access, the USB modems have other functionalities such as balance top-up, tariff changing and easy management of other services in USB-modem interface.

The service was commercially launched for prepaid and postpaid customers in Armenia in July 2009.

### *Seasonality*

Our mobile telecommunications business is subject to certain seasonal effects. Specifically, sales of our contract and prepaid tariff plans tend to increase during the December holiday season, and then decrease in January and February. Our marketing efforts during periods of decreasing sales help to offset these seasonal effects. January tends to have higher roaming revenue due to winter holiday travel by subscribers. As with contract and prepaid tariff plans, sales and minutes of use per subscriber also typically decrease in October and November. Our roaming revenues increase significantly from June to September due to the fact that many of our subscribers travel on vacation to destinations outside of their home countries. Guest roaming revenue on our networks also grows in this period. During the winter season, roaming revenues are stable, although January shows growth in all types of roaming revenues due to the winter holidays. Seasonal growth of usage of messaging services in December, January, February and March is caused by holidays period when customers like to congratulate each other with SMS and MMS.

Our fixed telecommunications business of VimpelCom ( Beeline Business ) is also subject to certain seasonal effects. Among the influencing factors are the number of working days during periods and periods of vacations. Due to the large number of public holidays and, consequently, the reduced number of working days, we see relatively low level of services usage in January, May and November. In addition, a large number of vacation days also have a negative impact on usage in the months of January, May and August.

Seasonal growth of Mobile Internet services usage from September to January is caused by growth of customer activities in this period.

## **Description of our Fixed-line Telecommunications and our Fixed Internet Business**

Following our acquisition of Golden Telecom in February 2008 and Corbina Telecom in June 2008, we offer voice, data and Internet services to corporations, operators and consumers using metropolitan overlay network in major cities throughout Russia, Ukraine, Kazakhstan and Uzbekistan via intercity fiber optic and satellite-based networks, including approximately 295 combined access points in Russia and other countries of the CIS.

In the new integrated structure fixed-line telecommunications and fixed Internet business is organized into three business segments:

Business and corporate services;

Carrier and operator services; and

Consumer Internet services.

### ***Business and Corporate Services (BCS)***

#### *BCS in Russia*

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

Our company is an integrated provider of a large range of telecommunication services available on the Russian market, such as network access and hardware and software solutions, including configuration and maintenance. It operates a number of competitive local exchange carriers, or CLECs, that own and operate fully digital overlay networks in a number of major Russian cities. The majority of our company's services are provided through its wholly-owned Moscow-based subsidiary Sovintel. Our services cover all major population centers in Russia.

### *Customers and Services*

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

*Local Access Services.* Our company provides local access services to business customers by connecting the customers' premises to its fiber network, which interconnects to the local public switched telephone network, or PSTN, in major metropolitan areas in Russia.

## **Table of Contents**

*International and Domestic Long Distance Services.* Our company provides international long distance, or ILD, services to its customers via its Federal Transit Network, or FTN, which covers the entire territory of Russia and also includes four international communications transit nodes across Russia.

Our company provides domestic long distance, or DLD, services primarily through its FTN, proprietary and leased capacity between major Russian cities and through interconnection with zonal networks and incumbent networks. It also offers very small aperture terminal, or VSAT, satellite services to customers located in remote areas.

*Dedicated Internet and Data Services.* Our company provides its business customers with dedicated access to the Internet through its access and backbone networks. It also offers traditional and high-speed data communications services to business customers who require wide area networks, or WANs, to link geographically dispersed computer networks. Our company also provides private line channels that can be used for both voice and data applications. The company offers IP virtual private network, or IP VPN, service (based on multiprotocol label switching, or MPLS), which is one of the most popular data services on the corporate market.

*Leased Channels.* Our company provides corporate clients the ability to rent channels with different high speed capacities.

*Value-Added Services.* Our company offers an increasing range of value-added services such as co-location, audio conference, SLA and 800 numbers. It offers a variety of financial information services including access to S.W.I.F.T., Reuters, Bloomberg and all Russian stock exchanges. Our company has one of the biggest call centers in Russia that provides services for business clients. *Fixed mobile convergence.* Based on our fixed and mobile networks, our company offers fixed-to-mobile convergence services to corporate clients providing use of their mobile phone as an extension of their private branch exchange, or PBX. Our company also provides access to corporate IP-networks from a mobile phone via GPRS/EDGE.

*Equipment Sales.* Our company offers and sells equipment manufactured by Cisco Systems, Alcatel-Lucent, Avaya, Panasonic, Nokia, Motorola, Apple, Blackberry and other manufacturers. As part of its turnkey approach, our company also offers custom solutions and services for the life cycle of the equipment, including its design, configuration, installation, consulting and maintenance.

### *BCS in Ukraine*

Our company has constructed and owns a 21,000 kilometer fiber optic network, including 2,200 kilometers in Kyiv, which is interconnected to the local PSTN in Kyiv, to other major metropolitan areas in Ukraine and to our gateway. Our company provides data and Internet access services in 97 metropolitan cities in Ukraine using leased terrestrial capacity from Ukrtelecom, the Ukrainian incumbent operator, and from some alternative providers.

Our company also offers various combinations of local access, VoIP and broadband Internet services to customers in 23 cities. Our company also provides fixed-line local access and broadband Internet services to residential customers in nine cities.

*Local Access Services.* Our company provides local access services to corporate customers by connecting their premises to our fiber optic network, which interconnects to the local PSTN in 23 major Ukrainian cities.

*International and Domestic Long Distance Services.* Our company provides outgoing international voice services to business customers through its international gateway and direct interconnections with major international carriers using least-cost routing. DLD services are primarily provided through our own intercity transmission network, leased capacity and through interconnection with Ukrtelecom's network. Our company also holds an international license for Ukraine that enables it to provide international telecommunications services throughout Ukraine and to lease the transmission channels to third parties.

*Dedicated Internet and Data Services.* Our company provides a private line service, virtual private network, or VPN, services, an integrated voice and data ISDN connection, frame relay, broadband digital subscriber line and dedicated Internet services.

*Voice over Data Services.* Our company is a leading provider of voice over data services in Ukraine. Its prepaid cards and VoIP products provide an alternative international calling solution.

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



## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

*Call Center Services.* Our company launched its call center services in 2002 and is one of the main market players in providing telemarketing, actualization and hot line services for corporate clients in Kyiv.

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

*BCS in Uzbekistan.*

Our company is an integrated provider of a large range of telecommunication services available on the Uzbek market, such as network access and hardware and software solutions, including configuration and maintenance. The company has its own basic fiber-optical digital network in the cities of Tashkent and Samarkand which is longer than 200 kilometers, and copper cables (so-called "last mile"), which are longer than 250 kilometers that allow users to connect and to render services practically in any region of Uzbekistan.

## **Table of Contents**

*Customers and Services.* Traditionally clients of our company are embassies and the diplomatic representatives of the foreign states accredited in Uzbekistan, representations of the international organizations and corporations, and also the largest hotels, banks, hotels, joint ventures. Currently, the company renders services to physical persons. It is home ADSL-Internet , GulfStream , a telephony, and the international and long-distance telephony on the prepaid cards.

*Automatic telephone communication.* Beeline offers customers high quality telephone communication services, based on the modern digital fiber-optic network. Local, national and international telephone communication is provided through the Beeline line installation. These lines can also be used for facsimile and modem communication.

*Data transmission dedicated lines.* Beeline gives opportunities to organize corporate networks based on leased channels i.e. dedicated lines of data transmission. Dedicated line is a data transmission medium that is leased by organization-lessee. This solution is most convenient for an organization with big traffic of data transmission or uninterrupted connection requirements.

*Frame Relay data transmission.* Our company provides continuous Internet access by Frame Relay network with certain guaranteed bit rates of data transmission. Frame Relay is one of the alternatives to proper network construction but it is the provider who solves all technical network problems. For client Frame Relay looks like his separate network but does not require leasing the lines. Frame Relay provides services of VPN (Virtual Private Network) and is usually used for connecting local networks, for Internet access and supporting of remote access.

*Dedicated Line access.* It is high-tech Internet access over constant client - provider connection with various guaranteed bit rates and support of data protocols. This access method is the most favorable for organizations with more than 20 computers or organizations that have their proper resources requiring twenty-four-hour presence in Internet. The connection rate is limited only by potential of the last mile ( client - provider connection length) organizing equipment.

*Frame Relay access.* One of the most common ways is Frame Relay connection technology. Client gets twenty-four-hours Internet access over Frame Relay dedicated channel with various guaranteed bit rates right up to 2Mb/s. It is used Cisco router and NT-1 equipment (Network Termination) for porting peripheral equipment or Intranet to the Internet access line. Digital channel from client office to communication hub is derived by special modem that setting on both channels ends.

*xDSL internet access.* Company offers the xDSL technologies, allowing to greatly increase the data transmission rate via telephone cooper cable barring necessity to modernize subscriber telephone lines. The very capability of the existing telephone lines to be transformed into the high-speed data transmission channels is the main advantage of the xDSL technologies.

*Fixed mobile convergence.* Based on our fixed and mobile networks, our company offers fixed-to-mobile convergence services to corporate clients providing use of their mobile phone as an extension of their private branch exchange, or PBX. Our company also provides access to corporate IP-networks from a mobile phone via GPRS/EDGE.

*Mass Market Services.* Our company offers telephone and Internet broadband access services (through FTTB or ADSL) for mass market customers, including 100Mbit/s Internet access service.

*BCS in Kazakhstan.* We focus on small and medium businesses in the cities of Kazakhstan, offering services, including, high-quality, high-speed Internet, telephony and data transmission at competitive prices. We also offer specialized services for multi-national corporations and financial institutions.

We provide the following services for corporate customers:

hi-speed Internet access (including ethernet technology (fiber optic communications lines, or FOCL, wireless local loop, WiMax), ADSL technology and satellite technology);

local, long-distance, international telephony (including traditional telephony, IP telephony);

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

data transmission services (including leased lines (point-to-point), frame relay network and IP VPN);

organization of satellite channels by Very Small Aperture Terminal, or VSAT, based on iDirect equipment;

organizational services for integrated corporate networks (including integrated network voice and data services);

access to financial and informational resources (including stock exchanges, trading systems, informational agencies, payment systems and card verification centers); and

data processing and storage services.

*BCS in Armenia.*

Our company is an integrated provider of a large range of telecommunication services available on the Armenian market, such as PSTN-fixed and IP telephony, Internet, data transmission and network access, as well as domestic and international voice termination, TCP/IP international transit traffic services. ArmenTel operates a national network.

*Local Access Services.* ArmenTel provides local leased channels.

*International and Domestic Long Distance Services.* ArmenTel provides international and long-distance (in the territory of the Republic of Armenia) leased channels.

## **Table of Contents**

*Dedicated Internet and Data Services.* ArmenTel provides data transmission, as well as broadband and corporative Internet services.

*Voice over Data Services.* ArmenTel provides IP telephony services.

### ***Carrier and Operator Services outside Russia***

VimpelCom's Carrier and Operator services division provides consolidated management of VimpelCom's relationship with other domestic and foreign carriers and operators.

Two main areas of focus in this line of business are:

generating revenue by provisioning a specific range of telecom services to other mobile and fixed-line operators and ISPs in Russia, the CIS countries and abroad; and

optimizing costs and ensuring the quality of VimpelCom's long distance voice, Internet and data services to and from subscribers of other telecommunications operators and service providers worldwide by means of interconnection agreements.

In an effort to create a single unified transport network for our mobile and fixed telecommunications services by December 31, 2008, we transferred the majority of VimpelCom's international and domestic long distance voice traffic to our own backbone from other Russian long distance carriers. This allowed us to reduce voice traffic termination cost by using our own backbone for national long-distance and international traffic. In 2009, we continued consolidation of long distance traffic originated by VimpelCom's subscribers in Russia to achieve maximum cost efficiency with more than 93.0% of our long distance traffic having been transferred via our own backbone with a centralized least cost routing.

### ***Carrier and Operator Services in Russia***

VimpelCom's Carrier and Operator Services division in Russia provides a range of carrier and operator services, including voice, Internet and data transmission over our own networks.

Historically, VimpelCom provided high volumes of international and domestic voice calls termination for Russian telecommunications operators, as well as voice call termination to Russia, CIS and Baltic states for international telecommunications operators. After the demonopolization of the long distance telephony market in Russia in 2006, VimpelCom received a new type of license for international and national communications services and built an FTN of 11 new international and domestic long distance voice switches to meet regulatory requirements for the activation of the new license. By the end of 2008, VimpelCom's FTN had expanded, consisting of 8 international and 21 domestic long distance switches. From the beginning of 2007, VimpelCom has improved its status on the international and domestic long distance markets in Russia by providing services that are competitive with those offered by leading telecommunications providers in Russia. In 2009, this powerful infrastructure allowed VimpelCom to achieve significant traffic growth. International traffic volumes transferred by VimpelCom's FTN in 2009 increased by more than 25.0% in comparison to year 2008.

Regulatory changes in 2006 introduced new models of inter-operator tariffs to the Russian voice traffic transmission market. There are three types of fixed-line voice services operators, Local, Zonal and Long Distance, which are determined in accordance with licenses held by an operator. According to regulations, every long distance voice call originating from a fixed-line subscriber in Russia and/or terminating with a fixed-line subscriber in Russia should be transmitted via all three levels of voice network. All calls that originate or terminate with a mobile user must be transmitted on two levels of voice network.

VimpelCom, as a universal carrier and service provider, combines all three levels of licenses and voice networks within Russia. VimpelCom has a number of its own Zonal networks and has its own Local networks in the most populated regions of Russia.

Our Carrier and Operator Services division also provides domestic and international IP transit services to ISPs in Russia, the CIS and Baltic states. Smaller ISPs can connect to our IP backbone and then use its network to access the Internet. VimpelCom's IP backbone is a native IP/MPLS network with 20 Gb infrastructure and more than 100 access points in Russia. Top Russian content providers facilities are located in VimpelCom Data Centers and have internet access via VimpelCom's IP backbone. More than 400 ISPs have an IP exchange with our network as full IP transit customers. We have global traffic exchange points in London, Frankfurt, Amsterdam and New York. These factors allow VimpelCom to provide ISPs with hi-level bandwidth and connectivity to both Russian and global internet segments.

*Customers and Services*

VimpelCom's Carrier and Operator services customers include foreign and Russian telecommunications operators and carriers.

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

## **Table of Contents**

*Internet Services.* VimpelCom's Carrier and Operator Services division provides IP transit service to Russian, CIS and Baltic states and other operators throughout the world. Russian and CIS operators require global internet connectivity. International operators require connectivity to the Russian Internet segment. In addition, VimpelCom's Carrier and Operator Services division provides co-location services in our Data Centers to content providers.

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

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

VimpelCom has interconnection agreements with international global data network operators who provide one-stop shopping for worldwide data network services for multinational companies. Under these agreements VimpelCom provides MPLS based IP VPN, local, domestic and international private lines, equipment and equipment maintenance for Russia and the CIS.

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

### *Carrier and Operator Services outside Russia*

VimpelCom Russia is the main carrier for all VimpelCom group companies in the CIS for voice traffic transmission between countries where VimpelCom operates and for the majority of the VimpelCom group's international long distance traffic termination and IP transit. This allows the VimpelCom group to avoid high capacity cost for hard-to-reach destinations in CIS and transfer subscriber's and transit long distance traffic to and from CIS networks with an optimized cost.

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

Most of carrier and operator services revenue in Ukraine we derive from voice call termination services to our own mobile network, and other local and international destinations.

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

*Kazakhstan.* KaR-Tel has indirect interconnection with VimpelCom Russia through Limited Liability Partnership TNS-Plus ( TNS-Plus ), in which KaR-Tel owns an interest. KaR-Tel has interconnection agreements with other mobile operators and with Kazakhtelecom, a national carrier. KaR-Tel also has interconnection agreements with other fixed-line operators under which KaR-Tel provides traffic termination services in Kazakhstan.

*Uzbekistan.* Unitel has an interconnection agreement with Uzbektelecom, the incumbent fixed and mobile services provider in Uzbekistan, through which all national and international traffic is routed. Uzbektelecom also has an interconnection agreement with VimpelCom Russia and with four mobile providers in Uzbekistan (MTS-Uzbekistan, East Telecom, Rubicon Wireless Communication and COSCOM).

*Tajikistan.* Tacom has interconnection agreements with eight mobile operators, including local and international operators. Under interconnection agreements, Tacom provides voice call termination to its own network. Tacom also has a license to provide international communications in Tajikistan which allows to interconnect with VimpelCom Russia directly.

*Georgia.* Mobitel has interconnection agreements with ArmenTel and Sovintel, and 30 agreements with local operators. Under these agreements Mobitel provides voice call termination to its own network.

*Cambodia.* Sotelco has interconnection agreements with eight mobile operators, including local and international operators through the local incumbent Telecom Cambodia. Under interconnection agreements, Sotelco provides voice call termination to its own network. Sotelco also has a license to provide VoIP services in Cambodia which allows to interconnect with Sovintel and also through Telecom Cambodia.

*Consumer Internet Services*

Our Consumer Internet Services division provides fixed-line telephony, Internet access and home phone services (on a VoIP and copper wire basis) to customers in Russia, Ukraine, Uzbekistan, Armenia and Kazakhstan.

In Russia, we offer fixed-line and wireless Internet access and dial-up services.

*Fixed Broadband Internet Access.*

According to the research by iKS-Consulting, as of December 31, 2009, broadband penetration in Russia reached 23.0%. One of our strategic goals is broadband services development based on the most up-to-date engineering solutions. Currently, the VimpelCom group of companies (including VimpelCom, Golden Telecom and Corbina Telecom) is focused on developing local infrastructure in order to bring fixed broadband Internet access services to major Russian cities.

## **Table of Contents**

Corbina Telecom launched an FTTB project in 2005 and was followed by Golden Telecom, which launched its FTTB project in 2007. Since September 2008, FTTB services have been offered under our Beeline brand. As of December 31, 2009, we had approximately 971,000 subscribers in 75 cities where we offer FTTB services.

For more information on Golden Telecom's FTTB project, please see the Fixed-line Telecommunications Equipment and Operations FTTB Project section below.

### *Additional FTTB services*

**FTTB IPTV.** We launched the FTTB service in January 2009. In May 2009 we enhanced and relaunched the product under the Beeline TV brand. Currently Beeline TV product is run in Moscow and Saint Petersburg. Last one was launched in December 2009. As of December 31, 2009, we had approximately 30,000 IPTV subscribers. Service has two unique market features: all set-top-boxes, or STB, are high definition, or HD, technology compatible which allows us to broadcast HD content to every our customer. Second, we provide STBs with digital video recorder, or DVR, functions which allow to watch TV content on demand way, to pause Live TV and rewind it.

**Wireless Broadband Internet Access.** On March 1, 2007, Golden Telecom launched commercial operations of its WiFi network offering prepaid Internet access to the mass market under the Golden WiFi brand. Since September 22, 2008, the service has been provided under Beeline WiFi brand. Beeline WiFi is the world's largest metropolitan wireless network and includes the greater part of Moscow's city center and many other areas of the city. As of December 31, 2009, our company had installed more than 15,000 WiFi access nodes in Moscow providing indoor and outdoor Internet access covering approximately 2.0 million apartments. Since December 2007, Golden Telecom has also been providing international WiFi roaming service in more than 60 countries.

As of December 31, 2009, we had approximately 64,000 WiFi customers in Moscow and St. Petersburg. Our most recognized partners in providing WiFi services are Domodedovo and Sheremetyevo Airports, McDonalds, Starbucks, Coffee-House, MEGA and IKEA trade centers.

**xDSL Services.** Since 2005, Golden Telecom has developed broadband Internet access on the basis of xDSL technologies. As of December 31, 2009, more than 95.0% of connections use ADSL technologies. xDSL-networks are used in 11 major cities in Russia. As of December 31, 2009, our company had approximately 31,000 xDSL subscribers in Russia.

**Dial-up Internet Access.** Our company continues to offer dial-up Internet services to consumers in Russia. With over 50 locations, our company is the largest ISP in the CIS. We plan to continue providing dial-up Internet services while migrating dial-up Internet customers onto new Internet access products such as FTTB, USB-modems and WiFi.

**SIP Telephony (on VoIP technology).** Through Corbina Telecom, we offer SIP-Telephony to the mass market. These services are available for computers, mobile devices and VoIP equipment users. As of December 31, 2009, we had approximately 10,000 subscribers in Moscow.

**Traditional Voice (on TDM technology with copper last mile).** Since 2005, Golden Telecom has provided home phone services to the mass market using TDM-technology. Golden Telecom provides the same services as its main competitor, the Svyazinvest Group. As of December 31, 2009, our company had approximately 172,000 subscribers in 34 regions in Russia.

**Pay TV (Cable TV) Services.** Golden Telecom provides traditional cable TV services in certain cities in Russia. As of December 31, 2009, our company had approximately 80,000 subscribers in these cities.

In Ukraine, Uzbekistan, Armenia and Kazakhstan, with the exception of Pay TV, we offer the same spectrum of fixed-line and wireless Internet access and dial-up services. In Armenia, we offer PSTN-fixed and IP telephony services, as well as fixed broadband Internet access based on Asymmetric Digital Subscriber Line, or ADSL, technology and dial-up services and wireless Internet access based on CDMA technology.

### ***Marketing and Distribution***

#### ***Mobile Services***

##### ***Target Subscribers and Tariffs***

We offer to both our contract and prepaid subscribers a variety of tariff plans, each appealing to a specific subscriber segment and designed to fit different calling patterns. Our principal tariff plans are marketed under our Beeline trade name.



*Russia*

In Russia, VimpelCom offers its subscribers several national prepaid and contract tariff plans, each offering a different benefit and targeting a certain type of subscriber (such as business users, high-ARPU subscribers, families or young, active subscribers). VimpelCom also offers a number of local tariff plans. VimpelCom's tariff plans in Russia are almost exclusively Russian ruble-based but there are a limited number of U.S. dollar linked price plans (based on a fixed exchange rate).

VimpelCom divides its primary target subscribers in Russia into four groups:

Key/National Accounts, in which monthly revenue for mobile and fixed line services exceed US\$10,000.0;

Large Accounts, in which monthly revenue for mobile and fixed line services exceed US\$2,000.0 or companies having high revenue potential;

## Table of Contents

SME in which monthly revenue for mobile and fixed line services is less than US\$2,000.0; and

mass market subscribers.

VimpelCom offers special customer services and tariff plans with discounts for Internet services for our Key/National accounts. The revenues from VimpelCom's Key/National accounts, including all multi-regional companies and government institutions, is included in the total revenues for VimpelCom's Corporate and Business segment.

As of December 31, 2009, VimpelCom in Russia had a total Key/National, Large Accounts and SME mobile subscriber base of approximately 4.1 million, of which approximately 11.0% comprised Key/National accounts, 47.0% comprised SMEs and approximately 42.0% comprised large account subscribers. VimpelCom's corporate segment generated approximately 24.0% of its total revenues in 2009.

The typical corporate subscriber pays on a contract basis for our fixed and mobile services. VimpelCom provides its corporate subscribers with a range of additional value-added services, including specialized customer service, tailored pricing arrangements and access to sophisticated technological options, such as individual corporate wireless networks.

For USB-modems customers, VimpelCom offers special mass market tariffs that were developed for Internet access purposes with closed voice service. Tariffs differ by subscriber needs. In regions in which we use a 3G network (more than 70 regions in 2010), subscribers benefit from lower tariffs and higher speeds. We implemented several unlimited tariffs and started sales of data-tariffs without USB-modems with attractive price for Internet access. In cooperation with partners we offered to our customers free-of-charge antivirus programs.

### *Kazakhstan*

In Kazakhstan, KaR-Tel offers approximately 10 regional and nationwide tenge-based tariff plans for the consumer market and 10 tenge-based tariff plans for its business segment, each targeted at a different type of subscriber.

KaR-Tel divides its primary target subscribers into four large groups:

large account corporate subscribers with an average monthly bill of US\$2,300.0 or higher;

SME with an average monthly bill of less than US\$2,300.0;

national clients with any number of employees, but that are industry leaders with a presence in more than one region of the country; and

mass market subscribers.

Businesses and governmental entities that use mobile services on a contract basis are grouped together as part of KaR-Tel's corporate segment.

As of December 31, 2009, KaR-Tel had a total large account corporate and SME subscriber base of approximately 247,000, of which approximately 74.0% comprised SMEs, approximately 7.0% comprised large account corporate subscribers and the remaining 19.0% comprised national clients. KaR-Tel's corporate segment generated approximately 7.3% of its total revenues in 2009.

In order to promote further growth of our subscriber base, KaR-Tel is able to offer a number of advanced services to the corporate and mass market subscribers with high ARPU, while at the same time providing lower priced services for the more cost-sensitive mass market subscribers.

### *Uzbekistan*

In Uzbekistan, Unitel offers different prepaid tariff plans in two currencies (U.S. dollars and Uzbek Soums), each one offering a different benefit and targeting a certain type of subscriber. Unitel offers contract tariff plans to business clients each targeted at a different type of subscribers.

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

Unitel divides its primary target subscribers into four large groups:

Key/National Accounts, in which monthly revenue for mobile and fixed line services exceed US\$7,000.0;

Large account corporate subscribers with an average monthly bill of US\$1,000.0 or higher and more than 25 employees;

SME in which monthly revenue is less than US\$1,000.0 and has 25 or fewer employees and high-income individual subscribers; and

mass market subscribers.

Businesses and governmental entities that use mobile services on a contract basis are grouped together as part of Unitel's large corporate segment.

As of December 31, 2009, Unitel had a total Key/National, Large Accounts and SME mobile subscriber base of approximately 78,000, of which approximately 0.1% comprised Key/National accounts, 83.8% comprised SMEs and approximately 16.2% comprised large account subscribers. Unitel's corporate segment generated approximately 5.7% of its total revenues in 2009.

## **Table of Contents**

Through its GSM network, Unitel offers a number of advanced services to the corporate and high-value subscriber, while at the same time providing low-priced services for the more cost-sensitive mass market subscribers.

### *Ukraine*

In Ukraine, URS offers several hryvnia-based prepaid and contract tariff plans, each one targeted at a different type of subscriber.

URS divides its primary target subscribers into two large groups:

SME subscribers; and

mass market subscribers.

URS had approximately 2.0 million subscribers in Ukraine as of December 31, 2009, including approximately 2.0 million prepaid subscribers and 0.05 million contract subscribers, representing 97.5% and 2.5% of its subscribers, respectively, as compared to 2.1 million subscribers as of December 31, 2008.

### *Armenia (mobile)*

In Armenia, ArmenTel offers several dram-based prepaid and contract tariff plans, each one targeted at a different type of subscriber. In 2009, ArmenTel modified its tariff plans for contract subscribers and launched new corporate tariff plans.

ArmenTel divides its primary target subscribers into three groups:

large corporate subscribers with 30 or more telephone lines or service charges of US\$3,000.0 or more;

SME subscribers with less than 30 telephone lines or service charges of less than US\$3,000.0; and

mass market subscribers.

Businesses and governmental entities that use mobile services on a contract basis are grouped together as part of ArmenTel's corporate segment.

As of December 31, 2009, ArmenTel had a total corporate subscriber base of approximately 79,586, of which approximately 24.0% comprised large corporate subscribers and approximately 76.0% comprised SMEs. ArmenTel's corporate segment generated approximately 28.0% of its total revenues in 2009.

### *Tajikistan*

In Tajikistan, Tacom offers several U.S. dollar-based and Tajik somoni-based prepaid and contract tariff plans, each one targeted at a different type of subscriber in the consumer or corporate segments.

Tacom divides its primary target subscribers into two groups:

mass market subscribers; and

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

corporate subscribers.

As of December 31, 2009, Tacom had a total corporate subscriber base of approximately 11,528, which represents approximately 1.6% of Tacom's total subscriber base. Tacom's corporate segment generated approximately 2.1% of its total revenues in 2009.

### *Georgia*

In Georgia, Mobitel offers five national carrier-based prepaid tariff plans, each one targeted at a different type of subscriber. Mobitel divides its primary target subscribers into two groups:

SME subscribers;

large account subscribers; and

mass market subscribers.

At present, Mobitel offers four contract-based post paid tariff plans and prepaid analogs of post paid tariffs for its corporate customers. Its main focus in 2009 remained SME, as the demand of the largest accounts was 95.0% coverage by population.

As of December 31, 2009, Mobitel had a total corporate subscriber base of approximately 8,764 registered subscribers. Mobitel currently offers contract-based plans for its corporate customers and consequently its corporate segment generated approximately 2.7% of its total revenues in 2009.

**Table of Contents***Cambodia*

In Cambodia Sotelco offers one prepaid national price plan with low rate for on-net calls. Post-paid plans are under development. All services are offered under Beeline brand. Our main target audience is youth following the demographics of this country with one of the youngest populations in Asia.

*Advertising*

Since the acquisition of Golden Telecom, we have advertised all of our telecommunications services and products under the Beeline brand name. This includes products and services of Golden Telecom.

We provide promotional information in our consumer invoices and on our prepaid cards to inform customers of alternative pricing arrangements, dealer locations and new services targeted to specific market segments. We conduct significant advertising campaigns through popular publications, on radio and television, in outdoor media and on the Internet. We conduct our advertising campaigns in cooperation with our licensees to further increase the exposure of the Beeline brand name. We derive substantial marketing benefits from brand recognition, both with existing customers traveling outside of our service areas and with potential new customers moving into our license areas. We also work with dealers on joint advertising and to ensure that the integrity and high quality image of the Beeline brand name is preserved.

In 2009, the Beeline brand was named the leading brand corporation in Russia and ranked 39<sup>th</sup> in the Top 50 Most Valuable European Brands, with a 7.9 billion brand value, by the European Brand Institute.

We also provide our telecommunications services in Kazakhstan, Uzbekistan, Ukraine, Armenia, Tajikistan, Georgia, Cambodia and Vietnam under the Beeline brand name.

*Distribution*

Our distribution strategy currently focuses on making our products and services more affordable and widely available to potential new and existing subscribers. We offer our products through independent dealers at an extensive range of points of sale throughout each country in which we offer services. Subscribers can replenish prepaid balances in a variety of ways, including through use of prepaid scratch cards or our Universal Payment System. As a result of our strategy, we tend to attract a greater mix of mass-market subscribers, most of whom enroll through independent dealers as compared to our corporate and high value customers who mostly enroll directly with us. Additionally, in October 2008, we acquired 49.9% of Euroset, a leading independent retailer in Russia, which significantly enhanced our distribution capabilities.

	Independent Dealers	Points of Sale	Prepaid Scratch Card Purchase Location <sup>(1)</sup>	Cash Collection Points <sup>(2)</sup>
	<i>(As of December 31, 2009)</i>			
Russia	3,100	35,300	51,100	240,200
Kazakhstan	333	6,989	29,491	22,612
Uzbekistan	2,311	3,637	7,523	22,790
Ukraine <sup>(3)</sup>	1,191	20,703	25,108	41,029
Armenia (mobile)	73	3,834	8,560	2,350
Tajikistan	131	1,552	3,476	3,696
Georgia	139	801	4,517	5,493
Cambodia	1,036	3,233	6,428	

(1) Prepaid scratch cards are sold at our sales offices as well as through a network of dealers and various retail distribution channels, such as bank branches, supermarkets, grocery stores, kiosks, restaurants and gas stations.

(2) Cash collection points where subscribers can replenish prepaid balances through our Universal Payment Systems are located throughout each jurisdiction (including our sales offices, dealers sales outlets, supermarkets, bank branches, gas stations and ATM machines).

(3) Figures exclude Golden Telecom's mobile operations in Ukraine.

VimpelCom pays commissions to dealers for enrolling subscribers.

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

The commissions in CIS countries typically vary by the initial balance included with the SIM card and by the subscriber's price plans. In all countries excluding Ukraine, registration of new subscribers in the billing system by dealers is required for payment of dealer commissions. In Ukraine subscribers' registration is not required by law.

### *Customer service and loyalty programs*

We place a high priority on providing consistently high quality customer service to our subscribers. VimpelCom has customer service centers in all of its sales offices throughout Russia, including 19 dedicated walk-in centers in Moscow and five in Moscow Region. VimpelCom handles the majority of its customer contacts through 21 call centers (12 in Russia, seven in CIS and two in Cambodia and Vietnam). VimpelCom call centers support a wide range of services, products and devices, including mobile, FTTB, Residential Broadband and iPhones. As of December 31, 2009, VimpelCom employed approximately 6,900 service representatives in its subscriber service department (of which approximately 5,300 were in Russia, approximately 1,400 were in the CIS and approximately 200 were in Cambodia and Vietnam).

## **Table of Contents**

Our loyalty programs are designed to retain our existing subscribers, thereby reducing churn, and increasing customer spending. In 2006, we launched a loyalty family program called *Malina* in the Moscow license area with other vendors and service providers. Through a variety of incentives, this program aims to decrease churn among our mass market subscribers, increase usage of *Beeline* services and attract target market subscribers from our competitors. We also launched the Data Warehouse program, which allows us to provide cross-partner programs in which we analyze *Malina* members' activities with other program partners. As of December 31, 2009, 872,147 *Beeline* users participated in the *Malina* program. In 2007, *Hi-Light Club*, or *HLC*, our loyalty program for high ARPU clients (launched in March 2005) became a nationwide program and is being developed as a centralized program managed from Moscow. As of December 31, 2009, the total number of participants exceeded 1.0 million (361,155 in Moscow and 677,096 in other regions).

In CIS markets we also actively developed activities to retain our subscribers. In September 2009 loyalty program *Beeline bonus* was launched in Armenia. The program aims to decrease churn and improve *Beeline* price perception among our mass market subscribers. As of December 31, 2009, the amount of participants is about 150,000.

In October 2009 in Kazakhstan we launched loyalty program *Zhasa!* (which means *Act!*). The program aims to reduce churn and increase on net voice traffic. The program presupposes three types of privileges: basic privileges from *Beeline* (voice and SMS), privileges from about 100 partners, exclusive services from *Beeline*. As of December 31, 2009, the amount of participants exceeds one million.

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

### ***Fixed-line Marketing and Pricing***

#### ***Business and Corporate Services (BCS)***

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

As of December 31, 2009, we utilize a direct sales force consisting of approximately 450 sales and account managers in Moscow, operated both with fixed and mobile corporate customers and supported by specialists in technical sales support, marketing, customer service and end-user training. In addition, we employ a team of regional sales managers (approximately 550) and a dedicated sales force in each of our 76 regional branch offices, in addition to having sales incentive plans with our regional partners.

We train our employees to provide a high level of customer service. In the typical case, we offer our services at competitive prices in comparison with incumbent local / national operators and other alternative operators in the market. At the same time, our large customers may be eligible for volume discounts at defined revenue thresholds. We also apply a discount policy within cross-sales (selling convergence fixed and mobile services to the same client). While pricing competition remains a factor, especially for voice services, many corporate data networking customers place more value on network coverage, reliability and the ability to design, install and maintain local area networks, or LANs, and wide area networks, or WANs. These customers often require integrated solutions, including connections to offices located in different cities.

##### ***Ukraine***

Our company emphasizes high customer service quality and reliability for its corporate large accounts while at the same time focusing on the development of its SME and mass market offerings. It sells to corporate customers through a direct sales force and various alternative distribution channels and to the mass market through alternative distribution channels such as agent networks.

We use a customized pricing model for large accounts and standardized pricing for SMEs and mass market customers.

#### ***Consumer Fixed Internet Services***

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

***Fixed Broadband Internet Access.*** For FTTB services, the *VimpelCom* group of companies offers an unlimited tariff plan and tariff plans that depend on traffic volume and connection speed. Unlimited tariff plans offer a convenient solution for active Internet users who use Internet to download large volumes of data. The maximum speed of FTTB Internet access is 100 Mbps.



## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

*FTTB IPTV.* TV service is provided on a monthly fee basis. STB can be rented or sold to customers. We also have launched VAS for TV service: Video On Demand (3K items library), web-on-TV (together with Yandex - largest Russian web portal), recommendation engine - STB remind customer about start of regularly viewed TV shows. Also, STB can record TV shows which are considered to be interesting for the customer according to his viewing history.

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

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

**Table of Contents**

*Dial-up Internet Access.* Currently, our company offers prepaid tariff plans for all mass market services. Customers can purchase scratch cards from points of sale, pay through an electronic payment system or make a payment at one of its sales offices. Our company uses its distribution network to communicate with our subscribers and for trade marketing activities. Moscow and regional subscribers can call their call centers for customer and technical support.

*SIP Telephony (on VoIP technology).* We offer moderate tariffs on long distance communication and one tariff plan for all ILD-DLD zones. We offer competitive prices compared to other long distance providers.

*Traditional Voice (on TDM technology with copper last mile).* As required by law, we offer three tariff plans which are similar to the tariff plans of our main competitors.

*Pay TV (Cable TV) Services.* VimpelCom offers two tariff plans Social for customers who needs basic TV channels (10-12 channels) and Commercial with 45-55 TV channels.

*Ukraine*

URS marketing strategy is focused on subscribers acquisition. We offer several hryvnia-based tariff plans, each one targeted at a different type of subscriber. Advertising campaigns use primarily outdoor, internet and BTL media. Also we sell services through direct sales force.

**Equipment and Operations***Mobile Telecommunications Equipment and Operations**Mobile telecommunications network infrastructure*

GSM and 3G technologies are based on an open architecture, which means that equipment from any supplier can be added to expand the initial network. Our GSM/GPRS/EDGE networks, which use Alcatel-Lucent, Ericsson, Huawei, Motorola and Nokia Siemens Networks equipment, are integrated wireless networks of base station equipment, packet core equipment and digital wireless switches connected by fixed microwave transmission links, fiber optic cable links and leased lines.

In 2006, we launched a 3G network in Tajikistan based on Huawei equipment. In 2008 3G networks were launched in Uzbekistan and Armenia. These networks provide all common 3G services, including video calling. In March 2008, we launched a TDM/VoIP international gateway in Kazakhstan.

As of December 31, 2009, we launched 3G in 115 cities in Russia. All our 3G networks support High Speed Packet Access, or HSPA, service and ready for HSPA+ introduction without significant expenses.

The table below sets forth certain information on our network equipment as of December 31, 2009.

	<b>GSM Base Stations(*)</b>	<b>Base Station Controllers(*)</b>	<b>Switches(*)</b>	<b>Territorial Coverage</b>	<b>Sq Kilometers</b>
Russia	28,711	749	317	3,170,000	million sq kilometers
Kazakhstan	3,191	84	25	670,204	thousand sq kilometers
Uzbekistan	1,655	29	25	168,500	thousand sq kilometers
Ukraine	3,039	22	24	350,000	thousand sq kilometers
Armenia	571	3	4	33,687	thousand sq kilometers
Tajikistan	556	6	6	49,690	thousand sq kilometers
Georgia	609	8	3	26,818	thousand sq kilometers
Cambodia	552	5	1	51	thousand sq kilometers

\* Includes 3G equipment.

To avoid network constraints, we expect to extend our network capabilities through hardware and software extensions in 2010. We base our expansion decisions on current equipment load, existing marketing plans and new product and services launches.

## **Table of Contents**

### *Site procurement and maintenance*

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

### *Telephone numbering capacity*

The Federal Communications Agency allocates all numbering capacity necessary for communication networks operation on a non-geographical and geographical basis for all telecommunications providers in Russia. We are required to pay 20.0 Russian rubles per telephone number according to the federal law which came into effect on January 28, 2010. Numbering capacity is also allocated to us in the other CIS countries in which we operate by government agencies. For more information about numbering capacity allocation, please see Regulation of Telecommunications below.

### *Handsets and accessories*

Our subscribers must have a handset that can be used on our mobile networks. Subscribers in Russia and the CIS can purchase handsets from us, from a dealer or supplier or from another service provider. We do not expect to earn a significant profit on the sale of handsets and accessories. Rather, we intend to sell handsets and accessories to help attract subscribers and ensure the supply of handsets in the marketplace. In the future, we may consider shifting all our handset sales to independent dealers as the mobile market grows and dealers' retail operations develop. Our handset sale strategy focuses on traffic generating devices such as the iPhone 3G and 3GS and the Blackberry. We started mass market sales through our own offices and dealer shops of iPhone devices in the fourth quarter of 2008 and Blackberry devices in the fourth quarter of 2009.

### *New technology*

VimpelCom is moving towards broadband connection environment deploying wired and wireless highspeed technologies.

We have been working on next generation long term evolution, or LTE, pilot projects to be launched in some of the CIS countries and in Russia.

To support rapidly growing data traffic we installed dense wavelength division multiplexing, or DWDM, equipment on our Russian backbone and some CIS countries.

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

### *Fixed-line Telecommunications Network Infrastructure*

#### *Russia*

Our transport network carries voice, data and internet traffic of mobile network, FTTB and our fixed customers. The intercity backbone of our transport network is based on our own optical cable network. The main fiber ring of our network connects the following major cities in the European part of Russia: Moscow, Voronezh, Rostov, Krasnodar, Volgograd, Saratov, Samara, Ufa, Kazan, Nizhny Novgorod. We also have an Eastern optical ring connecting Chelyabinsk, Yekaterinburg, Perm, and Tyumen. Our protected optical line connects Moscow and St. Petersburg, and passes to Stockholm, London and Frankfurt, where we have interconnections with major European and international telecommunications operators. Two independent optical lines connect our optical networks in Russia and Ukraine. We have also built a cross boundary line in Kazakhstan, which connects our Russian network to our networks in Kazakhstan, Uzbekistan and to Asian telecommunications operators. We also lease capacity from Rostelecom, Transtelcom, Eurotel and other providers to reach the Eastern part of Russia. The lease agreements give us the right to exclusive, unlimited and irrevocable use. Satellite technology is used to connect remote sites where terrestrial communications are not available.

Our regional transport networks are based on SDH and MEN technology, we have built local SDH networks in more than 100 cities of Russia. We have also built the intraregional (so called "zone") transport networks that connect our sites in small towns and countryside. The total length of regional fiber cables constructed within the cities is 24,985 km. The MEN network is constructed in more than 40 cities which provide our customers with IP VPN services, voice services and access to Internet.

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

Our fixed voice network has three levels - local, regional (zone) and federal. The local voice networks, constructed in 72 cities, provide customers with fixed voice services. Our local network in Moscow is integrated into telephone network and connected to 78 transit and local node of telephone urban set (UTN). We have completed construction of zone networks in 47 Russian regions, which helps us to minimize payments to incumbent local operators for voice transit. Our Federal transit network consists of eight international transit exchanges, 14 intercity communications transit exchanges installed in each of the federal districts of Russia, and connection points (access nodes) located in each region of Russia. The network provides mobile and fixed customers with long-distance voice services and minimizes our costs of traffic.

Our IP/PPLS data network carries IP traffic of the mobile network and FTTB and lets us provide our customers with IP VPN services. Our internet network is the biggest in Russia and carries 30 % of total Internet traffic in Russia. We have 10G interconnections with major ISPs in Russia - Rostelecom, RTcomm, MTU and other.

## **Table of Contents**

### *Ukraine*

Our fixed-line telecommunication network, or FTN, in Ukraine consists of voice and data segments based on our own optical DWDM/SDH transmission layer and some leased capacity. Our FTN is designed to provide a full spectrum of telecommunication services for corporate and enterprise customers, including: Time-Divisions Multiplexing, or TDM, voice, IP voice, IP VPN, Private Leasing Channel, or PLC, Frame Relay, or FR, Internet access and co-location.

Our company also has voice and data connections to international operators.

### *Uzbekistan*

The network of our subsidiary Buzton provides international telephony and Internet access through JSC Uzbektelecom. Buzton's network consists of 87 nodes situated all over Uzbekistan, 43 of which are located in Tashkent, 12 are in regional centers and the rest are remote nodes. Our main line in Tashkent is based on fiber-optic equipment. The network also includes long-leased channels and local fiber-optic networks in Tashkent, Samarkand, Bukhara, Navoi and Zafarshan. We are currently introducing NGN technology and migrating to a unified convergent packet network. Further unification of Unitel's and Buzton's transport networks both on city-to-city and national levels will allow us to reduce costs for transfer of our own multimedia traffic and to lease high-speed channels to third parties.

### *Armenia*

ArmenTel's fixed infrastructure covers all districts of Armenia with a full set of equipment (international gateway, digital-analog exchanges, copper wire access network, fiber-optic backbone network, data network). Its network consists of 193 exchanges of which 69 are digital. Our company provides interconnection with international operators and national mobile operators in Armenia. ArmenTel's CDMA Wireless Local Loop network is used to provide fixed telephone services to rural customers.

### *Kazakhstan*

Our subsidiaries KZ-Trans and SA-Telecom provide a wide spectrum of fixed-line telecommunications services, including Internet access, ADSL, FTTB, WiFi, VoIP, VPN and VSAT. KZ-Trans has 12 Earth stations and two long distance exchanges and owns more than 3,900 kilometers of fiber optic main lines across Kazakhstan, which are based on Ericsson and Huawei equipment.

### *FTTB Project*

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

As of December 31, 2009, we had approximately 1,300 subscribers connected to our FTTB network. The network operates in 50 cities across Russia and the CIS. The acquisition of Corbina Telecom in 2007 strengthened our company's position in the broadband Internet market. We have the largest FTTB network in Moscow and the core broadband market in Russia. Our management has experience in an efficient rollout of fiber optic networks in densely populated metropolitan areas.

Our IPTV project is based on Microsoft Mediaroom solutions that brings state-of-the art functionality like time-shifted TV, instant channel change and so on that gives absolutely new interaction with TVexperience to the customer.

In Ukraine, we offer a prepaid FTTB service that currently provides Internet access with a speed of up to 100 Mbit/s in any traffic direction in some of the larger cities. We plan to launch IP voice line and IP-TV services for FTTB subscribers in 2010. In October 2009, we launched an FTTB project in Almaty.

## **Intellectual Property**

We rely on a combination of trademarks, service marks and domain name registrations, copyright protection and contractual restrictions to establish and protect our technologies, brand name, logos, marketing designs and Internet domain names. We have registered and applied to register certain trademarks and service marks with the Russian Agency for Patents and Trademarks in connection with our mobile

telecommunications businesses. We have also registered and applied to register certain trademarks and service marks with the World Intellectual Property Organization in order to protect them in certain countries of the CIS.

Our registered trademarks and service marks include our brand name, logos and certain advertising features. With respect to domain names, we have registered the VimpelCom.com domain name with Network Solutions, which is one of the principal domain name registration services for the Internet. We have also registered the VimpelCom.ru , beeline.ru , beelinegsm.ru , beeline.ru , beelineplus.ru , beeline.net and certain other domain names with the Russian Scientific Research Institute on Development of Public Networks. The domain name beeline.mobi was registered with Dotster Inc. in June 2006. We have registered national domain names such as beeline.tj , beeline.ua , beeline.kz , and beeline.am with the national registrars of Tajikistan, Ukraine, Kazakhstan and Armenia, respectively. Our copyrights are principally in the area of computer software for service applications developed in connection with our mobile and fixed-line network platform. We have copyrights to some of the designs we use in marketing and advertising our mobile services in Russia.

### **Properties**

VimpelCom's principal place of business is in a series of five buildings consisting of approximately 24,000 square meters that we own at 10, Ulitsa 8Marta in Moscow. We use these buildings as an administrative office, technical center warehouse and operating facility. In addition, we own a series of six buildings on Lesnoryadsky Pereulok in Moscow, constituting approximately 15,500 square meters, that are used as an administrative office, warehouse and operating facility. These buildings also house the main switches for our Moscow GSM-900/1800 network and our main and reserve IT centers. VimpelCom also has offices at 4, Krasno proletarskaya Street, in the center of Moscow. It consists of three leased administrative buildings of approximately 32,400 square meters. We also own a portion of a building in the center of Moscow on Ulitsa 1st Tverskaya Yamskaya consisting of approximately 3,000 square meters that we use as a subscriber service center, administrative and sales office. We also own office buildings in some of our regional license areas and lease space on an as-needed basis.

## **Table of Contents**

For a description of certain telecommunications equipment that we own, please see [Equipment and Operations Mobile Telecommunications Equipment and Operations Mobile telecommunications network infrastructure](#) and [Equipment and Operations Fixed-line Telecommunications Equipment and Operations Fixed-line telecommunications network infrastructure](#) above.

## **Legal Proceedings**

### *KaR-Tel Litigation*

Prior to our acquisition of KaR-Tel, in November 2003, KaR-Tel redeemed for an aggregate of 450,000.0 Kazakhstani tenge (or approximately US\$3,100.0 based on the Kazakhstani tenge to U.S. dollar exchange rate as of December 31, 2003) the equity interests of Turkish companies, Rumeli Telecom A.S. and Telsim Mobil Telekomunikasyon Hizmetleri A.S., owning an aggregate of 60.0% of the equity interests in KaR-Tel, referred to herein as the Former Shareholders, in accordance with an October 30, 2003 decision of the Review Panel of the Supreme Court of Kazakhstan. The decision was based on the finding that the Former Shareholders inflicted material damage on KaR-Tel by causing KaR-Tel to lose a valuable government tax concession and selling KaR-Tel obsolete and over-priced telecommunications equipment. The redemption process was initiated on April 15, 2002 by a repeated extraordinary general meeting of KaR-Tel shareholders reconvened by a shareholder owning 40.0% of the equity interests in KaR-Tel. In late August 2004, prior to our acquisition, we received letters from the Former Shareholders claiming that they continue to own such interests and stating that, without their approval, all KaR-Tel deals are illegal and invalid. The Former Shareholders stated in these letters that subsequent to such redemption, their respective managements were taken over by The Savings Deposit Insurance Fund, a Turkish state agency responsible for collecting state claims arising from bank insolvencies, referred to in this Annual Report on Form 20-F as the Fund. The Former Shareholders indicated in their letters that they were preparing to put their case before the International Center for the Solution of Investment Disputes, or ICSID, an independent organization with links to the World Bank. Based on information disclosed by ICSID, an action by the Former Shareholders against the Republic of Kazakhstan, the subject matter of which is telecommunications enterprise, was filed in August 30, 2005. While we understand that this action does pertain to the Former Shareholders and their former interests in KaR-Tel, neither VimpelCom nor KaR-Tel is a party to this action. According to ICSID, the arbitration tribunal issued an award in favor of the Former Shareholders on July 29, 2008. Based on information in publicly available sources, the tribunal found that, among other things, the Republic of Kazakhstan expropriated the Former Shareholder's investment in KaR-Tel without complying with conditions set forth in the Bilateral Investment Treaty between the Republic of Kazakhstan and the Republic of Turkey. However, the tribunal's award did not address the validity of the decision of the Review Panel of the Supreme Court of Kazakhstan. The tribunal ordered the Republic of Kazakhstan to pay US\$125.0 million plus interest to the Former Shareholders. According to ICSID, annulment proceedings were registered on November 7, 2008 and a decision of the appeal committee on the application for annulment was issued on March 25, 2010. Although the ICSID website does not provide any information about the appeal committee's decision, according to a copy of the decision obtained from a website that does not appear to be associated with ICSID, the appeal committee dismissed the Republic of Kazakhstan's appeal in its entirety. We cannot assure you that the Former Shareholders or other parties will not pursue any action against VimpelCom or KaR-Tel in any forum or jurisdiction. If the Former Shareholders or other parties were to prevail in any such action, we could lose ownership of up to 60.0% of our interest in KaR-Tel, be required to reimburse the Former Shareholders for the value of their interests or otherwise suffer monetary and reputational or other damages that cannot currently be quantified.

On January 10, 2005, KaR-Tel received an order to pay issued by the Fund in the amount of approximately US\$5.0 billion (at the exchange rate as of December 31, 2009, stated as approximately Turkish Lira 7.6 quadrillion and issued prior to the introduction of the New Turkish Lira, which became effective as of January 1, 2005). The order, dated as of October 7, 2004, was delivered to KaR-Tel by the Bostandykski Regional Court of Almaty. The order does not provide any information regarding the nature of, or basis for, the asserted debt, other than to state that it is a debt to the Turkish Treasury and the term for payment was May 6, 2004. On January 17, 2005, KaR-Tel delivered to the Turkish consulate in Almaty a petition to the Turkish court objecting to the propriety of the order. KaR-Tel received the Fund's response to the petition in June 2006. In its response to KaR-Tel's petition, the Fund asserts, among other things, that the order to pay was issued in furtherance of its collection of approximately US\$5.0 billion (at the exchange rate as of December 31, 2009) in claims against the Uzan group of companies that were affiliated with the Uzan family in connection with the failure of T. Imar Bankasi, T.A.S. The Fund's response to KaR-Tel's petition asserts that the Uzan group of companies includes the Former Shareholders and KaR-Tel. In June 2006, KaR-Tel submitted a response to the Fund's defense in which it denied in material part the factual and legal assertions made by the Fund in support of the order to pay. In December 2008, KaR-Tel received the Fund's further response to KaR-Tel's petition. The Turkish court presiding over the case may issue a decision on the basis of the parties' filings. Our company believes that the order to pay is without merit, in part due to the fact that the Former Shareholders have not owned any interest in KaR-Tel since November 2003, when their interests were redeemed in accordance with a decision of the Review Panel of the Supreme Court of Kazakhstan, and that any attempted enforcement of the order to pay in relevant jurisdictions outside of Turkey is subject to procedural and substantive hurdles. However, there can be no assurance that KaR-Tel will prevail in its petition for the cancellation of the order to pay (either on substantive or procedural grounds), that claims targeting VimpelCom's ownership of KaR-Tel will not be brought by the Fund directly against VimpelCom or its other subsidiaries or that KaR-Tel and/or VimpelCom or its other subsidiaries will not be required to pay amounts claimed to be owed in connection with the order or on the basis of other claims made by the Fund. The adverse resolution of this matter, and any others that may arise in connection with the order by the Fund or any other claims made by the Fund, could have a material adverse effect on our business, financial condition and results of operations, including an event of default under some or all of our outstanding



indebtedness.

## Table of Contents

For more information on these risks, and other risks associated with our acquisition of KaR-Tel, refer to the section of this Annual Report on Form 20-F entitled *Item 3 Key Information D. Risk Factors Risks Related to Our Business Claims by the former shareholders of Limited Liability Partnership KaR-Tel and/or the Turkish Savings Deposit Insurance Fund or others may result in increased liabilities and obligations, including possible defaults under our outstanding indebtedness, and deprive us of the value of our ownership interest in KaR-Tel.*

### *Disputes with the Russian Tax Authorities*

On June 30, 2008, the Company received a final decision of the Russian tax inspectorate's audit of VimpelCom's tax filings for financial years 2005 and 2006. According to the final decision, VimpelCom owed an additional RUR1,251 million in taxes (including RUR49.0 million in fines and penalties), which is approximately US\$41.3 million (including US\$1.6 million in fines and penalties) at the exchange rate as of December 31, 2009. VimpelCom challenged the tax inspectorate's final decision and has so far prevailed in court with respect to RUR1,179 million of taxes (including RUR48.0 million in fines and penalties), which is approximately US\$39.0 million (including US\$1.6 million in fines and penalties) at the exchange rate as of December 31, 2009. The tax inspectorate cannot appeal the court decisions. The remaining part of the tax authorities' claims in the amount of RUR72 million (including RUR1.0 million in fines and penalties), which is approximately US\$2.4 million (including US\$0.03 million in fines and penalties) at the exchange rate as of December 31, 2009 are still being challenged in court.

On April 30, 2009, our subsidiary Sovintel received a final decision of the Russian tax inspectorate's audit of its tax filings for financial years 2006 and 2007. According to the final decision, Sovintel owes an additional RUR324 million in taxes (including RUR36 million in fines and penalties), which is approximately US\$10.7 million (including US\$1.2 million in fines and penalties) at the exchange rate as of December 31, 2009. Sovintel disagrees with the tax inspectorate's decision and has filed a lawsuit in the Russian Arbitration courts. The court has already rejected the tax authorities' claims. The tax inspectorate does not agree with the court decisions and continues to assert its claims in court.

For the risks related to this matter, see *Item 3 Key Information D. Risk Factors Risks Related to Our Business We could be subject to claims by the Russian tax inspectorate that could have a material adverse effect on our business. For more information regarding the effects of prior tax claims on our financial statements, Note 24 to our financial statements included elsewhere in this Annual Report on Form 20-F.*

### *Far East Licenses and Frequencies*

In July 2007, the Federal Supervisory Service for communications conducted several tenders for licenses and frequencies in the Far East super-region. We received licenses for three regions within the Far East super-region in the tenders, but we were denied licenses for eight other regions within the Far East super-region. We filed a lawsuit challenging the results of the tenders because we believed that the terms of the tenders were not in compliance with applicable law and that we should have received licenses for all 11 regions. In parallel, the FAS issued a decision declaring that the terms of the tenders violated antimonopoly law and challenged the results of the tenders in court. The Federal Communications Agency filed a lawsuit seeking to invalidate the decision of the FAS. The Federal Communications Agency's claim was sustained by the court of first instance. We joined the proceedings as an interested party, and, together with the FAS, appealed the decision in favor of the Federal Communications Agency. On April 17, 2008, the Court of Appeals overturned the decision of the first instance court and rejected the Federal Communications Agency's claim. On July 22, 2008 the Cassation Court upheld the decision of the Court of Appeals and found the decision of the FAS valid. In our lawsuit challenging the results of the tenders, the court of the first instance on December 9, 2008 issued a decision which invalidated the results of the tenders. This decision was upheld by the appellate court on February 10, 2009 and the Cassation Court on May 19, 2009. On April 13, 2009 we filed a lawsuit seeking to invalidate the decision of the Federal Communication Agency regarding the issuance of the licenses and frequencies based on the results of the tenders and to cancel the issued licenses. On August 14, 2009 the court of the first instance sustained our claims. The decision was upheld by the appeals and cassational courts. As a result, licenses and frequencies issued pursuant to the challenged tenders have been cancelled on the basis of these court rulings.

### *Litigation involving Farimex Products*

On April 15, 2008, we received a copy of a purported claim filed with the Arbitration Court of Khanty-Mansiisky Autonomous Okrug in Russia from Farimex Products, Inc., the purported holder of 25,000 of our ADSs. The named defendants under the claim were Eco Telecom Limited, Altimo Holdings & Investments Ltd., Avenue Limited, Janow Properties Limited, Santel Limited, Telenor East Invest AS and OJSC CT-Mobile. Both our company and several of our current and former directors, namely, Messrs. Mikhail Fridman, Arve Johansen, Alexey Reznikov, Fridtjof Rusten and Henrik Torgersen, were named as third parties to the case. Under Russian law, a person named as a third party to a claim is generally a person potentially interested in the case who can participate in the proceedings if he so chooses. We have not participated in the proceedings to date. A third party is not a defendant in the claim and judgments cannot be entered against a person solely due to the fact that the person was named as a third party. The claimant was seeking reimbursement from the defendants to our company of approximately US\$3.8 billion in alleged damages caused to our company by the actions of the defendants with regard to our entrance into the Ukrainian telecommunications market. Among other things, the claimant alleged that Alfa Group and Telenor prevented our company from acquiring Kyivstar and that Telenor, acting through the directors on our board nominated by Telenor, caused a delay in our



## **Table of Contents**

acquisition of URS, which caused us damages. On August 16, 2008, the court of first instance sustained the claim in part and held Telenor liable for approximately US\$2.8 billion of damages. Telenor appealed this decision and on December 29, 2008 the Eighth Arbitrazh Appellate Court in Omsk vacated the lower court's ruling and remanded it for a new hearing. On February 20, 2009, the Eighth Arbitrazh Appellate Court in Omsk sustained the claim in part and found Telenor liable for approximately US\$1.7 billion in damages. Telenor appealed this decision.

Subsequent to the court ruling, a court bailiff arrested 15.3 million of our ordinary shares owned by Telenor. We understand that these shares can, under certain circumstances, be sold by the court bailiff to satisfy the court judgment. We also understand that the court bailiff may transfer the shares to us to the extent that they cannot be sold to satisfy the court judgment within a certain period of time. Telenor has applied for a stay of enforcement proceedings but the court denied the application. Telenor appealed this decision, and on April 28, 2009, the Federal Arbitrazh Court of West-Siberia Okrug dismissed the Telenor appeal. Telenor also filed an application to stay enforcement with the Moscow Arbitrazh Court, which, on June 3, 2009, denied the application. The decision of the Moscow Arbitrazh Court was unsuccessfully appealed by Telenor in the appellate and cassation instances. On April 3, 2009 Telenor publicly disclosed that it had been officially served with a claim to pay US\$1.7 billion to VimpelCom and that it has five days to pay the sum voluntarily. Telenor continues to seek relief in various Russian courts challenging the various steps taken by the bailiff to collect on the judgment. For more information on the risks associated with this proceeding, refer to the section of this Annual Report on Form 20-F entitled **Item 3 Key Information D. Risk Factors Risks Related to Our Business**. Our strategic shareholders are involved in various disputes and litigations which have caused a deterioration in their relationship and could lead to a further deterioration which could have a material adverse effect on our business, financial condition and prospects and which could subject our company to further claims and a disposition by one or both of our strategic shareholders of their respective stakes in our company or a change in control of our company, including as a result of any forced sale of Telenor's stake in connection with the Farimex Case, could harm our business.

### *Petition for Appraisal*

On April 18, 2008, Global Undervalued Securities Fund, L.P., or Global Undervalued, timely filed a petition in a Delaware court demanding appraisal of its 1,367,328 shares of Golden Telecom which it did not tender in the tender offer pursuant to which our company acquired Golden Telecom. The trial commenced on October 14, 2009 and a decision has not yet been issued in the case. At this stage in the litigation, we cannot make a determination about the likely outcome of the case and we intend to defend our position vigorously.

### *FAS Litigation*

In December 2009, the Russian anti-monopoly regulators commenced proceedings against us alleging violations of the Russian law **On Protection of Competition** by imposing unfair prices for interconnection with other operators. We believe that we comply with applicable law, but if we are found to have committed violations we could face fines of up to 15.0% of the revenues derived from the relevant services. At this stage we are unable to make a determination about the likely outcome of this case.

In March 2010, the Russian anti-monopoly regulators commenced proceedings against us and other Russian mobile operators alleging violations of the Russian law **On Protection of Competition** and related regulations by charging artificially high prices for roaming services. Although we believe that our roaming tariffs do not violate Russian law, if a violation is found, we could face fines of up to 15.0% of the revenues we derived from the relevant services. At this stage, we are unable to make a determination about the likely outcome of this case.

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

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

## **REGULATION OF TELECOMMUNICATIONS**

### **General Regulatory Environment**

We are generally subject to regulation governing the operation of our business activities. Such regulation typically takes the form of industry specific laws and regulations covering telecommunications services and general competition law applicable to all activities. The following section describes the regulatory framework and the key regulatory developments in Russia, Kazakhstan, Armenia, Uzbekistan and Ukraine. We are also subject to significant regulation in the other countries of the CIS in which we operate. However, because 97.7% of our subscribers are located in Russia, Kazakhstan, Armenia, Uzbekistan and Ukraine and 99.1% of our net operating revenues are derived from our operations in Russia, Kazakhstan, Armenia, Uzbekistan and Ukraine, we do not believe that a discussion of the regulations of Tajikistan and

Georgia is warranted or that such regulations are material to our business and results of operations.

**Regulation of Telecommunications in Russia**

The law Communications Law came into effect on January 1, 2004 and is the principal legal act regulating the Russian telecommunications industry. The Communications Law sets forth general principles for the regulation of the telecommunications industry, including a description of the institutional framework for the federal government's involvement in the regulation, administration and operation of the telecommunications industry. The most important aspects of the Communications Law with respect to our business address the federal government's authority to:

license communications service providers;

**Table of Contents**

allocate radio frequencies;

certify telecommunications equipment;

allocate numbering capacity;

ensure fair competition and freedom of pricing; and

conduct oversight of operators' compliance with the terms of their licenses and Russian law.

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

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

a license to provide mobile telephony services using a specific standard and band of radio frequency spectrum;

permission to use radio frequency for its radio electronic devices, or REDs;

a decision on allocation of radio frequency bands;

registration of its REDs;

authorization to put into operation communications networks (including communications facilities); and

a decision on allocation of numbering resources.

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

On September 26, 2007, the Ministry of Information Technologies and Communications of the Russian Federation issued an order that designated ten additional pairs of access codes to long distance operators in Russia. This additional designation creates the potential for increased competition in the market for domestic and international long distance services in Russia if the new access codes are assigned to new operators.

On December 28, 2009, the Ministry issued an order which extended the quantity of the new access codes. According to this order the Ministry has the opportunity to assign access codes to other operators after they put in commission their international and long distance communications networks. VimpelCom is among the operators waiting for these new codes.

On November 27, 2009 the Custom Union Commission issued decision No. 132 stating that from January 1, 2010 the authorized state bodies of executive power of the Custom Union member-states (Russia, Belorussia, Kazakhstan) must issue licenses and permissions for export and import of goods included in the Joint List of goods which are prohibited or limited for importation or exportation by the Custom Union

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

member-states. This Joint List includes radio electronic devices and high-frequency devices of the civil assignment (RED), i.e. base stations of mobile communications networks, radio relay stations, etc.

### *Russian Regulatory Authorities*

The Ministry is currently the federal body with executive power to regulate the telecommunications industry. The Ministry has the authority to set policy and adopt regulations in the area of communications and make proposals to the President and the Russian Government on issuance of legal acts regarding certain key issues in the area of communications. The Ministry controls and coordinates the activity of the following entities: 1) the Federal Communications Agency, or Rossvyaz, 2) the Federal Agency for Information Technologies, 3) the Federal Agency on Press and Mass Media and 4) the Federal Supervisory Service for Communications, Information Technologies and Mass Media, or Roskomnadzor.

The primary function of Roskomnadzor is the licensing of activities in the area of telecommunications, issuing permissions for radio frequency use, control over telecommunications and information technologies, control over radiation of REDs and high frequency devices and the registration of REDs and high frequency devices.

The primary function of Rossvyaz relevant to our business is allocation of the numbering resources and certification in accordance with the established procedure.

The primary function of the Federal Agency for Information Technologies is management of state property in the sphere of information technologies and confirmation of electronic digital signatures.

### *Licensing to Provide Telecommunications Services and Radio Frequency Allocation*

Under the Communications Law, Roskomnadzor issues licenses to provide telecommunications services on the basis of an application from an eligible applicant or, when applicable, on the basis of results of a tender or an auction. Licenses are generally issued for a term of three to five years and a legal entity or individual person can only render commercial telecommunications services upon issuance of a license.

## **Table of Contents**

Roskomnadzor has the right to renew an existing license upon application which may be rejected if, as of the date of submission of the application, the operator has been found to have violated the terms of the license and such violations have not been cured. The Communications Law also regulates the procedures for re-issuing a license in the case of a reorganization of the license holder or transfer of communications networks and means to other persons.

The Communications Law identifies a limited number of reasons pursuant to which licenses may be suspended by the licensing body, including identification of license violations, cancellation of permissions to use radio frequencies or failure to comply with the requirements of the notice issued by the licensing body within the cure period. Prior to suspension, the licensing body generally issues a warning that the license may be suspended if corrective action is not taken. The Communications Law also provides that a telecommunications license may be cancelled for certain reasons, upon a claim by an interested person or the licensing body, such as provision of inaccurate information when applying for the license or failure to perform obligations undertaken when receiving the license. The licensing body can also terminate a license in a liquidation or winding up of the license holder or a failure to pay licensing fees.

Licenses issued prior to the enactment of the Communications Law and Regulation No. 87 of the Russian Government dated February 18, 2005

On approval of the list of the types of communications services and the list of conditions included into licenses, or Regulation 87, generally contain a number of other detailed conditions, including a start-of-service date, requirements for adhering to technical standards and a schedule of the capacity of the network that the licensee must attain. These license conditions also require that the licensee's services, by specified dates, cover either (i) a specified percentage of the territory for which the license is issued or (ii) a specified number of cities within the territory for which the license is issued. Conditions in licenses issued after the enactment of Regulation 87 must include the period during which the licensee is entitled to provide the relevant services, the start-of-service date, and the territory in which the relevant services are to be provided, as well as certain other conditions depending on the type of the licensed activity, including information on the calculation of compulsory payments into the universal services fund, as described below.

In addition to obtaining a license, wireless telecommunications operators have to receive a permit for radio frequency usage for every radio transmitter they operate. The permit for radio frequency usage is issued on the basis of conclusions of the State Radio Frequency Service, which evaluates the electromagnetic compatibility of the REDs and coordinates the possibility of radio transmitters usage with the Defense Ministry, Federal Protective Service and the Federal Security Service of the Russian Federation. Under the Communications Law, permits for the use of radio frequencies are granted for ten years or a shorter period if such shorter period is indicated in the application. Radio frequency permit duration may be extended if by its ending no normative acts are adopted, which allow to use radio frequencies upon previous terms.

Prior to enactment of further regulations, we continue to pay for the use of the radio frequencies spectrum on the basis of government decrees requiring all operators to pay an annual fee (set by the Radio Frequency Service and approved by the former Anti-Monopoly Ministry) for the use of their frequency spectrums. In addition, the Communications Law provides that the users of the radio frequency spectrum shall make a one-time payment and annual payments for the use of the spectrum to ensure control over radio frequencies, conversion of the radio frequencies spectrum and financing for the transfer of the operating REDs to other radio frequency bands.

### *Universal Services Fund*

All telecommunications operators are required to make compulsory payments to a universal services fund, which was formed in order to compensate operators for losses from offering universal services in distant regions of Russia. Operators must make quarterly payments to the universal services fund of 1.2% of its quarterly revenues from communications services provided to subscribers and other users in the public communications network. Amounts paid as value added tax are excluded from the calculation of revenues.

### *Equipment Certification*

Telecommunications equipment used in Russia requires confirmation of compliance with certain technical requirements in the area of telecommunications and information technologies. The Federal Communications Agency is responsible for confirming such compliance. The design, production, sale, use or import of encryption devices, which include some commonly-used digital wireless telephones, requires a license and equipment certification from the Federal Security Service.

### *Numbering Capacity*

The Federal Communications Agency is responsible for allocating numbering resources and for determining whether such resources are limited, and, in cases stipulated by the Communications Law, the Federal Communications Agency may change the allocated numbering capacity or withdraw it in full or in part. Further, the Federal Communications Agency is responsible for re-issuance of decisions on allocation of numbering capacity if an operator is reorganized. Under the Communications Law, an operator is required to pay state duties for the allocation of



numbering capacity and access codes for telecommunication services for signal point codes.

A number of new regulations pertaining to certain aspects of the Russian federal numbering system were adopted. The two major areas affected by the regulations are as follows:

- (1) *Numbering capacity usage in the ABC codes.* Federal telephone numbers using the ABC code may be used by mobile subscribers only if they are registered as additional numbers under local communications services provisions. As these additional numbers can only be allocated to subscribers by the local network operators, all numbering capacity in the ABC code allocated under our GSM licenses were re-allocated under our license for local communications services. We entered into agreements for the provision of local and wireless communication services with new subscribers whom we provide the numbers in the ABC code. Part of our subscribers use the numbers of other fixed-line operators based on our agency agreements with such operators. For implementation of the agency scheme, we have had to enter into new subscriber agreements with certain subscribers in order to add the fixed-line operator as a party to such agreements.

## **Table of Contents**

*Russian system and plan of numbering.* A new system and plan of numbering was approved which materially changed the principles of numbering allocation and utilization in Russia. According to the new plan, only the following numbers in the DEF code are available for our company: 903, 905, 906, 909, 960-969, and 972-979.

For the risks related to the new numbering system, see the section of this Annual Report on Form 20-F entitled *Item 3 Key Information D. Risk Factors Risks Related to the Legal and Regulatory Environment in Russia and the CIS* We operate in an uncertain regulatory environment, which could cause compliance to become more complicated, burdensome and expensive and could result in our operating without all of the required permissions.

### *Pricing, Competition and Interconnections*

The Communications Law generally provides that tariffs for telecommunications services may be negotiated between providers and users, although tariffs for some types of telecommunications services (e.g., provision of long distance telephone connections to fixed-line users or provision of local telephone connections to fixed-line users) may be regulated by the federal government. Wireless telecommunications operators are free to set their own tariffs. However, the amendments to the Communications Law, which came into effect on July 1, 2006, provide that the users are not to pay for incoming calls.

Further, the Communications Law prohibits the use of a dominant position to hinder, limit or distort competition and it requires federal regulatory agencies to promote competition among telecommunications service providers. Under the Communications Law, an operator that, together with its affiliated entities, has at least 25% of the overall traffic in a certain geographic area or throughout the Russian Federation is considered an operator occupying a significant position in the communication network of general use, or Significant Operator. Significant Operators are subject to greater regulation by the Russian Government. At present, neither we nor our Russian subsidiaries are included in the register of subjects of natural monopolies. Therefore, neither we nor our Russian subsidiaries are subject to these regulations.

Amendments to the Communications Law have been proposed, which would result in the regulation of tariffs set by mobile operators for interconnection and transfer of traffic. According to the proposed amendments, an operator will be subject to such regulation if it, together with its affiliated persons, owns at least 25.0% of the installed capacity of the operational networks that are part of the public communications network and relate to the same type of communications services technology, such as communications networks using DEF codes, within a subject territory of the Russian Federation or throughout the Russian Federation.

Russian legislation also prohibits operators of public switched telephone networks to refuse to provide connections or discriminate between operators. However, a regional fixed line operator may charge different interconnection rates to different wireless telecommunications operators, subject to certain limitations.

### *Compliance with Government Surveillance System*

The Communications Law provides that telecommunications may be intercepted only pursuant to a court order. Federal Law No. 144-FZ, dated August 12, 1995, *On Operational Investigative Activities*, initiated a surveillance system, known as SORM, which is operated partly by the Federal Security Service, a government agency responsible for surveillance. SORM requires telecommunications providers to ensure that their networks are capable of allowing the government to monitor electronic traffic and requires telecommunications providers to finance the cost of additional equipment needed to make their systems compliant. Recent legislation extended access to electronic traffic to three other state agencies, including the tax authorities. Currently, we are in compliance with Russian law requirements related to SORM and, accordingly, certain government agencies are able to monitor electronic traffic on our network.

Interaction between telecommunications operators and the governmental authorities engaged in surveillance activities is governed by Regulation No. 538 of the Russian Government dated August 27, 2005, *On Approval of the Rules of Interaction Between Telecommunications Operators and the Authorized Governmental Bodies Engaged in Surveillance Activities*.

### *Regulation of Internet Services*

Regulation 87 requires that an operator providing Internet services have a license for provision of telematic services and a license for transfer of data. The procedure of transfer of Internet traffic is not determined by normative acts. Although currently there is no comprehensive regulatory scheme directly applicable to Internet content, the Russian media has reported that the Russian State Duma has recently begun to consider the possibility of adopting legislation regarding Internet content.



## **Table of Contents**

### **Regulation of Telecommunications in Kazakhstan**

The Law of the Republic of Kazakhstan No. 567- II On Communications, dated July 5, 2004, in Kazakhstan, or the Kazakhstan Communications Law, which came into effect on July 10, 2004, is the principal act regulating the telecommunications industry in Kazakhstan and sets forth general principles for the regulation of the telecommunications industry, the authority of each regulatory agency, the rules governing telecommunications networks cooperation and consumer rights protections. Several additions to the Kazakhstan Communications Law that acted to stimulate competition in the sphere of domestic long distance, or DLD, and international long distance, or ILD, became effective as of January 1, 2006. In accordance with the Kazakhstan Communications Law, the government of Kazakhstan and certain other governmental agencies adopted a number of acts regulating specific aspects of the telecommunication industry, the most important of which are outlined in greater detail below. The Kazakhstan Communications Law was recently amended and uncertainty remains regarding any further developments in the Kazakhstan Communications Law.

The Kazakhstan Communications Law grants the Kazakh government broad authority with respect to the telecommunications industry in Kazakhstan. The most important aspects with respect to our business include the government's authority to:

develop and implement government policy on frequency allocations,

approve allocation of radio frequencies,

approve qualification requirements for DLD and ILD operators,

approve procedures for auctions of telecommunications licenses and approve the licensing terms, conditions and qualification requirements when granting telecommunications licenses, and

set forth the procedures and payment amounts for the ability to provide services with the use of frequencies.

The participation of foreign capital in Kazakhstan's telecommunications market is limited by the Law of the Republic of Kazakhstan No.233-I On National Security dated June 26, 1998 regulating national security. It is forbidden for foreign legal entities or individuals to control and operate fixed line networks, to create and operate telecommunications networks whose headquarters are located outside Kazakhstan and to obtain more than 10% of voting shares in a DLD or ILD operator without governmental consent. In addition, foreign legal entities or individuals are not allowed to possess, use, dispose of or control (directly or indirectly) more than 49% of the total voting shares of a DLD or ILD operator who possesses surface communication lines (cables, including fiber optic and radio-relay cables).

#### *Kazakhstan Regulatory Authorities*

Under the Kazakhstan Communications Law, the Agency for Information and Communications, or the AIC, (which is not currently included in Kazakhstan's government structure) is the central executive body authorized to implement state policy and governmental control with respect to telecommunications and to adopt relevant acts. The AIC acts in accordance with Governmental Decree No. 724 The Issues of the Agency for Information and Communications (as amended), dated July 22, 2003. The AIC has adopted the following relevant rules: On Providing Telecommunications Services, On Providing Cellular Telecommunications Services and On Connecting Telecommunications Networks to the Public Telecommunications Network.

The primary functions of the AIC relevant to our business include:

issuing permits for the use of radio frequencies in Kazakhstan,

controlling the use of frequencies,

issuing licenses to provide telecommunications services and overseeing compliance of issued licenses,

determining the list of radio-electronic and high-frequency telecommunications equipment permitted to be used and/or imported into Kazakhstan,

issuing (through its local subdivisions) permits for use of telecommunications equipment,

disconnecting any unauthorized equipment; and

issuing data transfer licenses for provision of Internet services.

Under the Kazakhstan Communications Law, the AIC is also authorized to adopt Regulations on rendering mobile telecommunication services. In April 2009 AIC issued new Regulations based on norms of the Civil Code and Communications Law of the Republic of Kazakhstan.

The Inter-Agency Commission on Radio Frequencies, or the ICR, is a consultative-advisory agency of the Kazakh government that provides recommendations on government policy regarding frequencies. The National Security Committee and certain other governmental defense bodies also maintain a level of control over the telecommunications industry as part of its investigative operations.

#### *Licensing to Provide Telecommunications Services and Radio Frequency Allocation*

Telecommunications services may only be rendered in Kazakhstan by a valid license holder authorized to provide the relevant services. In accordance with the Kazakhstan Communications Law, the AIC issues licenses to provide telecommunications services on the basis of an application form or, as required, the results of a competitive tender.

## **Table of Contents**

The AIC may refuse to grant a telecommunications license in the event that (i) frequencies are not available or there is a lack of numbering capacity, (ii) the requested type of activity is subject to an auction, (iii) there is a risk to national security, or (iv) there are adverse health risks. The AIC may suspend a license if there is found to be (i) use of radio frequencies without a permit, (ii) violations of the licensing terms that can result in material damage, (iii) improper use of frequencies and (iv) failure to provide services under the license for a period of one year. A telecommunications license may be revoked only by a court ruling in specific cases provided by law.

On January 11, 2007 all licenses, including licenses for telecommunication services, became termless (perpetual) in accordance with the Law of the Republic of Kazakhstan No. 214-III On Licensing .

The AIC, together with and subject to the approval of the Ministry of Defense, is responsible for allocating frequencies in Kazakhstan. Frequencies are allocated in accordance with a table establishing frequency allocations in the ranges of 3 kHz to 400 GHz for all types of radio-electronic equipment. The Kazakhstan Communications Law also provides for a schedule of frequency band development and use to be approved by the AIC in accordance with ICR s recommendations. Frequency allocations may be changed to accommodate the government s administration, defense or national security. In such cases, the Kazakhstan Communications Law provides for reimbursement of damages to be paid to the operator.

The Kazakhstan Communications Law requires that telecommunications equipment and radio-electronic and high-frequency equipment must be certified. Telecommunications equipment falls into two groups with regards to certification: (i) equipment that requires certification in Kazakhstan and (ii) equipment that may be used subject to a declaration of compliance issued by the manufacturer.

### *Pricing, Competition and Interconnections*

There are three central state bodies in Kazakhstan that control anti-monopoly legislation compliance in the telecommunications industry: (i) the AIC and (ii) the Agency for Competition Protection and (iii) the Agency for Regulation of Natural Monopolies.

The AIC s powers in the anti-monopoly area include the following: (a) regulating and controlling natural monopolies in the telecommunication industry, (b) regulating tariffs of the dominant market players and (c) procuring that there is no discrimination with respect to access to telecommunications services. Currently operators must obtain the AIC s approval for any increase of tariffs. The list of natural monopolies is determined in a governmental registry and approved, maintained and controlled by the Agency on the Regulation of Natural Monopolies.

The Agency for Competition Protection oversees the maintenance of anti-monopoly legislation and regulates the market players holding dominant positions in the relevant market in Kazakhstan. As a general rule, to be recognized as a dominant player, an operator must control individually 35% or more of the relevant market. The list of dominant players is determined in a governmental registry and approved, maintained and controlled by the Agency for Competition Protection. Currently, the list contains two wireless telecommunications operators, KaR-Tel and GSM Kazakhstan LLP, which operates under the brand name K-Cell.

The Agency for Competition Protection may introduce additional regulations for dominant market players in accordance with the legislative requirements set forth in the Law No 112-IV On Competition , dated December 15, 2008.

Telecommunications tariffs of dominant market players are subject to governmental regulation, pursuant to Governmental Decree No. 1277, dated December 23, 2006. The Kazakhstan Communications Law states that tariffs must contain equal conditions for all telecommunications subscribers and must be based on reasonable and fair expenses.

Beginning on January 1, 2006, telecommunications providers are no longer required to use the state-controlled fixed-line operator, Joint Stock Company Kazakhtelecom, to interconnect between networks and are now permitted to interconnect directly with other operators in accordance with interconnect agreements. The structure of interconnect agreements is set by the AIC, and dominant operators are required to enter into an interconnect agreements with any operator requesting interconnection.

Provision of fixed-line services is a licensed activity in Kazakhstan. There are three types of licenses in for fixed-line services in Kazakhstan: (i) a local telecommunications services license permitting the provision of services within a certain city or locality; (ii) an inter-city telecommunications services license; and (iii) an international telecommunications services license. Under Kazakhstan Communications Law, only holders of international and inter-city telecommunications license are permitted to transit traffic and only holders of international telecommunications services license are entitled to enter into direct interconnect agreements with foreign operators. Interconnection between telecommunications operators in Kazakhstan is regulated by the government. A mandatory form of interconnect agreement for a dominant operator is issued by AIC in accordance with Kazakhstan Communications Law and respective Rules.

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

On December 25, 2008 a new law No. 112-IV On Competition was adopted. The law defines the regulatory basis for the protection of rights of market players and consumers from monopoly activity, anti-competition actions of state bodies and unfair competition. This law is intended to protect competition and its development. The law dated July 9, 1998 No 272-I On natural monopolies and regulated markets regulates activity in the spheres of natural monopolies, regulated markets, consumer rights, subjects of natural monopolies and subjects of regulated markets. This law regulates tariffs for the services by market players.

## **Table of Contents**

In 2009, the Kazakhstan Communications Law was amended to require all mobile operators to keep a register of IMEI-codes (codes of individual customer mobile terminal), and to lock individual handsets with certain IMEI-code upon request from customers and public security authorities.

### **Regulation of Telecommunications in Armenia**

#### *General Regulatory Overview*

The Republic of Armenia is currently transitioning its telecommunications sector from a monopoly dominated by its national operator, Joint Stock Company ArmenTel, or ArmenTel, to a competitive developed market. Regulation of the Armenian telecommunications industry currently consists of the Law on Electronic Communications, dated July 8, 2005 (effective September 3, 2005), and other laws and decisions of the Commission on Regulation of Public Services of the Republic of Armenia, or the Regulator, which is the national regulatory agency. The other relevant government body with respect to the telecommunications sector is the government of the Republic of Armenia, or the Authorized Body (as described in more detail below).

The primary functions of the Law on Electronic Communications, which was drafted with the technical assistance and recommendations of the World Bank, the ITU and other international organizations, are to:

determine the rights, liabilities and duties of end-users, operators of public electronic communications networks, providers of public electronic communications services, operators of private electronic communications networks and state authorities in relation to the regulation of the electronic communications sector;

establish, develop and exploit the electronic communications networks and allow for the provision of electronic communications services; and

maintain state control and supervision over the allocation and use of limited resources such as radio spectrum, orbital slots and numbers.

#### *Armenian Regulatory Authorities*

There are two relevant regulatory authorities in the Republic of Armenia with regards to the telecommunications sector: (i) the Authorized Body and (ii) the Regulator.

The Law on Electronic Communications, authorizes the Authorized Body, which is defined as the state administrative agency, to (i) determine policy regarding the development of the telecommunications sector, (ii) prepare general policy and objectives regarding the provision of universal services in Armenia and (iii) allocate particular portions of radio spectrum for specific types of use.

Pursuant to the Law on Electronic Communications, the primary functions of the Authorized Body that are relevant to our business include:

adopting and modifying regulation containing the Armenian Table of Frequency Allocations, while the Government establishes the procedure for frequency management coordination committee meetings and discussions;

modifying the Armenian Table of Frequency Allocations to allocate radio spectrum for commercial use;

detecting and locating radio emissions not in conformity with legislation;



## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

investigating and inspecting, when authorized by appropriate warrant, the use of radio transmission equipment;

implementing Armenia's commitments to international treaties in the electronic communications sector, as appropriate;

representing the Republic of Armenia in the International Telecommunication Union and other international telecommunications organizations;

adopting technical standards; and

issuing certifications authorizing production, import, installation or use of radio transmission equipment.

The Regulator is established under the Law on the Public Utility Regulator of the Republic of Armenia. The law defines the scope of the Regulator's authority and the structure and activities of the Regulator. It grants the Regulator's decisions full legal force with regard to separate operators and the telecommunications industry as a whole.

The primary functions of the Regulator that are relevant to our business include:

implementing competition in the provision of public electronic communications services and networks;

regulating public electronic communications networks and services;

with respect to radio communication, allocating particular portions of the radio spectrum under its

control for specific purposes; and

## **Table of Contents**

adopting justified, fair and transparent resolutions that conform to laws and public interest and establishing procedures for implementation of resolutions.

The Regulator adopted rules on rendering VoIP services (effective from October 1, 2007) and rules on publication of tariffs and conditions of rendering services of data transfer and Internet access (effective from January 1, 2009).

### *Licensing to Provide Telecommunications Services and Radio Frequency Allocation.*

In Armenia, the operation and management of the public electronic communication network, voice and mobile communication services, telegraphic communication services, data communication services and connection to the Internet; and television and radio broadcasting services are subject to licensing. A person may own and operate a public electronic communications network in Armenia only if that person holds an operator's license, and a person may provide public electronic communications services only if that person holds either a provider's license or operator's license. Under the Law on Licensing, the grant of exclusive rights and privileges is prohibited. Therefore, Armentel's License No. 60 was amended (effective October 1, 2007) and grants no exclusive rights and privileges to ArmenTel though the company is also considered a dominant operator under Armenian competition law.

Along with an operator's license, an operator must also have authorization to use radio frequencies in order to operate and provide an electronic communications network or service. The Regulator issues frequency authorizations to persons to use specific portions of the radio spectrum and is authorized to suspend or terminate frequency authorizations in accordance with the relevant procedures. Following submission of an application by a licensee, the Regulator may renew the frequency authorization for a period equal to the period for which the original authorization was granted. The Regulator may also make a decision to limit the number of frequency authorizations based on availability of radio frequencies. If such a decision has been made, authorizations are awarded on the basis of competitive applications or auction. The Regulator also has the authority to adopt rules allowing (i) granting shared use of limited resources to multiple applicants, and (ii) auctioning of licenses or authorizations absent any limitation on resources if such auction is in the best interests of the people of Armenia.

Properly certified terminal equipment may be connected to the operator's public electronic communications network provided such connection does not cause physical or technical harm to the network. In accordance with the Law of the Republic of Armenia on Certification, only certificated equipment may be imported and connected. Certification is conducted by commercial organizations that have the required licenses.

### *Pricing, Competition and Interconnections*

According to the Law on Protection of the Economic Competition (effective December 15, 2000), ArmenTel is considered a dominant operator. All dominant operators must publish information concerning the location and available capacity of their line facilities in accordance with the requirements set by the Regulator. Any dominant operator that owns a line facility must allow any other operator to lease the capacity of such line facility. Each operator shall, upon request, interconnect its public electronic communications network with the public electronic communications network of any other operator. Each dominant operator must provide interconnection for the provision of public electronic communications services and must submit an interconnection offer to the Regulator.

In the course of regulating prices, the Regulator must ensure that service providers recover a reasonable rate of return on the value of their investments directed to public services. This may include uneconomic or inefficient investments that are geared towards the advancement of technology or public policy. When determining the rate of return, the Regulator takes into consideration international benchmarks and features distinct to the Republic of Armenia.

The Regulator is responsible for determining the tariffs related to use of specific public electronic communications services provided by the dominant service providers and the Regulator may regulate with respect to tariffs on specific public electronic communication services provided by non-dominant service providers, provided such regulation is necessary to promote competition and the public interest. Tariffs on services of fixed communication are subject to regulation in accordance with a list prepared by the operator and reviewed and approved by the Regulator. Tariffs on services of mobile communication are not regulated with regard to calls made from fixed networks to mobile networks. The list of regulated services of fixed communication of ArmenTel, together with the method of calculation of tariffs, has been presented to the Regulator for consideration and approval. The Regulator has refused the method of calculations of tariffs proposed by the ArmenTel and has approved its own tariff methodology (effective from May 20, 2008).

Subject to reasonable rates and conditions, an operator may provide physical collocation of its equipment with another operator or service provider, if it is necessary for interconnection with or access to its public electronic communications network. An operator may only provide for virtual collocation with another operator or service provider if another operator demonstrates that physical collocation is not practical for technical reasons or because of space limitations. Collocation includes provision of space, power and lights as well as cross connections between the collocated equipment and switches or loops designated by the collocating operator or service-provider. An operator may make available to

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

any operator or service provider such public electronic communications network infrastructure, technology, information, facilities and functions as may be requested by such operator or service provider for the purpose of enabling them to provide services.

The Regulator has approved conditions of connecting a licensed provider to a telecommunication operator's network (effective from March 1, 2009) and rules on disclosure of information about network infrastructure and other technical regulations related to telecommunication operators. These rules are not effective yet.

## **Table of Contents**

In February 2009, regulations on rendering mobile telecommunication services have been adopted. These regulations determine, among other things, an order, terms and conditions of rendering and use of mobile telecommunication services, rights and obligations of mobile telecom operators and of customers, as well as their responsibility.

### **Regulation of Telecommunications in Uzbekistan**

#### *General Overview*

The main statutes that govern the telecommunications industry in the Republic of Uzbekistan in relation to our company are the laws (i) On Communications No. 512-XII, dated January 13, 1992 (as amended); (ii) On the Radio Frequency Spectrum, dated December 25, 1998; (iii) Protection of Consumers Rights, dated April 26, 1996; (iv) Telecommunications, dated August 20, 1999; and (v) Licensing Certain Types of Business, dated May 25, 2000. These laws determine the general legal and economic basis for organizing communications systems, establishing rights and duties of a company in terms of ownership, use, disposal and management of communications equipment when setting up and operating communications networks and providing communications services.

The government authorities responsible for supervising the telecommunications industry in the Republic of Uzbekistan are the Republic of Uzbekistan Cabinet and a specially authorized telecommunications agency. In accordance with the Telecommunications Law, businesses offering communications services in the Republic of Uzbekistan may be privately or publicly held by Uzbek or foreign national individuals or legal entities. All owners of telecommunications networks have equal rights and enjoy equal protection guaranteed by the law and the legislation imposes no restrictions on foreign investors.

#### *Uzbek Regulatory Authorities*

The Uzbek Agency for Communications and Information, or the Agency, is the specially authorized state administration authority that is responsible for regulating the telecommunications industry in the Republic of Uzbekistan. The Agency is the successor to the Ministry of Communications, which ceased to exist in accordance with Presidential Decrees No. UP-1823, dated July 23, 1997 and No. UP-3358, dated December 9, 2003:

The Agency's powers are set out in the Telecommunications Law and may be supplemented by presidential decrees or cabinet decrees. Regulatory acts promulgated by the Agency within its terms of reference are binding on all individuals and legal entities. The Agency's primary functions relevant to our business include the following:

drafting national programs for development of telecommunications,

elaborating standards and rules for telecommunications,

granting licenses to legal entities for telecommunications,

regulating tariffs for certain types of telecommunications services and inter-network telecommunications links,

organizing certification of telecommunications equipment, and

drawing up numbering schemes and managing the numbering plan for telecommunications networks.

The Agency also issues licenses necessary to provide and operate Internet services.

The Agency's structure includes such organizations as the State Communications Inspectorate, the State Radio Frequency Committee, the Centre for Electromagnetic Compatibility, the Centre for Monitoring Mass Communications, and the Centre for Scientific and Marketing Research,

among others.

The State Communications Inspectorate for State Supervision of Postal and Telecommunications Businesses, or the Supervisory Body, is responsible for monitoring compliance by telecommunications companies with license requirements and conditions.

*Licensing to Provide Telecommunications Services and Radio Frequency Allocation*

Legal entities and individuals conducting the following activities are subject to licensing: design, construction and operation and provision of telecommunications services for local networks, interurban networks, international networks, mobile telephony networks, paging networks, data transfer networks, and television and radio broadcasting networks. The Agency is responsible for granting licenses relating to the telecommunications industry. A license is also required in order to provide services in terrestrial communications (local, interurban and international networks).

The Agency may refuse to issue a license or renew an existing license if: (i) the applicant submits improperly drawn up documents or documents containing inaccurate information or misrepresentations or (ii) the applicant fails to meet licensing requirements and conditions and tender conditions. Refusal to issue a license for other reasons, including the reason that it is inexpedient to do so, is prohibited. The Agency may suspend a license for no more than ten business days under certain conditions. A license can only be suspended for more than ten days pursuant to a court order.

The Agency has the authority to terminate a license by court order where the licensee (i) repeatedly breaches the license requirements and conditions, (ii) commits a single gross breach of the license requirements and conditions and (c) fails within the period specified by the licensing or supervisory body to remedy defects which entail license suspension. Upon a licensee's request for termination, expiry of the term or winding up of a licensed entity, the licensing authority may also terminate a license.

## **Table of Contents**

The Agency, the Ministry of Defense and the Cabinet's Government Communications Service all have the right to allocate radio frequencies to public and private operators. The Agency is the coordinating body authorized to resolve problems and implement state policy in communications, information and use of the radio frequency spectrum. The Ministry of Defense is responsible for monitoring and supervising the use of radio frequencies in order to secure the defense and security of the Republic of Uzbekistan and the Cabinet's Government Communications Service, or the SPS, is responsible for supervising safe radio navigation for flights and the aeronautical mobile service in the radio bands allocated by the GKRCh.

Specific radio frequencies are granted to users in accordance with a national table of radio frequency allocation. The allocation of radio frequencies among users of the radio frequency spectrum may take place on the basis of a tender or the results of an auction. The radio frequency spectrum is allocated to users for a specific term as prescribed in the permit from the radio frequency authority or in the contract for use and use of the radio frequency spectrum must be paid for. Relations between the GKRCh and the TsEMS and radio frequency users arise on a contractual basis. The Agency may suspend or restrict the right to use radio frequencies in terms of time and/or geographical area. Since for commercial purposes radio frequencies are allocated, as a rule, on a secondary basis, then in case of withdrawal, suspension or restriction of the right to use the radio frequency spectrum no compensation is payable.

In accordance with the requirements of the Telecommunications Law, telecommunications equipment, including line-terminating apparatus, used in telecommunications networks within the Republic of Uzbekistan is subject to certification for compliance with established standards and technical specifications.

### *Pricing, Competition and Interconnection*

Uzbek law provides that state policy for the prevention of monopolistic activity and unfair competition by businesses, state administrative authorities and also local state executive authorities is implemented by the State Committee for Demonopolization and Support of Competition and Entrepreneurship, or the Antimonopoly Authority. In addition, the Agency is authorized, together with the Antimonopoly Authority, to monitor the work of businesses which are natural monopolies in the sphere of telecommunications.

A position is said to be dominant where a business or group of persons has a market share of 65% or more. If a business holds a market share of between 35 to 65%, it may be deemed to have a dominant position, subject to a determination by the Antimonopoly Authority's based on the size of market share, the stability of the business's market share, the share taken by competitors, ease of access to the market for new competitors and other criteria relevant to the given market. Currently no mobile network operator has been declared a monopolist or a business with a dominant position in the market for telecommunications services.

Under Uzbek law, mobile network operators may fix the tariffs for their telecommunications services independent of approval by the Ministry of Finance on the basis of analyzing the market.

Mobile network operators are permitted to arrange mutual connections (including with Uzbektelecom AK) for domestic traffic in accordance with contractual terms and conditions, although there are certain restrictions regarding international traffic. Pursuant to the requirements of Cabinet Decree No. 453, dated September 29, 2004 Additional Measures for the Privatization of Uzbektelecom AK, communications operators are entitled to connect to international networks exclusively via the technical resources of Uzbektelecom AK.

## **Regulation of Telecommunications in Ukraine**

The Law of Ukraine On Telecommunications, or the Telecommunications Law, which came into effect on December 23, 2003 and the Law of Ukraine On Radio Frequency Resource, or the Frequency Law, the revised version of which came into effect on August 3, 2004, are the principal legal acts regulating the Ukrainian telecommunications industry. The Telecommunications Law proposed the adoption of various regulations by the Ukrainian Government and other governmental authorities to supplement the legal framework of the telecommunications industry. As of the date of this Annual Report on Form 20-F, a majority of the orders and regulations proposed by the Telecommunications Law and Frequency Law have been promulgated. The new Plan for Using the Radio Frequency Resource of Ukraine, which provides directions for the use of radio frequency resources, indicates particular frequency bands and allows for radio technologies, periods of operation and perspective technologies was adopted in 2006. In October 2008, the Cabinet of Ministers approved the changes to the above-mentioned plan which allows the implementation and usage in Ukraine of such radio technologies as mobile communication of third generation (UMTS) and technologies of broadband access to Internet WiMAX

The Telecommunications Law sets forth general principles for the regulation of the telecommunications industry in Ukraine, including a description of the institutional framework for the government's involvement in the regulation, administration and operation of the telecommunications industry in Ukraine. The most important aspects of the Telecommunications Law with respect to our company address the

government's authority to:

license wireless (mobile) telecommunications service providers,

allocate radio frequencies,

certify telecommunications equipment,

allocate numbering capacity,

## **Table of Contents**

ensure fair competition and freedom of pricing, and

conduct oversight of operators compliance with the terms of their licenses and Ukrainian law.

Under the Telecommunications Law, all service providers have access to the Interconnected Telecommunications Network, or ITN, which is a centrally managed complex telecommunications network owned by various enterprises and Ukrainian governmental agencies. Each service provider has the right to interconnect its networks with the ITN provided that the individual service provider complies with the connection conditions set forth in its license.

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

a license to provide wireless (mobile) telephony services using a specific standard and band of radio frequency spectrum, collectively referred to in this section as a telecommunications license;

a license to use specified bands of radio frequency for its radio electronic devices, or REDs, referred to in this section as a frequency license;

certificates on electromagnetic compatibility and operating permits for its REDs; and

a decision on allocation of numbering resources.

In addition, telecommunications providers must use telecommunications equipment that is certified as complying with specified technical requirements.

### *Regulatory Authorities*

According to the Telecommunications Law, the Cabinet of Ministers, the Ministry of Transportation and Communications, and the National Commission on Regulation of Communications ( NCRC ) are the main governmental authorities managing the telecommunication industry.

The Cabinet of Ministers is responsible for forming general policy, ensuring equal rights for developing the forms of ownership, managing state owned assets and directing and coordinating ministries and other central governmental bodies in the area of telecommunications. The Ministry of Transportation and Communications develops state policy proposals in the area of telecommunications and is responsible for their realization. The Ministry also has the authority to prepare drafts of laws and other legislation, define the quality requirements for telecommunications services and technical standards for telecommunications equipment and exercise other authority as authorized by legislation.

The NCRC is the main regulatory and controlling body in the area of telecommunications and use of radio frequencies is authorized by the Telecommunications and Frequency Laws, as well as by The Cabinet of Ministers of Ukraine Resolution On National Commission on Regulations of Communications , No. 971, dated July 25, 2007 (as amended). The NCRC issues licenses for the provision of licensed telecommunications services and the use of radio frequencies, maintains registries of telecommunications operators, allocates numbering capacity to telecommunications operators and controls the quality of telecommunications services.

### *Licensing to Provide Telecommunications Services and Radio Frequency Allocation*

Fixed and wireless telephone services (including technical maintenance, operation of telecommunications network and lease of channels), television and radio networks and leases of local, intercity and international telecommunication channel to third parties are all subject to licensing. Additionally, the use of radio frequencies is subject to licensing. A frequency license includes the radio frequency bands allocated for carrying out a telecommunications activity, the list of regions where the radio frequencies may be used, dates of the exploitation of the frequency resource and the type of radio technology to be utilized.



## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

A license can be terminated upon (i) a licensee's request to terminate the license; (ii) inaccurate information in the license application documents; (iii) the transfer of the license to another legal entity or natural person for carrying out the licensed activity; (iv) the failure of the operator or provider of telecommunications services to implement an administrative order to cure breaches of the license terms; (v) a repeated breach by the licensee of license terms during the term of a license; or (vi) annulment of state registration of the licensee.

Additionally, a telecommunications license must be reissued if there is (i) a change in name of the license holder; (ii) a change of legal address; or (iii) a reorganization of a legal entity-business entity through a change of its organizational and legal form, transformation, merger or consolidation.

A frequency license will be cancelled if (i) the use of a radio frequency resource allocated by the license is not initiated by the licensee within the established period of the license; (ii) the licensee terminated use of the radio frequency resource, allocated by the license for a period that exceeds one year; or (iii) the licensee failed to fully implement the radio frequency resource, allocated by the license within the established period.

A telecommunications operator is required to pay a fee for the allocation of numbering capacity. Currently, the fee for obtaining one local telephone number for provision of fixed telephone services is 30 hryvnia (or approximately US\$4.0). The NCRC, by its Decision of September 1, 2007, prohibited use of local telephone numbers in wireless networks.

## **Table of Contents**

### *Pricing, Competition and Interconnections*

The Telecommunications Law allows wireless service operators to establish tariffs (rates) for the wireless services provided to subscribers, with the exception of tariffs on universal services and data traffic channeling by telecommunications operators that occupy a significant position on the respective market. This provides for competition between Ukrainian wireless services operators. The law requires operators to publish tariffs established by the operators themselves no less than seven calendar days prior to implementation of the tariff.

According to the Telecommunications Law, where a telecommunications operator sets prices on its services pursuant to hourly tariffs and makes settlements with consumers by certain units of time (e.g., minutes or seconds), it should take into account only full tariff units of time.

Applicable law currently does not establish a limitation on collecting payments for incoming calls (i.e., mandatory calling party pays system) by wireless services operators. A provision prohibiting collecting payments for incoming calls was adopted on November 21, 2002, but was later abolished after adoption of the Telecommunications Law (November 18, 2003). The main telecommunications operators have not come back to collecting payment for incoming calls, which was a widespread practice before November 2002.

Effective July 15, 2006, the NCRC introduced new tariffs for provision of voice services to fixed line subscribers. As a result of the tariff's re-balancing policy, the tariffs for local calls and monthly fees increased and tariffs for DLD/ILD calls decreased. Effective November 1, 2006, the NCRC continued the tariff re-balancing process by increasing the tariffs for local calls and monthly fees and by decreasing the tariffs for fixed-to-mobile calls. On October 28, 2006, the Verkhovna Rada approved the amendments to the Telecommunications Law which changed the list of the telecommunication service tariffs subject to the public regulation. Under new regulation, tariffs for DLD/ILD calls were excluded from the public regulation. The amendments also exclude fixed-to-mobile calls from the public tariff regulation. As a result of these changes, we expect increased competition from the incumbent operators in the DLD/ILD services market.

The Telecommunications Law regulates the interconnection of telecommunication networks, including the obligations of wireless service providers and providing conditions for the conclusion, modification and termination of interconnection agreements. The NCRC regulates interconnections involving dominant operators, including the technical, organizational and economic terms of the interconnection and estimated tariffs for access to the network.

Wireless services operators are not obligated to interconnect with a dominant operator in order to use its facilities for the backbone connection (trunk or intercity fixed network). As a rule, a telecommunications license permits an operator to build its own backbone network throughout the country.

Interconnection contracts and agreements between telecommunication operators in Ukraine and foreign telecommunication operators are governed by recommendations issued by the International Telecommunications Union.

In April 2009, telecommunication regulations were revised to amend so-called licensing terms with a specific requirement on radio frequency coverage applicable to all mobile operators. Further, NCRC has introduced a requirement to lock mobile handsets, which IMEI-codes are absent in a state register of IMEI-codes.

### **Regulation of Telecommunications in the Kingdom of Cambodia**

The telecommunications sector in Cambodia is currently regulated by a patchwork of regulations. There is no overarching law regulating the sector, and there are a number of significant gaps in the regulatory framework. The primary regulations currently governing the sector are the following: Prakas (regulations), circulars and directives issued by the Ministry of Post and Telecommunications of Cambodia, or the MPTC, and/or the Ministry of Economy and Finance, or MEF:

Inter-Ministerial Prakas on Minimum Tariffs on Mobile and Fixed Telephone Services and Interconnection Fees (2009);

Prakas on Telecommunications Interconnection (2009);

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

Directive Regarding Measures to Stop Interconnection Blockages between Network Operators (2009);

Inter-Ministerial Circular on the Prevention of Dishonesty in Competition in the Telecommunications Sector (2009);

Notice on Access to Frequency (2008); and

Prakas on Communication Facility Management and Microwave Utilization Charge (2003).

The majority of these regulations were issued in the second half of 2009 in response to issues that arose from increased competition in the telecommunications sector, particularly pricing and interconnection disputes between providers of mobile telecommunications services. Aspects of the regulations have been controversial, including their lawfulness/constitutionality, and hence there has been considerable discussion between the private sector operators and the Royal Government of Cambodia in relation to the regulations. These discussions remain ongoing and consequently the regulations have not yet been fully or consistently implemented in practice.

Other relevant laws and regulations are the Law on the Establishment of the Ministry of Post and Telecommunications (1996) and its implementing regulations, although these primarily relate to the establishment, organization and internal functioning of the MPTC. A draft Law on Telecommunications, or the Draft Law, has been prepared, which is intended to provide a comprehensive

## **Table of Contents**

regulatory framework for the telecommunications sector. However it has yet to be finally approved by the Royal Government of Cambodia and therefore does not have any official status at present. There is no clear timetable for its enactment and there are no guarantees that the Draft Law will be enacted or, if enacted, will be enacted in its current form.

### *Cambodian Regulatory Authorities*

The MPTC is the state authority appointed by the Royal Government of Cambodia to administer and regulate the postal and telecommunication sectors of the Kingdom of Cambodia. Regulations, directives and circulars promulgated by the MPTC within the scope of its regulatory authority are binding on all individuals and legal entities.

The MPTC is responsible for policy making and also holds regulatory and supervisory roles, including responsibility for issuing and administering licenses and frequency spectrum for the telecommunications sector in Cambodia. The MPTC's primary functions relevant to our business include the following:

setting national policies for development of telecommunications,

elaborating standards and rules for telecommunications,

granting licenses to legal entities for telecommunications, including rights to frequency spectrum,

regulating tariffs for certain types of telecommunications services and inter-network telecommunications links,

organizing certification of telecommunications equipment, and

drawing up numbering schemes and managing the numbering plan for telecommunications networks

The MPTC also issues licenses necessary to provide and operate internet services in Cambodia.

The MEF is the Government agency responsible for the administration of Cambodia's tax regime, and also has a joint responsibility with the MPTC for setting certain fees and charges applicable to the telecommunications sector.

### *Licensing to Provide Telecommunications Services and Radio Frequency Allocation*

There is currently no law or regulation in Cambodia that clearly and expressly identifies:

the licences necessary to construct, operate or own a telecommunications network or provide telecommunications services including mobile telecommunications, 3G, internet and VoIP services;

the criteria for the grant of such licences; or

the terms and conditions on which such licences may be granted.

In practice it is accepted, and the MPTC requires, that a licence must be obtained from the MPTC to construct, own and operate a telecommunications network or provide any telecommunications services. The MPTC considers its licensing power to derive from its general

authority as the Government agency responsible for overseeing and regulating the telecommunications sector. Its authority in this regard is generally recognized and accepted.

Currently in Cambodia, telecommunications licences set out many rights and obligations which, in more developed legal jurisdictions would be expected to be included in legislation or regulations.

There is currently no Cambodian law in relation to the allocation of frequency spectrum, including the tariffs/fees payable for the award or use of allocated frequency spectrum. In practice, it is accepted that the MPTC is the Government agency responsible for issuing, administering and regulating frequency spectrum for use in operating telecommunications networks and providing telecommunications services.

The allocation of frequency, the duration of this allocation and any specific conditions or restrictions with respect to such frequency allocations are usually stated in the applicable telecommunications network/service licence issued to the operator (rather than in a separate frequency licence), or a frequency allocation letter from the MPTC. Regulations have been issued by the MPTC which require telecommunications network operators to obtain annual frequency licences in relation to the frequency that has been assigned to them, however the implementation of this regulation by the MPTC has been inconsistent.

#### *Pricing, Competition and Interconnection*

The operating licences of telecommunications network operators/service providers in Cambodia generally permit the applicable entity to determine the tariffs for its services without the need for specific regulatory approval, subject to a requirement to publish the tariffs at least annually and keep customers informed of any changes thereto. However, in September 2009 the MPTC and MEF issued a joint regulation seeking to prohibit certain practices in relation to customer tariffs (including provision of free on-network calls, setting tariffs for inter-network calls lower than mandatory interconnection fees, and providing free additional talking time) and in December 2009 the MPTC and MEF issued an Inter-Ministerial Prakas on Minimum Tariffs of Mobile and Fixed Telephone Services and Interconnection Fees, or the Minimum Tariff Regulation, which established certain minimum tariffs with respect to both on-network and cross-network calls.

## Table of Contents

Domestic and international interconnection (including interconnection fees) have been regulated in Cambodia for a number of years and the Minimum Tariff Regulation also set out fixed fees in relation to interconnection between domestic networks, between domestic and international networks and mandated interconnection traffic through the Telecom Cambodia transit switch.

There is no general competition law in Cambodia, or law relating specifically to competition in the telecommunications sector. However, in September 2009 the MPTC released the Inter-Ministerial Circular on the Prevention of Dishonesty in Competition in the Telecommunications Sector, or the Competition Circular, which noted four main principles with respect to the policy development aims in the telecommunications sector:

Equal competition;

Provision of good and high quality service;

Affordable prices; and

Increased national revenues.

The Competition Circular mandated an immediate halt to all kinds of advertisement, programs and strategies for market capture and blockages of inter network connection which potentially can cause crisis in Cambodian telecommunication sector, and which can especially harm state revenue. It also required that all advertisements must comply with applicable fiscal laws and other legal documents. The Minimum Tariff Regulation subsequently went further and prescribed that the content and images of all advertisements must be approved beforehand by the MPTC.

In September 2009 the Prime Minister issued a Directive Regarding Measures to Stop Interconnection Blockages between Network Operators, in response to complaints from certain operators that interconnection was being blocked by competitors. Amongst other things the Directive prohibited the blocking of interconnection and provided that operators that failed to comply with the Directive could be subject to a number of penalties including obligations to compensate the blocked competitor and the State, and possible suspension or revocation of its licence. In October 2009, the MPTC issued the more detailed Prakas on Telecommunications Interconnection, or the Interconnection Regulation, substantially updating the previous Telephone Interconnection Regulation issued in 2003. The Interconnection Regulation sets out a number of core rights and obligations with respect to inter network connection, applicable to all operators holding licences to provide telecommunication services in Cambodia, including that:

operators must ensure and permit connection with other telecommunication operators for their telecommunication service users; and

connection must be provided without discrimination, on time, based on principles of transparency, and with connection fees based on a reasonable actual cost.

Aspects of the above regulations have been controversial, including in particular the regulation of customer tariffs (which as noted above is inconsistent with existing licence provisions enabling operators to set their tariffs, and has also been alleged by some operators to be inconsistent with investment laws). Similarly a number of operators have objected to the Government's endeavours to control advertising content. Hence the regulations, including the Minimum Tariff Regulation and the Competition Circular, have been the subject of considerable discussion between the private sector operators and the Royal Government of Cambodia. These discussions remain ongoing and accordingly, to date, these regulations have not yet been fully or consistently implemented in practice.

### **ITEM 4A. Unresolved Staff Comments**

None.

**ITEM 5. Operating and Financial Review and Prospects**

*The following discussion and analysis should be read in conjunction with our audited consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 20-F. This discussion contains forward looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward looking statements as a result of numerous factors, including the risks discussed in the section of this Annual Report on Form 20-F entitled Item 3 Key Information D. Risk Factors.*

**Overview**

We are a telecommunications operator, providing voice and data services through a range of mobile, fixed and broadband technologies. The VimpelCom group of companies includes companies operating in Russia, Kazakhstan, Ukraine, Uzbekistan, Armenia, Tajikistan, Georgia and Cambodia. We also own 40.0% of an operator in Vietnam. The operations of these companies cover a territory with a total population of approximately 340.0 million.

Our net operating revenues were US\$8,702.9 million for the year ended December 31, 2009, compared to US\$10,116.9 million for the year ended December 31, 2008. Our operating income was US\$2,578.4 million for the year ended December 31, 2009, compared to US\$2,536.0 million for year ended December 31, 2008. Net income attributable to VimpelCom was US\$1,121.8 million for the year ended December 31, 2009, compared to US\$524.3 million for the year ended December 31, 2008.

## **Table of Contents**

Our selected financial data, audited consolidated financial statements and related notes included elsewhere in this Annual Report on Form 20-F and the following discussion and analysis reflect the contribution of the operators we acquired from their respective dates of acquisition, and, as a result, include results for our consolidated subsidiaries Corporation Severnaya Korona since August 13, 2007, Golden Telecom since February 28, 2008, and Sotelco, our subsidiary in Cambodia, since July 16, 2008, as well as other income and expenses for our equity-method associate in Vietnam, GTEL-Mobile, since July 8, 2008, and our equity-method associate Morefront Holdings Ltd., which owns 100% of Euroset, since October 23, 2008. For more information, see [Liquidity and Capital Resources](#) [Investing Activities](#) below.

In October 2009, Telenor ASA, the parent company of Telenor, and Altimo, a member of the Alfa Group and the parent company of Eco Telecom, announced that they agreed to combine their ownership of our company and Kyivstar, under a new company called VimpelCom Ltd. Kyivstar is a Ukrainian mobile operator, 56.5% of which is owned by a subsidiary of Telenor ASA and 43.5% of which is owned by a subsidiary of Altimo. According to the VimpelCom Ltd. Prospectus, the proposed combination involves a series of transactions, including an exchange offer by VimpelCom Ltd. comprised of the Offers. Completion of the Offers is conditioned upon greater than 95.0% of our shares, including those represented by ADSs, being validly tendered and not withdrawn, in addition to other conditions. The Offers commenced on February 9, 2010. The U.S. Offer acceptance period will expire at 5:00 p.m. New York City time on April 15, 2010, unless extended. The Russian Offer acceptance period will expire three business days later, at 11:59 p.m. Moscow time on April 20, 2010, unless extended. On February 9, 2010, our board of directors unanimously recommended to holders of our common and preferred shares and ADSs to tender their securities to VimpelCom Ltd. in the Offers and elect to exchange such tendered securities for depositary receipts representing depositary shares of VimpelCom Ltd. and not to accept the nominal cash consideration alternative offered by VimpelCom Ltd. in the Offers. For additional information relating to the risks associated with the VimpelCom Ltd. Transaction, see the section of this Annual Report on Form 20-F entitled [Item 3 Key Information D. Risk Factors Risks Related to Our Business Alfa Group and Telenor](#) may not be able to complete the proposed combination of our company and Kyivstar. For additional information about the recommendation of our board of directors and the Offers, see our solicitation/recommendation statement on Schedule 14D-9 filed with the SEC on February 9, 2010, as amended. Unless otherwise indicated, the discussion and analysis in this Annual Report on Form 20-F does not take into account the potential impact of the successful completion of the VimpelCom Ltd. Transaction on VimpelCom's operating and financials results and trends.

We use the U.S. dollar as our reporting currency. The functional currency of VimpelCom and its subsidiaries is the Russian ruble in Russia, the Kazakh tenge in the Republic of Kazakhstan, the Ukrainian hryvnia in Ukraine, the Armenian dram in the Republic of Armenia, the Georgian lari in Georgia and the U.S. dollar in Tajikistan, Uzbekistan and Cambodia. Due to the significant devaluation of the non-U.S. dollar functional currencies against the U.S. dollar for the year ended December 31, 2009 as compared to the year ended December 31, 2008, changes in our consolidated operating results in functional currencies differed from changes in our operating results in reporting currencies during these periods. In the following discussion and analysis, we have indicated our operating results in functional currencies and the devaluation of functional currencies where it is material to explaining our operating results. For more information about exchange rates relating to our functional currencies, see [Certain Factors Affecting our Financial Position and Results of Operations Foreign Currency Translation](#) below.

## **Reportable Segments**

We present our reportable segments based on the nature of business operations, different economic environments and stages of development in different strategic areas, requiring different investment and marketing strategies. Before our acquisition of Golden Telecom in 2008, we reflected our reportable segments on a geographic basis. Starting from the date of acquisition of Golden Telecom, we identified five reporting segments: Russia mobile, Russia fixed, CIS mobile, CIS fixed and Other business segments. Russia mobile includes the operating results of all mobile operations in Russia. Russia fixed includes wireline telecommunication services, broadband and consumer Internet in Russia. CIS mobile includes the operating results of all mobile operations in Kazakhstan, Ukraine, Tajikistan, Uzbekistan, Georgia and Armenia. Although Georgia is no longer a member of the CIS, consistent with our historic reporting practice, we continue to include Georgia in our CIS mobile reporting segment. CIS fixed includes fixed-line operations and residential Internet in Kazakhstan, Ukraine, Armenia and Uzbekistan. Activities of the Other reportable segment include business operations that are not yet significant enough to reflect as separate reporting segments, including our mobile operations in Cambodia and mobile digital television services in Moscow, and equity interests in operations of associates, including GTEL-Mobile and Morefront Holdings Ltd. For more information on our reportable segments, please see Note 23 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F.

Because our operations in the fixed-line business were not significant prior to our acquisition of Golden Telecom in 2008, this discussion and analysis does not include information for our Russia fixed segment in 2007.

The following table shows the percentage of our net operating revenue represented by the net operating revenue from external customers (excluding intersegment revenues) for each reportable segment for the periods indicated:



	Year Ended December 31,		
	2009	2008 <sup>(1)</sup>	2007
	(in %)		
Russia mobile	70.1	72.3	84.9
Russia fixed	15.2	12.7	
CIS mobile	12.6	12.8	13.1
CIS fixed	2.0	2.2	2.0
Other	0.1		
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

**Table of Contents**

- (1) Includes results of Golden Telecom's fixed-line business from March 1, 2008. Prior to such acquisition, we did not have any material fixed-line business in Russia.

**Recent Developments**

On March 18, 2010, we filed an Annual Report on Form 20-F/A (Amendment No. 2), referred to herein as the Form 20-F/A, to amend our Annual Report on Form 20-F/A (Amendment No. 1) for the fiscal year ended December 31, 2008, as filed with the SEC on March 8, 2010. These filings were made to restate our audited consolidated financial statements as of December 31, 2008 and for the year then ended, and to amend related disclosure. On March 8, 2010, we also furnished to the SEC an Amended Report of Foreign Private Issuer on Form 6-K/A, referred to herein as the Form 6-K/A, to amend our Report of Foreign Private Issuer on Form 6-K furnished to the SEC on February 8, 2010. The Form 6-K/A was made to restate our unaudited condensed consolidated financial statements as of September 30, 2009 and for the nine-month periods ended September 30, 2009 and September 30, 2008, and to amend related disclosure. The restatements corrected our application of EITF Topic D-98, *Classification and Measurement of Redeemable Securities* (Codified as ASC 480-10 *Distinguishing Liabilities from Equity*), in accounting for our contractual redemption arrangements with Crowell relating to the 25.0% noncontrolling interest it holds in our subsidiary Limnotex. For more information about our restatement of our audited consolidated financial statements as of December 31, 2008 and for the year then ended, see the Explanatory Note to the Form 20-F/A and Note 23, Restatement of the Measurement of Noncontrolling Interest, and Note 18, Earnings per share, to our audited consolidated financial statements included in the Form 20-F/A. For more information about our restatement of our unaudited condensed consolidated financial statements as of September 30, 2009 and for the nine-month periods ended September 30, 2009 and September 30, 2008, see the Explanatory Note to the Form 6-K/A and Note 12, Restatement of the Measurement of Noncontrolling Interest, and Note 8, Earnings per share, to our unaudited condensed consolidated financial statements included in the Form 6-K/A.

We intend to submit to the Russian Federal Service on the Financial Market documentation required for the potential issuance of Russian ruble-denominated bonds through our Russian subsidiary LLC VimpelCom-Invest. The bonds may be issued depending on our funding needs within a period of one year from the date on which the Russian Federal Service on the Financial Market registers the submitted documentation. The proposed amount of the issue is up to 20.0 billion Russian rubles, which is the equivalent of approximately US\$683.0 million at the Central Bank of Russia exchange rate on April 8, 2010, and the proposed maturity period is five years. The bonds will be guaranteed by VimpelCom. The coupons are to be paid semi-annually. The bond issue structure allows the issuer to grant investors a put option and/or retain a redemption right. The bonds may be issued in two series with face values of 10.0 billion Russian rubles for each, and the coupon rate will be determined based on market conditions. VimpelCom intends to use the proceeds from the bonds for financing the development and expansion of VimpelCom's core business.

**Revenue Trends**

The mobile markets in Russia, Ukraine and Kazakhstan have reached mobile penetration rates exceeding 100.0% in each market, and the mobile markets in each of Armenia and Georgia have mobile penetration rates of approximately 90.0%. As a result, we will focus less on subscriber market share growth and more on revenue market share growth in each of these markets. The key components of our growth strategy in these markets will be to increase our share of the high value subscriber market, increase usage of value added services and improve subscriber loyalty. Our management expects revenue growth in these markets to come primarily from an increase in usage of voice and data traffic among our subscribers.

The remaining mobile markets in which we operate, particularly Uzbekistan, Tajikistan and Cambodia, are still in a phase of rapid subscriber growth with penetration rates substantially lower than in Russia, Ukraine and Kazakhstan. In these markets, our management expects revenue growth to come primarily from subscriber growth in the short term and increasing usage of voice and data traffic in the longer term.

Our management expects revenue growth in our fixed-line business in both Russia and the CIS to come primarily from broadband and business and corporate services.

**Certain Performance Indicators**

The following discussion analyzes certain operating data, such as mobile and broadband subscriber data, mobile ARPU, mobile MOU, and churn rates of our mobile subscribers that are not included in our financial statements. We provide this operating data because it is regularly reviewed by our management and our management believes it is useful in evaluating our performance from period to period as set out below. As the Russia and CIS mobile segments represent such a large portion of our consolidated net operating revenues and as broadband growth is an important aspect of our growth strategy, our management believes that presenting such information about mobile and broadband subscriber data

and mobile ARPU and mobile MOU is useful in assessing the usage and acceptance of our mobile and broadband products and services, and that presenting our mobile churn rate is useful in assessing our ability to retain mobile subscribers.

*Mobile Subscriber Data*

We offer both contract and prepaid services to mobile subscribers. As of December 31, 2009, the number of mobile subscribers reached 64.6 million. Mobile subscribers are subscribers in the registered subscriber base as of a measurement date who engaged in a revenue generating activity at any time during the three months prior to the measurement date. Such activity includes any incoming and outgoing calls, subscriber fee accruals, debits related to service, outgoing SMS, MMS, data transmission and receipt sessions, but does not include incoming SMS and MMS sent by us or abandoned calls. Our total number of mobile subscribers also includes subscribers using mobile Internet service via USB modems.

**Table of Contents**

The following table indicates our mobile subscriber figures, as well as our prepaid mobile subscribers as a percentage of our total mobile subscriber base, for the periods indicated:

	As of December 31,		
	2009	2008	2007
Russia	50,886,127	47,676,844	42,221,252
Kazakhstan	6,135,275	6,269,927	4,663,300
Ukraine	2,004,729	2,052,493	1,941,251
Tajikistan	743,140	624,624	339,393
Uzbekistan	3,514,516	3,636,243	2,119,612
Armenia	545,201	544,271	442,484
Georgia	399,161	225,055	72,655
Cambodia	367,474		
<b>Total number of subscribers</b>	<b>64,595,623</b>	<b>61,029,457</b>	<b>51,739,947</b>
Percentage of prepaid subscribers	96.0%	95.9%	95.9%

*Russia.* As of December 31, 2009, we had approximately 50.9 million mobile subscribers in Russia, representing an increase of 6.7% over approximately 47.7 million mobile subscribers as of December 31, 2008. Most of our subscriber growth in Russia came from the regions outside the Moscow license area, where our subscriber base increased to 40.1 million as of December 31, 2009, from 38.1 million as of December 31, 2008. At the same time, our Moscow subscriber base grew from 9.6 million as of December 31, 2008, to 10.8 million as of December 31, 2009.

*Kazakhstan.* As of December 31, 2009, we had approximately 6.1 million mobile subscribers in Kazakhstan, representing a decrease of 2.2% from approximately 6.3 million mobile subscribers as of December 31, 2008. The decrease in our subscriber base in Kazakhstan was primarily due to churn of low quality subscribers in the fourth quarter of 2009.

*Ukraine.* As of December 31, 2009, we had approximately 2.0 million mobile subscribers in Ukraine, representing a decrease of 2.3% from approximately 2.1 million mobile subscribers as of December 31, 2008. The decrease in our subscriber base in Ukraine was primarily due to the effect of adverse economic conditions and increased competition.

*Tajikistan.* As of December 31, 2009, we had approximately 0.7 million mobile subscribers in Tajikistan, representing an increase of 18.9% over approximately 0.6 million mobile subscribers as of December 31, 2008. The increase in our subscriber base in Tajikistan was primarily due to the expansion of our mobile network coverage and attractive tariff offers at competitive prices.

*Uzbekistan.* As of December 31, 2009, we had approximately 3.5 million mobile subscribers in Uzbekistan, representing a decrease of 3.3% from approximately 3.6 million mobile subscribers as of December 31, 2008. The decrease in our subscriber base in Uzbekistan was primarily due to increased competition.

*Armenia.* As of December 31, 2009 and December 31, 2008, we had approximately 0.5 million mobile subscribers in Armenia.

*Georgia.* As of December 31, 2009, we had approximately 0.4 million mobile subscribers in Georgia, representing an increase of 77.3% over the approximately 0.2 million mobile subscribers as of December 31, 2008. We are continuing to build our network and develop our sales and distributions channels in Georgia.

*Cambodia.* We launched commercial operations in Cambodia in May 2009 and as of December 31, 2009, we had approximately 0.4 million mobile subscribers. We are continuing to build our network and develop our sales and distributions channels in Cambodia.

*Mobile MOU*

MOU measures the monthly average minutes of use per mobile subscriber. We calculate MOU by dividing the total number of minutes of usage for incoming and outgoing calls during the relevant period (excluding guest roamers) by the average number of mobile subscribers during the period and dividing by the number of months in that period.

The following table shows MOU for our mobile subscribers for the periods indicated:

	Year Ended December 31,		
	2009	2008	2007
Russia	211.4	219.1	192.1
Kazakhstan	93.1	104.3	94.6
Ukraine	208.7	231.8	163.2
Tajikistan	172.9	238.9	220.6
Uzbekistan	314.0	287.8	274.0
Armenia	237.8	152.1	169.9
Georgia	138.3	113.6	102.5
Cambodia	78.2 <sup>(1)</sup>		

**Table of Contents**

(1) Includes results of Sotelco from launch of operations in May 2009.

*Russia.* In 2009, our MOU in Russia decreased by 3.5% to 211.4 from 219.1 in 2008, primarily due to adverse economic conditions that resulted in lower consumer spending and lower usage by newly connected subscribers.

*Kazakhstan.* In 2009, our MOU in Kazakhstan decreased by 10.7% to 93.1 from 104.3 in 2008, primarily due to adverse economic conditions that resulted in lower consumer spending.

*Ukraine.* In 2009, our MOU in Ukraine decreased by 10.0% to 208.7 from 231.8 in 2008, primarily due to adverse economic conditions and the termination of our unlimited, or zero on-net, tariff plans in Ukraine.

*Tajikistan.* In 2009, our MOU in Tajikistan decreased by 27.6% to 172.9 from 238.9 in 2008, primarily due to adverse economic conditions that resulted in lower consumer spending.

*Uzbekistan.* In 2009, our MOU in Uzbekistan increased by 9.1% to 314.0 from 287.8 in 2008, primarily due to the launch of tariff plans designed to increase usage.

*Armenia.* In 2009, our MOU in Armenia increased by 56.3% to 237.8 from 152.1 in 2008, primarily due to our launch of tariff plans designed to increase usage and an increase in the proportion of higher usage subscribers relative to low usage subscribers in our subscriber base.

*Georgia.* In 2009, our MOU in Georgia increased by 21.7% to 138.3 from 113.6 in 2008, primarily due to the continuing expansion of mobile network coverage and the improvement of our network quality in Georgia.

*Mobile ARPU*

ARPU measures the monthly average revenue per user. We calculate ARPU by dividing our mobile service revenue during the relevant period, including roaming revenue and interconnect revenue, but excluding revenue from connection fees, sales of handsets and accessories and other non-service revenue, by the average number of our mobile subscribers during the period and dividing by the number of months in that period.

The following table shows our ARPU for the periods indicated:

	Year Ended December 31,					
	2009		2008		2007	
Russia	US\$	10.1	US\$	13.9	US\$	12.6
Kazakhstan	US\$	8.1	US\$	11.7	US\$	13.1
Ukraine	US\$	4.7	US\$	7.6	US\$	4.7
Tajikistan	US\$	7.1	US\$	9.5	US\$	9.7
Uzbekistan	US\$	4.7	US\$	6.4	US\$	7.1
Armenia	US\$	13.2	US\$	14.6	US\$	16.7
Georgia	US\$	8.9	US\$	9.0	US\$	7.4
Cambodia	US\$	1.4 <sup>(1)</sup>				

(1) Includes results of Sotelco from launch of operations in May 2009.

*Russia.* In 2009, our ARPU in Russia decreased by 27.3% to US\$10.1 from US\$13.9 in 2008, primarily due to the devaluation of the functional currency in Russia, as well as a decrease in MOU and implementation of lower rate tariff plans in response to adverse economic conditions. In functional currency terms, ARPU in Russia decreased by 7.2% in 2009 compared to 2008.

*Kazakhstan.* In 2009, our ARPU in Kazakhstan decreased by 30.8% to US\$8.1 from US\$11.7 in 2008, primarily due to the devaluation of the functional currency in Kazakhstan, as well as a decrease in MOU and lower consumer spending. In functional currency terms, ARPU in Kazakhstan decreased by 14.3% in 2009 compared to 2008.

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

*Ukraine.* In 2009, our ARPU in Ukraine decreased by 38.2% to US\$4.7 from US\$7.6 in 2008, primarily due to the devaluation of the functional currency in Ukraine and a decrease in MOU. In functional currency terms, ARPU in Ukraine decreased by 6.8% in 2009 compared to 2008.

*Tajikistan.* In 2009, our ARPU in Tajikistan decreased by 25.3% to US\$7.1 from US\$9.5 in 2008, primarily due to lower MOU.

*Uzbekistan.* In 2009, our ARPU in Uzbekistan decreased by 26.6% to US\$4.7 from US\$6.4 in 2008, primarily due to increased price competition and our launch of new lower price tariffs designed to increase usage.

*Armenia.* In 2009, our ARPU in Armenia decreased by 9.6% to US\$13.2 from US\$14.6 in 2008 primarily due to the devaluation of the functional currency in Armenia and lower prices per minute from new tariff plans designed to increase usage, which together more than offset increased MOU. In functional currency terms, ARPU in Armenia increased by 7.2% in 2009 compared to 2008.

**Table of Contents**

*Georgia.* In 2009, our ARPU in Georgia decreased by 1.1% to US\$8.9 from US\$9.0 in 2008, primarily due to the devaluation of the functional currency in Georgia, which more than offset increased MOU driven by the expansion of our mobile network coverage and new tariff offers. In functional currency terms, ARPU in Georgia increased by 14.6% in 2009 compared to 2008.

*Cambodia.* In 2009, our ARPU in Cambodia was a relatively low US\$1.4, primarily due to high churn rates relating to the launch of operations.

*Mobile churn rate*

We define our churn rate of mobile subscribers as the total number of churned mobile subscribers over the reported period expressed as a percentage of the average of our mobile subscriber base at the starting date and at the ending date of the period. The total number of churned mobile subscribers is calculated as the difference between the number of new subscribers who engaged in a revenue generating activity in the reported period and the change in the mobile subscriber base between the starting date and the ending date of the reported period. Migration between prepaid and contract forms of payment and between tariff plans may technically be recorded as churn, which contributes to our churn rate even though we do not lose those subscribers.

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

	Year Ended December 31,		
	2009	2008	2007
Russia	42.8%	34.6%	32.9%
Kazakhstan	46.3%	31.5%	23.5%
Ukraine	81.0%	84.0%	61.8%
Tajikistan	52.9%	42.8%	4.6%
Uzbekistan	63.7%	55.6%	61.7%
Armenia	58.6%	106.2%	49.7%
Georgia	46.6%	47.2%	1.0%
<b>Total Churn</b>	<b>45.8%</b>	<b>38.2%</b>	<b>34.1%</b>

In 2009, our churn rate in Russia increased compared to 2008 due to adverse economic conditions resulting in lower consumer spending and increased competition.

In 2009, our churn rate in Kazakhstan increased compared to 2008 primarily due to the departure of low quality subscribers.

In 2009, our churn rates in Ukraine, Armenia and Georgia decreased compared to 2008. However, our churn rates in these countries remained high due to a high share of summer holiday sales that result in seasonal usage of our services and consequent churn of these subscribers after the holiday season ends and, in Armenia, due to the departure of low quality subscribers.

Our churn rates in Tajikistan and Uzbekistan increased in 2009 as compared to 2008 due to aggressive pricing by competitors.

In 2009, our churn rate in Cambodia was high, primarily due to promotions related to our commercial launch in which subscribers received a bonus to subscribe.

*Broadband subscribers*

As of December 31, 2009, we had approximately 2.1 million broadband subscribers in Russia and 0.2 million broadband subscribers in the CIS, representing an increase of approximately 78.6% over the approximately 1.2 million broadband subscribers in Russia and an increase of approximately 274.4% over the approximately 0.04 million broadband subscribers in the CIS as of December 31, 2008. Broadband subscribers are subscribers in the registered subscriber base who were engaged in a revenue generating activity in the three months prior to the measurement date. Such activities include monthly Internet access using FTTB, xDSL and WiFi technologies, as well as mobile home Internet service via USB modems.

**Revenues**



## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

During the year ended December 31, 2009, we generated revenues from providing voice, data and other telecommunication services through a range of wireless, fixed and broadband Internet services, as well as selling equipment and accessories. Our primary sources of revenues consisted of:

### *Service Revenues*

Our service revenues included revenues from airtime charges from contract and prepaid subscribers, monthly contract fees, time charges from subscribers online using Internet services, interconnect fees from other mobile and fixed-line operators, roaming charges and charges for value added services such as messaging, mobile Internet and infotainment. Roaming revenues include both revenues from our customers who roam outside of their home country networks and revenues from other wireless carriers for roaming by their customers on our network. Roaming revenues do not include revenues from our own subscribers roaming while traveling across Russian regions within our network (so called intranet roaming ).

### *Sales of Equipment and Accessories and Other Revenues*

We sold mobile handsets, equipment and accessories to our subscribers. Our other revenues included, among other things, rental of base station sites.

## **Table of Contents**

### **Expenses**

#### *Operating Expenses*

During the year ended December 31, 2009, we had two categories of operating expenses directly attributable to our revenues: service costs and the costs of equipment and accessories.

*Service Costs.* Service costs included interconnection and traffic costs, channel rental costs, telephone line rental costs, roaming expenses and charges for connection to special lines for emergencies.

*Costs of Equipment and Accessories.* Our costs of equipment and accessories sold represented the amount that was payable for these goods, net of VAT. We purchased handsets, equipment and accessories from third party manufacturers for resale to our subscribers for use on our networks.

In addition to service costs and the costs of equipment and accessories, during the year ended December 31, 2009, our operating expenses included:

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

dealers' commissions;

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

marketing and advertising expenses;

repair and maintenance expenses;

rent, including lease payments for base station sites;

utilities;

stock price-based compensation expenses; and

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

*Depreciation and amortization expense.* We depreciated the capitalized costs of our tangible assets, which consisted mainly of telecommunications equipment and buildings that we owned. We amortized our intangible assets, which consisted primarily of telecommunications licenses, telephone line capacity for local numbers in Russia and the CIS and customer relations acquired in business combinations.

*Provision for doubtful accounts.* We included in our operating expenses an estimate of the amount of our accounts receivable net of VAT that we believe will ultimately be uncollectible. We based the estimate on historical data and other relevant factors, such as a change in tariff plans from prepaid to postpaid.

In addition to operating expenses, during the year ended December 31, 2009, our other significant expenses included:

*Net foreign exchange (loss)/gain*

The functional currency of VimpelCom and its subsidiaries is the Russian ruble in Russia, the Kazakh tenge in Kazakhstan, the Ukrainian hrynia in Ukraine, the Armenian dram in Armenia, the Georgian lari in Georgia, and the U.S. dollar in Tajikistan, Uzbekistan and Cambodia. Monetary assets and liabilities denominated in foreign currencies are translated into our respective functional currencies on the relevant balance sheet date. We record changes in the values of such assets and liabilities as a result of exchange rate changes in our results of operations under the line item net foreign exchange (loss)/gain.

*Interest expense*

We incurred interest expense on our vendor financing agreements, loans from banks, capital leases and other borrowings. Our interest bearing liabilities carry both fixed and floating interest rates. On our borrowings with a floating interest rate, the interest rate is linked either to LIBOR or to EURIBOR. Our interest expense depends on a combination of prevailing interest rates and the amount of our outstanding interest bearing liabilities.

*Income tax expense*

The statutory income tax rate in Russia, Kazakhstan and Armenia in 2009 was 20.0%. The statutory income tax rate in Ukraine and Tajikistan was 25.0%. The statutory income tax rate in Georgia was 15.0%. In Uzbekistan there was a complex income tax regime that resulted in an income tax rate of approximately 18.0%. The statutory income tax rates in 2008 were the same as those in 2009 except in Russia and Kazakhstan where the rates were 24.0% and 30.0%, respectively, in 2008.

**Table of Contents****Results of Operations**

The table below shows, for the periods indicated, the following consolidated statement of operations data expressed as a percentage of consolidated net operating revenues:

	Year Ended December 31,		
	2009	2008	2007
<b>Consolidated statements of income</b>			
<b>Operating revenues:</b>			
Service revenues	98.6%	98.8%	99.9%
Sales of equipment and accessories	1.3%	1.1%	0.1%
Other revenues	0.2%	0.2%	0.1%
Total operating revenues	100.1%	100.1%	100.1%
Less revenue based taxes	(0.1)%	(0.1)%	(0.1)%
Net operating revenues	100.0%	100.0%	100.0%
<b>Operating expenses:</b>			
Service costs	21.6%	22.4%	18.3%
Cost of equipment and accessories	1.3%	1.0%	0.1%
Selling, general and administrative expenses	27.5%	28.0%	30.8%
Depreciation	16.0%	15.0%	16.3%
Amortization	3.5%	3.6%	3.1%
Impairment loss	0.0%	4.4%	0.0%
Provision for doubtful accounts	0.6%	0.5%	0.6%
Total operating expenses	70.4%	74.9%	69.2%
<b>Operating income</b>	<b>29.6%</b>	<b>25.1%</b>	<b>30.8%</b>
<b>Other income and expenses:</b>			
Interest income	0.6%	0.7%	0.5%
Net foreign exchange (loss)/gain	(4.7)%	(11.3)%	1.0%
Interest expense	(6.9)%	(4.9)%	(2.7)%
Equity in net (loss)/gain of associates	(0.4)%	(0.2)%	0.0%
Other (expenses), net	(0.4)%	(0.6)%	0.0%
Total other income and expenses	(11.8)%	(16.3)%	(1.2)%
Income before income taxes	17.8%	8.8%	29.6%
Income tax expense	5.0%	3.0%	8.3%
Net income	12.8%	5.8%	21.3%
Net (loss)/income attributable to the noncontrolling interest	(0.1)%	0.6%	0.9%
Net income attributable to VimpelCom	12.9%	5.2%	20.4%

The tables below show for the periods indicated, selected information about the results of operations in each of our reportable segments. For more information regarding our segments, see Note 23 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F.

**Russia Mobile**

	Year Ended December 31,					
	2009	2008	%	2008	2007	%
	(US\$ in millions, except % change)					
Net operating revenues from external customers	6,104.0	7,310.5	(16.5)	7,310.5	6,090.3	20.0
Intersegment revenues	94.4	61.3	54.0	61.3	3.4	1,702.9
<b>Net operating revenues (including intersegment revenues)</b>	<b>6,198.4</b>	<b>7,371.8</b>	<b>(15.9)</b>	<b>7,371.8</b>	<b>6,093.7</b>	<b>21.0</b>
Depreciation and amortization	1,019.3	1,204.7	(15.4)	1,204.7	1,109.0	8.6
Operating income	2,185.5	2,667.4	(18.1)	2,667.4	1,991.8	33.9

Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

<b>Net income attributable to VimpelCom</b>		1,007.8	1,146.0	(12.1)	1,146.0	1,422.2	(19.4)
	<b>Russia Fixed</b>						

	Year Ended December 31,					
	2009	2008	% change	2008	2007	% change
	(US\$ in millions, except % change)					
Net operating revenues from external customers	1,319.5	1,286.7	2.5	1,286.7		n/a
Intersegment revenues	367.6	142.8	157.4	142.8		n/a
<b>Net operating revenues (including intersegment revenues)</b>	<b>1,687.1</b>	<b>1,429.5</b>	<b>18.0</b>	<b>1,429.5</b>		<b>n/a</b>
Depreciation and amortization	242.1	219.4	10.3	219.4		n/a
Impairment loss		315.0	n/a	315.0		n/a
Operating income/(loss)	227.0	(191.2)	n/a	(191.2)		n/a
<b>Net income/(loss) attributable to VimpelCom</b>	<b>180.2</b>	<b>(266.4)</b>	<b>n/a</b>	<b>(266.4)</b>		<b>n/a</b>

**Table of Contents****CIS Mobile**

	Year Ended December 31,					
	2009	2008	% change	2008	2007	% change
	(US\$ in millions, except % change)					
Net operating revenues from external customers	1,095.9	1,294.7	(15.4)	1,294.7	937.4	38.1
Intersegment revenues	32.9	20.3	62.1	20.3	10.4	95.2
<b>Net operating revenues (including intersegment revenues)</b>	<b>1,128.8</b>	<b>1,315.0</b>	<b>(14.2)</b>	<b>1,315.0</b>	<b>947.8</b>	<b>38.7</b>
Depreciation and amortization	331.1	368.3	(10.1)	368.3	220.3	67.2
Impairment loss		90.1	n/a	90.1		n/a
Operating income	183.9	81.8	124.8	81.8	198.6	(58.8)
<b>Net income/(loss) attributable to VimpelCom</b>	<b>(2.0)</b>	<b>(260.4)</b>	<b>n/a</b>	<b>(260.4)</b>	<b>30.7</b>	<b>n/a</b>

**CIS Fixed**

	Year Ended December 31,					
	2009	2008	% change	2008	2007	% change
	(US\$ in millions, except % change)					
Net operating revenues from external customers	177.8	225.1	(21.0)	225.1	143.4	57.0
Intersegment revenues	85.4	47.7	79.0	47.7		n/a
<b>Net operating revenues (including intersegment revenues)</b>	<b>263.2</b>	<b>272.8</b>	<b>(3.5)</b>	<b>272.8</b>	<b>143.4</b>	<b>90.2</b>
Depreciation and amortization	91.7	88.5	3.6	88.5	61.2	44.6
Operating income	20.0	23.9	(16.3)	23.9	15.8	51.3
<b>Net income attributable to VimpelCom</b>	<b>12.3</b>	<b>3.4</b>	<b>261.8</b>	<b>3.4</b>	<b>9.8</b>	<b>(65.3)</b>

**Other**

	Year Ended December 31,					
	2009	2008	% change	2008	2007	% change
	(US\$ in millions, except % change)					
Net operating revenues from external customers	5.7		n/a			n/a
Intersegment revenues			n/a			n/a
<b>Net operating revenues (including intersegment revenues)</b>	<b>5.7</b>		<b>n/a</b>			<b>n/a</b>
Depreciation and amortization	10.0	0.2	4,900.0	0.2		n/a
Impairment loss		37.6	n/a	37.6		n/a
Operating income	(38.0)	(45.9)	n/a	(45.9)		n/a
<b>Net (loss) attributable to VimpelCom</b>	<b>(76.4)</b>	<b>(98.1)</b>	<b>n/a</b>	<b>(98.1)</b>		<b>n/a</b>

**Year Ended December 31, 2009 Compared to Year Ended December 31, 2008***Net Operating Revenues*

Our consolidated net operating revenues decreased by 14.0% to US\$8,702.9 million during 2009 from US\$10,116.9 million during 2008. Our net operating revenues decreased in 2009 primarily as a result of the devaluation of functional currencies. In functional currency terms, in 2009 compared to 2008, our net operating revenues increased in all countries in which we operate other than in Armenia and Uzbekistan, mainly due to increased traffic on our mobile networks primarily due to an increase in mobile subscribers over the course of 2009. The following discussion of revenues by reportable segments includes intersegment revenues. Our management assesses the performance of each reportable segment on this basis as it believes the inclusion of intersegment revenues better reflects the true performance of each segment on a stand-alone basis.

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

*Russia mobile net operating revenues.* Our Russia mobile net operating revenues decreased by 15.9% to US\$6,198.4 million during 2009 from US\$7,371.8 million during 2008. Our Russia mobile net operating revenues consist mostly of service revenues.

During 2009, we generated US\$3,952.4 million of our service revenues from airtime charges from mobile contract and prepaid subscribers, including monthly contract fees, or 63.8% of net operating revenues in our Russia mobile segment, compared to US\$4,842.7 million, or 65.7% of net operating revenues in 2008. The 18.4% decrease was primarily due to the devaluation of

**Table of Contents**

the functional currency, which more than offset the growth of our subscriber base and the resulting increased traffic volumes on our mobile network. In functional currency terms, our service revenues from airtime charges from mobile contract and prepaid subscribers, including monthly contract fees, in our Russia mobile segment increased by 3.9% in 2009 compared to 2008.

During 2009, we generated US\$888.9 million of our service revenues from interconnect, or 14.3% of net operating revenues in the Russia mobile segment, compared to US\$1,074.0 million, or 14.6% of net operating revenues in 2008. The 17.2% decrease was primarily due to the devaluation of the functional currency, which more than offset increased traffic to our network. In functional currency terms, our Russia mobile segment service revenues from interconnect increased by 5.2% during 2009 compared to 2008.

During 2009, we generated US\$925.5 million of our service revenues from value added services, or 14.9% of net operating revenues in our Russia mobile segment, compared to US\$898.9 million, or 12.2% of net operating revenues in 2008. The 3.0% increase in our mobile value added services revenues was primarily due to the growth in our subscriber base and increased revenue from sales of infotainment and data, partially offset by the devaluation of the functional currency. In functional currency terms, our Russia mobile segment service revenues from value added services increased by 30.8% during 2009 compared to 2008.

During 2009, we generated US\$298.0 million of our service revenues from roaming fees generated by our Russian mobile subscribers and roaming fees received from other mobile services operators for providing roaming services to our subscribers, or 4.8% of net operating revenues in our Russia mobile segment, compared to US\$428.2 million or 5.8% of net operating revenues in 2008. The 30.4% decrease during 2009 compared to 2008 was primarily due to the devaluation of the functional currency and the adverse economic conditions which resulted in decreased activity of our Russia mobile subscribers and persons roaming on our network. In functional currency terms, our Russia mobile segment service revenues from roaming decreased by 11.1% during 2009 compared to 2008.

During 2009, we generated US\$16.1 million of our service revenues from other types of services, including connection charges, or 0.3% of net operating revenues in our Russia mobile segment, compared to US\$20.5 million and 0.3%, respectively, for 2008.

Our net operating revenues in the Russia mobile segment also included revenues from sales of equipment and accessories. During 2009, revenues from sales of equipment and accessories decreased by 2.9% to US\$98.0 million from US\$100.9 million during 2008 but increased to 1.6% of net operating revenues in 2009 from 1.4% in 2008, primarily as a result of sales of iPhones and USB modems that started in the end of 2008 and the second half of 2008, respectively.

During 2009, our net operating revenues in the Russia mobile segment included US\$19.5 million of revenues generated from other activity compared to US\$6.6 million for 2008.

*Russia fixed net operating revenues.* In 2009, net operating revenues in the Russia fixed segment increased by 18.0% to US\$1,687.1 million from US\$1,429.5 million in 2008. Our Russia fixed segment net operating revenues in 2009 consisted of US\$656.3 million generated from business operations, US\$847.6 million generated from wholesale operations and US\$183.2 million generated from residential operations. The increase in net operating revenues in our Russia fixed segment in 2009 compared to 2008 was due to the full-year consolidation of Golden Telecom's operations for 2009 as opposed to only 10 months of 2008, and improvement in wholesale and residential operations. As a portion of our contracts with business and wholesale customers are denominated in U.S. dollars and Euros, a portion of our revenues was protected from devaluation of the Russian ruble.

*CIS mobile net operating revenues.* Our CIS mobile net operating revenues decreased by 14.2% to US\$1,128.8 million during 2009 from US\$1,315.0 million during 2008. Our CIS mobile net operating revenues consist mostly of service revenues.

During 2009, we generated US\$758.5 million of our service revenues from airtime charges in the CIS from mobile contract and prepaid subscribers, including monthly contract fees, or 67.2% of our net operating revenues in the CIS mobile segment, compared to US\$891.7 million, or 67.7% of net operating revenues in 2008. The 14.9% decrease during 2009 compared to 2008 was primarily due to the devaluation of our functional currencies, which more than offset increased traffic volumes in Kazakhstan and Georgia during 2009. In functional currency terms, our service revenues from airtime charges increased by 2.1% in 2009 compared to 2008.

During 2009, we generated US\$199.8 million of our mobile service revenues from interconnect fees in the CIS, or 17.7% of our net operating revenues in CIS mobile, compared to US\$230.3 million, or 17.5% of net operating revenues in CIS mobile in 2008. The 13.2% decrease in 2009 compared to 2008 was primarily due to the devaluation of functional currencies, which more than offset increased volume of inbound traffic terminated on our networks in Uzbekistan, Tajikistan and Georgia. In functional currency terms, service revenues from interconnect fees increased by 4.2% in 2009 compared to 2008.



## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

During 2009, we generated US\$122.6 million of our mobile service revenues from value added services in the CIS, or 10.9% of net operating revenues in CIS mobile, compared to US\$140.2 million, or 10.7% of net operating revenues in CIS mobile in 2008. The 12.6% decrease in 2009 compared to 2008 was primarily due to the devaluation of our functional currencies and decreased consumer spending on value added services in all CIS countries in which we operate, which together more than offset subscriber growth in Tajikistan and Georgia. In functional currency terms, service revenues from value added services increased by 4.9% in 2009 compared to 2008.

## Table of Contents

During 2009, we generated US\$41.8 million of our service revenues from roaming in the CIS, or 3.7% of net operating revenues in CIS mobile, compared to US\$51.5 million, or 3.9% of net operating revenues in CIS mobile in 2008. This 18.8% decrease in roaming revenues in 2009 compared to 2008 was primarily due to the devaluation of functional currencies and decreased consumer spending in all CIS countries in which we operate. In functional currency terms, service revenues from roaming decreased by 2.3%.

During 2009, we generated US\$2.9 million of our service revenues from other types of services, including connection charges, or 0.3% of net operating revenues in our CIS mobile segment, compared to US\$2.5 million and 0.2%, respectively, for 2008.

Our net operating revenues in the CIS mobile segment also included revenues from sales of equipment and accessories. During 2009, revenues from sales of equipment and accessories increased to US\$1.3 million from US\$0.1 million during 2008.

During 2009, our net operating revenues in the CIS mobile segment included US\$9.1 million generated by other activity compared to US\$6.4 million for 2008.

During each of 2009 and 2008, our CIS mobile segment incurred revenue based taxes of US\$7.2 million and US\$7.9 million.

*CIS fixed net operating revenues.* Our net operating revenues in the CIS fixed segment decreased by 3.5% to US\$263.2 million in 2009 from US\$272.8 million in 2008. The decrease was primarily attributable to the devaluation of functional currencies in Ukraine and Armenia compared to the U.S. dollar, while in functional currency terms, our revenues in CIS fixed increased by 20.6% primarily due to growth of interconnect, voice and Internet revenues in Ukraine, Kazakhstan and Uzbekistan and the full-year consolidation of Golden Telecom for 2009 as opposed to 10 months 2008. In 2009, US\$59.8 million of CIS fixed revenues were generated from our business operations, US\$84.1 million from wholesale operations and US\$119.3 million from residential operations.

*Other segment net operating revenues.* In 2009, we started to generate revenues in our Other reporting segment. In 2009, net operating revenues in this segment were US\$5.7 million and consisted of revenues from our mobile operations in Cambodia from May 2009 when our subsidiary Sotelco launched its commercial operations.

During 2009, in Cambodia US\$5.0 million of our mobile service revenues, or 87.7% of our net operating revenues, were from airtime charges from mobile prepaid subscribers and monthly contract fees, US\$0.5 million of our mobile service revenues, or 8.8% of our net operating revenues, were from interconnect fees, and US\$0.2 million of our mobile service revenues, or 3.5% of our net operating revenues, were from other services, including connection charges and value added services.

### *Total Operating Expenses*

Our consolidated total operating expenses decreased by 19.2% to US\$6,124.5 million during 2009 from US\$7,581.0 million during 2008, and represented 70.4% and 74.9% of net operating revenues in 2009 and 2008, respectively. The decrease of 19.2% was primarily due to the devaluation of our functional currencies and cost control measures implemented in 2009.

Due to the adverse economic environment, in 2009, we focused on maintaining our consolidated operating margin by controlling our operating expenses. As a result of those efforts and the non-recurrence of the 2008 impairment losses, our consolidated operating margin for 2009 was 29.6% compared to 25.1% in 2008, notwithstanding the dilutive effect of Golden Telecom's lower margin fixed-line business, which we consolidated from March 1, 2008.

*Service costs.* Our consolidated service costs decreased by 17.0% to US\$1,878.4 million during 2009 from US\$2,262.6 million during 2008. As a percentage of consolidated net operating revenues, our service costs decreased to 21.6% during 2009 from 22.4% during 2008.

Service costs in Russia mobile operations decreased by 10.2% to US\$1,243.9 million in 2009 from US\$1,385.8 million in 2008, primarily due to the devaluation of the functional currency, which more than offset growth in interconnect costs related to an increase in our traffic volume. In functional currency terms, our service costs in Russia mobile increased by 14.0% during 2009 compared to 2008.

Service costs in Russia fixed increased by 20.2% to US\$797.2 million in 2009 from US\$663.0 million in 2008. This increase was primarily due to consolidation of Golden Telecom's operations for all of 2009, compared to only 10 months in 2008, increased volume of higher cost wholesale traffic and an increase in the proportion of international traffic, mostly to the CIS countries. In functional currency terms, service costs in Russia fixed increased by 52.0% in 2009 compared to 2008.

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

Service costs in CIS mobile decreased by 22.7% to US\$302.1 million in 2009 from US\$390.6 million in 2008. The decrease was primarily due to the devaluation of functional currencies and a decrease in interconnection expenses in Ukraine and Armenia. In functional currency terms, service costs in CIS mobile decreased by 5.0% in 2009 compared to 2008.

Service costs in CIS fixed decreased by 2.2% to US\$85.3 million in 2009 from US\$87.2 million in 2008. This decrease was primarily due to the devaluation of functional currencies, which more than offset increased costs relating to increased volumes of traffic in Ukraine, Uzbekistan and Kazakhstan and the consolidation of Golden Telecom's operations for all of 2009, compared to only 10 months in 2008. In functional currency terms, service costs in CIS fixed increased by 33.2% in 2009 compared to 2008.

Service costs in our Other reporting segment in 2009 were US\$6.8 million, consisting primarily of interconnection expenses in our mobile operations in Cambodia.

**Table of Contents**

*Cost of equipment and accessories.* Our consolidated cost of equipment and accessories increased by 9.3% to US\$110.7 million during 2009 from US\$101.3 million during 2008. This increase was primarily due to the sale of iPhones and USB modems to our customers that started in the end of 2008 and in the second half of 2008, respectively.

*Selling, general and administrative expenses.* Our consolidated selling, general and administrative expenses decreased by 15.8% to US\$2,390.0 million during 2009 from US\$2,838.5 million during 2008. This decrease was primarily due to the devaluation of functional currencies. As a percentage of consolidated net operating revenues, our consolidated selling, general and administrative expenses decreased to 27.5% in 2009 from 28.0% in 2008 mainly due to management's initiatives to decrease costs. As a percentage of consolidated net operating revenues in 2009 compared to 2008, advertising and marketing expenses decreased by 1.6%, dealer commissions and other dealer-related costs decreased by 2.3%, technical and information technology expenses decreased by 1.1%, and other general and administrative expenses (excluding stock-based compensation expenses) increased by 1.0%. In 2009, stock-based compensation expenses were US\$9.2 million compared to a stock-based compensation gain of US\$119.3 million in 2008. The stock-based compensation gain in 2008 resulted from the decrease in our stock price in 2008. In December 2008, we modified our stock-based compensation program to satisfy equity classification pursuant to which we recognize stock-based compensation expenses evenly within the vesting period for that program.

Selling, general and administrative expenses in the Russia mobile segment decreased by 17.9% to US\$1,623.8 million in 2009 from US\$1,977.6 million in 2008. As a percentage of net operating revenues (including intersegment revenues) in the Russia mobile segment, selling, general and administrative expenses decreased by 0.6% in 2009 compared to 2008. As a percentage of net operating revenues (including intersegment revenues) in the Russia mobile segment, in 2009 compared to 2008, general and administrative expenses decreased by 0.6%, technical support expenses increased by 0.7% and sales and marketing expenses decreased by 0.7%.

Selling, general and administrative expenses in the Russia fixed segment decreased by 4.7% to US\$393.3 million in 2009 from US\$412.5 million in 2008. As a percentage of net operating revenues (including intersegment revenues) in the Russia fixed segment, selling, general and administrative expenses decreased by 5.5% in 2009 compared to 2008. As a percentage of net operating revenues (including intersegment revenues) in the Russia fixed segment, in 2009 compared to 2008, general and administrative expenses decreased by 7.1%, technical support expenses increased by 1.2% and sales and marketing expenses increased by 0.4%.

Selling, general and administrative expenses in the CIS mobile segment decreased by 19.2% to US\$305.1 million in 2009 from US\$377.4 million in 2008. As a percentage of net operating revenues (including intersegment revenues) in the CIS mobile segment, selling, general and administrative expenses decreased by 1.7% in 2009 compared to 2008. As a percentage of net operating revenues (including intersegment revenues) in the CIS mobile segment, in 2009 compared to 2008, general and administrative expenses decreased by 0.3%, technical support expenses increased by 1.1% and sales and marketing expenses decreased by 2.5%.

Selling, general and administrative expenses in the CIS fixed segment decreased by 12.4% to US\$62.1 million in 2009 from US\$70.9 million in 2008. As a percentage of net operating revenues (including intersegment revenues) in the CIS fixed segment, selling, general and administrative expenses decreased by 2.4% in 2009 compared to 2008. As a percentage of net operating revenues (including intersegment revenues) in the CIS fixed segment, in 2009 compared to 2008, general and administrative expenses decreased by 4.4%, technical support expenses increased by 1.9% and sales and marketing expenses increased by 0.1%.

Selling, general and administrative expenses in the Other segment primarily consisted of expenses in our mobile operations in Cambodia, which amounted to US\$19.8 million.

*Depreciation and amortization expenses.* Our consolidated depreciation and amortization expenses decreased by 9.9% to US\$1,694.2 million in 2009 from US\$1,881.2 million in 2008. The overall decrease in depreciation and amortization expenses was primarily due to the devaluation of functional currencies and a decrease in capital expenditures in 2009 in line with management's conservative approach to capital investments and to internal targets for return on capital investments in response to existing adverse economic conditions. As a percentage of consolidated net operating revenues, depreciation and amortization expenses increased to 19.5% from 18.6% in 2009 compared to 2008.

*Impairment loss.* We did not have any write downs or impairment loss in 2009. In 2008, we wrote down US\$37.6 million related to DVB-H and DVB-T licenses and recognized a US\$90.1 million mobile goodwill and long lived assets impairment loss for Ukraine, and US\$315.0 million fixed goodwill impairment loss for Russia. For details regarding our impairment loss and write down of long-lived assets in 2008, please see Note 10 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F.

*Provision for doubtful accounts.* Our consolidated provision for doubtful accounts decreased by 6.2% to US\$51.3 million in 2009 from US\$54.7 million in 2008. As a percentage of consolidated net operating revenues, provision for doubtful accounts increased to 0.6% in 2009 compared to 0.5% in 2008 due to the growth of our fixed segments, which had higher doubtful debt rates than our mobile segments.

*Operating Income*

Our consolidated operating income increased by 1.7% to US\$2,578.4 million during 2009 from US\$2,536.0 million during 2008 primarily as a result of the foregoing. Our total operating income as a percentage of net operating revenues in 2009 increased to 29.6% from 25.1% in 2008.

**Table of Contents**

During 2009, our operating income in the Russia mobile segment decreased by 18.1% to US\$2,185.5 million compared to US\$2,667.4 million during 2008, primarily due to the devaluation of the functional currency.

Our operating income in the Russia fixed segment increased to US\$227.0 million in 2009 compared to US\$191.2 million operating loss during 2008, primarily due to goodwill impairment loss of US\$315.0 million in 2008, higher traffic volume and the full-year consolidation of Golden Telecom for 2009, compared to only 10 months in 2008.

Our operating income in the CIS mobile segment increased by 124.8% to US\$183.9 million in 2009 from US\$81.8 million in 2008, primarily due to goodwill and other long-lived assets impairment loss of US\$90.1 million in 2008.

Our operating income in the CIS fixed segment decreased by 16.3% to US\$20.0 million in 2009 from US\$23.9 million in 2008, mainly due to devaluation of functional currencies.

*Other Income and Expenses*

*Interest expense/income.* Our consolidated interest expense increased by 20.8% to US\$598.5 million during 2009 from US\$495.6 million during 2008, primarily due to an increase in the average interest rates on our outstanding debt, which was 7.6% in 2009 compared to 7.0% in 2008. Our consolidated interest income decreased by 27.8% to US\$51.7 million during 2009 from US\$71.6 million during 2008, primarily due to lower interest rates on investments and short-term bank deposits.

*Net foreign exchange (loss)/gain.* We recorded a US\$411.3 million foreign currency exchange loss during 2009 compared to a US\$1,142.3 million foreign currency exchange loss during 2008. The losses were primarily due to the devaluation of the Russian ruble against the U.S. dollar during 2009 and 2008 which resulted in a corresponding revaluation of our U.S. dollar denominated financial liabilities, including our loan agreements. Our foreign currency exchange loss decreased in 2009 compared to 2008, primarily due to the lower rate of devaluation of the Russian ruble against the U.S. dollar of 2.9% in 2009 compared to 19.7% in 2008.

*Equity in net (loss)/gain of associates.* We recorded a net loss of US\$35.8 million from our equity in associates during 2009 compared to a net loss of US\$61.0 million during 2008, primarily due to our equity in Morefront Holdings Ltd., which was acquired in October 2008, and the losses incurred by GTEL-Mobile relating to commencement of its commercial operations.

*Income tax expense.* Our consolidated income tax expense increased by 43.1% to US\$435.0 million during 2009 from US\$303.9 million during 2008. The increase in income taxes was primarily due to the increase in income before income taxes. Our effective income tax rate was 28.0% in 2009 compared to 34.1% in 2008. The decrease in the effective income tax rate was primarily due to the non-recurrence in 2009 of a tax non-deductible impairment loss recorded in 2008, and a lower level of loss carry-forwards provided as non-recoverable in 2009 as compared to 2008.

*Net (loss)/income attributable to the noncontrolling interest.* Our net loss attributable to the noncontrolling interest was US\$4.5 million during 2009 compared to a net gain of US\$63.0 million during 2008, primarily due to foreign exchange losses incurred in 2009 by KaR-Tel, our subsidiary in Kazakhstan, and Mobitel, our subsidiary in Georgia.

*Net income attributable to VimpelCom and net income attributable to VimpelCom per common share.* In 2009, consolidated net income attributable to VimpelCom was US\$1,121.8 million, or US\$21.71 per common share (US\$1.09 per ADS), compared to US\$524.3 million, or US\$10.32 per common share (US\$0.52 per ADS), during 2008. In 2009, we reported diluted net income attributable to VimpelCom of US\$21.69 per common share (US\$1.08 per ADS), compared to diluted net income attributable to VimpelCom of US\$10.32 per common share (US\$0.52 per ADS) during 2008.

**Year Ended December 31, 2008 Compared to Year Ended December 31, 2007***Operating Revenues*

Our consolidated net operating revenues increased by 41.1% to US\$10,116.9 million during 2008 from US\$7,171.1 million during 2007. We increased our net operating revenues in 2008 primarily as a result of consolidation of the results of Golden Telecom, which was acquired in February 2008, and also due to increase in mobile operations because of increased traffic on our network and improved ARPU.

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

Net operating revenues from our mobile operations in Russia, excluding intersegment revenues, increased by 20.0% to US\$7,310.5 million during 2008 from US\$6,090.3 million during 2007. Net operating revenues from our mobile operations in CIS, excluding intersegment eliminations, increased by 38.1% to US\$1,294.7 million during 2008 from US\$937.4 million during 2007.

Net operating revenues from our fixed operations in Russia, excluding intersegment revenues, were US\$1,286.7 million in 2008. Net operating revenues from our fixed operations in CIS, excluding intersegment eliminations, were US\$225.1 million during 2008, representing an increase of 57.0% from US\$143.4 million in 2007.

### *Mobile service revenues in Russia*

Our mobile service revenues in Russia increased by 19.4% to US\$7,264.3 million during 2008 from US\$6,082.5 million during 2007. These revenues include revenue from airtime charges from contract and prepaid subscribers, monthly contract fees, interconnect fees from other mobile and fixed-line operators, charges from value added services and roaming charges.

## **Table of Contents**

During 2008, we generated US\$4,842.7 million of our services revenues from airtime charges from mobile contract and prepaid subscribers and monthly contract fees, or 65.7% of net operating revenues in mobile Russia, compared to US\$4,124.0 million, or 67.7% of net operating revenues in mobile Russia operations in 2007. The increase was primarily related to increased traffic on our mobile network.

During 2008, we generated US\$1,074.0 million of our service revenues from interconnect revenues, or 14.6% of net operating revenues in mobile Russia, compared to US\$851.3 million, or 14.0% of net operating revenues in mobile Russia operations in 2007. The increase in our interconnect revenues in 2008 was also due to increased inbound traffic on our network.

During 2008, we generated US\$898.9 million of our mobile service revenues from value added services, or 12.2% of total net operating revenues in mobile Russia, compared to US\$736.4 million, or 12.1% of net operating revenues in 2007. The increase in our mobile value added services revenues was primarily due to launch of Ring Back Tone and traffic sharing and also due to increased revenue from SMS.

During 2008, we generated US\$428.2 million of our service revenues from roaming fees generated by our Russian subscribers and roaming fees received from other mobile services operators for providing roaming services to their subscribers, or 5.8% of Russia mobile net operating revenues, compared to US\$340.2 million and 5.6%, respectively, for 2007. These increases were primarily due to improved and expanded network coverage and increased roaming activity due to increased travel by our subscribers and persons roaming on our network.

### *Mobile service revenues in CIS*

Our mobile service revenues in CIS increased by 38.3% to US\$1,316.4 million during 2008 from US\$951.6 million during 2007. These revenues include revenue from airtime charges from contract and prepaid subscribers, monthly contract fees, interconnect fees from other mobile and fixed-line operators, charges from value added services and roaming charges.

During 2008, we generated US\$891.7 million of our services revenues from airtime charges in CIS from mobile contract and prepaid subscribers and monthly contract fees, which represented 67.7% of our CIS mobile net operating revenues, compared to US\$648.2 million, or 69.9% of net operating revenues in 2007. The increase was primarily related to revenue growth in Kazakhstan, Uzbekistan and Ukraine due to increased traffic on our mobile network.

During 2008, we generated US\$230.3 million of our service revenues from interconnect revenues, or 17.5% of net operating revenues in CIS mobile, compared to US\$161.9 million, or 17.0% of net operating revenues in CIS mobile in 2007. The increase in our interconnect revenues in 2008 was also due to increased subscriber base and volume of inbound traffic terminated on our network in CIS.

Our revenues from value added services in the CIS increased by 43.1% in 2008 compared to 2007. During 2008, we generated US\$140.2 million of our mobile service revenues from value added services in CIS, or 10.7% of our CIS mobile net operating revenues, compared to US\$98.0 million and 10.6%, respectively, for 2007. The increase is primarily attributable to increased consumption of value added services in Kazakhstan and Uzbekistan.

During 2008, we generated US\$51.5 million of our service revenues from roaming revenues generated by our subscribers and subscribers roaming fees received from other mobile services operators for providing roaming services to their subscribers or 3.9% of in CIS mobile net operating revenues, compared to US\$41.5 million and 4.3%, respectively, for 2007. These increases were primarily due to improved and expanded network coverage, an increase roaming activity due to an increased travel by our subscribers and persons roaming on our network.

### *Revenues from sales of equipment and accessories*

In Russia mobile our revenues from sales of equipment and accessories during 2008 increased by 1,452.3% to US\$100.9 million from US\$6.5 million during 2007, primarily as a result of sales of iPhones in the fourth quarter of 2008 and USB modems in the second half of the year.

We did not derive a significant amount of revenue from sales of equipment and accessories in the CIS during 2008 and 2007.

### *Fixed revenues*

In 2008, fixed net operating revenues in Russia, including intersegment revenues, amounted to US\$1,429.5 million. US\$688.0 million of fixed revenues were generated from our business operations, US\$586.6 million from wholesale operations and US\$154.7 million from residential operations.



## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

Our fixed net operating revenues in CIS, including intersegment revenues, increased by 90.2% to US\$272.7 million in 2008 from US\$143.4 million in 2007. The increase was due to acquisition of Golden Telecom companies in Ukraine, Kazakhstan and Uzbekistan.

### *Operating Expenses*

Our consolidated total operating expenses increased by 52.7% to US\$7,581.0 million during 2008 from US\$4,964.9 million during 2007 mainly due to addition of operating expenses of Golden Telecom which was acquired in February 2008.

**Table of Contents**

Total operating expenses in our mobile operations in Russia increased by 14.7% to US\$4,704.4 million during 2008 from US\$4,101.8 million during 2007 in line with revenue growth. The increase related to growth in service cost, more intensive marketing and sales activities applied in 2008, and costs of 3G handsets sales launched during the fourth quarter.

Operating expenses in our mobile operations in CIS increased by 64.6% to US\$1,233.2 million during 2008 from US\$749.2 million during 2007. This increase is higher than the operating revenue increase of 38.1% primarily due to the increased expenses in Ukraine resulting from recognition of one-off impairment charges of goodwill and certain long-lived assets and increased service costs in 2008.

Total operating expenses in our fixed operations in Russia amounted to US\$1,620.7 million in 2008. Operating expenses in our fixed operations in the CIS increased by 95.0% to US\$248.8 million during 2008, from US\$127.6 million in 2007. The increase was caused by integrating Golden Telecom's fixed operations in CIS countries.

*Service costs.* Our service costs increased by 72.8% to US\$2,262.6 million during 2008 from US\$1,309.3 million during 2007. As a percentage of net operating revenues, our service costs increased to 22.4% during 2008 from 18.3% during 2007.

Service costs in Russia mobile operations increased by 33.1% to US\$1,385.8 million in 2008 from US\$1,040.9 million in 2007. The increase was caused by growth in interconnect cost due to growth in international traffic.

Service costs in CIS mobile were US\$390.6 million in 2008, which was 57.3% higher than US\$248.3 million in 2007. This is higher than service revenue increase of 38.3% primarily due to increased service costs in Ukraine resulting from active sales of new tariffs with unlimited minutes of usage. Service costs in Russia fixed operations were US\$663.0 million and amounted to 29.3% of Company's consolidated service costs in 2008. Service costs in CIS fixed operations were US\$87.2 million in 2008, which was US\$55.1 million higher than US\$32.1 million in 2007. The increase in CIS service costs was caused by integration of Golden Telecom operations in 2008.

*Cost of equipment and accessories.* Our consolidated cost of equipment and accessories increased by 1,646.6% to US\$101.3 million during 2008 from US\$5.8 million during 2007. This increase was primarily due to sales of iPhones and USB modems in the second half of 2008 and sales of fixed equipment due to consolidation of Golden Telecom results. Our cost of equipment and accessories as a percentage of net operating revenues increased to 1.0% during 2008 compared to 0.1% during 2007.

Cost of equipment and accessories in Russia mobile operations reached US\$95.2 million in 2008, which represented 94.0% of consolidated costs of equipment and accessories. Cost of equipment and accessories in CIS mobile was US\$0.1 million in 2008 and immaterial in 2007.

Cost of equipment and accessories in Russia fixed operations reached US\$5.5 million in 2008 or 5.4% of consolidated costs of handsets and accessories. Cost of equipment and accessories in CIS fixed operations was US\$0.6 million in 2008. The cost of equipment and accessories in CIS fixed segment in 2007 was immaterial.

*Selling, general and administrative expenses.* Our consolidated selling, general and administrative expenses increased by US\$632.2 million or by 28.7% to US\$2,838.5 million during 2008 from US\$2,206.3 million during 2007 mainly due to the consolidation of Golden Telecom results.

Selling, general and administrative expenses in Russia mobile operations increased by US\$74.2 million or by 3.9% to US\$1,977.6 million in 2008 from US\$1,903.4 million in 2007. However, as a percentage of net operating revenues they declined to 26.8% in 2008 from 31.2% in 2007. General and administrative expenses declined by US\$176.3 million in 2008. The reduction is explained mainly by a reversal in stock price based compensation plans expenses which resulted in US\$123.7 million gain in 2008 compared to US\$208.3 million expense in 2007. Without these expenses selling, general and administrative expenses in Russia mobile grew mostly in line with revenue growth.

Selling, general and administrative expenses in CIS mobile operations were US\$377.4 million in 2008, which was 39.4% higher than US\$270.7 million in 2007. In 2008 US\$166.1 million were general and administrative expenses, US\$73.7 million were spent on technical support and US\$137.6 million were spent on sales and marketing.

Selling, general and administrative expenses in Russia fixed operations were US\$412.5 million in 2008, which represented 14.5% of consolidated SG&A expenses in 2008. Of this amount US\$336.5 million were general and administrative expenses, US\$47.7 million were spent on technical support and US\$28.3 million were spent on sales and marketing.

In CIS fixed operations, selling, general and administrative expenses amounted to US\$70.9 million in 2008, an increase of US\$37.0 million compared to US\$33.9 million in 2007. In 2008, US\$56.4 million were general and administrative expenses, US\$9.7 million were spent for technical support and US\$4.7 million were spent on sales and marketing.

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

*Depreciation and amortization expense.* Our consolidated depreciation and amortization expense increased by 35.3% to US\$1,881.2 million in 2008 from US\$1,390.6 million during 2007. The overall increase in depreciation and amortization expense was due primarily to continuing capital expenditures in Russia and CIS coupled with the consolidation of Golden Telecom.

Depreciation and amortization expense in Russia mobile operations increased by 8.6% to US\$1,204.7 million in 2008 from US\$1,109.0 million in 2007. In CIS mobile operations they were US\$368.3 million in 2008, which was 67.2% higher than US\$220.3 million in 2007. The increase was connected with significant capital expenditures in 2008 and second half of 2007 and recognition of assets revaluation in Kazakhstan as a result of purchase price allocation on acquisition of additional share in KaR-Tel in July 2008.

## **Table of Contents**

Depreciation and amortization expense in fixed operations in Russia was US\$219.4 million in 2008. It was US\$88.5 million in CIS fixed operations in 2008, which was 44.6% higher than US\$61.2 million in 2007.

*Write offs and impairments.* In 2008 we wrote down US\$37.6 million related to DVB-H and DVB-T licenses and recognized a US\$90.1 million mobile goodwill and long lived assets impairment loss for Ukraine, and US\$315.0 million fixed goodwill impairment loss for Russia.

*Provision for doubtful accounts.* Our consolidated provision for doubtful accounts increased by 3.4% to US\$54.7 million during 2008 from US\$52.9 million during 2007. As a percentage of net operating revenues, provision for doubtful accounts decreased to 0.5% in 2008 compared to 0.6% in 2007 due to the reduction in negative balances of prepaid subscribers.

In 2008, provisions for doubtful accounts in Russia mobile declined by 4.0% to US\$41.1 million from US\$42.8 million in 2007 and also declined in CIS mobile by 31.6% to US\$ 6.7 million from US\$9.8 million in 2007.

In Russia fixed segment, provisions for doubtful accounts were US\$5.3 million in 2008. In CIS fixed operations, they were US\$1.6 million in 2008 compared to US\$0.4 million in 2007.

### *Operating Income*

Primarily as a result of the foregoing, our consolidated operating income increased by 14.9% to US\$2,536.0 million during 2008 from US\$2,206.2 million during 2007. Partly this increase is due to a reversal in stock price based compensation plans expenses which resulted in US\$119.3 million gain in 2008 compared to US\$208.3 million expense in 2007. Other than that our total operating income in 2008 stayed stable despite the negative effect of impairment loss in the fourth quarter 2008 in amount of US\$442.7 million.

During 2008, our operating income in Russia mobile operations grew by 33.9% to US\$2,667.4 million compared to US\$1,991.8 million during 2007. This growth in Russia was partly helped by ESOP reversal and also was the result of the increase in revenues as well as management's efforts to control costs.

Our operating income in CIS mobile operations declined by 58.8% to US\$81.8 million in 2008 from 198.6 million in 2007. The decline was mainly due to an operating loss of US\$176.0 million in Ukraine in 2008, caused primarily by the impairment charges recorded in 2008 and expenses associated with significant growth of advertising expenses due to active sales and subscriber base growth.

During 2008, we had an operating loss in our fixed operations in Russia which amounted to US\$191.2 million due to impairment charge of US\$315.0 million. Operating income in CIS fixed was US\$23.9 million, an increase of 51.3% from US\$15.8 million in 2007 primarily due to acquisition of Golden Telecom companies in CIS.

### *Other Income and Expenses*

*Consolidated interest expense.* Our interest expense increased 154.4% to US\$495.6 million during 2008 from US\$194.8 million during 2007. The increase in our interest expense during this period was primarily attributable to an increase in the overall amount of our debt during 2008 from US\$2,766.6 million to US\$8,442.9 million.

*Consolidated Foreign currency exchange gain/loss.* We recorded a US\$1,142.3 million foreign currency exchange loss during 2008 as compared to a US\$73.0 million foreign currency exchange gain during 2007. The depreciation of the Russian ruble against the U.S. dollar during 2008 resulted in a significant foreign exchange loss during 2008 from a corresponding revaluation of our U.S. dollar denominated financial liabilities under our loan agreements.

In order to reduce our foreign currency risk, in November 2006, we entered into a series of forward agreements to acquire US\$972.7 million in Russian rubles to hedge our U.S. dollar denominated liabilities due in 2007 and the first quarter of 2008 (including a swap agreement in the principal amount of US\$236.1 million).

In March and August 2007, we entered into a series of forward agreements to acquire US\$173.6 million in Russian rubles to hedge our short-term U.S. dollar denominated liabilities due in the first and second quarters of 2008 (including a zero-cost collar agreement in the principal amount of US\$120.6 million).

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

In August 2006, we entered into a forward agreement to acquire US\$110.0 million in Kazakh tenge to hedge financial liabilities of KaR-Tel. In October 2006, the forward agreement was restructured into a swap agreement in a principal amount of US\$100.0 million to purchase U.S. dollars for Kazakh tenge at the fixed rate of 122.64 Kazakh tenge per U.S. dollar and transfer our floating U.S. dollar interest rate loans to a fixed Kazakh tenge loan with an interest rate of 9.9%. As of December 31, 2007, we had a swap agreement to purchase U.S. dollars for Kazakh tenge with principal amount of US\$90.3 million. In March 2008, these swap agreements were terminated due to changes in Kartel-EBRD loan agreement.

In March and October 2008, we entered into a series of zero-cost collar agreements to acquire US\$1,495.4 million in Russian rubles to hedge our U.S. dollar denominated liabilities due in 2008 and the first, second and third quarters of 2009.

In March 2009, we entered into a series of forward agreements to acquire US\$166.7 million in Russian rubles to hedge our short-term U.S. dollar denominated liabilities due in the fourth quarter of 2009.

The net foreign exchange gains of US\$120.1 million and US\$39.3 million, for the years ended December 31, 2008 and 2007, respectively, net other losses of US\$5.5 million and US\$2.2 million for the years ended December 31, 2008 and 2007, respectively, were included in the accompanying consolidated statements of income and related to the change in fair value of derivatives.

**Table of Contents**

*Consolidated Income tax expense.* Our income tax expense decreased 48.8% to US\$303.9 million during 2008 from US\$593.9 million during 2007. The decrease in income taxes was primarily due to lower income before taxes in 2008 and the benefit of the change in the Russian and Kazakh income tax rates as it relates to deferred income taxes. Our effective income tax rate of 34.1% during 2008 was higher than our effective income tax rate of 28.0% in 2007 primarily due to tax non-deductible impairment loss and loss from associates.

*Net income attributable to VimpelCom and net income attributable to VimpelCom per share.* In 2008, our net income attributable to VimpelCom was US\$524.3 million, or US\$10.32 per common share (US\$0.52 per ADS), compared to US\$1,462.7 million or US\$28.78 per common share (US\$1.44 per ADS) during 2007. In 2008, we reported diluted net income attributable to VimpelCom of US\$10.32 per common share (US\$0.52 per ADS), compared to diluted net income attributable to VimpelCom of US\$28.78 per common share (US\$1.44 per ADS) during 2007.

**Liquidity and Capital Resources***Consolidated Cash Flow Summary*

The following table shows our cash flows for years ended December 31, 2009, 2008 and 2007 (in millions of U.S. dollars):

	Year ended December 31,		
	2009	2008	2007
	(US\$ in millions)		
<b>Consolidated Cash Flow</b>			
Net cash provided by operating activities	3,512.8	3,421.9	3,037.7
Net cash (used in)/provided by financing activities	(1,545.4)	3,750.9	(193.7)
Net cash used in investing activities	(1,433.5)	(7,177.2)	(2,234.6)
Effect of exchange rate changes on cash and cash equivalents	(1.7)	(84.6)	49.8
Net increase/(decrease) in cash and cash equivalents	532.3	(89.0)	659.2

During the years ended December 31, 2009, 2008 and 2007, we generated positive cash flow from our operating activities and negative cash flow from investing activities. Cash flow from financing activities was negative during 2009, positive during 2008 and negative during 2007. The negative cash flow from financing activities during the year ended December 31, 2009 was mostly due to repayments of our existing debt facilities, which exceeded new borrowings, and payment of cash dividends of US\$315.6 million (including related withholding tax). The positive cash flow from financing activities during 2008 was primarily the result of the receipt of proceeds from a US\$1,500.0 million bridge term loan facility entered into on February 8, 2008 and refinanced by the issuance of US\$2,000.0 million limited-recourse loan participation notes by VIP Finance Ireland Limited on April 30, 2008, a US\$2,000.0 million syndicated term loan facility entered into on February 8, 2008 and a US\$750.0 million loan facility signed with Sberbank on February 14, 2008. The negative cash flow from financing activities during 2007 was primarily the result of repayments of our existing debt facilities and our payment of cash dividends of US\$331.9 million (including related withholding tax).

As of December 31, 2009, we had negative working capital of US\$447.7 million, compared to negative working capital of US\$1,407.8 million as of December 31, 2008. Working capital is defined as current assets less current liabilities. The decrease in our working capital deficit as of December 31, 2009, was mainly due to the increase in our cash and cash equivalents balance to US\$1,446.9 million as of December 31, 2009 from US\$914.7 million as of December 31, 2008, and a decrease in accounts payable to US\$545.7 million as of December 31, 2009 from US\$896.1 million as of December 31, 2008.

Our working capital is monitored on a regular basis by management. Our management expects to repay our debt as it becomes due from our operating cash flows or through additional borrowings. Short term borrowing payments are split during the year, and the majority of our short term borrowings become due in the first and the third quarters of 2010. Our management expects to make these payments as they become due. Our management believes that our working capital is sufficient to meet our present requirements.

*Operating Activities*

During 2009, net cash provided by operating activities was US\$3,512.8 million, a 2.7% increase over the US\$3,421.9 million of net cash provided by operating activities during 2008, which, in turn was a 12.6% increase over the US\$3,037.7 million of net cash provided by operating activities during 2007. The improvement in net cash provided by operating activities during 2009 as compared to 2008 was primarily the result of an increase in net income to US\$1,117.3 million in 2009 from US\$587.3 million in 2008 and working capital management.

*Financing Activities*

During 2009, we repaid approximately US\$2,432.9 million of indebtedness.

The following table provides a summary of VimpelCom's outstanding indebtedness with an outstanding principal balance exceeding US\$10.0 million as of December 31, 2009. Many of the agreements relating to this indebtedness contain various

**Table of Contents**

restrictive covenants, including change of control restrictions and financial covenants. In addition, certain of these agreements subject our subsidiaries to restrictions on their ability to pay dividends or repay debts to VimpelCom. For additional information on this indebtedness, please refer to the notes to our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F. For information relating to our outstanding indebtedness subsequent to December 31, 2009, see 2010 below. For a description of some of the risks associated with certain of our indebtedness, please refer to the section of this Annual Report on Form 20-F entitled Item 3 Key Information D. Risk Factors.

Borrower	Type of debt/lender	Interest rate	Outstanding		Guarantor	Security
			debt (in millions)	Maturity date		
VimpelCom	Syndicated loan from ABN AMRO Bank N.V., Barclays Capital, BNP Paribas, CALYON, Citibank, N.A., HSBC Bank plc, ING Bank N.V. and UBS Limited	3 months LIBOR plus 2.5% <sup>(1)</sup>	US\$1,170.0	February 8, 2011	None	None
VimpelCom	Loan from VIP Finance Ireland (funded by the issuance of loan participation notes by VIP Finance Ireland)	9.125%	US\$1,000.0	July 19, 2018	None	None
VimpelCom	Loan from VIP Finance Ireland (funded by the issuance of loan participation notes by VIP Finance Ireland)	8.375%	US\$800.6	April 30, 2013	None	None
VimpelCom	Loan from Syndicate of Banks Syndicated loan from the Bank of Tokyo-Mitsubishi UFJ, LTD., Barclays Capital, BNP Paribas, Commerzbank Aktiengesellschaft, Standard Bank PLC, Sumitomo Mitsui Banking Corporation Europe Limited, WestLB AG, London Branch, EDC, Nordea Bank AB, ZAO Citibank	3months EURIBOR plus 3.3% <sup>(1)</sup>	US\$632.4 ( 440.8)	October 15, 2011	None	None
VimpelCom	Loan from UBS (Luxembourg) S.A. (funded by the issuance of loan participation notes by UBS (Luxembourg) S.A.)	8.25%	US\$600.0	May 22, 2016	None	None
VimpelCom	Loan from Sberbank	13.0%	US\$591.4 (RUR 17,886.4)	February 13, 2013	None	None
VimpelCom	Loan from VC-Invest (funded by the RUR denominated bonds by VC-Invest)	15.2%	US\$330.6 (RUR 10,000.0)	July 12, 2011	VimpelCom	None
VimpelCom	Loan from VC-Invest (funded by the RUR denominated bonds by VC-Invest)	9.05%	US\$330.6 (RUR 10,000.0)	July 19, 2013	VimpelCom	None



**Table of Contents**

Borrower	Type of debt/lender	Interest rate	Outstanding		Guarantor	Security
			debt (in millions)	Maturity date		
VimpelCom	Loan from Sberbank	15.0%	US\$330.6 (RUR 10,000.0)	April 30, 2013	None	None
VimpelCom	Loan from UBS (Luxembourg) S.A. (funded by the issuance of loan participation notes by UBS (Luxembourg) S.A.)	8.0%	US\$278.5	February 11, 2010	None	None
VimpelCom	Loan from Sberbank	16.25%	US\$264.5 (RUR 8,000.0)	December 27, 2011	None	None
VimpelCom	Loan from Sberbank	11.0%	US\$250.0	December 27, 2012	None	Telecommunications equipment
Sovintel	Syndicated loan from Citibank N.A., Bahrain ING BANK (EURASIA) ZAO Banca Intesa Bayerische Landesbank Commerzbank (Eurasija) SAO Export Development Canada HSBC Bank Plc HVB Banque Luxembourg Soci�t� Anonyme Bank Austria Creditanstalt AG KfW, Frankfurt Skandinaviska Enskilda Banken AB Bank WestLB Vostok (ZAO) BNP Paribas IKB Deutsche Industriebank AG Closed Joint Stock Company International Moscow Bank VTB Bank (Deutschland) AG	3 months LIBOR plus 2.0%	US\$190.4	January 25, 2012	VimpelCom	None
VimpelCom	Loan from UBS (Luxembourg) S.A. (funded by the issuance of loan participation notes by UBS (Luxembourg) S.A.)	8.375%	US\$184.8	October 22, 2011	None	None
VimpelCom	Loans from Bayerische Hypo und Vereinsbank AG	AB SEK Rate plus 0.75%	US\$90.3	June 15, 2016	EKN	None
VimpelCom	Loan from HSBC Bank plc	6 month MOSPRIME plus 0.08%	US\$46.7	March 28, 2014	EKN	None

Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

VimpelCom	Loan arranged by Citibank, N.A.	LIBOR plus 0.1%	US\$44.7	November 7, 2012	Euler Hermes Kreditversicherungs (Hermes)	None
VimpelCom	Loan from SvenskaHandelsbanken	LIBOR plus 0.325%	US\$42.7	November 30, 2012	Swedish Export Credits Guarantee Board (EKN)	None
Investelectrosvyaz	Cisco Capital	16.0%	US\$42.6 (RUR 1,410.0)	July 2012	VimpelCom	Telecom equipment

**Table of Contents**

Borrower	Type of debt/lender	Interest rate	Outstanding			
			debt (in millions)	Maturity date	Guarantor	Security
KaR-Tel	Loan from Bayerische Landesbank	LIBOR plus 0.38%	US\$28.4	December 27, 2012	Hermes Export Credit Agency	None
URS	Loan arranged by Standard Bank Plc, SMBCE and VTB Bank Europe plc	LIBOR plus 1.15%	US\$20.0	March 26, 2010	VimpelCom	None
Sotelco	Loan from China Construction Bank	LIBOR plus 2.1%	US\$19.4	June 2016	Sinosure	None
VimpelCom	Loan from Svenska Handelsbanken	LIBOR plus 0.325%	US\$14.9	May 20, 2011	EKN	None
Unitel	Equipment financing agreement with Huawei	8.0%	US\$14.6	Various dates through 2010	None	Network equipment
Other loans, equipment financing and capital lease obligations			US\$34.3			

(1) Interest rate was increased by 1.00% p.a. for 12 month period starting from effective date of the Amendment Agreements (May 6, 2009 and May 5, 2009, respectively).

2010. On January 12, 2010, LLC VimpelCom-Invest, our consolidated Russian subsidiary, determined the interest rate for the fourth and subsequent payment periods on its Russian ruble-denominated bonds at 9.25%. The bonds were issued on July 25, 2008 in an aggregate principal amount of RUR10.0 billion (US\$427.7 million at the exchange rate as of July 25, 2008). Bondholders had the right to put their bonds to VimpelCom-Invest through January 22, 2010, in accordance with the original terms of the bonds. On January 26, 2010, VimpelCom-Invest repurchased an aggregate principal amount of RUR6.1 billion (or approximately US\$201.3 million at the exchange rate as of January 26, 2010) from bondholders who exercised their right to sell the bonds. All of the repurchased bonds were re-sold in the market by VimpelCom-Invest as of February 24, 2010.

We may from time to time seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for new debt securities in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

*Investing Activities*

Our investing activities included payments related to the purchase of equipment, telephone line capacity, buildings and other assets as a part of the ongoing development of our mobile networks and fixed-line business. In 2009, our total payments for purchases of property and equipment, intangible assets, software and other non-current assets were approximately US\$932.4 million, compared to US\$2,444.6 million during 2008 and US\$1,690.7 million during 2007. In 2009, we did not have any payments in respect of acquisitions, compared to US\$4,134.6 million during 2008 and US\$301.3 million during 2007.

*Acquisitions and dispositions.* Our significant acquisitions and dispositions from 2007, 2008 and 2009 are summarized below.

In April 2007, VimpelCom entered into an agreement to sell a 33.3% ownership interest in its wholly-owned subsidiary, Freevale, for a sale price of US\$20.0 million. Freevale Enterprises owns 21.0% of Unitel. The sale effectively represents 7.0% of Unitel. The transaction was finalized on June 14, 2007. In connection with this agreement, the purchaser granted us an option to acquire the entire remaining interest held by the purchaser and, simultaneously, we granted the purchaser an option to sell to us the entire remaining interest held by the purchaser.

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

On April 18, 2007, we acquired the remaining 10.0% of ArmenTel that the Government of Armenia had owned. The purchase price of the additional 10.0% was US\$55.9 million, which constitutes approximately 1/9th of the final price paid by us for the 90.0% of the shares of ArmenTel when we acquired ArmenTel in November 2006. In addition, in the third quarter of 2007 we paid a purchase price adjustment of approximately US\$0.7 million representing 10.0% of the undistributed net profit of ArmenTel for the period from December 1, 2006 to March 31, 2007.

On August 13, 2007, we acquired Closed Joint Stock Company Corporation Severnaya Korona , or CSK, which holds GSM 900/1800 and D-AMPS licenses covering the Irkutsk Region. We acquired 100.0% of the shares of CSK for approximately US\$235.5 million. At the time of its acquisition, CSK had approximately 571,000 subscribers.

On December 21, 2007, two of our subsidiaries and Golden Telecom, a leading provider of fixed-line telecommunications and Internet services in major population centers throughout Russia and other countries in the CIS, signed a definitive merger

**Table of Contents**

agreement pursuant to which an indirect wholly-owned subsidiary of our company commenced a tender offer on January 18, 2008, to acquire 100.0% of the outstanding shares of Golden Telecom's common stock at a price of US\$105.0 per share in cash. The initial tender offer period and subsequent tender offer period closed on February 26, 2008, with 94.4% of the outstanding shares of Golden Telecom's common stock being tendered. On February 28, 2008, our indirect wholly owned subsidiary was merged with and into Golden Telecom, and Golden Telecom became our indirect wholly owned subsidiary. The total purchase price for 100.0% of the shares of Golden Telecom was US\$4,316.2 million. In connection with the merger, the outstanding and unvested employee stock options and stock appreciation rights relating to Golden Telecom's common stock were converted into the right to receive US\$105.0 in cash, less the exercise price relating to such options, and US\$53.8 in cash less the exercise price relating to such rights, respectively. The right to receive such payments continues to vest in accordance with the original vesting schedules for such options and rights respectively.

On June 11, 2008, we increased our share of ownership in Closed Joint Stock Company Cortec, or Corbina Telecom, a 51.0% subsidiary of Golden Telecom, by acquiring the remaining 49.0% from Inure Enterprises Ltd. for US\$404.0 million and US\$4.2 million of costs related to acquisition. As a result of this transaction, VimpelCom and its subsidiary together now own 100.0% of the shares of Corbina Telecom. The step acquisition was recorded under the purchase method of accounting. Our financial results reflect the allocation of the purchase price based on a fair value assessment of the assets acquired and liabilities assumed, and as such, we have assigned US\$68.1 million to intangible assets which will be amortized over a weighted average period of approximately 12 years, recording of a deferred tax liability in the amount of US\$17.3 million and adjusted minority interest by US\$40.4 million. The total fair value of identifiable net assets acquired amounted to US\$95.3 million. The excess of the acquisition cost over the fair value of identifiable net assets of Corbina Telecom amounted to US\$312.9 million and was assigned to Russia fixed reporting unit.

On July 8, 2008 VimpelCom and our wholly owned direct subsidiary Ararima Enterprises Limited (Cyprus), or Ararima, signed a Joint Venture and Shareholders Agreement, referred to as the JVA, to establish a mobile telecommunications joint venture in Vietnam under the name of GTEL-Mobile Joint Stock Company, or GTEL-Mobile. The other participants in GTEL-Mobile are Global Telecommunications Corporation, or GTEL, a Vietnamese state-owned enterprise and GTEL TSC, a subsidiary of GTEL. Subject to the conditions contained in the JVA and in accordance with the Vietnamese investment laws, Ararima received a 40.0% voting and economic interest in GTEL-Mobile in consideration for an equity investment of US\$266.6 million that has been paid in full. GTEL and GTEL TSC have equity interests in GTEL-Mobile of 51.0% and 9.0%, respectively. GTEL-Mobile has received all of the regulatory approvals required under the JVA, including the registration of the GTEL-Mobile's GSM license and related frequencies.

On July 16, 2008, VimpelCom through Ararima acquired an indirect 90.0% voting and economic interest in the Cambodian company Sotelco Ltd., which holds a GSM 900/1800 license and related frequencies for the territory of Cambodia. The transaction was made through the purchase of 90.0% of Sotelco's parent company, Atlas Trade Limited (BVI), or Atlas, for US\$28.0 million from Altimo Holdings and Investments Limited, or Altimo, a related party of VimpelCom. The remaining 10.0% of Atlas is owned by a local partner, a Cambodian entrepreneur. VimpelCom has also acquired a call option to purchase the 10.0% interest of the local partner. The acquisition of Sotelco was accounted for as an asset purchase of the telecom license through a variable interest entity. On acquisition, we allocated approximately \$41.6 million to license, \$8.3 million to deferred tax liability and \$5.1 million to noncontrolling interest.

On October 23, 2008, VimpelCom through its subsidiary Ararima acquired 49.9% of the outstanding shares of Morefront Holdings Ltd., or Morefront, from Rambert Management Ltd., or Rambert, for approximately US\$226.0 million. Morefront owns 100.0% of Euroset. As part of the transaction, VimpelCom has agreed on put and call options exercisable after three years with respect to a further 25.0% less one share of Morefront owned by Rambert and call options exercisable in the event of a change of control over Rambert or a deadlock, in each case with respect to all remaining shares of Morefront owned by Rambert.

*Other acquisitions and dispositions.* On July 1, 2008, we exercised our option to acquire an additional 25.0% less one share of Limnotex Developments Limited, or Limnotex, for US\$561.8 million. Limnotex is the parent company of KaR-Tel, our operating subsidiary in Kazakhstan. As a result of the exercise, our overall direct and indirect share stake in Limnotex increased from 50.0% plus one share to 75.0%. The acquisition was recorded as step acquisition under the purchase method of accounting. Our financial results reflect the allocation of the purchase price based on a fair value assessment of the assets acquired and liabilities assumed, and as such, we have assigned US\$147.7 million to intangible assets which will be amortized over a weighted average period of approximately seven years, recording of a deferred tax liability in the amount of US\$42.8 million and adjusted noncontrolling interest by US\$153.9 million. The fair value of acquired identifiable net assets amounted to US\$99.9 million. The excess of the acquisition cost over the fair market value of the identifiable net assets amounted to US\$309.4 million. This amount was recorded as goodwill, was assigned to the Kazakhstan reporting unit and is subject to annual impairment tests. To ensure a path to complete ownership over KaR-Tel, in June 2008, we amended our existing contractual arrangements with Crowell Investments Limited, or Crowell, to include new put and call option arrangements with respect to the remaining 25.0% share in Limnotex held by Crowell. The put option was initially exercisable by Crowell between January 1, 2010 and December 31, 2010, at a price of US\$550.0 million in the aggregate. The call option was initially exercisable by our company any time between the date of delivery of KaR-Tel's 2008 audited financial statements and December 31, 2011, at a price determined by a fair value-based pricing mechanism. We were required to exercise the call option

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

in full by December 31, 2011. On May 29, 2009, the terms of the contractual redemption arrangements that had been agreed in June 2008 were further amended such that the put option is now exercisable between January 1, 2013 and December 31, 2013. The call option is now exercisable any time between the date of delivery of KaR-Tel's 2011 financial statements and three years after that date, and we are required to exercise the call option in full on a date which is after the delivery of KaR-Tel's 2014 financial statements.

## Table of Contents

During the year 2008, we completed several small acquisitions of fixed-line telecommunication operators in different regions of Russia with total consideration of US\$32.2 million. The acquisitions were recorded under the purchase method of accounting. The fair value of acquired identifiable net assets of the acquired companies amounted to US\$21.9 million and adjusted minority interest by US\$11.7 million. The excess of the acquisition cost over the fair market value of the identifiable net assets amounted to US\$10.3 million. This amount was recorded as goodwill and was mainly assigned to the Russia fixed reporting unit and is subject to annual impairment tests.

On September 16, 2009, we signed an agreement for the acquisition of a 78.0% stake in Millicom Lao Co., Ltd., a mobile telecommunications operator with operations in the Lao PDR, from Millicom and Cameroon Holdings B.V. (Netherlands). The remaining 22.0% of Millicom Lao Co. is owned by the government of the Lao PDR, as represented by the ministry of finance. The purchase price for the acquisition will be determined on the completion date and will be based on an enterprise value of Millicom Lao Co. of US\$102.0 million. On March 31, 2010, Millicom notified us that we had not completed the agreement to acquire Millicom's 74.1% holding in Millicom Lao Co. Ltd. despite all conditions precedent having been met. The notice also stated that Millicom reserved its rights under the terms of the agreement, including the right to seek compensation for any loss of value and indicated its intention to proceed with the sale of its Laos operation. The transaction has not yet been closed by us due to the absence of an endorsement from the Lao government. We continue to seek such endorsement, however, there is no assurance that we will receive the endorsement and complete the transaction. If we do not complete the transaction, Millicom may bring an action against us. For information relating to the risks associated with this transaction, see the section of this Annual Report on Form 20-F entitled "Item 3 Key Information D. Risk Factors Risks Related to Our Business." We may not realize the anticipated benefits from acquisitions and we may assume unexpected or unforeseen liabilities and obligations or incur greater than expected liabilities in connection with acquisitions.

On December 30, 2009, LLC Golden Telecom (Ukraine) acquired 20.0% of the outstanding interests in its charter capital for total consideration of US\$18.2 million. Payment of US\$2.3 million of the total purchase price is subject to receipt of permission/license of the National Bank of Ukraine.

*Other investing activities.* On February 13, 2008, VimpelCom advanced to Crowell a loan in the principal amount of US\$ 350.0 million at the interest rate of 10.0% under a loan agreement as of February 11, 2008, the Crowell Loan Agreement. The loan was secured by 25.0% of the shares of Limnotex, the parent company of KaR-Tel. The loan agreement was entered into after Crowell acquired the entire issued share capital of Menacrest Limited, or Menacrest, which is the parent company of LLC Sky Mobile, or Sky Mobile, a mobile operator in Kyrgyzstan. Crowell granted us two call options over the entire issued share capital of Menacrest. The loan has been recorded in long-term loans receivable and related accrued interest of US\$26.7 million in other current assets. On May 29, 2009, we agreed to amend the terms of the Crowell Loan Agreement to extend the maturity until February 11, 2014. In addition, the security interest granted by Crowell to us over 25.0% of the shares of Limnotex was replaced by a security interest over 100.0% of the shares of Menacrest.

### *Future Liquidity and Capital Requirements*

Telecommunications service providers require significant amounts of capital to construct networks and attract subscribers. In the foreseeable future, our further expansion will require significant investment activity, including the purchase of equipment and possibly the acquisition of other companies.

Our capital expenditures during 2009 were approximately US\$814.1 million for the purchase of property and other long-lived assets compared to approximately US\$2,570.8 million during 2008 and US\$1,772.8 million during 2007. This decrease was mainly due to adverse economic conditions and historical traffic trends in response to which our management took a conservative approach to capital investments and to internal targets for return on capital investments. The decline in 2009 capital expenditures in U.S. dollar reporting currency terms is also linked to the devaluation of the functional currencies of VimpelCom and most of its subsidiaries because we made some capital expenditures in functional currencies. Our capital expenditures do not include investments made through acquisition of interests in companies.

We expect that our capital expenditures in 2010 will mainly consist of network roll-out for both 2G and 3G and maintenance expenditures. Our management expects our total capital expenditures in 2010 to be approximately 15.0-20.0% of our 2010 consolidated net operating revenues. In each of 2009, 2008 and 2007, our capital expenditures were 9.4%, 25.4% and 24.7% of its consolidated net operating revenues, respectively. The actual amount of our capital expenditures for 2010 will depend on market development and our performance.

Our management anticipates that the funds necessary to meet our current capital requirements and those to be incurred in the foreseeable future (including with respect to any possible acquisitions) will come from:

cash we currently hold;

operating cash flows;

export credit agency guaranteed financing;

borrowings under bank financings, including credit lines currently available to us;

syndicated loan facilities; and

debt financings from Russian and international capital markets.

Our management believes that funds from a number of these sources, coupled with cash on hand, will be sufficient to meet our projected capital requirements for the next twelve months. As of March 1, 2010, we had US\$58.5 million available to us under existing credit lines.



**Table of Contents**

Our management expects positive cash flows from operations will continue to provide us with internal sources of funds. The availability of external financing is difficult to predict because it depends on many factors, including the success of our operations, contractual restrictions, availability of guarantees from export credit agencies, the financial position of international and Russian banks, the willingness of international banks to lend to Russian companies and the liquidity of international and Russian capital markets. The actual amount of debt financing that we will need to raise will be influenced by the actual pace of traffic growth over the period, network construction, our acquisition plans and our ability to continue revenue growth and stabilize ARPU. For the risks associated with our ability to meet our financing needs, see the section of this Annual Report on Form 20-F entitled **Item 3 Key Information D. Risk Factors Risks Related to Our Business**. We may not be able to raise additional capital.

*Contractual Obligations*

As of December 31, 2009, we had the following contractual obligations, including long-term debt arrangements, equipment financing, capital leases, and commitments for future payments under non-cancelable lease arrangements and purchase obligations. We expect to meet our payment requirements under these obligations with cash flows from our operations and other financing arrangements. For information relating to our outstanding indebtedness subsequent to December 31, 2009, see **Financing Activities 2010**.

	Payments due by period (in millions of U.S. dollars)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual Obligations <sup>(1)</sup>					
Long-term debt <sup>(2)</sup>	7,086.0	1,729.3	2,586.5	1,170.2	1,600.0
Equipment financing <sup>(3)</sup>	262.7	79.9	108.0	51.7	23.1
Capital lease obligations <sup>(3)</sup>	4.3	4.0	0.3		
Non-cancelable lease obligations	71.6	14.0	21.6	12.3	23.8
Purchase obligations <sup>(4)</sup>	120.6	98.3	20.8	0.3	1.2
Other long-term liabilities					
Total	7,545.2	1,925.5	2,737.1	1,234.4	1,648.1

- (1) Debt payments could be accelerated upon violation of debt covenants.
- (2) Long-term debt includes only principal amounts. For further information on interest rates on our long-term debt, see **Financing Activities** above. Loans from UBS (Luxembourg) S.A. and VIP Finance Ireland Ltd. (funded by the issuance of loan participation notes by UBS (Luxembourg) S.A. and VIP Finance Ireland Ltd., respectively) are included under long-term debt.
- (3) Amounts include principal and accrued interest.
- (4) Purchase obligations primarily include our material contractual legal obligations for the future purchase of equipment and services. On August 13, 2008, the company entered into an agreement with Apple Sales International, or Apple, to purchase 1.5 million iPhone handsets under the quarterly purchase installments over a two year period beginning with commercial launch in the fourth quarter 2008. In 2009 and 2008, we made 0.5% and 12.0% of our total purchase installment contemplated by the agreement, respectively. In January and February 2010, we made 1.6% of our total purchase installment contemplated by the agreement. The amounts do not include our obligation, if any, to purchase iPhones under our agreement with Apple as we are unable to estimate the amount of such obligation.

**Basis of Presentation of Financial Results**

We maintain our records and prepare our statutory financial statements in accordance with Russian accounting principles and tax legislation and in accordance with U.S. GAAP. Our subsidiaries outside of Russia record and prepare their statutory financial statements in accordance with local accounting principles and tax legislation and in accordance with U.S. GAAP. Our audited consolidated financial statements have been prepared in accordance with U.S. GAAP. They differ from our financial statements issued for statutory purposes. The principal differences relate to:

revenue recognition;

recognition of interest expense and other operating expenses;

valuation and depreciation of property and equipment;

foreign currency translation;

deferred income taxes;

capitalization and amortization of telephone line capacity;

valuation allowances for unrecoverable assets;

stock based compensations;

business combinations; and

consolidation and accounting for subsidiaries.

**Table of Contents**

Our audited consolidated financial statements set forth elsewhere in this Annual Report on Form 20-F include the accounts of our company and our consolidated subsidiaries. All inter-company accounts and transactions have been eliminated. We have used the equity method of accounting for companies in which our company has significant influence. Generally, this represents voting stock ownership of at least 20.0% and not more than 50.0%.

We and our subsidiaries paid taxes computed on income reported for local statutory tax purposes. We based this computation on local statutory tax rules, which differ substantially from U.S. GAAP. Certain items that are capitalized under U.S. GAAP are recognized under local statutory accounting principles as an expense in the year paid. In contrast, numerous expenses reported in the financial statements prepared under U.S. GAAP are not tax deductible under local legislation. As a consequence, our effective tax charge was different under local tax rules and under U.S. GAAP.

**Certain Factors Affecting Our Financial Position and Results of Operations**

Our financial position and results of operations for 2009 as reflected in our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F have been influenced by the following additional factors:

*Inflation*

Russia has experienced periods of high levels of inflation since the early 1990s. In 2006, we introduced a number of Russian ruble-denominated tariff plans, which could expose us to additional inflationary risk. Please also see the section of this Annual Report on Form 20-F entitled "Item 3 Key Information D. Risk Factors Risks Related to Our Business Sustained periods of high inflation may materially adversely affect our business. Inflation affects the purchasing power of our mass market subscribers. For 2009, 2008 and 2007, Russia's inflation rates were 8.8%, 13.3% and 11.9%, respectively. For 2009, 2008 and 2007, inflation rates in Ukraine were 12.3%, 22.3% and 16.6%, respectively, in Kazakhstan 6.2%, 9.5% and 18.8%, respectively, in Uzbekistan 7.4%, 7.8% and 6.8%, respectively, in Armenia 3.4%, 5.5% and 6.6%, respectively, in Tajikistan 5.0%, 11.8% and 19.7%, respectively, in Georgia were 3.0%, 5.5% and 11.0%, respectively, and in Cambodia 5.3%, 19.7% and 4.7%, respectively.

*Foreign Currency Translation*

Our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F are presented in U.S. dollars. Amounts included in these financial statements were presented in accordance with Statement of Financial Accounting Standards, or SFAS, No. 52 using the current rate method of currency translation with the U.S. dollar as the reporting currency.

*Russia.* The national currency of Russia is the Russian ruble. We have determined that the functional currency for Russia is the Russian ruble. As of December 31, 2009, 2008 and 2007, the official Central Bank of Russia Russian ruble-U.S. dollar exchange rates were 30.2442, 29.3804 and 24.5462 Russian rubles per U.S. dollar, respectively. During 2009, the average Russian ruble-U.S. dollar exchange rate was 27.7% lower than the average Russian ruble-U.S. dollar exchange rate during 2008. During 2008, the average Russian ruble-U.S. dollar exchange rate was 2.9% higher than the average Russian ruble-U.S. dollar exchange rate during 2007.

*Kazakhstan.* The national currency of the Republic of Kazakhstan is the Kazakh tenge. We have determined that the functional currency of our subsidiary in Kazakhstan is the Kazakh tenge, as it reflects the economic substance of the underlying events and circumstances of the company. The Kazakh tenge is not a convertible currency outside Kazakhstan. As of December 31, 2009, 2008 and 2007, the official National Bank of Kazakhstan tenge-U.S. dollar exchange rates were 148.36, 120.77 and 120.55 Kazakh tenge per U.S. dollar, respectively. During 2009 the average Kazakh tenge-U.S. dollar exchange rate was 22.6% lower than the average Kazakh tenge-U.S. dollar exchange rate during 2008. During 2008 the average Kazakh tenge-U.S. dollar exchange rate was 1.8% higher than the average Kazakh tenge-U.S. dollar exchange rate during 2007.

*Ukraine.* The national currency of Ukraine is the Ukrainian hryvnia. We have determined that the functional currency of our subsidiary in Ukraine is the Ukrainian hryvnia, as it reflects the economic substance of the underlying events and circumstances of the company. The Ukrainian hryvnia is not a convertible currency outside Ukraine. As of December 31, 2009 and 2008, the official National Bank of Ukraine hryvnia-U.S. dollar exchange rates were 7.985, 7.70 and 5.05 Ukrainian hryvnia per U.S. dollar, respectively. During 2009 the average Ukrainian hryvnia-U.S. dollar exchange rate was 47.9% lower than the average hryvnia-U.S. dollar exchange rate during 2008. During 2008 the average Ukrainian hryvnia-U.S. dollar exchange rate was 4.3% lower than the average Ukrainian hryvnia-U.S. dollar exchange rate during 2007.

*Tajikistan.* The national currency of Tajikistan is the Tajik somoni. We have determined that the functional currency of our subsidiary in Tajikistan is the U.S. dollar, as it reflects the economic substance of the underlying events and circumstances of the company. The Tajik somoni is not a convertible currency outside Tajikistan.

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

*Uzbekistan.* The national currency of Uzbekistan is the Uzbek sum. We have determined that the functional currency of our subsidiary in Uzbekistan is the U.S. dollar, as it reflects the economic substance of the underlying events and circumstances of the company. The Uzbek sum is not a convertible currency outside Uzbekistan.

*Armenia.* The national currency of Armenia is the Armenian dram. We have determined that the functional currency of our subsidiary in Armenia is the Armenian dram, as it reflects the economic substance of the underlying events and circumstances of the company. The Armenian dram is not a convertible currency outside Armenia. As of December 31, 2009 and 2008, the official Central Bank of Armenia Armenian dram-U.S. dollar exchange rates were 377.89, 306.73 and 304.57 Armenian drams per U.S. dollar, respectively. During 2009 the average Armenian dram-U.S. dollar exchange rate was 18.7% lower than the average Armenian dram-U.S. dollar exchange rate during 2008. During 2008 the average Armenian dram-U.S. dollar exchange rate was 10.6% higher than the average Armenian dram-U.S. dollar exchange rate during 2007.

## **Table of Contents**

*Georgia.* The national currency of Georgia is the Georgian lari. We have determined that the functional currency of our subsidiary in Georgia is the Georgian lari, as it reflects the economic substance of the underlying events and circumstances of the company. The Georgian lari is not a convertible currency outside Georgia. As of December 31, 2009 and 2008, the official Georgian lari-U.S. dollar exchange rates were 1.6858, 1.6670 and 1.5916 lari per U.S. dollar, respectively. During 2009, the average Georgian lari-U.S. dollar exchange rate was 12.1% lower than the average Georgian lari-U.S. dollar exchange rate during 2008. During 2008, the average Georgian lari-U.S. dollar exchange rate was 10.8% higher than the average Georgian lari-U.S. dollar exchange rate during 2007.

Conversion of foreign currencies that are not convertible outside the applicable country to U.S. dollars or other foreign currency should not be construed as a representation that such currency amounts have been, could be, or will be in the future, convertible into U.S. dollars or other foreign currency at the exchange rate shown, or at any other exchange rates.

We have implemented a number of risk management activities to minimize currency risk and exposure in Russia and certain of the other countries in which we operate, as further described under the section of this Annual Report on Form 20-F entitled "Item 11 - Quantitative and Qualitative Disclosures about Market Risk."

## **Critical Accounting Policies**

The preparation of consolidated financial statements in conformity with U.S. GAAP requires estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual amounts may differ from these estimates. The following critical accounting policies require significant judgments, assumptions and estimates and should be read in conjunction with our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F.

### *Revenue Recognition*

We earn service revenues for usage of our cellular system, which include airtime charges from contract and prepaid subscribers, monthly contract fees, interconnect fees from other mobile and fixed-line operators, roaming charges and charges for value added services. Interconnect revenues include revenues from mobile and fixed-line operators that were earned from the services rendered for traffic termination from other operators. Roaming revenues include both revenues from our customers who roam outside of their home country networks and revenues from other wireless carriers for roaming by their customers on our network. Value added services include SMS, MMS, caller number identification, voice mail, call waiting, data transmission, mobile Internet, music downloads and other services. The cost of content revenue relating to value added services is presented net of related costs when the Company acts as an agent of the content providers. Generally, these features generate additional revenues through monthly subscription fees or increased mobile usage through utilization of the features. Service revenue is generally recognized when the services (including value added services and roaming revenue) are rendered. Prepaid cards, used as a method of cash collection, are accounted as customer advances for future services. Prepaid cards do not have expiration dates but are subject to statutory expiration periods, and unused balances are added to service revenue when cards expire. We also use E-commerce systems, retail offices and agent locations as channels for receiving customer payments. Revenue from Internet services is measured primarily by the time spent by subscribers online using Internet services. Revenue from service contracts is accounted for when the services are provided. Payments from customers for equipment are not recognized as revenue until installation and testing are completed and accepted by the customer. Domestic Long Distance/International Long Distance, or DLD/ILD, and zonal revenues are recorded gross or net depending on the contractual arrangements with the end-users. We recognize DLD/ILD and zonal revenues from local operators net of payments to these operators for interconnection and agency fees when local operators establish end-user tariffs and assume credit risk. Revenues are stated net of value-added tax and sales tax charged to customers.

Our billing cycles' cut-off times require us to estimate the amount of service revenue earned but not yet billed at the end of each accounting period. We estimate our unbilled service revenue by reviewing the amounts subsequently billed and estimating the amounts relating to the previous accounting period based on the number of days covered by invoices and other relevant factors. Actual service revenues could be greater or lower than the amounts estimated due to the different usage of airtime in different days. We have analyzed the potential differences and believe that historically such differences have not been material.

In line with SEC Staff Accounting Bulletin No. 104, "Revenue Recognition in Financial Statements" (ASC 605-10-S25-3, Revenue Recognition-Overall-SEC Recognition-Delivery and Performance), we defer telecommunications connection fees. Deferred revenues are subsequently recognized over the estimated average customer lives under tariff plans, which provide for payment of connection fees and which are periodically reassessed by us, and such reassessment may impact our future operating results.

### *Long Lived Assets and Impairments*

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

We state our property and equipment at historical cost. We depreciate our telecommunications equipment, including equipment acquired under capital leases, using the straight-line method over its estimated useful life of seven to nine years or the lease term, whichever is shorter. Fixed-line telecommunication equipment is depreciated using the straight-line method over its estimated useful life from three to twelve years. We depreciate capitalized leasehold improvement expenses for base station positions using the straight-line method over the estimated useful life of seven years, or the lease term, whichever is shorter. We

**Table of Contents**

depreciate buildings using the straight-line method over estimated useful lives of twenty years. Office and measuring equipment, vehicles and furniture are depreciated using the straightline method over estimated useful lives ranging from five to ten years. The actual economic lives may be different than our estimated useful lives, thereby resulting in different carrying value of our property and equipment. Changes in technology, our intended use of property and equipment or issues related to our ability to operate in an area due to licensing problems may cause the estimated useful lives or the value of these assets to change. We perform periodic internal studies to confirm the appropriateness of the estimated useful economic lives of our property and equipment. These studies could result in a change in the depreciable lives of our property and equipment and, therefore, our depreciation expense in future periods.

We account for impairment of long-lived assets, except for goodwill, in accordance with the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (ASC 360-10, Property, Plant and Equipment – Overall). SFAS No. 144 requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Impairment tests require estimates in respect of the grouping of long-lived assets. We test long-lived assets for impairment when there are indicators of impairment, such as: significant decrease in the market prices of long-lived assets, significant adverse change in the extent or manner in which long-lived assets are being used or in their physical condition, significant adverse change in legal factors or in the business climate that could affect the value of a long-lived assets, including an adverse action or assessment by a regulator, etc. The determination of whether there are impairment indicators requires judgment on our behalf. The use of different assumptions in our estimated future cash flows when determining whether the assets are impaired may result in additional impairment charge.

*Goodwill and Intangible Assets*

Intangible assets consist primarily of telecommunication licenses, customer relationships, telephone line capacity, goodwill and other intangible assets. VimpelCom capitalizes payments made to third party suppliers to acquire access to and for use of telephone lines (telephone line capacity). These payments are accounted for as intangible assets and are amortized on a straight-line basis over ten years. Telecommunication licenses are amortized on a straight-line basis within the estimated useful lives determined based on the management estimation of future economic benefits from these licenses. Customer relationships are amortized using pattern of consumption of economic benefit associated with them. Other intangible assets are amortized on a straight-line basis over their estimated useful lives, generally from four to ten years.

Goodwill represents the excess of consideration paid over the fair value of net assets acquired in purchase business combinations and is not amortized. VimpelCom has acquired identifiable intangible assets through its acquisition of interests in various enterprises. The cost of acquired entities at the date of acquisition is allocated to identifiable assets and the excess of the total purchase price over the amount assigned to identifiable assets is recorded as goodwill.

The actual economic lives of intangible assets may be different than our estimated useful lives, thereby resulting in a different carrying value of our intangible assets with finite lives. In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, we continue to evaluate the amortization period for intangible assets with finite lives to determine whether events or circumstances warrant revised amortization periods. These evaluations could result in a change in the amortizable lives of our intangible assets with finite lives and, therefore, our amortization expense in future periods. Historically, we have had no material changes in estimated useful lives of our intangible assets.

In accordance with ASC 350-10 (SFAS No. 142) we test goodwill for impairment on an annual basis. Additionally, goodwill is tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of an entity below its carrying value. These events or circumstances would include, but are not limited to, a significant change in the business climate, legal factors, operating performance indicators, competition, sale or disposition of a significant portion of our business or other factors.

Goodwill impairment is evaluated using a two-step process. The first step involves a comparison of the estimated fair value of each of our eight geographic reporting units to its carrying amount, including goodwill. In performing the first step, we determine the fair value of a reporting unit in accordance with ASC 820, *Fair Value Measurements and Disclosures*, (SFAS 157 *Fair Value Measurement*), using an income approach. When available and as appropriate, we use comparative market multiples to corroborate discounted cash flows results.

Determining fair value based on the income approach is based on the present value of estimated future cash flows from a market participant perspective, discounted at an appropriate risk-adjusted rate. The cash flows employed in the discounted cash flow, or DCF, analyses are based on the most recent views of the medium and long-term outlook for each reporting unit considering market development, penetration and competitive environment in each geographic location and sub sector (fixed line, internet and mobile segments). The discount rates used in the DCF analyses are intended to commensurate with the risks and uncertainty inherent in the respective businesses forecasts. We derive our discount rates by applying the capital asset pricing model (i.e., to estimate the cost of equity financing) and analyzing published rates for

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

industries relevant to its reporting units (including public information about risks premiums, cost of debt as well as debt-to-equity structure).

If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not impaired and the second step of the impairment test is not necessary. If the carrying amount of a reporting unit exceeds its estimated fair value,



---

**Table of Contents**

then the second step of the goodwill impairment test must be performed. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with its goodwill carrying amount to measure the amount of impairment, if any. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. In other words, the estimated fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment is recognized in an amount equal to that excess.

We did not have an impairment loss in 2009, but we recorded an impairment loss of US\$442.7 million in 2008. For details regarding our impairment loss and write down of long-lived assets in 2008, please see Note 10 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F.

*Allowance for Doubtful Accounts*

The allowance estimation process requires management to make assumptions based on historical results, future expectations, the economic and competitive environment, and other relevant factors. Allowances for doubtful accounts receivable are maintained based on historical payment patterns, aging of accounts receivable and actual collection history. We maintain allowances for doubtful accounts for estimated losses from our subscribers' inability to make payments that they owe us. In order to estimate the appropriate level of this allowance, we analyze historical bad debts and changes in our customer payment patterns. If the financial condition of our subscribers were to deteriorate and to impair their ability to make payments to us, additional allowances might be required in future periods. Changes to allowances may be required if the financial condition of our customers improves or deteriorates or if we adjust our credit standards for new customers, thereby resulting in collection patterns that differ from historical experience.

*Valuation Allowance for Deferred Tax Assets*

We record valuation allowances related to tax effects of deductible temporary differences and loss carry forwards when it is more likely than not that some or all of the deferred tax assets will not be realized in the future. These evaluations are based on expectations of future taxable income, reversals of the various taxable temporary differences and the consideration of any available tax planning strategies. Each of these approaches to estimating future taxable income includes substantial judgment and assumptions related to, among other things, our expected levels of future taxable profits, the timing pattern of reversing future taxable differences and our abilities to actually implement a tax planning strategy. As of December 31, 2009, our deferred tax asset was US\$91.5 million net of allowance of US\$108.9 million.

*Business Combinations*

We have entered into certain acquisitions in the past and may make additional acquisitions in the future. Our financial statements are impacted by the manner in which we allocate the purchase price in a business combination, as assets that are considered to be wasting will reduce future operating results, whereas goodwill and certain other intangible assets are of a non-amortizing nature, therefore there is no income statement impact.

As part of our purchase price allocation, it is necessary to develop the appropriate purchase price paid, which includes the fair value of securities issued and any contingent consideration. In general, we do not issue securities for our acquisitions. After the purchase price is established, we have to allocate that to the underlying assets acquired and liabilities assumed, therefore assets and liabilities that are not originally reflected in the acquired entity need to be assessed and valued. This process requires significant judgment on our part as to what those assets and liabilities are and how they should be valued. The valuation of the individual assets, in particular intangible assets related to assets such as customer intangibles, brands, etc., require us to make significant assumptions, including, among others, the expected future cash flows, the appropriate interest rate to value those cash flows and expected future customer churn rates. All of these factors, which are generally developed in conjunction with the guidance and input of professional valuation specialists, require judgment and estimates. A change in any of these estimates or judgments could change the amount of the purchase price to be allocated to the particular asset or liability. The resulting change in the purchase price allocation to a non-goodwill asset or liability has a direct impact on the residual amount of the purchase price that cannot be allocated, referred to as goodwill.

*Stock-based Compensation*

As of January 1, 2006 we adopted SFAS No. 123 (revised 2004) Share Based Payment, or SFAS No. 123R (primarily codified in ASC 718-10, Compensation - Stock Compensation - Overall), which is a revision of SFAS No. 123 and SFAS No. 95, Statement of Cash Flows. Under SFAS No. 123R, companies must calculate and record the cost of equity instruments, such as stock options or restricted stock, awarded to employees

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

for services received in the income statement; pro forma disclosure is no longer permitted. The cost of the equity instruments is to be measured based on the fair value of the instruments on the date they are granted (with certain exceptions) and is required to be recognized over the period during which the employees are required to provide services in exchange for the equity instruments.

The assessment of the fair value of a stock-based compensation award requires us to use a significant amount of judgment as it relates to the variables used in the valuation model. Historically, we have used the Black Scholes option pricing model. The Black Scholes model requires us to estimate the expected volatility, life of the options, risk free rate and our expected dividend yield. Modifications to one or more of these inputs could change the fair value of the option, which in turn would change our reported stock-based compensation expense and our estimated liability to settle these options.

**Table of Contents**

We also have stock-based compensation in the form of cash settled stock appreciation rights. These instruments, which are recorded as liabilities, are remeasured based on the fair value of the instruments on each reporting date and is required to be recognized over the period during which the employees are required to provide services in exchange for the stock-based compensation.

**Recent Accounting Pronouncements**

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements, primarily codified in ASC 820, Fair Value Measurements and Disclosures. The standard provides guidance for using fair value to measure assets and liabilities. The standard applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. The standard does not expand the use of fair value in any new circumstances. VimpelCom measures financial assets and financial liabilities at fair value on a recurring basis where it is required by other GAAP. ASC 820, Fair Value Measurements and Disclosures, is effective for nonfinancial assets and liabilities for fiscal years beginning after November 15, 2008. VimpelCom adopted ASC 820, Fair Value Measurements and Disclosures, for nonfinancial assets and liabilities on January 1, 2009, which did not have a material impact on VimpelCom's results of operations or financial position.

On December 4, 2007, the FASB issued SFAS No. 141(R), Business Combinations, and SFAS No. 160, Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB No. 51, primarily codified in ASC 805, Business Combinations, and ASC 810-10, Consolidation-Overall, respectively. These new standards significantly change the financial accounting and reporting of business combination transactions and noncontrolling (or minority) interests in consolidated financial statements. Under ASC 805, Business Combinations, acquisition related costs should not be capitalized any longer but expensed as incurred. With few exceptions assets acquired and liabilities assumed should be measured at fair value using market participant assumptions in accordance with ASC 820, Fair value measurements and Disclosures. Noncontrolling interest should be measured at fair value as of the acquisition date that results in the recognition of the goodwill attributable to the noncontrolling interest in addition to that attributable to the Company. Under ASC 810-10, Consolidation-Overall, noncontrolling interest in a consolidated subsidiary should be displayed in the consolidated statement of financial position as a separate component of equity. Losses attributable to the parent and the noncontrolling interest in a subsidiary should be attributed to that interest, even if that attribution results in a deficit noncontrolling interest balance. In a business combination achieved in stages (step acquisition), our company should remeasure its previously held equity interest in the acquiree at acquisition-date fair value and recognize the resulting gain or loss, if any, in earnings. Our company adopted SFAS No.141(R) (ASC 805, Business Combinations) and SFAS No.160 (ASC 810-10, Consolidation-Overall) on January 1, 2009 prospectively, except for classification of non-controlling interest and disclosure that shall be applied retrospectively for all periods presented.

In March 2008, the FASB issued SFAS No. 161, Disclosures About Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133, primarily codified in ASC 815-10, Derivatives and Hedging-Overall. SFAS No. 161 (ASC 815-10) is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. SFAS No. 161 (ASC 815-10) is effective for fiscal years beginning after November 15, 2008. The adoption of this statement resulted in our company expanding its disclosures relative to its derivative instruments and hedging activity, as further discussed in Note 6 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F.

In April 2009, the FASB issued FASB Staff Position FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments, primarily codified in 825-10-65-1, Financial Instruments-Overall-Transition and Open Effective Date Information. These staff positions requires enhanced disclosures on financial instruments, and are effective for interim and annual reporting periods ending after June 15, 2009. This increased our company's quarterly disclosures but did not have an impact on our financial position and results of operations.

In May 2009, the FASB issued SFAS No. 165, Subsequent Events, primarily codified in ASC 855, Subsequent Events. SFAS No. 165 is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS No. 165 is effective for interim and annual financial periods ending after June 15, 2009 and is applied prospectively. In February 2010, the FASB issued ASU 2010-09, Subsequent events, an amendment of ASC 855, Subsequent events. ASU 2010-09 amends and supersedes the disclosure requirements of SFAS No. 165 and is effective immediately for all financial statements that have not yet been issued. ASU 2010-09 requires SEC registrants to evaluate subsequent events through the date that the financial statements are issued. SEC registrants are not required to disclose the date through which the management evaluates subsequent events either in originally issued financial statements or reissued financial statements. The adoption of SFAS No. 165 and ASU 2010-09 did not have an impact on disclosure of our company relative to the subsequent events, as further discussed in Note 25 to our audited consolidated financial statements included elsewhere in this Annual Report on Form 20-F.

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R), primarily codified in ASC 810-10, Consolidation-Overall. SFAS 167 amends FIN 46(R), to require an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity. This statement is effective for both interim and

Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

annual periods as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, and VimpelCom is currently evaluating its impact on our company's financial position and results of operations.

**Table of Contents**

In October 2009, FASB issued ASU 2009-13, Revenue Recognition, codified in ASC 605-25, Revenue Recognition – Multiple Element Arrangement. ASU 2009-13 eliminates the use of the residual method of allocation and requires use of the relative-selling price method. ASU 2009-13 expands the disclosures required for multiple-element revenue arrangements. ASU 2009-13 is effective for both interim and annual periods as of the beginning of reporting entity’s first annual reporting period that begins after June 15, 2010 with earlier application permitted for full annual periods. VimpelCom is currently evaluating its impact on our company’s financial position and results of operations.

In January 2010, FASB issued ASU 2010-02, Accounting and Reporting for Decreases in Ownership of a Subsidiary – a Scope Clarification. This update provides amendments to ASC 810-10, Consolidation – Overall (formerly SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements) to clarify the scope of the decrease in ownership provisions of ASC 810-10 and related guidance. ASU 2010-02 also clarifies that the decrease in ownership guidance does not apply to certain transactions even if they involve businesses. ASU 2010-02 expands the disclosures required for a business combinations achieved in stages and deconsolidation activity within the scope of ASC 810-10. ASU 2010-02 is effective for both interim and annual periods ending on or after December 15, 2009. The amendments are to be applied retrospectively to the first period that an entity adopted ASU 810-10, Consolidation – Overall. The adoption of this statement did not have an impact on VimpelCom’s financial position, results of operations and disclosures relative to noncontrolling interests.

In January 2010, FASB issued ASU 2010-06, Improving Disclosures about Fair Value Measurements, an amendment of ASC 820, Fair Value Measurements and Disclosures (formerly SFAS No. 157 – Fair Value Measurements). ASU 2010-06 requires additional disclosures regarding assets and liabilities that are transferred between levels of the fair value hierarchy. ASU 2010-06 clarifies guidance pertaining to the level of disaggregation at which fair value disclosures should be made and the requirements to disclose information about the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the requirement to separately disclose purchases, sales, issuances, and settlements in the Level 3 rollforward, which becomes effective for fiscal years (and for interim periods within those fiscal years) beginning after December 15, 2010. The adoption of this statement may expand VimpelCom’s disclosures relative to fair value measurements.

**Related Party Transactions**

We have entered into transactions with related parties and affiliates. Please see the section of this Annual Report on Form 20-F entitled “Item 7 – Major Shareholders and Related Party Transactions – B. Related Party Transactions.”

**Off-balance Sheet Arrangements**

We did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

**ITEM 6. Directors, Senior Management and Employees****A. Directors and Senior Management**

As of April 1, 2010, the members of our board of directors, management committee, audit commission and other senior management were as follows:

Name <sup>(1)</sup>	Age	Title
Alexey M. Reznikovich <sup>(2)</sup>	41	Chairman of Board of Directors
Mikhail M. Fridman <sup>(2)</sup>	45	Director
Kjell-Morten Johnsen <sup>(3)</sup>	42	Director
Dr. Hans-Peter Kohlhammer <sup>(3)</sup>	63	Director
Jo O. Lunder <sup>(3)</sup>	48	Director
Oleg A. Malis <sup>(2)</sup>	35	Director

Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

Leonid R. Novoselsky <sup>(2)</sup>	40	Director
Ole Bjorn Sjulstad <sup>(3)</sup>	48	Director
Jan Edvard Thygesen <sup>(3)</sup>	58	Director
Alexander Y. Torbakhov <sup>(4)</sup>	38	General Director
Boris Nemsic <sup>(4)</sup>	52	Chief Executive Officer
Elena A. Shmatova <sup>(4)</sup>	51	Executive Vice President, Chief Financial Officer
Dmitry A. Pleskonos <sup>(4)</sup>	45	Executive Vice President, Mass Market Development in Russia
Josef Vinatzer <sup>(4)</sup>	44	Acting Executive Vice President, International Business Development
Dmitry G. Kromsky <sup>(4)</sup>	48	Vice President, Business Development in the CIS
Andrey E. Patoka <sup>(4)</sup>	40	Vice President, Business Development in Russia
Jeffrey D. McGhie <sup>(4)</sup>	40	Vice President, General Counsel
Mattias B. Hertzman <sup>(4)</sup>	40	Executive Vice President, Chief Strategy Officer
Martin J. Furuseth <sup>(4)</sup>	56	Executive Vice President, Chief Marketing Officer

**Table of Contents**

Name <sup>(1)</sup>	Age	Title
Juliya A. Pylypenko <sup>(4)</sup>	43	Vice President, Organizational Development and Human Resources
Vladimir A. Filippov <sup>(4)</sup>	49	Vice President, IT and Technical in Russia
Alexander Gersh <sup>(3)</sup>	46	Audit Commission Member
Halvor Bru <sup>(3)</sup>	53	Audit Commission Member
Nigel J. Robinson <sup>(2)</sup>	42	Audit Commission Member

- (1) The registered business address of each of the individuals is Open Joint Stock Company Vimpel-Communications, 10 Ulitsa 8 Marta, Building 14, Moscow, Russian Federation 127083.
- (2) Alfa Group nominee.
- (3) Telenor nominee.
- (4) Member of the management committee.

Under the terms of a shareholders agreement dated as of May 30, 2001 between Telenor and Alfa Group, Telenor and Alfa Group have the right to nominate up to four candidates each for election to our board of directors, for so long as each company beneficially owns at least 25.0% plus one share of our company's issued and outstanding voting capital stock. One of the four candidates nominated by each, however, may not be an employee, officer or director of Telenor, Alfa Group or any of their affiliates, unless Telenor or Alfa Group, as the case may be, beneficially owns more than 44.0%, but not more than 50.0%, of our issued and outstanding voting capital stock. In addition, for so long as Telenor beneficially owns at least 25.0% plus one share of our company's issued and outstanding voting capital stock, it is entitled to nominate one additional director to our board of directors (subject to Alfa Group's approval if, at that time, Alfa Group beneficially owns at least 25.0% plus one share of our company's issued and outstanding voting capital stock). Such additional director may not be an employee, officer, director and/or other affiliate of Telenor, Alfa Group or any of their affiliates. According to recent SEC filings, Alfa Group and Telenor beneficially own 44.0001% and 29.9%, respectively, of our voting capital stock.

*Current Directors*

**Alexey M. Reznikovich** has served as a director of our company since May 2002. Since June 2005, Mr. Reznikovich has served as Chief Executive Officer of Altimo and a director of Altimo's parent company, the Alfa Group Consortium, where he has overall responsibility for business development and for management supervision of the group's investment assets. Mr. Reznikovich was a member of the board of directors of Golden Telecom from May 2007 until February 2008. Mr. Reznikovich founded EMAX, a business venture to develop internet centers in Russia, and has been a member of the boards of directors of EMAX and CAFEMAX, an internet cafe chain, since February 2001. From 1998 through 2000, Mr. Reznikovich was a partner at McKinsey & Co. Before joining McKinsey & Co., Mr. Reznikovich worked at Procter & Gamble in Italy and Transworld Company in the U.S. Mr. Reznikovich graduated from the Economics Faculty of Moscow State University and received an MBA from Georgetown University/INSEAD University in 1993. In connection with the VimpelCom Ltd. Transaction, Mr. Reznikovich has been nominated to become a director of VimpelCom Ltd.

**Mikhail M. Fridman** has been a director of our company since July 2001. Mr. Fridman currently serves as Chairman of the supervisory board of Alfa Group Consortium, and Chairman of the board of directors of OJSC TNK BP. Mr. Fridman also serves as a member of the board of directors of Alfa Bank. He serves as a member of supervisory board of directors of Pyaterochka Holding N.V., now reorganized into X5 RETAIL GROUP N.V. He is a member of the Public Chamber of the Russian Federation. Since 1989, Mr. Fridman has taken an active role in managing the Alfa Group, which includes Alfa Finance Holdings S.A. (Alfa Bank, Alfa Capital Holdings Limited and Medpoint Limited), Alfa Eco Telecom (Altimo) and CJSC Trade House Perekriostok. In 1988, Mr. Fridman co-founded the Alfa-Foto cooperative. From 1986 until 1988, Mr. Fridman served as an engineer at Elektrostal metallurgical works. Mr. Fridman graduated with honors from the Faculty of Non-Ferrous Metals of the Moscow Institute of Steel and Alloys. In connection with the VimpelCom Ltd. Transaction, Mr. Fridman has been nominated to become a director of VimpelCom Ltd.

**Kjell-Morten Johnsen** has been a director of our company since June 2007. Mr. Johnsen is the CEO of Telenor Serbia, as of March 2009. Before his appointment in Serbia, Mr. Johnsen served as Senior Vice president of Telenor Central & Eastern Europe and Head of Telenor Russia from February 2006. From 2001 to 2006, Mr. Johnsen worked as Vice president of Telenor Networks with responsibility for Telenor ASA's fixed line activities in Russia and the CIS. From 1996 to 2000, Mr. Johnsen worked with Norsk Hydro, where he held executive positions both as country manager in Ukraine and as a manager at the regional headquarters for the CIS, Africa and Latin America, based in Paris. Mr. Johnsen served as a member of Golden Telecom, Inc.'s board of directors from December 2003 to February 2008. Mr. Johnsen holds a master's degree in business administration in strategic management from the Norwegian School of Economics and Business Administration.

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

**Hans-Peter Kohlhammer** has been a director of our company since June 2008. Dr. Kohlhammer has been the Chief Executive Officer of Kohlhammer Consulting since August 2006, and has also served as the Chief Executive Officer of Broadnet AG, Hamburg from December 2006 to October 2007. From 2003 to 2006, he was the Chief Executive Officer and Director General of the telecom company SITA SC, Geneva. From 2001 until 2003, he was the President and Chief Executive Officer of Grundig AG. Dr. Kohlhammer has a Ph.D. degree in Mathematics from Bonn University. In connection with the VimpelCom Ltd. Transaction, Dr. Kohlhammer has been nominated to become a director of VimpelCom Ltd.



## Table of Contents

**Jo O. Lunder** has been a director of our company since May 2002. Mr. Lunder currently serves as the Executive Vice President of Ferd Industrial Holding. Mr. Lunder serves as Chairman of the board Elopak AS, Swix Sport AS and Aibel Group Ltd. From February 2005 until September 2007, Mr. Lunder served as Chief Executive Officer of Atea ASA, a company listed on the Oslo Stock Exchange. Mr. Lunder served as chairman of the board of directors of our company from October 2003 until June 2005. From April 2001 until October 2003, Mr. Lunder served as Chief Executive Officer of our company, and from May 2001 until October 2003 as our General Director. From September 2000 until April 2001, Mr. Lunder served as our company's President and Chief Operating Officer. From May 2000 until September 2000, Mr. Lunder served as First Deputy Chief Executive Officer and Chief Operating Officer of our company. From September 1999 until April 2000, Mr. Lunder served as our Chief Operating Officer. From 1993 to August 1999, Mr. Lunder served in various capacities for Telenor and its affiliates, including Chief Operating Officer and Deputy CEO of Telenor Mobile Communications AS and as Managing Director of Telenor Privat AS. Mr. Lunder earned a bachelor's degree from Oslo Business School and an MBA from Henley Management College in the U.K. He has also completed a Management Training program at IMD in Lausanne, Switzerland. In connection with the VimpelCom Ltd. Transaction, Mr. Lunder has been nominated to become Chairman of the board of directors of VimpelCom Ltd.

**Oleg A. Malis** has been a director of our company since June 2006. Since May 2006, Mr. Malis has served as a member of the board of directors of Turkcell. He has served as Senior Vice President of Altimo since 2005. From November 2005 until February 2008, he served as a member of the board of directors of Golden Telecom. From 2003 to 2005, Mr. Malis held the office of Senior Vice President and Director of M&A at Golden Telecom. Prior to this time, Mr. Malis held leading positions at Corbina Telecom, a company which he co-founded in 1993. Mr. Malis graduated from Moscow State Aviation Technological University, Faculty of Ergonomics in 1993. In connection with the VimpelCom Ltd. Transaction, Mr. Malis has been nominated to become a director of VimpelCom Ltd.

**Leonid R. Novoselsky** has been a director of our company since June 2006. He is a co-founder and the General Director of the Gradient Group. Since September 2008, he has been a director of OJSC Protec, one of the largest pharmaceutical distributors in Russia. In 1993, Mr. Novoselsky graduated from the Moscow Institute of Steel and Alloys and in 1999, received an MBA from the University of Pennsylvania Wharton Business School. In connection with the VimpelCom Ltd. Transaction, Mr. Novoselsky has been nominated to become a director of VimpelCom Ltd.

**Ole Bjorn Sjulstad** has been a director of VimpelCom since June 2008. Mr. Sjulstad has served as a Vice President of Telenor since 2000, as Managing Director for Telenor Pte Ltd in Singapore from 2002 until 2004, then as Senior Vice president for Telenor Mobile Communications until 2006. Mr. Sjulstad continued focusing on emerging markets in Asia as Senior Vice President and Director of Corporate Development for Telenor's Asia region until 2007. In May 2007, Mr. Sjulstad joined Telenor's Central and Eastern European operations as Senior Vice President and in March 2009, he was appointed as head of Telenor Russia. Mr. Sjulstad has also served on the boards of directors of Telenor's affiliates in Thailand and Malaysia and on the board of Grameenphone Limited in Bangladesh from 2002 until 2009. Mr Sjulstad holds degrees in mechanical engineering and business administration from the Kongsberg International Institute (ingeniorhogskole) and has completed a program for executive development at International Institute for Management Development Switzerland. In connection with the VimpelCom Ltd. Transaction, Mr. Sjulstad has been nominated to become a director of VimpelCom Ltd.

**Jan Edvard Thygesen** has been a director of our company since June 2008. Mr. Thygesen has served as Executive Vice President of Telenor ASA since 1999. Since January 2006, he has served as Head of Telenor's Central & Eastern European operations. Since joining Telenor in 1979, Mr. Thygesen has held various positions, including Chief Executive Officer of Sonofon, Executive Vice President and General Manager of Telenor Nordic Mobile, Executive Vice President of Telenor Mobil, President of Telenor Invest AS, Executive Vice President of Telenor Bedrift AS and President of Telenor Nett AS. He has also served as President of Esat Digifone, Ireland. He is presently serving as Chairman of the boards of directors of various Telenor affiliates, including Pannon GSM in Hungary, Promonte in Montenegro and Telenor d.o.o. in Serbia. Mr. Thygesen is also representing Telenor Mobile Communications AS, which is elected as a member and Chairman of the board in Kyivstar of Ukraine. Mr. Thygesen holds a Master of Science in Electronics and Telecommunications from the Norwegian Institute of Technology. In connection with the VimpelCom Ltd. Transaction, Mr. Thygesen has been nominated to become a director of VimpelCom Ltd.

### *Senior Management*

**Alexander Yu Torbakhov** was appointed General Director of the VimpelCom group of companies on April 2, 2009. Between 2005 and 2009, Mr. Torbakhov served as General Director, Life Insurance, with Rosgosstrakh, Russia's largest insurance company. In 2001, Mr Torbakhov became Chief Financial Officer, IBG NIKoil; in 2004, he was appointed First Vice President / Head of Retail Banking. From March 1997 until 2001, Mr Torbakhov worked at Rinaco Plus Investment Company as Deputy Chief Financial Officer; subsequently he became in charge of the operational support department of NIKoil Investment Bank. From 1995 through 1997, he worked at Deloitte & Touche Moscow Office. Mr. Torbakhov graduated from the Moscow Aviation Institute, Moscow State University of Foreign Affairs (International Economics Department) and holds an Executive MBA degree from Chicago Graduate School of Business.

**Boris Nemsic** was appointed as Chief Executive Officer of our Company on April 3, 2009. From May 2006 until March 2009 he held the CEO position at the Telekom Austria Group. From 1997 Mr. Nemsic held various senior managerial positions in



**Table of Contents**

Mobikom Austria and from May 2000 until May 2006 he served as Chief Executive Director of Mobikom Austria. From 1990 until his employment with Mobikom Austria he headed the departments for mobile communications and development at Ascom and Bosch Telecom in Vienna, Solothurn (Switzerland) and Berlin. Boris Nemsic graduated from Sarajevo Technical University in 1980 (major in engineering) and received Ph.D. at Vienna University of Technology in 1990.

**Elena A. Shmatova** has served as Executive Vice President and Chief Financial Officer of our company since October 2005. She has served as Chief Financial Officer of our company since January 2003. Ms. Shmatova served as Director of Treasury of our company from March 2002 until January 2003 and as Financial Controller of our company from December 1999 until March 2002. From 1992 until 1999, Ms. Shmatova served as Deputy Finance Director, Finance Director and Vice President of Finance at the Sprint Communications/GlobalOne Group of companies in Russia. Prior to 1992, Ms. Shmatova served as a Financial Director of Express Mail Service-Garantpost and was an economist at the Ministry of Telecommunications of the USSR and the Center of International Accounting of the Ministry of Telecommunications of the USSR. Ms. Shmatova received a bachelor's degree in economics from the Moscow Telecommunications University.

**Dmitry A. Pleskonos** has served as Executive Vice President, Mass Market Development in Russia. Mr. Pleskonos also served as Executive Vice President, Business Development in the CIS since May 2007 and as Vice President, General Manager for the Moscow region from January 2007 until May 2007. In January 2007, Mr. Pleskonos became a member of the management committee of our company. From January 2006 until January 2007, Mr. Pleskonos served as General Manager for the Moscow region of our company. From July 2004 until January 2006, Mr. Pleskonos served as Sales Director of our company. From May 2002 until June 2004, Mr. Pleskonos served as Sales Operations Director for Russia and CIS countries at Mars LLC, a consumer products manufacturer. Mr. Pleskonos worked for Mars Inc. from 1993 to 2004. Mr. Pleskonos graduated with honors from Kiev Higher Military School of Radio-Engineering and Air Defense, majoring in radio engineering, and from the Military Diplomatic Academy.

**Jeffrey D. McGhie** has served as Vice President, General Counsel of VimpelCom since June 2007. He has also served as Chief Legal Officer since March 2006. Prior to joining VimpelCom, Mr. McGhie held the positions of associate in the Moscow office of Akin Gump Strauss Hauer & Feld LLP from September 2002 until December 2004, and counsel from January 2005 until March 2006. From December 1999 until August 2002, Mr. McGhie was an associate at Kirkland & Ellis in Chicago, Illinois. Mr. McGhie graduated with a B.A. in Russian from Brigham Young University in 1995 and received a J.D. magna cum laude and MBA from Indiana University (Bloomington) in 1999.

**Josef Vinatzer** has served as Executive Vice President, International Business Development of VimpelCom since October 2009. From 2005 until 2009 he was Chief Executive Officer of Mobitel EAD in Bulgaria, part of Telekom Austria Group. From 2002 to 2005, he was Chief Executive Officer of Vipnet d.o.o. in Croatia, a subsidiary of Telekom Austria. From 2000 until 2002, he served as the Head of Corporate Strategy, Telekom Austria, and Managing Director TAP (Telekom Austria Personnel management), Vienna. From 1997 until 2000, Mr. Vinatzer worked as Head of Strategic Projects for Mobikom Austria. Since 1995 he has served as the Head of Finances and Controlling of Mobikom Austria, Vienna. Before joining Mobikom Austria, in 1993, he joined PTV (Post and Telegraph administration), Vienna, Austria as Risk controller in the Finance department. From 1991 until 1992 he worked as a business analyst in EDS (a small management consulting company based in Frankfurt am Main, Germany). Mr. Vinatzer received an MBA degree from the Vienna University of Economics and Business in 1991.

**Dmitry G. Kromsky** has served as Vice President, Business Development in the CIS of VimpelCom since December 2009. Since June 2007, he has served as an Executive Director responsible for the development of acquired companies in the CIS and General Director of KaR-Tel. He came to VimpelCom in 2002 as the Director, Central region. Mr. Kromsky has also headed several mobile operators in various regions of Russia and held the position of Vice President of operations in the Moscow office of the American company MCT Corp. He has also worked in the Moscow office of the South Korean company Samsung Electronics and at Telmos company and participated in establishing 12 regional mobile AMPS/DAMPS operators as part of Vostok Mobile B.V. Holding. Mr. Kromsky graduated with a Master's degree in Automatics & Electronics from the Moscow Institute of Electronic Techniques.

**Andrey E. Patoka** has served as Vice President, Business Development of VimpelCom in Russia since 2009. He has served as Deputy General Director and Senior Vice President on international and regional business since VimpelCom acquired Golden Telecom in 2008. In March 2004, Mr. Patoka became the head of our international and regional business development department. In 2002, he became Commercial Director and headed the sales department. Since September 2003, Mr. Patoka has headed the regional business development department of Sovintel. In 1992, he started his career as sales manager of Combella. Mr. Patoka graduated from Military Krasnokazarmenny Institute of the Ministry of Defense with a Master's degree in Military translation.

**Mattias B. Hertzman** has served as Executive Vice President and Chief Strategy Officer of VimpelCom since August 2009. Prior to this he served as Executive Vice President and Chief Strategy Officer from December 2007 to November 2008. From August 2005 to December 2007 he served as Vice President and Chief Strategy Officer of our company. Prior to joining our company, Mr. Hertzman worked for McKinsey & Co. from 1998 until 2005, focusing on Strategy and Sales & Marketing in the wireless telecommunications industry. Prior to working at McKinsey & Co., Mr. Hertzman worked for Accenture, Oriflame and MODO Paper. Mr. Hertzman also serves as a member of the Executive

Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

Management Committee of the GSM Association. Mr. Hertzman has a masters of science in business and economics with a focus on Central and Eastern Europe from Uppsala University.

---

## **Table of Contents**

**Martin Furuseth** has served as Executive Vice President, Chief Marketing Officer of VimpelCom since January 2010. Before joining VimpelCom, Mr. Furuseth served as Vice President and Chief Operating Officer of Telenor ASA and Kyivstar in Ukraine where he was responsible for marketing, technical and general company strategy. From 2002 to 2003, he held the position of General Manager at Tech Data in Germany, the second largest technical distributor in Germany. Mr. Furuseth held different positions at Compaq Computer GmbH, VIAG Intercom (later O2) in Germany, Telenor A.S. and Digital Equipment Corporation in Norway, IBM. He graduated from the Norwegian School of Finance and Business Administration (NHH) Bergen with a Bachelor's degree of Business.

**Juliya A. Pylypenko** has served as Vice President, Organizational Development and Human Resources since May 2009. From June 2007 to May 2009, Mrs. Pylypenko worked in Moscow as a Vice-President of Personnel, Central & Eastern Europe Zone, of Anheuser-Busch InBev. From September 2005 until June 2007, Mrs. Pylypenko worked at MTS Ukraine as Human Resources Director Ukraine. Before joining MTS Ukraine, Ms. Pylypenko held various senior human resources positions at SUN InBev Ukraine, LLC. From July 1999 to November 1999, Ms. Pylypenko worked as Human Resources Director of the multinational security and safety provider, Group 4 Securitas, LLC in Ukraine. From 1998 to 1999, she worked as Head of the Personnel Department of BNP-Dresdner Bank Ukraine, JV. Mrs. Pylypenko graduated with honors with a Master of Science degree from Kiev State Linguistic University.

**Vladimir A. Filippov** has served as Vice President, IT & Technical Director of VimpelCom in Russia since January 2010. From March 2005 to January 2010 he served as Vice-President, IT. From April 2006 to June 2008, Mr. Filippov was a Member of the Management Board and Chief Information Officer. From September 2003 to March 2005, Mr. Filippov served as Strategic Programs Director of VimpelCom. Previously, he had been acting as Deputy to New Billing Program Director in VimpelCom's IT Department. Mr. Filippov graduated from Moscow University of Physics and Engineering, Cybernetics Faculty with Diploma in Applied Mathematics and Computer Software in 1985. In 2004 Mr. Filippov got certificate from Advanced Management Program at Harvard Business School.

### *Audit Commission Members*

**Alexander Gersh** has been a member of our audit commission since June 2003 and the Chairman of our Audit Commission since 2004. Mr. Gersh is a member of the board of directors of Black Earth Ltd. Since January 2005, Mr. Gersh has served as Chief Financial Officer of NDS Group Limited, a provider of technology solutions for digital pay-TV. From 2003 until December 2004, he served as Chief Financial Officer of FLAG Telecom, NextiraOne LLC and Transora. From 1998 through 2001, Mr. Gersh was Chief Financial Officer of BT Cellnet, a subsidiary of British Telecommunications Plc, which is one of the largest cellular service providers in Europe and Chief Financial Officer of BT Europe for British Telecommunications Plc. From 1994 through 1997, Mr. Gersh served as Finance Director for Europe, the Middle East and Africa and Chief Financial Officer of St. Petersburg Telecom, a subsidiary of Motorola, Inc. Mr. Gersh is a member of the Institute of Certified Public Accountants. Mr. Gersh graduated with a B.A. from Baruch College (City University of New York).

**Halvor Bru** has been a member of our audit commission since June 2005. He has held various positions at Telenor since 1994 and has served since 2007 served as a director in Telenor Key Partner AS, Telenor's shared service centre for accounting and HR services (a subsidiary of Telenor ASA). From 2004 to 2007, Mr. Bru worked with Telenor ASA as project director for Telenor's Sarbanes Oxley (SOX) implementation. From 2003 to 2004, he served as a director in the marketing division of Telenor Mobil AS. From 1994 to 2003, Mr. Bru acted as Chief Financial Officer (CFO) of Telenor Mobil AS, Norway's leading mobile operator. From 1999 until 2004, Mr. Bru was chairman of the board of directors of Telenor's operations in Montenegro (Promonte). Before joining Telenor, he worked for ten years with Aker Group and four years with the Lillehammer Olympic Organizing Committee. Mr. Bru also served as Chief Financial Officer (CFO) of Connect Austria for one year. He holds a master's degree in economics from the Norwegian School of Economics and Business Administration and has also received supplementary training at the University of Cambridge and University of Marseille.

**Nigel J. Robinson** has been a member of our audit commission since July 2001. Mr. Robinson currently serves as the Director of Corporate Development, Finance and Control of Alfa Group, a position that he has held since January 2000. Mr. Robinson is responsible for overseeing the financial control and corporate governance structures of Alfa Group's holding company and its subsidiary structures. Mr. Robinson serves on the supervisory boards of the Consortium Alfa Group and the Advisory committees of A1 Group, Altimo, Rosvodocanal Group and venture fund Russian Technologies. Prior to joining Alfa Group, Mr. Robinson spent six years with Price Waterhouse (now PricewaterhouseCoopers) in the firm's audit and business advisory group, four of which were in the firm's Moscow office and two years as a senior manager responsible in the firm's St. Petersburg office. Mr. Robinson trained and qualified as a Chartered Accountant with Touche Ross, London, U.K., and is a member of the Institute of Chartered Accountants in England and Wales. Mr. Robinson received a diploma in accounting from Norwich City College of Further and Higher Education in the United Kingdom.

## **B. Compensation**

We paid our directors, senior managers and audit commission members an aggregate of approximately US\$12.8 million for services provided during 2009, excluding approximately US\$3.0 million in stock based-compensation award payments.

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

Each unaffiliated director currently receives an annual retainer of US\$100,000. Each affiliated director receives an annual retainer of US\$40,000 per year. The chairman of the board of directors receives an annual retainer of US\$250,000. In addition, each director who serves as head of any of the official committees of our board of directors receives additional annual compensation of US\$25,000 per committee headed. All of our directors are reimbursed for expenses incurred in connection with service as a member of our board of directors.

---

## Table of Contents

On June 9, 2008, our shareholders approved changes in compensation for our directors. Directors who are not employees may participate in a phantom stock plan, pursuant to which they each receive up to a maximum of 20,000 phantom ADSs per year, with an additional 10,000 phantom ADSs granted to the chairman of the board of directors and 10,000 phantom ADSs granted to each director for serving as head of any official committee of the board of directors, provided that the amount paid to a director upon redemption may not exceed US\$3.00 per ADS per year for each one-year term served by the director. The number of phantom ADSs to be granted to each director is set by the board of directors. The phantom ADSs, which do not involve actual ADSs or shares of common stock, may be redeemed for cash on the date the director ceases to be a director; provided, however, that directors who are re-elected to the board of directors may redeem such phantom ADSs related to their previous period of services at any time from the date of his or her re-election to the date he or she is no longer a director. A director, upon redemption of a phantom ADS, will receive, for each phantom ADS, cash in an amount equal to:

the amount that the average closing price of one of our ADSs quoted on the NYSE for the three-month period immediately prior to the date of redemption, exceeds

the closing price of one of our ADSs quoted on the NYSE on the date preceding the grant date of the phantom ADS; provided, however, that the amount paid to a director upon redemption may not exceed US\$3.00 per ADS per year for each one-year term served by the director.

As of December 31, 2009, an aggregate of 1,490,000 phantom ADSs had been granted to our directors under our phantom stock plans, of which 1,270,000 are currently redeemable or are redeemable within 60 days of April 1, 2010.

The board of directors has determined the following definitions of affiliated and unaffiliated directors:

an unaffiliated director is any member of the board who is not an employee, officer, director or other affiliate (but who may be a consultant and/or former employee) of any shareholder that owns over 25.0% of our voting shares, any controlling person of such shareholder or any controlled affiliate of such controlling person, as determined on the date of the shareholders meeting at which such person is elected a member of the board of directors.

an affiliated director is any director that does not fall into the category of an unaffiliated director.

In 2007, 2008 and 2009, our senior managers received phantom ADSs in an amount approved by our compensation committee, subject to the aggregate amount of phantom ADSs allocated by our board of directors in each calendar year. In 2007, 2008 and 2009, the board of directors authorized the grant of 2,575,000, 800,000 and 820,000 phantom ADSs, respectively, to our senior managers. Of the total number of phantom ADSs granted in 2007, 2008 and 2009, none of the phantom ADSs were exercised and no payment was made in 2009. As of December 31, 2009, an aggregate of 286,666 phantom ADSs were outstanding, all of which are currently redeemable or are redeemable within 60 days of April 1, 2010.

In 2009, our board of directors adopted a stock appreciation rights plan for our senior managers and employees. The plan is administered by our company's General Director, and the compensation committee of our board of directors determines the aggregate number of stock appreciation rights that may be granted. A stock appreciation right, upon vesting, entitles the holder to receive a cash amount per stock appreciation right equal to any excess of the NYSE closing price of an ADS on the exercise date over the price at which such stock appreciation right was granted, which is the higher of the NYSE closing price on the grant date or the average NYSE closing price over a period of 30 trading days prior to the grant date. The stock appreciation rights granted under the plan vest over a two-year period, provided that the company meets the plan's performance targets. In 2009, 2,050,760 stock appreciation rights were granted under the plan, none of which had vested as of December 31, 2009. As of December 31, 2009, 2,016,440 stock appreciation rights were outstanding, none of which are currently exercisable or are exercisable within 60 days of April 1, 2010.

Our senior managers and members of our audit commission are also eligible to participate in our 2000 stock option plan, as amended. For more information on our stock option plan, please see E. Share Ownership 2000 Stock Option Plan below.

The chairman of our audit commission receives an annual retainer of US\$100,000 and each other member of our audit commission receives an annual retainer of US\$40,000. Each of the members of our audit commission is reimbursed for expenses incurred in connection with service as a

member of our audit commission.

We have entered into indemnification agreements with each of our directors, senior managers and members of our audit commission pursuant to which we have agreed to indemnify each of them for all losses, subject to certain limited conditions, incurred in connection with claims, suits or proceedings arising out of his or her performance of his or her duties as a director, senior manager or member of our audit commission.

We have obtained insurance on behalf of our senior managers, directors and members of our audit commission for liability arising out of their actions in their capacity as a senior manager, director or member of our audit commission.

We do not have any pension, retirement or similar benefit plans available to our directors, senior managers or audit commission members.



## **Table of Contents**

To our knowledge, as of April 1, 2010, other than Mikhail Fridman, none of our directors or senior managers beneficially owned more than 1.0% of any class of our capital stock. To our knowledge, Mr. Fridman has an indirect economic benefit in our shares held for the account of Eco Telecom Limited and, thus, may be considered under the definition of beneficial owner for purposes of SEC Form 20-F only as a beneficial owner of the shares held for account of Eco Telecom Limited. See the section of this Annual Report on Form 20-F entitled Item 7 Major Shareholders and Related Party Transactions A. Major Shareholders.

### **C. Board Practices**

The supreme governing body of our company is the General Meeting of Shareholders which is empowered to decide on the issues expressly set forth in the Russian Federal Law on Joint Stock Companies and our charter, including election of the board of directors.

Our board of directors currently consists of nine persons, four of whom were nominated by Alfa Group, five of whom were nominated by Telenor. The members of our current board of directors were elected at the June 10, 2009 annual general meeting of shareholders and will serve until the next annual general meeting of shareholders unless the board in its entirety is terminated prior to the expiration of its term upon a decision of our shareholders.

We have not entered into any service contracts with any of our current directors providing for benefits upon termination of service.

Our board of directors maintains a finance committee comprising three members of the board of directors. The finance committee reviews financial transactions, policies, strategies and the capital structure of VimpelCom and its direct and indirect subsidiaries. Our board of directors also maintains a compensation committee comprising three members of the board of directors. Pursuant to the bylaws of the compensation committee, it advises the board on the adoption of plans to ensure effective management of our company, effective succession planning for the Chief Executive Officer and members of senior management. Our board of directors maintains a corporate governance committee comprising four members of the board of directors. The corporate governance committee develops and recommends guidelines on corporate governance to the board, advises the board on matters relating to shareholder relations and nominates candidates for membership of the board in the event that shareholders do not nominate a sufficient number.

We are required under Russian law and our charter to maintain an audit commission. Our audit commission assists our company with oversight responsibility and reviews our financial reports, our systems of internal controls and our auditing, accounting and financial reporting processes. Under Russian law and our charter, a member of our audit commission may not simultaneously serve as a member of our board of directors or hold a management position in our company. Our audit commission currently comprises three members, one of whom was nominated by Alfa Group and two of whom were nominated by Telenor. The current members of our audit commission were elected at the June 10, 2009 annual general meeting of our shareholders and are expected to serve until our next annual general meeting of shareholders unless the audit commission in its entirety is terminated prior to the expiration of its term upon a decision of our shareholders.

Our management committee, which is chaired by our Chief Executive Officer and General Director, is an advisory body that assists the Chief Executive Officer and General Director with the management of our day-to-day activities. The management committee comprises certain key members of our senior management. Recommendations of the management committee remain subject to the approval or veto of our Chief Executive Officer and General Director.

### **D. Employees**

As of December 31, 2009, VimpelCom had approximately 36,355 employees in Russia, the CIS and International. Of VimpelCom's 27,165 employees in Russia (including CIS and International headquarters, which is located in Moscow), we estimate that 88 are in executive and senior managerial positions, 10,214 are in engineering, construction and information technology, 5,781 are in sales, marketing and other commercial operations, 2,223 are in finance, administration and legal, 5,898 are in customer service, 501 are in site acquisitions, regional projects and security, 1,451 are in procurement and logistics and 1,009 in other support functions.

As of December 31, 2009, VimpelCom had approximately 1,786 employees in Kazakhstan. Of these employees, we estimate that nine are in executive and managerial position, 645 are in engineering, construction and information technology, 493 are in sales, marketing and other commercial operations, 205 are in finance, administration and legal, 320 are in customer service, 22 are in site acquisitions, regional projects and security, 46 are in procurement and 46 are in other support functions.

In addition, as of December 31, 2009, we had a total of approximately 7,407 employees in Uzbekistan, Ukraine, Armenia, Tajikistan, Georgia and Cambodia.



**Table of Contents**

The following chart sets forth the number of our employees at December 31, 2009, 2008 and 2007:

	At December 31,		
	2009	2008	2007
Russia	27,165	28,146	14,587
Kazakhstan	1,786	2,042	1,544
Uzbekistan	1,277	1,425	875
Armenia	3,243	3,519	4,484
Ukraine	2,005	2,667	1,288
Tajikistan	357	346	239
Georgia	262	234	167
Cambodia	260	24	
<b>Total</b>	<b>36,355</b>	<b>38,403</b>	<b>23,184</b>

We have not experienced any work stoppages and consider relations with our employees to be good.

**E. Share Ownership***2000 Stock Option Plan*

We maintain a stock option plan in order to grant options to certain of our and our subsidiaries' affiliates, officers, employees, directors and consultants to acquire shares of common stock of our company. Options are granted by VC ESOP N.V., an indirect wholly owned subsidiary of our company. Our stock option plan is administered by a committee appointed by the board of directors of VC ESOP N.V., which committee determines to whom options are granted under the plan, the number of options that are granted and the terms and conditions of option grants, including the exercise price per share. The committee appointed to administer our stock option plan is comprised of the three directors who currently sit on the compensation committee of our board.

As of December 31, 2009, options to acquire approximately 330,050 shares of our common stock were outstanding, of which options in respect of approximately 274,366 shares of our common stock are currently exercisable or are exercisable within 60 days of April 1, 2010. The exercise prices of the approximately 330,050 shares underlying options outstanding as of December 31, 2009 ranged from US\$177.04 per share (US\$8.85 per ADS) to US\$401.88 per share (US\$20.09 per ADS). The options granted generally vest at varying rates over a two-year period and vesting periods for certain employees will be accelerated if certain events specified in the stock option plan occur. The approximately 330,050 shares underlying options outstanding as of December 31, 2009 are exercisable until dates ranging from the present date to June 2013. If a plan participant ceases to be an employee of our company or any of our affiliates (other than due to death or disability or for cause) or ceases to otherwise be eligible to participate in the plan, the individual will generally have the right to exercise vested options upon the later to occur of (a) the date of expiration of his option agreement and (b) the end of the first open trading window period following the effective date of termination of employment. In case of death or permanent disability of a plan participant, his or her beneficiaries will automatically acquire the right to exercise those options that have vested prior to the plan participant's death or permanent disability for the earlier of (i) 190 days and 90 days in the event of death and permanent disability, respectively, and (ii) December 31, 2015. If a plan participant ceases to be an employee of our company or any of our affiliates for cause, then the right to exercise options will terminate immediately unless waived by the stock option committee discussed above.

*Share Repurchase Program*

In connection with an amendment to our stock option plan in 2006 made in order to increase the maximum aggregate number of shares authorized under the plan from 650,000 to 1,050,000, our board of directors approved the establishment of a repurchase program, or the Repurchase Program, under which our board of directors authorized VC ESOP to repurchase up to 8,000,000 ADSs, which is equivalent to 400,000 shares of our common stock, through December 31, 2008. We established a systematic purchasing plan under Rule 10b5-1 under the Exchange Act under which VC ESOP repurchased in the open market and in privately negotiated transactions 4,000,000 ADSs, which is equivalent to 200,000 shares of our common stock. The ADSs were repurchased between May 1, 2007 and May 8, 2007 at an average price of US\$20.26 per ADS, for a total aggregate consideration of US\$81.0 million. Pursuant to the Repurchase Program, we also established a similar repurchase plan in 2008 and repurchased an additional 4,000,000 ADSs, which is equivalent to up to 200,000 shares of our common stock, between June 24, 2008 and July 3, 2008 at an average price of US\$28.62 per ADS for a total aggregate consideration of US\$114.5 million.

**ITEM 7. Major Shareholders and Related Party Transactions**  
**A. Major Shareholders**

The following table sets forth, as of April 1, 2010, information regarding those shareholders of our company that we have ascertained from recent public filings beneficially own 5.0% or more of either class of our capital stock. As of April 1, 2010, we had 51,281,022 issued and outstanding shares of common stock and 6,426,600 issued and outstanding shares of preferred stock. Neither of our major shareholders has different voting rights.

**Table of Contents**

Shareholder	Number of Common Shares	Percent of Common Stock	Number of Preferred Shares	Percent of Voting Stock
Telenor East Invest AS <sup>(1)</sup>	17,254,579	33.6		29.9
Eco Telecom Limited <sup>(2)</sup>	18,964,799	37.0	6,426,600	44.0

- (1) As reported on Schedule 13D, Amendment No. 52, filed on January 14, 2010, by Telenor East Invest AS with the SEC. As reported on Amendment No. 52, Telenor East Invest AS is a direct wholly owned subsidiary of Telenor Mobile Holding AS and an indirect wholly owned subsidiary of Telenor ASA, and, as a result, Telenor Mobile Holding AS and/or Telenor ASA may be deemed to be indirect beneficial owners of the shares held for the account of Telenor East Invest AS. Telenor East Invest AS has been granted registration rights with respect to the shares of common stock held by it.
- (2) As reported on Schedule 13D, Amendment No. 41, filed on January 14, 2010, by Eco Telecom Limited, part of the Alfa Group of companies, with the SEC. As reported on Amendment No. 41, Altimo Holdings and Investments Limited is the sole shareholder of Eco Telecom Limited, CTF Holdings Limited indirectly owns a majority of the shares of Altimo Holdings and Investments, and Crown Finance Foundation is the sole shareholder of CTF Holdings Limited, and, as a result, each of Altimo Holdings and Investments, CTF Holdings Limited, and Crown Finance Foundation may be deemed to be the beneficial owner of the shares held for the account of Eco Telecom Limited. In addition, based upon information provided to us by Alfa Group, our director, Mikhail Fridman, and Mr. German Khan and Mr. Alexei Kuzmichov, each has an indirect economic benefit in the shares held for the account of Eco Telecom Limited and, thus, may be considered under the definition of beneficial owner for purposes of SEC Form 20-F only as a beneficial owner of the shares held for the account of Eco Telecom Limited. Each share of our preferred stock is entitled to one vote. Eco Telecom Limited has been granted registration rights with respect to the shares of common stock held by it.

Please see the section of this Annual Report on Form 20-F entitled **Item 3 Key Information D. Risk Factors Risks Related to Our Business A** disposition by one or both of our strategic shareholders of their respective stakes in our company or a change in control of our company, including as a result of any forced sale of Telenor's stake in connection with the Farimex Case, could harm our business.

Between September 2006 and June 2007, Eco Telecom Limited publicly reported in its amendments to Schedule 13D that it completed various purchases of our ADSs through open-market, brokered and share forward transactions pursuant to which it purchased our ADSs and that its affiliate has entered into a swap agreement pursuant to which it purchased our ADSs. Eco Telecom Limited has reported that as a result of these transactions, its beneficial ownership interest in our company has increased from 12,563,782 shares to 18,964,799 shares of our common stock, which, together with the 6,426,600 shares of our preferred stock that it previously owned, represent an aggregate of 44.0001% of the voting stock of our company. Eco Telecom Limited reported in its amendments to Schedule 13D that it increased its ownership of our company's shares of common stock in order to increase its influence over the corporate actions to be taken by our company but it may, from time to time, and reserves the right to, change its plans or intentions and take any and all actions that it deems appropriate to maximize the value of its investment in our company.

On November 5, 2008, Alfa Group disclosed that Eco Telecom entered into a US\$2,000.0 million loan agreement on October 29, 2008 with the state corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank), referred to herein as the VEB Loan, and the proceeds were used to repay outstanding bonds issued by Eco Telecom. To secure its obligations, Eco Telecom pledged to VEB 6,426,600 shares of the our type-A voting preferred stock that it owns and an aggregate of 18,964,799 shares of the our common stock that it owns. According to its disclosure, Eco Telecom will have certain rights to dispose of the pledged shares and will be entitled to exercise all voting and other rights attaching to the pledged shares unless VEB is entitled, following non-performance or undue performance under the loan agreement governing the VEB Loan, to execute the pledge. Additionally, Altimo Holdings and Investments is guaranteeing the payment obligations of Eco Telecom under the loan agreement governing the VEB Loan.

On May 11, 2007, Telenor East Invest AS publicly reported in its amendment to Schedule 13D that it purchased our ADSs pursuant to a swap agreement. Telenor East Invest AS reported that as a result of this transaction its beneficial ownership interest in our company increased from 15,337,854 shares to 17,254,579 shares of our common stock, which represents an aggregate of 29.9% of the voting stock of our company.

Telenor East Invest AS reported in its amendment to Schedule 13D that it increased its ownership of our company's shares of common stock in order, among other things, to increase the likelihood that three or more of its five nominees to our board of directors would be elected at our June 29, 2007 annual general meeting of shareholders, but that it may, from time to time, and reserves the right to, change its plans or intentions and take any and all actions that it deems appropriate to maximize the value of its investment in our company.

Based on the holdings of our common stock at December 31, 2009, we estimate that approximately 13.0% of our common stock was held in the United States by The Bank of New York, as depository on behalf of approximately 34,798 holders of our ADSs.

**Certain Agreements with Alfa Group and Telenor**

*Non-disclosure Agreement*

On September 23, 2009, our company, Alfa Group and Telenor entered into a mutual non-disclosure agreement, or the Non-disclosure Agreement, in connection with the VimpelCom Ltd. Transaction. The term of the Non-disclosure Agreement originally

## **Table of Contents**

terminated on October 4, 2009, the date Alfa Group and Telenor signed definitive documentation in connection with the VimpelCom Ltd. Transaction. In letter agreements dated December 1, 2009 between our company and each of Alfa Group and Telenor, the rights and obligations under the Non-disclosure Agreement were extended from and including October 4, 2009 until December 31, 2010, and all confidential information disclosed among the parties at any time since September 23, 2009 will be treated as confidential in accordance with the Non-disclosure Agreement. For additional information relating to the VimpelCom Ltd. Transaction, see the section of this Annual Report on Form 20-F entitled Item 4 Information on the Company History and Development.

### *Registration Rights*

Alfa Group, Telenor and our company entered into a registration rights agreement on May 30, 2001, which provides Alfa Group and Telenor with demand and piggyback registration rights with respect to our ADSs and shares of our common stock, but not with respect to any warrants or other securities convertible into or exchangeable for our common stock. Demand and piggyback registration rights may be assigned to permitted transferees and other persons who hold, in the aggregate, at least 25.0% plus one share of our voting capital stock.

Pursuant to the demand registration right, if we receive a written request from Alfa Group or Telenor to effect a registration of ADSs and/or shares of our common stock under the Securities Act the anticipated aggregate offering price of which exceeds US\$20.0 million, we will, subject to exceptions, as soon as practicable after receipt of the demand, use our best efforts to effect a registration covering these securities. The registration rights agreement also provides that we will not, without the prior written consent of Alfa Group and Telenor, include any of our securities, or the securities of any other person, in any such registration.

Pursuant to the piggyback registration right, if we register any of our securities in connection with an underwritten offering and sale for cash, either for our own account or the account of another one of our shareholders exercising its demand registration right, then we will, subject to exceptions, include any ADSs and/or shares of our common stock that Alfa Group and/or Telenor requests to be included in that registration. Any single request made by Alfa Group or Telenor pursuant to its piggyback registration right may not exceed an aggregate of 50.0% of the ADSs or our common stock that it owns at the time of such request, unless it holds less than 7.5% of our issued and outstanding common stock at such time. The piggyback registration right, however, is conditioned on Alfa Group or Telenor and their respective affiliates owning or controlling at least 5.0% of our issued and outstanding common stock.

In addition, the rights and obligations of Alfa Group and Telenor, respectively, under the registration rights agreement, other than indemnification rights and obligations, will terminate on the date that such shareholder and its affiliates owns less than 5.0% of our issued and outstanding common stock.

Alfa Group and Telenor have agreed in the registration rights agreement to certain transfer restrictions regarding shares of our company. These restrictions include a prohibition on transfers to direct competitors of our company.

In addition, subject to a few specific exceptions, Telenor and Alfa Group have agreed not to, and have agreed not to permit any of their respective affiliates to, engage in wireless mobile telecommunications businesses in Russia or own or control, directly or indirectly, more than 5.0% of the voting capital stock of any person or company engaged in a wireless mobile telecommunication business in Russia, other than VimpelCom and our controlled subsidiaries and investments held prior to May 30, 2001. These restrictions apply to Telenor and Alfa Group and their respective affiliates so long as they collectively own at least 25.0% plus one share of VimpelCom's voting capital stock.

### **Agreements with Telenor**

Since September 2005, we have been a party to a general services agreement with Telenor, under which Telenor renders to us or our affiliates services related to telecommunication operations, including management advisory services, training, technical assistance and network maintenance, industry information research and consulting, implementation support for special projects and other services as mutually agreed by Telenor and our company. We pay Telenor an annual fee of US\$0.5 million for the services. In addition, in the event that Telenor's personnel participate in any long-term engagements (defined as engagements lasting longer than five days) we must pay to Telenor an additional service fee equal to the U.S. dollar equivalent of 8,000 Norwegian kroner per person for each day of work performed on the engagement. In 2009, we paid Telenor approximately US\$0.6 million under this agreement. This agreement expires on December 1, 2010.

### **Agreements with Alfa Group**

#### *Service Obligation Agreement*

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

In July 2006, we entered into a service obligation agreement with a subsidiary of Alfa Group that requires Alfa Group to provide us with services related to telecommunications operations, including management advisory services, technical assistance and maintenance of network systems and equipment, industry information research and consulting, training of personnel, support of implementation of certain projects, assignment of qualified personnel and other services. The annual fee for the services is the equivalent of US\$0.5 million (paid in Russian rubles at a fixed exchange rate of 31.0 Russian rubles per U.S. dollar). The agreement specifies the rights and obligations of the parties to any intellectual property developed in connection with the agreement. In addition, in the event that Alfa Group's personnel participate in any long-term engagements (defined as engagements lasting longer than five days) we must pay to Alfa Group an additional service fee equal to the U.S. dollar equivalent of 27,000 Russian rubles per person for each day of work performed on the engagement. In 2009, we paid Alfa Group approximately US\$1.8 million under this agreement. This agreement expires on December 1, 2010.



## **Table of Contents**

### *Alfa Bank*

We maintain some of our bank accounts at Alfa Bank, which is part of the Alfa Group. From time to time, we also place time deposits with Alfa Bank. Under the terms of our board of directors' approval, there is a US\$200.0 million limit on the amount of our deposits and cash balances that may be held at Alfa Bank. As of December 31, 2009, we had balances at Alfa Bank of approximately US\$75.0 million in deposit accounts and US\$101.5 million in current accounts.

VimpelCom currently has an agreement with Alfa Bank that allows it to send SMSs to our subscribers who also are clients of Alfa Bank. Alfa Bank and other entities within the Alfa Group are corporate clients of our company.

In addition, we currently have an agreement with Alfa Bank, which will allow VimpelCom subscribers to recharge online their VimpelCom accounts using their bank card. This product has not yet been launched and no amounts have been paid to Alfa Bank under this agreement. This agreement expires in March 2011.

### *Alfa Strakhovaniye*

Since February 2007, property and equipment and certain construction risks of VimpelCom and some of our subsidiaries have been covered by an insurance policy from Alfa Strakhovaniye, an Alfa Group subsidiary. Approximately 60.0% of the coverage has been reinsured by Alfa Strakhovaniye with a third party.

In February 2009, we entered into an agreement with AlfaStrakhovanie PLC for provision of travel insurance to our employees in the amount of up to 16.0 million Russian rubles. In March 2009, we entered into a collective insurance agreement with Alfa Strakhovaniye-Life for life insurance in the amount of up to approximately 4.1 million Russian rubles (VAT is not imposed) for the period from January 1, 2009 until December 31, 2010.

### **Agreements with Firma Kurier**

We purchased bill delivery services from our affiliate Firma Kurier in the amount of US\$2.1 million in 2009.

### **Agreements with CSI Loyalty Partners Limited**

CSI Loyalty Partners provides subscriber loyalty programs to our company, and we paid commissions to CSI Loyalty Partners for these services in the amount of approximately US\$6.6 million in 2009.

### **Agreements with ZAO Rascom**

We provided our affiliate ZAO Rascom fixed telecommunication services and maintenance and support services in the amount of approximately US\$1.0 million in 2009. Additionally, in 2009, we rented domestic and international channels from Rascom and paid US\$6.2 million for these rentals.

### **Agreements with Euroset**

VimpelCom has contracts with Euroset, which became an affiliate in October 2008, for services for acquisition of new subscribers and receipt of subscribers' payments. In total, we paid to Euroset dealer commissions in the amount of approximately US\$146.8 million in 2009 and a bonus for sales plan performance in the amount of approximately US\$12.3 million.

## **ITEM 8. Financial Information**

### **A. Consolidated Statements and Other Financial Information**

See Item 18 Financial Statements and the financial statements referred to therein.

**Legal Proceedings**

Please see Item 4 Information on the Company Legal Proceedings for information on the legal proceedings our companies are involved in.

**Policy on Dividend Distributions**

Each fully paid share of preferred stock entitles its holder to receive an annual fixed dividend of 0.001 Russian ruble per share of preferred stock to the extent there are sufficient funds available. We must pay dividends in full on our preferred stock before making any payments of dividends on our common stock. Dividends on our preferred stock are not cumulative. We may pay dividends on our preferred stock from funds specifically reserved for this purpose.

**Table of Contents**

Our company did not pay dividends on our shares of common stock before 2007. At its board meeting in March 2007, our board of directors approved a dividend policy. The goal of the dividend policy is to optimize return to our company's investors both in terms of company value increase (capital gain) and cash return. The policy sets forth certain constraints and guidelines, including certain financial ratios and a requirement that the company have positive free cash flow for the prior financial year, that our board of directors will consider when assessing whether to propose a dividend payment on our shares of common stock and the amount of any such proposed dividend. Subject to the constraints and guidelines contained in the dividend policy as well as those under Russian law, the dividend policy contemplates that our board of directors will recommend the payment of cash dividends annually and the amount of the annual dividend will generally be equal to at least 25.0% of our consolidated net income, as determined under U.S. GAAP. Russian law requires the annual general meeting of shareholders to approve dividends.

Our company paid a dividend of 270.01 Russian rubles per share of our common stock (or approximately US\$0.57 per ADS based on the exchange rate as of June 9, 2008, the date of the 2008 annual general meeting of shareholders) in 2008. Our company paid a dividend of 166.88 Russian rubles per share of our common stock (or approximately US\$1.62 per ADS based on the exchange rate as of June 29, 2007, the date of the 2007 annual general meeting of shareholders) in 2007. In April 2009, our board of directors recommended to the annual general meeting shareholders not to pay dividends on our common stock based on the results for 2008. On December 17, 2009, following the November 2009 recommendation of our board of directors to pay dividends, our shareholders approved an interim cash dividend based on our operating results for the nine months ended September 30, 2009 in the amount of 190.13 Russian rubles per share of our common stock (or approximately US\$0.31 per ADS based on the exchange rate as of December 17, 2009, the date of the extraordinary general shareholder meeting approving the dividend). We cannot assure you we will continue to pay dividends on our common stock and ADSs in the future and any decision by our company not to pay dividends or to reduce dividend payments in the future could adversely affect the value of our common stock or ADSs. For more information regarding the relevant restrictions under Russian law as well as certain risks involved in connection with the recommendation and payment of dividends, please see Item 10 Additional Information B. Memorandum and Articles of Association Dividends and Dividend Rights, Item 3 Key Information D. Risk Factors Risks Related to Our Common Stock and ADSs We may not pay dividends on our common stock and ADSs, which may make us less attractive to investors and Item 3 Key Information D. Risk Factors Risks Related to Our Common Stock and ADSs Holders of our ADSs may be unable to repatriate distributions on the ADSs and distributions are subject to fluctuations in the exchange rate between the Russian ruble and the U.S. dollar.

**B. Significant Changes**

Other than as disclosed in this Annual Report on Form 20-F, there have not been any significant changes since the date of the audited financial statements included as part of this Annual Report on Form 20-F.

**ITEM 9. The Offer and Listing****A. Offer and Listing Details***Price history*

For the purposes of this Annual Report on Form 20-F, the high and low prices of our common stock on the RTS are determined by the high and low amounts brokers have bid for our common stock during the periods indicated below. The price of our common stock on the RTS has been converted to U.S. dollars at the exchange rate on the date of the price indicated. Each of our ADSs represents one-twentieth of one share of our common stock. On November 22, 2004, we announced a change in the ratio of our ADSs traded on the NYSE from four ADSs for three common shares to four ADSs for one common share. VimpelCom ADS holders as of the record date at the close of business on November 19, 2004 received two additional ADSs for every ADS held. On August 8, 2007, we announced a change in the ratio of our ADSs traded on the NYSE from four ADSs for one common share to twenty ADSs for one common share. VimpelCom ADS holders as of the record date at the close of business on August 17, 2007 received four additional ADSs for every ADS held.

Year Ended December	NYSE Price Range of Our		Russia Trading System Pricing Range of our Common Stock	
	High	Low	High	Low

Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

<b>2005</b>	US\$ 9.37	US\$ 6.52	US\$ 189.00	US\$ 132.00
<b>2006</b>	US\$ 16.41	US\$ 7.72	US\$ 327.00	US\$ 153.00
<b>2007</b>	US\$ 44.98	US\$ 14.79	US\$ 866.33	US\$ 310.88
<b>2008</b>	US\$ 44.39	US\$ 6.39	US\$ 835.39	US\$ 136.85
<b>2009</b>	US\$ 22.47	US\$ 4.81	US\$ 453.08	US\$ 102.13
<b>2008:</b>				
First quarter	US\$ 44.39	US\$ 28.51	US\$ 835.39	US\$ 578.29
Second quarter	US\$ 36.49	US\$ 28.88	US\$ 719.96	US\$ 548.97
Third quarter	US\$ 29.20	US\$ 16.84	US\$ 537.91	US\$ 392.08
Fourth quarter	US\$ 21.30	US\$ 6.39	US\$ 408.72	US\$ 136.85
<b>2009:</b>				
First quarter	US\$ 9.49	US\$ 4.81	US\$ 148.12	US\$ 102.13
Second Quarter	US\$ 14.17	US\$ 6.43	US\$ 260.66	US\$ 133.28
Third Quarter	US\$ 19.34	US\$ 9.63	US\$ 392.13	US\$ 156.80

**Table of Contents**

Fourth Quarter	US\$ 22.47	US\$ 16.55	US\$ 453.08	US\$ 388.40
<b>2010:</b>				
First quarter	US\$ 21.30	US\$ 16.28	US\$ 432.65	US\$ 303.47
<b>2009:</b>				
<b>Month Ended</b>				
October	US\$ 20.81	US\$ 16.55	US\$ 414.89	US\$ 388.40
November	US\$ 22.47	US\$ 17.93	US\$ 453.08	US\$ 400.47
December	US\$ 20.30	US\$ 17.50	US\$ 446.87	US\$ 400.35
<b>2010:</b>				
<b>Month Ended</b>				
January	US\$ 21.30	US\$ 18.02	US\$ 420.87	US\$ 405.46
February	US\$ 20.11	US\$ 16.28	US\$ 432.65	US\$ 395.42
March	US\$ 20.38	US\$ 16.70	US\$ 428.94	US\$ 303.47

On April 1, 2010, the closing price per ADS on the NYSE was US\$18.88.

**B. Plan of Distribution**

Not required.

**C. Markets**

Our ADSs have been listed and traded since November 15, 1996 on the NYSE under the symbol VIP. The NYSE is the principal trading market for the ADSs. In July 2000, the RTS approved the listing of our common stock. Our common stock began trading on the RTS on July 14, 2000.

**D. Selling Shareholders**

Not required.

**E. Dilution**

Not required.

**F. Expenses of the Issue**

Not required.

**ITEM 10. Additional Information****A. Share Capital**

Not required.

**B. Memorandum and Articles of Association**

We describe below the material provisions of our charter, certain provisions of Russian law relating to our organization and operation, and some of the terms of our capital stock based on provisions of our current charter, applicable Russian law and certain agreements relating to our capital stock. Although we believe that we have summarized the material terms of our charter, Russian legal requirements, and our capital stock, this summary is not complete and is qualified in its entirety by reference to our charter, applicable Russian law and the agreements relating to our capital stock. The amended and restated version of our charter was approved at the 2009 annual general meeting of shareholders held on June 10, 2009. At the 2009 annual general meeting of shareholders held on June 10, 2009, our shareholders approved certain amendments to our charter that reflect the status of our company as a legal successor to certain of our subsidiaries merging into our company. The Russian Federal Law on Joint Stock Companies and our charter require the affirmative vote of at least 75.0% of the voting shares present at a shareholders meeting to approve amendments to our charter.

**Open Joint Stock Company**

As of the date of this Annual Report on Form 20-F, our charter capital is 288,538.11 Russian rubles, consisting of 51,281,022 issued and outstanding shares of common stock, with a nominal value of 0.005 Russian rubles each, and 6,426,600 issued and outstanding shares of preferred stock, with a nominal value of 0.005 Russian rubles each. Shares of our common stock held by our subsidiaries are treated as treasury shares for U.S. GAAP purposes but are not treated as such for purposes of Russian law. None of our shares of common or preferred stock are held in treasury for purposes of Russian law. Our charter authorizes us to issue an additional 38,718,978 shares of common stock, with a nominal value of 0.005 Russian rubles each. As our shares of common stock and preferred stock have equal voting rights, we sometimes refer to them collectively as voting shares. Under Russian law, the total nominal value of all outstanding shares of our preferred stock may not exceed 25.0% of our charter capital.

**Our Goals and Objectives**

As set forth in Article 4.2 of our charter, our company has the following objectives:

research and design in the field of radioelectronic systems, or RES, of communication, informatics, telematics and in the related fields of science and technology;

**Table of Contents**

creation of means and systems of communication, including rapid-deploying systems of radiotelephone communication for fixed and mobile subscribers, designs, systems of cable, trunks, fiber-optic, point-to-point, satellite and other types of communication systems, creation of teleports and telecommunication networks;

design, engineering and manufacture of the radioelectronic equipment for RES systems;

designs in the field of new standards and software and hardware complexes for satellite and ground types of systems of communication;

provision of communication services to companies and individuals in Russia and abroad on the basis of commercial use of established communication systems including different types of cellular, cable, trunks, fiber-optic, point-to-point, satellite and other types of communication systems, including international communication systems;

provision of consulting and information services, engineering and marketing, investment and innovation activities, leasing, provision of dealer, distributorship, broker and agency representation services;

carrying out commercial operations with know-how, scientific and technical products and information, including receipt and distribution of licenses;

publishing activities, provision of advertisement and other activities for the purpose of dissemination of information on our activities and our partners in joint projects; organization of personnel training and re-training, conducting seminars, schools of business, organization of courses on the objective of our activities;

participation in the establishment of new enterprises to assist in achieving our goals in accordance with applicable legislation;

carrying out independent foreign economic activity in accordance with applicable legislation of the Russian Federation, in particular, export-import and purchasing agency operations;

carrying out leasing activity, including as a leasing company; and

carrying out any other activity not prohibited by applicable law.

**Common Stock**

Except for treasury shares (as defined under Russian law), each fully paid share of our common stock entitles its holder to:

participate in shareholder meetings;

have one vote on all issues voted upon at a shareholder meeting, except for the purposes of cumulative voting as required by applicable law for the election of the board of directors, in which case each common share shall have the same number of votes as the total number of members to be elected to the board of directors and all such votes may be cast for a single

candidate or may be distributed between or among two or more candidates;

receive dividends recommended by the board of directors and approved by the shareholders;

in the event of our liquidation, receive a pro rata share of our assets remaining after settlement with our creditors and payment of the fixed liquidation value on our preferred stock; and

exercise any other rights of a shareholder set forth in our charter and Russian law.

Changes to the rights of the holders of our common stock may only be made by amending our charter, according to the procedure described below under Shareholder Meetings.

### **Preferred Stock**

Except for shares that are authorized but not issued, each fully paid share of preferred stock entitles its holder to:

participate in shareholder meetings;

have one vote on all issues voted upon at a shareholder meeting, except for the purposes of cumulative voting as required by applicable law for the election of the board of directors, in

which case each preferred share shall have the same number of votes as the total number of members to be elected to the board of directors and all such votes may be cast for a single candidate or may be distributed between or among two or more candidates;

receive an annual fixed dividend of 0.001 Russian ruble per share of preferred stock to the extent not specifically restricted by law;

in the event of our liquidation, receive a fixed liquidation value of 0.005 Russian rubles per share of preferred stock; and



## **Table of Contents**

exercise any other rights of a shareholder set forth in our charter and Russian law.

Additionally, each fully paid share of preferred stock is convertible into one share of common stock at any time after June 30, 2016 at the election of the holder of the preferred stock. Upon conversion, the holder must pay us a conversion premium equal to 100.0% of the market value of one share of common stock at the time of conversion. Changes to the rights of the holders of our preferred stock may only be made by amending our charter, according to the procedure described below under Shareholder Meetings. Such changes may also require issuance of new preferred shares replacing the previously issued shares. As of the date of this Annual Report on Form 20-F, all of the issued and outstanding shares of our preferred stock are beneficially owned by Alfa Group. See Item 7 Major Shareholders and Related Party Transactions.

### **Shareholder Meetings**

The rights of shareholders are set forth in the Russian Federal Law on Joint Stock Companies and in our charter. Shareholders have the right to decide only those issues expressly set forth in the Russian Federal Law on Joint Stock Companies. These issues include, among the others:

changes or amendments to the charter or approval of a new version of the charter;

reorganization and liquidation of the company, appointment of liquidation commission, and approval of the interim and final liquidation balance sheets;

the election or premature removal of members of the board of directors and members of the audit commission;

the determination of the number, nominal value and category (type) of, and the rights attached to, authorized shares;

an increase or decrease of our charter capital; and

certain transactions with interested parties and certain major transactions

Voting at our shareholder meetings is conducted on the principle of one vote per each share of common or preferred stock. However, the election of the board of directors is conducted by cumulative voting. The holders of common stock and the holders of preferred stock vote together as a single class. Decisions at our shareholder meetings are taken by the affirmative vote of at least a majority of votes present, except as specifically provided in the Russian Federal Law on Joint Stock Companies. For instance, the Russian Federal Law on Joint Stock Companies and our charter require the affirmative vote of at least 75.0% of the voting shares present at a shareholders meeting to approve certain decisions, including the following:

changes or amendments to the charter or approval of new version of the charter;

a reorganization or liquidation of the company, appointment of liquidation commission, and approval of the interim and final liquidation balance sheets;

major transactions involving assets in excess of 50.0% of the balance sheet value of our assets, calculated in accordance with Russian accounting standards;

the determination of the number, nominal value and category (type) of, and the rights attached to, authorized shares;

the acquisition by our company of our outstanding shares as provided for by Russian law; or

issuance of shares of our common stock or preferred stock or securities convertible into shares of our common stock by way of a closed subscription or by way of an open subscription of shares comprising more than 25.0% of all outstanding common shares.

The quorum requirement for our shareholder meetings is met if more than 50.0% of the voting shares are participating. In the absence of a quorum for holding an annual shareholders' general meeting, a rescheduled annual shareholders' meeting with the same agenda must be held. In the absence of quorum for holding an extraordinary shareholders' general meeting, a rescheduled extraordinary shareholders' general meeting with the same agenda may be held. A rescheduled general shareholders' meeting must be called and held within 30 days after the failed general shareholders' meeting, unless a later date is required under applicable law. A rescheduled general shareholders' meeting will be considered to have a quorum if shareholders (or their representatives) owning in the aggregate at least 30.0% of our issued and outstanding voting shares participate in the rescheduled general shareholders' meeting.

Shares of our common stock held by any of our subsidiaries are not considered to be treasury stock under Russian law. We have implemented the following procedures to ensure that shares of our common stock held by our subsidiaries will not dilute the voting rights of existing shareholders and to help us ensure that a quorum is present at shareholder meetings. Any subsidiary that holds shares of our common stock will ensure that the shares will be considered present at shareholder meetings for purposes of calculating a quorum and will vote such shares pro rata in accordance with the votes submitted by all other holders of shares. For example, if X% of shares (other than shares held by our subsidiaries) vote in favor of a decision and Y% vote against it or abstain from voting while being present, shares held by our subsidiaries will be voted X% in favor and Y% against the decision. If for any reason this mechanism cannot be implemented, then we will ensure that shares owned by our subsidiaries will not be present or voted at any shareholder meeting.

## **Table of Contents**

Annual shareholder meetings must be convened by the board of directors at least two months and not more than six months after the end of each financial year (in other words, between March 1 and June 30), and the agenda must include the following items:

the election of members of the board of directors;

the election of members of the audit commission;

the approval of an independent auditor;

the approval of the annual reports;

the approval of the annual accounting statements including the report on profits and losses; and

the distribution of profits (including declaration of dividends), and losses based on the results of the financial year.

Any shareholder or group of shareholders owning in the aggregate at least 2.0% of our voting shares may introduce proposals to the agenda of an annual shareholder meeting and may nominate candidates to the board of directors and the audit commission. Any proposals or nominations, together with certain other information, including information regarding nominees, must be provided to us not later than 30 days after the end of each financial year (by January 30) in order to be included on the agenda.

Extraordinary general shareholders' meetings may be convened by the board of directors, or at the request of the audit commission, independent auditor or any shareholder or group of shareholders owning in the aggregate at least 10.0% of the voting shares as of the date of the request.

## **Notice and Participation**

All shareholders entitled to participate in a shareholders' meeting must be notified of a meeting no less than 30 days prior to the date of the meeting, unless a longer period is required by applicable law. All notices, including notifications on convening a shareholders' meeting together with voting ballots, must be sent to each person included on the list of persons that have the right to participate in the shareholders' meeting, by registered mail or personal delivery against a receipt at the address specified in our shareholder register, or at such other address of which any such person has informed the board of directors in writing. The agenda may not be changed after its distribution to shareholders.

## **Foreign Shareholders**

Foreign persons registered as individual entrepreneurs in Russia who, and foreign companies that, acquire shares in a Russian joint stock company must notify the Russian tax authorities within one month following such acquisition if they are already registered with the Russian tax authorities at the time of acquisition. Russian law is unclear as to whether foreign persons and companies that are not registered with the Russian tax authorities at the time of their share acquisitions must register solely for the reason of such acquisitions. Other than these requirements, there are no requirements or restrictions with respect to foreign ownership of our shares.

## **Dividends and Dividend Rights**

Russian law governs the amount of dividends we may distribute to our shareholders. Under the Russian Federal Law on Joint Stock Companies, dividends may be paid out of our net profits for the first quarter, half-year or nine months of the financial year or based on the results of the entire year, calculated in accordance with Russian accounting standards; provided, however, that:

our charter capital has been paid in full;

the value of our net assets, calculated in accordance with Russian accounting standards, is not less than the sum of, and would not, as a result of payment of the dividends, fall below the sum of:

our charter capital;

our reserve fund, which is described in greater detail below; and

the difference between the liquidation value set forth in our charter and the nominal value of the issued and outstanding shares of our preferred stock;

we have repurchased all shares from shareholders who have exercised their right to require us to repurchase their shares, as provided by Russian law;

we are not, and will not become as a result of the payment of dividends, insolvent (as defined under Russian law); and

we comply with other requirements relating to declaration and payment of dividends provided by Russian federal laws. The declaration of dividends, which may be made quarterly, semi-annually or annually, must be approved by the affirmative vote of holders of at least a majority of our voting shares at a shareholder meeting, based upon the recommendation approved by at least two-thirds of our board of directors (with regard to annual dividends) or a majority of our board of directors (with regard to quarterly or semi-annual dividends). The dividends approved at a shareholder meeting may not be more than the amount recommended by our board of directors. Dividends are not payable on treasury shares (as such term is defined under Russian law).

## **Table of Contents**

Each fully paid share of preferred stock entitles its holder to receive an annual fixed dividend of 0.001 Russian ruble per share of preferred stock to the extent there are sufficient funds available. We must pay dividends in full on our preferred stock before making any payments of dividends on our common stock. Dividends on our preferred stock are not cumulative. We may pay dividends on our preferred stock from funds specifically reserved for this purpose.

### **Share Capital Increase**

Pursuant to Russian law, we may increase our charter capital by issuing additional shares, provided that sufficient shares of that class are authorized, or by increasing the nominal value of a class of shares. A decision to effect a charter amendment to increase the number of authorized shares requires the affirmative vote of holders of at least 75.0% of the voting shares present at a shareholder meeting. The same voting requirement applies to a decision to increase our charter capital by issuing additional shares by way of a closed subscription or by way of an open subscription for shares comprising more than 25.0% of all outstanding common shares. A decision to increase our charter capital by increasing the nominal value of a class of shares must be approved by a simple majority of the voting shares present at a shareholders' meeting. An increase in the nominal value of a class of shares may be effected only at the expense of our assets. There is no liability of shareholders for further capital calls.

The Russian Federal Law on Joint Stock Companies requires that we sell newly-issued shares at market value, except in limited cases in which a specified reduction in price is permitted, for example, in connection with the sale of shares to shareholders exercising preemptive rights. In any event, such shares may not be sold for a purchase price less than their nominal value. In the event newly-issued shares are paid for in-kind, the valuation of the in-kind payment must be determined by an independent appraiser.

The Federal Service on the Financial Market (the successor to the Federal Commission on the Securities Market), under the power given to it by federal legislation, enforces and from time to time modifies existing procedures for the registration and issuance of shares of a joint stock company. These procedures may include:

the registration of a decision to issue shares, which may require the production of a prospectus;

public disclosure of certain information about the share-issuance; or

the registration and public disclosure of a report on the results of the issuance of the shares, which has been approved by the board of directors.

In addition, the Russian Federal Laws on Investor Protection on the Securities Market provides that newly issued shares may not be traded until the report on the results of the issuance of the shares is registered and the shares are fully paid.

### **Capital Decrease and Share Buy-Backs**

Under Russian law, our shareholders that vote against or abstain from voting on certain decisions have the right to sell their shares to us at market value. Our obligation to purchase shares in these circumstances is limited to 10.0% of our net assets calculated at the time the decision is approved and in accordance with Russian accounting standards. The shares may be held as treasury, but must be re-sold within one year. If the shares are not resold within one year, our shareholders must decide to cancel them and, thereby, decrease our charter capital. Decisions that trigger this right to sell shares to us include:

reorganization or liquidation;

the approval by shareholders of a major transaction, the value of which comprises more than 50.0% of our assets (calculated in accordance with Russian accounting standards); and

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

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

Under Russian law, we may not reduce our charter capital if, after the reduction, our charter capital would be less than the minimum charter capital required by applicable law. Any decision to reduce our charter capital, whether by repurchasing and canceling shares or by reducing the nominal value of shares, must be approved by at least a majority of voting shares present at a shareholder meeting. Within 30 days of the approval of such a decision, we must issue a written notice of the decision to our creditors and also publish this decision. Our creditors would then have the right to demand, within 30 days of publication of the decision or receipt of our notice, repayment of all outstanding amounts due to them, as well as compensation for damages.

Our board of directors may authorize the repurchase of shares by VimpelCom for cash provided that the aggregate nominal value of shares outstanding after the repurchase is at least 90.0% charter capital. We must either resell the repurchased shares within one year of their repurchase or our shareholders must decide to cancel them and, thereby, decrease our charter capital.

Under the Russian Federal Law on Joint Stock Companies, VimpelCom may repurchase our issued shares only if, at the time of repurchase:

our charter capital has been paid in full;

the value of our net assets, calculated in accordance with Russian accounting standards, is not less than the sum of, and would not, as a result of such repurchase, fall below the sum of:

our charter capital;

## **Table of Contents**

our reserve fund, which is described in greater detail below; and

if we are repurchasing shares of our common stock, the difference between the liquidation value of the issued and outstanding shares of our preferred stock set forth in the charter and the nominal value of the issued and outstanding shares of our preferred stock;

we have repurchased all shares from shareholders who have exercised their right to require us to repurchase their shares, as provided by Russian law; and

we are not, and will not become as a result of the repurchase, insolvent (as defined under Russian law).

### **Preemptive Rights and Certain Anti-Takeover Protections**

The Russian Federal Law on Joint Stock Companies grants existing shareholders a preemptive right to purchase on a pro rata basis shares or securities convertible into shares that we propose to sell in a public offering. In addition, Russian law provides that shareholders who vote against or do not participate in the voting on the placement of shares or securities convertible into our shares in a closed subscription (private placement) have a preemptive right to acquire shares or convertible securities proportionate to their existing holdings of our shares, except if the shares or securities convertible into shares are placed among all existing shareholders in proportion to their existing holdings.

We have more than 1,000 holders of ADSs and, accordingly, we comply with the provisions of Russian law applicable to companies with more than 1,000 holders of common stock. Although Russian law is unclear about the status of ADS holders, we endeavor to provide to our ADS holders the same rights and benefits as the holders of our common stock. For more information, please see [Item 3 Key Information D. Risk Factors Risks Related to Our Common Stock and ADSs](#) Voting rights with respect to the shares of common stock represented by ADSs are limited by the terms of the depository agreement for the ADSs, our charter and Russian law and [Item 3 Key Information D. Risk Factors Risks Related to Our Common Stock and ADSs](#) Russian law considers the depository the beneficial owner of our common shares underlying our ADSs.

### **Shareholders Liability**

The Russian Civil Code and the Russian Federal Law on Joint Stock Companies generally provide that shareholders in a Russian joint stock company are not liable for the obligations of the joint stock company and only bear the risk of loss of their investment. However, under Russian law, those shareholders which are controlling legal entities may be jointly and severally liable with us for any of our obligations under a transaction if:

they have the ability to issue mandatory instructions to us and that ability is provided for by our charter or in a contract between us and them; and

we concluded the transaction pursuant to their mandatory instructions.

In addition, our shareholders may have secondary liability for any of our obligations if:

we become insolvent or bankrupt due to their actions or their failure to act; and

they have the ability to make decisions for us or otherwise determine our activity and deliberately cause the bankruptcy of the company.

### **Board of Directors**

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

Pursuant to our charter, our board of directors consists of nine directors, each of whom is elected for a term ending on the date of the next annual general shareholders meeting, unless the authority of all members of the board of directors is terminated earlier by decision of an extraordinary shareholders meeting. The directors in their entirety may be removed at any time and without cause by at least a majority vote of shareholders present at a shareholders meeting.

In accordance with the Russian Federal Law on Joint Stock Companies, the board of directors may decide any issue that does not require a shareholder vote. Pursuant to our charter, meetings of the board of directors require the presence of at least two-thirds of its members, including at least one member nominated by each shareholder owning at least 25.0% plus one of our voting shares. The charter provides that actions taken by the board of directors require the affirmative vote of at least a majority of its members unless otherwise specified in the charter, the procedural regulations of the board of directors or applicable law. However, the procedural regulations of the board of directors may not reduce the voting requirements specified in the charter or applicable law. The following decisions require the affirmative vote of at least two-thirds of all members of the board of directors:

recommending annual dividends to be paid on our common stock; and

approving the procedure for paying annual dividends on our common stock and preferred stock.

The following decisions require the affirmative vote of at least 80.0% of all members of the board of directors:

determining business priorities and approving strategic orientations as advised by the General Director and Chief Executive Officer;

approving, amending or terminating our internal documents, except for those documents that must be approved by the shareholders at a shareholder meeting;



## **Table of Contents**

acquiring or selling shareholdings in other enterprises;

appointing and dismissing the General Director and Chief Executive Officer;

approving the annual budget and the business plan, which must include the cost of new lines of business, and any amendments thereto; and

approving major transactions as they are determined by the Russian law (i.e. transactions connected with acquisition or alienation of property worth more than 25.0% but not more than 50.0% of the book value of our assets, calculated in accordance with Russian accounting standards).

The power to determine directors' compensation lies exclusively with the shareholders. Unless specifically authorized by the General Director, the directors do not have the power to borrow on our behalf.

## **Interested Party Transactions**

We are required by Russian law and our charter to obtain the approval of independent disinterested directors or our shareholders for certain transactions with interested parties. Interested parties are defined by Russian law and include, generally, any persons able to issue mandatory instructions to us, members of our board of directors, our General Director and Chief Executive Officer, and any shareholder that owns (together with any affiliates) at least 20.0% of our voting shares, if such person or such person's relatives or affiliates are:

a party to, or beneficiary of, a transaction with us, whether directly or as a representative or an intermediary;

the owner of at least 20.0% of the issued and outstanding voting shares of a legal entity that is a party to, or beneficiary of, the transaction with us, whether directly or as a representative or an intermediary; or

a member of the board of directors or an officer of a legal entity that is a party to, or beneficiary of, a transaction with us, whether directly or as a representative or an intermediary.

Due to the technical requirements of Russian law, these same parties may also be deemed to be interested parties with respect to certain transactions within our group and, therefore, certain transactions between companies within our group require interested party transaction approval.

Because we comply with the provisions of Russian law applicable to companies with more than 1,000 shareholders, the Russian Federal Law on Joint Stock Companies requires that interested party transactions be approved:

by at least a majority vote of all directors who are independent and not interested in the transaction on these issues; or

by at least a majority vote of shareholders who are not interested in the transaction (i.e., by more than 50.0% of the votes held by all disinterested shareholders) if:

the value of the transaction is equal to 2.0% or more of the book value of our assets (calculated in accordance with Russian accounting standards);

the transaction involves the issuance of voting shares or securities convertible into voting shares in an amount exceeding 2.0% of outstanding voting shares and voting shares in which outstanding convertible securities can be converted; or

all members of the board of directors are not eligible to vote.

#### **Major Transactions**

We are required by Russian law and our charter to obtain the unanimous approval of the members of the board of directors (whether or not present at the meeting) of transactions involving property worth more than 25.0% but not more than 50.0% of the book value of our assets, calculated in accordance with Russian accounting standards. In the event that we are unable to obtain such unanimous approval, we are required to obtain the approval of holders of at least a majority of voting shares present at a shareholders' meeting. For transactions involving property worth more than 50.0% of the book value of our assets, calculated in accordance with Russian accounting standards, we are required to obtain the approval of holders of at least 75.0% of the voting shares participating in a shareholders' meeting.

#### **Liquidation Rights**

Under Russian law, the liquidation of a company results in its termination without the transfer of rights and obligations to other persons as legal successors. Pursuant to our charter, we may be liquidated:

by the affirmative vote of holders of at least three-quarters of the voting shares present at a shareholder meeting;

by court order; or

on other grounds provided by legislation.

## **Table of Contents**

Once the decision to liquidate has been taken, the right to manage our affairs passes to a liquidation commission. In the case of a voluntary liquidation, the members of the liquidation commission are appointed by shareholders at a shareholder meeting. In the case of an involuntary liquidation, the members of the liquidation commission are appointed by a court. Creditors may file claims within a period to be determined by the liquidation commission. This period shall be at least two months from the date of publication of a notice by the liquidation commission.

Pursuant to the Russian Civil Code, upon a liquidation, the claims of our creditors will be satisfied in the following order of priority:

individuals to whom we owe funds due to harm to health or life;

employees;

payments to the budget and non-budgetary funds; and

other creditors.

In addition, our remaining assets will be distributed among our shareholders in the following order of priority:

payments to repurchase all shares from shareholders who have exercised their right to require us to repurchase their shares, as provided by Russian law;

payments of accrued but unpaid dividends on the preferred stock and the liquidation value of the preferred stock; and

distribution of remaining assets among the holders of common and preferred stock on a pro rata basis.

### **Reserve Fund**

Russian law requires that each joint stock company establish a reserve fund, which may only be used to cover the company's losses, redeem the company's bonds that have been issued under Russian law and redeem the company's shares if other funds are not available. Our charter provides for a reserve fund of 15.0% of our charter capital, to be funded by annual transfers of 5.0% of our net profits, calculated in accordance with Russian accounting standards, until the reserve fund has reached this amount. As of December 31, 2009, we had a reserve fund of approximately 43,000.00 Russian rubles, or approximately US\$1,421.76 at the Central Bank exchange rate on December 31, 2009.

### **Share Registration, Transfers and Settlement**

All of our issued shares are registered. Russian law requires each joint stock company to maintain a shareholder register. Ownership of registered shares is evidenced by entries made in the register. In October 1996, we retained the National Registry Company, a licensed independent registrar jointly owned by Computershare Investments (UK) Limited, Computershare Investments (UK) (No.3) Limited, Computershare Limited, NRC Investments (UK) Limited and Rosbank (a Russian bank), to maintain our shareholder register. Under the Russian Civil Code, a shareholder may transfer his or her rights in registered shares only in the manner and to the extent prescribed by law. All transfers must be in written form. When making entries on the register, the registrar may not require documents beyond what is required by current regulations. Any refusal to register shares in the name of the transferee or, upon request of the beneficial holder, in the name of a nominee holder, is void and may be disputed as prescribed by law.

### **C. Material Contracts**

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

The following summary of our material agreements, which are filed as exhibits to this Annual Report on Form 20-F or incorporated by reference into this Annual Report on Form 20-F, does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of these agreements.

*\$3.5 billion Facility Agreement dated February 8, 2008.* In connection with our acquisition of Golden Telecom, on February 8, 2008, we entered into a facility agreement with ABN AMRO Bank N.V., London Branch, Barclays Capital, BNP Paribas, CALYON, Citibank, N.A., HSBC Bank plc, ING Bank N.V. and UBS Limited as mandated lead arrangers and bookrunners and Citibank International plc as agent. The facility comprises a 12-month bridge facility in an aggregate principal amount of US\$1,500.0 million, maturing on February 8, 2009, and a syndicated three-year term loan facility in an aggregate principal amount of US\$2,000.0 million, maturing on February 8, 2011. The bridge facility bears interest at a rate of LIBOR plus 0.75% per annum for the first six months, LIBOR plus 1.0% per annum for the next three months and LIBOR plus 1.25% per annum thereafter. The term loan facility bears interest at a rate of LIBOR plus 1.5% per annum. On February 19, 2008, we drew down US\$3,500.0 million under this facility agreement. On May 6, 2008, we repaid the bridge facility in the amount of US\$1,500.0 million from the proceeds of the loans from VIP Finance Ireland, funded by the issuance of loan participation notes by VIP Finance Ireland on April 30, 2008. As of the date of this Annual Report on Form 20-F, the principal amount outstanding under this facility is US\$1,600.0 million.

On April 28, 2009 we signed an Amendment Agreement in relation to this Facility. In accordance with the terms of the Amendment Agreement certain financial covenants and general undertakings were changed, including, among others, decrease of the required minimum level of the Total Shareholders Equity from US\$3,000.0 million to US\$2,000.0 million which will be applicable to the financial statements for the first three quarters of 2009 and for the 2009 financial year. Starting from the financial statements for the first quarter of 2010 and thereafter the required minimum level of the Total Shareholders Equity will be returned to the level of US\$3,000.0 million. The interest rate was also increased by 1.00% p.a. for the 12 months period starting from the date when Amendment Agreement became effective.

---

**Table of Contents**

*Loan Agreements dated April 28, 2008.* On April 28, 2008, we entered into two loan agreements in the aggregate principal amount of US\$2,000.0 million with VIP Finance Ireland. On April 30, 2008, VIP Finance Ireland completed an offering of an aggregate principal amount of US\$2,000.0 million loan participation notes, split equally between five-year and 10-year tranches, for the sole purpose of funding these loans to our company. The five-year US\$1,000.0 million issue and related loan in the same principal amount bear interest at an annual rate of 8.375% payable semi-annually and are due in April 2013. The 10-year US\$1,000.0 million issue and related loan in the same principal amount bear interest at an annual rate of 9.125% payable semi-annually and are due in April 2018. The loan participation notes are listed on the Irish Stock Exchange and are with limited recourse to VIP Finance Ireland. The related trust deeds, dated April 30, 2008 between VIP Finance Ireland, BNY Corporate Trustee Services Limited, The Bank of New York, London Branch, The Bank of New York, New York Branch and The Bank of New York (Luxembourg) S.A., govern the rights of holders of the loan participation notes.

**D. Exchange Controls**

A framework currency law, or the Currency Law, which came into effect on June 18, 2004, empowers the Russian Government and the Central Bank to regulate and/or restrict certain currency transactions, including operations involving domestic and foreign securities, foreign currency borrowings by Russian companies and sales and purchases of foreign currency on the domestic market. The Currency Law liberalized Russian currency controls by abolishing the requirement of transaction-specific currency licenses from the Central Bank. On January 1, 2007 the Russian Government and the Central Bank repealed (i) the requirement that certain transactions be conducted through special accounts opened by residents and nonresidents with authorized Russian banks, and (ii) the requirement that funds in an amount equal to a certain percentage of the relevant transaction or a certain percentage of the funds transferred need to be reserved.

**E. Taxation**

The following discussion generally summarizes certain material United States federal and Russian income and withholding tax consequences to a beneficial owner arising from the ownership and disposition of shares of our common stock or ADSs. The discussion which follows is based on (a) the United States Internal Revenue Code of 1986, as amended, which we refer to in this Annual Report on Form 20-F as the Code, the Treasury regulations promulgated thereunder, and judicial and administrative interpretations thereof, (b) Russian law and (c) the Convention between the United States of America and the Russian Federation for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital, which we refer to in this Annual Report on Form 20-F as the U.S./Russia Double Tax Treaty, all as in effect on the date hereof, and is subject to any changes (possibly on a retroactive basis) in these or other laws occurring after such date. It is also based, in part, on representations of the depositary, and assumes that each obligation in the deposit agreement and any related agreements will be performed in accordance with its terms.

The discussion which follows is intended as a descriptive summary only and is not intended as tax advice to any particular investor. It is also not a complete analysis or listing of all potential United States federal or Russian income and withholding tax consequences to a prospective holder of ADSs or shares of common stock. Each investor is urged to consult its own tax adviser regarding the specific United States federal, state, and local and Russian tax consequences of the ownership and disposition of the ADSs or shares of common stock and regarding the effect and applicability of tax treaties.

**Russian Tax Considerations**

The following is a summary of certain Russian tax considerations regarding the purchase, ownership and disposition of the ADSs and shares of common stock by Non-Resident Holders. The summary is general in nature and is based on the laws of the Russian Federation in effect as at the date of this filing which are subject to change (possibly with retroactive effect). The summary does not seek to address the applicability of, and procedures in relation to, taxes levied by regions, municipalities or other non-federal level authorities of Russia. Similarly, the summary does not seek to address the applicability of any double tax treaty relief. In this regard, however, it is noted that there may be practical difficulties involved in claiming double tax treaty relief. Investors should consult their tax advisors with respect to the consequences of an investment in the ADSs and shares of common stock arising under the legislation of the Russian Federation or any political subdivision thereof. Please see Item 3 Key Information D. Risk Factors Risks Related to the Legal and Regulatory Environment in Russia and the CIS Unpredictable tax systems give rise to significant uncertainties and risks that complicate our tax planning and business decisions. Under no circumstances should the descriptions set forth below be viewed as tax advice.

For the purposes of this filing, a Non-Resident Holder means: (i) an individual who is not considered a tax resident in Russia under applicable Russian tax legislation in effect when they earn income from ADSs and/or shares of common stock or (ii) a legal entity or organization in each case not incorporated or otherwise organized under Russian Law, which purchases, holds and disposes of ADSs or common stock other than

through its permanent establishment in Russia.

The Russian tax rules applicable to securities, and in particular to the tax treatment of a Non-Resident Holder which holds Russian securities, are characterized by significant uncertainties and by an absence of clear interpretative guidance. Russian tax law and procedures are not well developed and rules are sometimes interpreted differently by different tax inspectors. In addition, the substantive provisions of Russian tax law may be subject to more rapid and unpredictable change than in a jurisdiction with more developed capital markets.

---

**Table of Contents***Taxation of dividends*

Dividends paid to a Non-Resident Holder generally should be subject to Russian withholding tax, which should be withheld by us, at a 15.0% rate for legal entities as well as for individuals. This tax may be reduced under the terms of a double tax treaty between Russia and the country of residence of the Non-Resident Holder. For example, the U.S./Russia Double Tax Treaty provides for reduced rates of withholding on dividends paid to holders that are U.S. Holders (as defined below) that are entitled to U.S./Russia Double Tax Treaty benefits; a 10.0% rate applies to dividends paid to U.S. Holders that own less than 10.0% of the entity's outstanding shares and 5.0% for U.S. Holders that are legal entities owning 10.0% or more of the entity's outstanding shares provided that such U.S. Holders are beneficial (actual) owners of such dividends.

In 2006 there were several interpretations of the tax provisions from the Ministry of Finance of the Russian Federation addressing the beneficial ownership concept in Russia for double tax treaty purposes. These interpretations suggest that the Ministry of Finance will look to the beneficial owner of an ADS holder instead of the nominal owner (such as depository) in determining whether the ADS holder may benefit from the terms of a double tax treaty. However, these interpretations are not binding under Russian tax law and are subject to uncertainty and unpredictable positions of tax inspectors. As well there is no clear established practical procedure for payers of income to withhold tax based on the tax residency of the beneficial owner.

Due to the above uncertainty on the beneficial ownership concept in Russia and because of the fact that the depository (and not the holder of the ADS) is the legal holder of the shares under Russian law, there is a risk that the treaty relief may be unavailable to Non-Resident Holders of ADS. In addition, the Russian tax authorities may disallow application for relief under the double tax treaty between the Russian Federation and depository's country of residence. Therefore, we may be unable to apply the reduced rates provided by relevant double tax treaties and will be obliged to withhold income tax at a maximum rate of 15.0% from dividend payments made to the depository. See Procedure for obtaining double tax treaty relief below.

Moreover, from a practical perspective, it may not be possible for the depository to collect residence confirmations from all ADS holders and submit such information to us and, in addition, we may be unaware of the exact amount of income payable to each particular holder.

*Taxation of capital gains**Non-Resident Holders-legal entities*

A Non-Resident Holder that is a legal entity generally may be subject to Russian income tax in connection with the sale, exchange or other disposition of ADSs or shares of common stock in certain instances. However, there is no mechanism for withholding Russian income tax if ADSs or shares of common stock are sold by a Non-Resident Holder legal entity outside of Russia, provided that the ADSs or shares of common stock are not sold to a Russian legal entity or to a Russian permanent establishment of a foreign legal entity. Regardless of the residence of the purchaser, a Non-Resident Holder that is a legal entity should not be subject to any Russian income or withholding taxes in connection with the sale, exchange or other disposition of ADSs or shares of common stock if our assets consist of 50.0% or less of immovable property located on the territory of the Russian Federation or if the ADSs or shares of common stock that are quoted on a foreign stock exchange are sold via that foreign exchange.

With the exception of the above, sales or other dispositions of ADSs or shares of common stock to Russian residents are, in general, subject to Russian withholding tax. In the event of such a sale by a Non-Resident Holder that is a legal entity, a Russian resident purchaser that is a legal entity or a Russian permanent establishment of a foreign legal entity will be required to withhold 20.0% (24% tax rate was applicable until 1 January 2009) of any gain realized on the sale by the foreign legal entity. The gain will be determined as the difference between the sale price and all expenses relating to the acquisition, holding and alienation of ADSs or shares of common stock paid by the Non-Resident Holder for the ADSs or shares of common stock, provided that the Non-Resident Holder is able to present documents confirming such expenses. If a Non-Resident Holder is not able to present documents confirming expenses related to the acquisition, a Russian resident purchaser that is a legal entity or a Russian permanent establishment of a foreign legal entity will be required to withhold 20.0% of the sale's proceeds. Since capital gains may be calculated in Russian rubles, the taxable base could be affected by changes in the Russian ruble exchange rates. There is no mechanism for a Russian resident purchaser to withhold tax if the purchaser is an individual (unless the sale is executed through a professional securities market participant).

*Non-Resident Holders-individuals*

According to Russian tax legislation, taxation of capital gains realized on a sale, exchange or other disposition of shares of common stocks or ADSs of Non-Resident Holders that are individuals will depend on whether this income is considered as received from Russian or non-Russian sources. However, in the absence of a clear definition of what constitutes income from sources within Russia in the case of the sale of securities,

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

there is a risk that income from the disposal of securities in Russian company may be considered as received from Russian source.

The sale, exchange or other disposition of shares of common stocks or ADSs by the Non-Resident Holder individual, if considered Russian source income, should be subject to tax at a rate of 30.0% (unless treaty relief is available) on the difference between the sale price and expenses incidental to acquisition, storage and sale of the shares of common stock or ADSs. However, the income tax can only be withheld at the source of payment if the sale was made by a Non-Resident Holder through a professional securities market participant (for example, a Russian broker, asset manager, or management company, which performs asset management of unit investment fund property). Otherwise, no withholding will be made and the Non-Resident



**Table of Contents**

Holder will have an obligation to file an annual tax return in Russia, report the income recognized and apply for a deduction of the relevant expenses (which include filing of support documentation). Since capital gains may be calculated in Russian rubles, the taxable base could be affected by changes in the Russian ruble exchange rates.

Any tax otherwise payable by a Non-Resident Holder may be exempt from Russian taxation under the terms of an applicable double tax treaty. U.S. tax resident Holders, for example, could be entitled to an exemption from Russian tax (if applicable) by virtue of the U.S./Russia Double Tax Treaty. See Procedure for obtaining double tax treaty relief .

*Procedure for obtaining double tax treaty relief*

In order to take advantage of a double tax treaty, it is sufficient to provide the Russian tax agent (e.g., our company in the case of a payment of dividends) with confirmation of tax residency in a state with which Russia has concluded the relevant treaty. The confirmation of the Non-Resident Holder's residency may be issued in the form of a letter from the competent authority of the Non-Resident Holder's country, containing the tax identification number of the resident (if any), the period covered by the letter and the date of issuance. The confirmation of tax residency needs to be renewed and provided to the tax agent before the first payment in each tax period. The letter should be duly signed and stamped. A U.S. Holder may obtain the appropriate certification by mailing a completed Internal Revenue Service Form 8802, the payment (if the user fee is paid by check or money) and all required attachments to: IRS, P.O. Box 42530, Philadelphia, PA 19101-2350. The procedures for obtaining certification are described in greater detail in the instructions to Form 8802. As obtaining the required certification from the Internal Revenue Service may take at least 45 days, U.S. Holders should apply for such certification as soon as possible. The aforementioned confirmation should be duly apostilled or legalized and translated into Russian. In addition, a Non-Resident individual must provide appropriate documentary proof of tax payments outside of Russia on income with respect to which treaty benefits are claimed where the treaty exemption is conditional on the income concerned being subject to taxation in other jurisdiction. Because of uncertainties regarding the form and procedures for providing such documentary proof, individuals in practice may not be able to obtain treaty benefits on receipt of proceeds from a source within Russia.

If tax treaty clearance is not obtained and tax is withheld by a Russian tax agent on capital gains, dividend payments or other amounts, a Non-Resident Holder may apply for a tax refund by filing a package of documents with the Russian local tax inspectorate to which the withholding tax was remitted within 3 years from the end of tax period in which the tax was withheld for Non-Resident Holders that are legal entities and within one year from the end of the tax period (a calendar year) in which the tax was withheld for Non-Resident Holders that are individuals. The package should include the appropriate form (1012 DT (2002) for dividend income and 1011DT (2002) for other income), confirmations of residence of the foreign Holder, a copy of the agreement or other documents substantiating the payment of income and documents confirming the transfer of tax to the budget. Under the provisions of the Tax Code, the refund of the tax should be effected within one month after the submission of the documents. However, procedures for processing such claims have not been clearly established, and there is significant uncertainty regarding the availability and timing of such refunds.

The Russian tax authorities may, in practice, require a wide variety of documentation confirming a holder's right to obtain relief under a double tax treaty. Such documentation may not be explicitly required by the Russian Tax Code.

The above-mentioned procedures may be more complicated with respect to ADS in comparison to Russian shares, due to separation of legal ownership and beneficial ownership to the Russian shares, underlying the ADS. Russian tax legislation does not provide for clear guidance regarding availability of double tax treaty relief for ADS, therefore, depending on the wording of each particular double tax treaty, it may be necessary to analyze the possibility to apply double tax treaty relief.

**United States Federal Income Tax Considerations**

This summary of United States federal income and withholding tax consequences applies only to a U.S. Holder of ADSs or shares of common stock that is a resident of the United States for purposes of the U.S./Russia Double Tax Treaty and is fully eligible for benefits thereunder.

As used herein, the term U.S. Holder means a beneficial owner of common stock that is not a resident of the Russian Federation for Russian tax purposes and is: (i) an individual citizen or resident of the United States for United States federal income tax purposes; (ii) a corporation or partnership created or organized in or under the laws of the United States or a political subdivision thereof; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons, within the meaning of Section 7701(a)(30) of the Internal Revenue Code, have authority to control all substantial decisions of the trust, or a trust in existence on August 20, 1996, which was treated as a U.S. person under the law in effect immediately before that date which made a valid election to continue to be treated as a U.S. person under the Internal Revenue Code. The U.S./Russia Double Tax Treaty benefits discussed herein generally are not available to U.S. Holders who hold ADSs or shares of

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

common stock in connection with the conduct of business in the Russian Federation through a permanent establishment or the performance of personal services in the Russian Federation through a fixed base. This summary does not discuss the treatment of such holders.

Since the United States federal income and withholding tax treatment of a U.S. Holder may vary depending upon particular situations, certain U.S. Holders (including, but not limited to, insurance companies, tax-exempt organizations, financial institutions, U.S. Holders subject to the alternative minimum tax, U.S. Holders who are broker-dealers in securities, U.S. Holders that have a functional currency other than the U.S. dollar, U.S. Holders that received common stock as compensation for services, and U.S. Holders that own, directly, indirectly or by attribution, 10.0% or more of the outstanding shares of common

**Table of Contents**

stock) may be subject to special rules not discussed below. In addition, this summary is generally limited to U.S. Holders who will hold ADSs or shares of common stock as capital assets within the meaning of Section 1221 of the Internal Revenue Code and not as part of a hedging transaction, straddle or conversion transaction within the meaning of Sections 1221, 1092 and 1258 of the Internal Revenue Code and the regulations thereunder. The discussion below also does not address the effect of any United States state or local tax law or foreign tax law on a U.S. Holder in the ADSs or shares of common stock.

For purposes of applying United States federal income and withholding tax law, a U.S. Holder of an American Depositary Receipt representing ADSs will be treated as the owner of the underlying shares of common stock represented thereby.

*Taxation of dividends on ADSs or shares of common stock*

Subject to the discussion under the heading **United States Federal Income Tax Considerations Passive Foreign Investment Company**, the gross amount of any dividend received by a U.S. Holder (determined without deduction for any Russian withholding taxes) with respect to ADSs or shares of common stock generally will be subject to taxation as foreign source dividend income to the extent such distributions are made from the current or accumulated earnings and profits of our company, as determined for U.S. federal income tax purposes. A dividend will be included in income when received by the U.S. Holder in the case of shares of common stock or by the Depositary in the case of ADSs. A U.S. corporate holder will not be allowed a deduction for dividends received in respect of distributions on ADSs or shares of common stock. A distribution, if any, in excess of such current and accumulated earnings and profits first will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in the ADSs or common stock, and thereafter as a capital gain. The portion of any distribution to a U.S. Holder treated as a non-taxable return of capital will reduce such holder's tax basis in such ADSs or common stock.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by a U.S. Holder that is an individual with respect to the ADSs or shares of common stock will be subject to U.S. taxation at a maximum current rate of 15.0% if the dividends are qualified dividends. Dividends paid on the ADSs or shares of common stock will be treated as qualified dividends if our company was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a passive foreign investment company, or PFIC. Based on our audited financial statements and relevant market and shareholder data, we believe that it was not treated as a PFIC for U.S. federal income tax purposes with respect to our prior taxable years. In addition, based on our financial statements and our current expectations regarding the value and nature of our assets and the sources and nature of our income, we do not anticipate being treated as a PFIC for our current taxable year. For taxable years beginning after 2010, under current law, individuals are scheduled to be taxed on dividends at ordinary income tax rates, which will be a maximum of 39.6% for 2011. In addition, for taxable years beginning after December 31, 2012, individuals, estates and trusts with gross income in excess of US\$200,000 (US\$250,000 for joint filers) will be subject to an additional Medicare tax of 3.8% of net investment income, which includes dividends.

The U.S. Treasury has announced its intention to promulgate rules pursuant to which holders of ADSs or common stock and intermediaries through whom such securities are held will be permitted to rely on certifications from issuers to establish that dividends are treated as qualified dividends. Because such procedures have not yet been issued, it is not clear whether our company will be able to comply with them. Holders of our ADSs and shares of common stock should consult their own tax advisers regarding the availability of the reduced dividend tax rate in the light of their own particular circumstances.

If a dividend is paid in Russian rubles, the amount included in gross income by a U.S. Holder will be the U.S. dollar value, on the date of receipt by the U.S. Holder (or by the Depositary, in the case of ADSs), of the Russian ruble amount distributed, regardless of whether the payment is actually converted into U.S. dollars. Any gain or loss resulting from currency exchange rate fluctuations during the period from the date the dividend is included in the income of the U.S. Holder to the date the Russian rubles are converted into U.S. dollars generally will be treated as ordinary income or loss from U.S. sources. A U.S. Holder may be required to recognize foreign currency gain or loss on the receipt of a refund of Russian withholding tax pursuant to the U.S./Russia Double Tax Treaty to the extent the U.S. dollar value of the refund on the date of the receipt of the refund differs from the U.S. dollar value of that amount on the date of receipt of the underlying dividend.

Russian withholding tax at either the 10.0% rate provided under the U.S./Russia Double Tax Treaty or the relevant Russian statutory rate as provided under Russian tax law should be treated as a foreign income tax. Subject to generally applicable limitations, foreign income taxes may be credited against a U.S. Holder's U.S. federal income tax liability or, at the election of the U.S. Holder, may be deducted in computing taxable income. If Russian tax is withheld at a rate other than the applicable rate per the Treaty or Statute (the rate prescribed under Russian tax law) then any amount in excess of the applicable rate may not be creditable or deductible since that portion may not be considered a creditable income tax.

*Taxation on sale or exchange of ADSs or shares of common stock*

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

Subject to the discussion under the heading United States Federal Income Tax Considerations Passive foreign investment company, the sale of ADSs or shares of common stock generally will result in the recognition of U.S.-source gain or loss in an amount equal to the difference between the amount realized on the sale and the U.S. Holder's adjusted basis in such ADSs or shares of common stock. If a U.S. Holder disposes of ADSs or shares of common stock for foreign currency, the amount realized will generally be the U.S. dollar value of the payment received, determined using the spot rate on the settlement date for the sale. Gain or loss upon the sale of ADSs or shares of common stock will be capital gain or loss and will be long-term capital gain or loss if the ADSs or shares of common stock have been held for more than one year. Long-term capital gain realized by a U.S. Holder with respect to ADSs or shares of common stock will be subject to tax at a maximum current rate of 15.0% for individuals and generally 35.0% for corporations. However, special rules may apply to a redemption of common stock which may result in the proceeds of the redemption being treated as a dividend. Certain limitations exist on the deductibility of capital losses by both corporate and

**Table of Contents**

individual taxpayers. If a U.S. Holder receives a currency other than the U.S. dollar (e.g., Russian rubles) upon a sale or exchange of ADSs or common stock, gain or loss, if any, recognized on the subsequent sale, conversion or disposition of such currency will be U.S. source ordinary income or loss. However, if such currency is converted into U.S. dollars on the date received by the U.S. Holder, the U.S. Holder generally should not be required to recognize any additional gain or loss on such conversion.

The tax rate on long-term capital gain realized by a U.S. Holder with respect to ADSs or shares of common stock is scheduled under current law to rise to 20.0% for taxable years ended after December 31, 2010. In addition, for taxable years beginning after December 31, 2012, individuals, estates and trusts with an adjusted gross income in excess of US\$200,000 (US\$250,000 for joint filers) will be subject to an additional Medicare tax of 3.8% of net investment income, which includes capital gains.

In general, under the U.S./Russia Double Tax Treaty, gain recognized by a U.S. Holder from such a sale would not be subject to Russian income tax, provided that certain administrative formalities required under Russian law are met. See *Russian Tax Considerations – Taxation of Capital Gains*. If Russian income tax is withheld on the sale of ADSs or shares of common stock, a U.S. Holder may not be entitled to a tax credit for the amount withheld, if all or a portion of the amount withheld is considered a non-creditable tax (i.e. taxes withheld at a rate in excess of either the rate prescribed by the Treaty or Statute).

*Passive foreign investment company*

In general, the foregoing discussion assumes that we are not currently, and will not be in the future, classified as a passive foreign investment company, which we refer to in this discussion as a PFIC, within the meaning of the Internal Revenue Code. Generally, if during any taxable year of a non-U.S. corporation, 75.0% or more of such non-U.S. corporation's gross income consists of certain kinds of passive income, or if 50.0% or more of the average value (or if the non-U.S. corporation so elects, the average adjusted basis) during a taxable year of such non-U.S. corporation's assets are passive assets (generally assets that generate passive income), such non-U.S. corporation will be classified as a PFIC for such year.

Based on our current and projected income, assets and activities, we do not believe that we will be classified as a PFIC for our current or any succeeding taxable year. However, because PFIC status is a factual matter that must be determined annually, there can be no assurances in this regard.

*Consequences of PFIC classification.* If we were classified as a PFIC for any taxable year in which a U.S. Holder is a holder of ADSs or common stock, such holder would be subject to special rules, generally resulting in increased tax liability in respect of gain realized on the sale or other disposition of ADSs or common stock or upon the receipt of certain distributions on ADSs or common stock. For example, gain recognized on disposition of PFIC stock or the receipt of an excess distribution from a PFIC is: (1) treated as if it were ordinary income earned ratably on each day in the taxpayer's holding period for the stock at the highest marginal rate in effect during the period in which it was deemed earned and (2) subject to an interest charge as if the resulting tax had actually been due in such earlier year or years. An excess distribution is the amount of any distribution received by a U.S. Holder during the taxable year that exceeds 125.0% of the immediately preceding three year average of distributions received from the corporation, subject to certain adjustments.

A disposition is defined to include, subject to certain exceptions, any transaction or event that constitutes an actual or deemed transfer of property for any purpose under the Internal Revenue Code, including a sale, exchange, gift, transfer at death, and the pledging of PFIC stock to secure a loan. The foregoing rules will continue to apply with respect to a U.S. Holder who held the common stock while we met the definition of a PFIC even if we cease to meet the definition of a PFIC. You are urged to consult your own tax advisors regarding the consequences of an investment in a PFIC.

*QEF Election.* A U.S. Holder of a PFIC who makes a Qualified Electing Fund election, or a QEF Election, will be taxable currently on its pro rata share of the PFIC's ordinary earnings and net capital gain, unless it makes a further election to defer payments of tax on amounts included in income for which no distribution has been received, subject to an interest charge. Special adjustments are provided to prevent inappropriate double taxation of amounts so included in a U.S. Holder's income upon a subsequent distribution or disposition of the stock.

For a U.S. Holder to qualify for treatment under the QEF election, we would be required to provide certain information to the U.S. Holder. Although we have not definitively decided whether we would provide such information, we do not currently intend to do so.

*Mark to market election.* A U.S. Holder of marketable stock under the PFIC rules may be able to avoid the imposition of the special tax and interest charge by making a mark-to-market election. Generally, pursuant to this election, a U.S. Holder would include in ordinary income, for each taxable year during which such stock is held, an amount equal to the increase in value of the stock, which increase will be determined by reference to the value of such stock at the end of the current taxable year as compared with its value as of the end of the prior taxable year. A

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

U.S. Holder desiring to make the mark-to-market election should consult its tax advisor with respect to the application and effect of making such election.

### *United States information reporting and backup withholding*

Distributions made on ADSs or shares of common stock and proceeds from the sale of common stock or ADSs that are paid within the United States or through certain U.S.-related financial intermediaries to a U.S. Holder are subject to information reporting and may be subject to a backup withholding tax unless, in general, the U.S. Holder complies with certain procedures or is a person exempt from such withholding. A holder that is not a U.S. person generally is not subject to information reporting or backup withholding tax, but may be required to comply with applicable certification procedures to establish that he is not a U.S. person in order to avoid the application of such information reporting requirements or backup withholding tax to payments received within the United States or through certain U.S.-related financial intermediaries.

## **Table of Contents**

### **F. Dividends and Paying Agents**

Not required.

### **G. Statement by Experts**

Not required.

### **H. Documents on Display**

We file and submit reports and other information with the SEC. Any documents that we file and submit with the SEC may be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. We file our annual reports on Form 20-F and submit our quarterly results and other current reports on Form 6-K.

### **I. Subsidiary Information**

Not required.

## **ITEM 11. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to market risk from adverse movements in foreign currency exchange rates and changes in interest rates on our obligations. In accordance with our policies, we do not enter into any treasury management transactions of a speculative nature.

Historically, our tariff plans for mobile services in Russia, our biggest market, have been linked to the U.S. dollar. However, in 2006, we introduced a number of Russian ruble-denominated tariff plans and fixed our Russian ruble/U.S. dollar exchange rate at 28.7 for all U.S. dollar linked tariff plans. In 2006, we also changed the functional currency of our Russian operations from the U.S. dollar to the Russian ruble and in the third and fourth quarters of 2006, amended the terms of most of our supplier agreements for payment to be made in Russian rubles instead of U.S. dollars. Nonetheless, a significant amount of our costs, expenditures and liabilities continue to be denominated in U.S. dollars. We are required to collect revenues from our subscribers and from other Russian telecommunications operators for interconnect charges in Russian rubles. We hold part of our readily available cash in U.S. dollars and Euros in order to manage against the risk of ruble devaluation. In 2008 and 2009, we entered into forward, swap and option agreements (to buy U.S. dollars for Russian rubles) with BNP Paribas, Citibank, Deutsche Bank, VTB and certain other banks to economically hedge our obligations. In accordance with our treasury policy, we economically hedged a significant portion of our financial obligations due in 2010. Nonetheless, if the U.S. dollar or Euro value of the Russian ruble were to dramatically decline, we could have difficulty repaying or refinancing our foreign currency denominated indebtedness. An increase in the Russian ruble value of the U.S. dollar or Euro could, unless effectively hedged, result in a net foreign exchange loss due to an increase in the Russian ruble value of our U.S. dollar or Euro denominated liabilities. Accordingly, fluctuations in the value of the Russian ruble against the U.S. dollar or the Euro could adversely affect our financial condition and results of operations.

In order to minimize our foreign exchange exposure to fluctuations in the Russian ruble exchange rate, we are migrating some of our U.S. dollar based costs to Russian ruble based costs to balance assets and liabilities and revenues and expenses denominated in Russian rubles. However, this migration might increase our cost exposure to Russian ruble inflationary pressure. Some of our equipment financing obligations are denominated in Euros, which exposes us to risks associated with the changes in Euro exchange rates. Our treasury function has developed risk management policies that establish guidelines for limiting foreign currency exchange rate risk. For more information on risks associated with exchange rates, see the section of this Annual Report on Form 20-F entitled "Item 3 Key Information D. Risk Factors Risks Related to Our Business" Fluctuations in the value of the Russian ruble and CIS currencies against the U.S. dollar, as well as our ability to convert our revenues, could materially adversely affect our business, financial condition and results of operations.

The following table summarizes information, as of December 31, 2009, about the maturity of our financial instruments that are sensitive to foreign currency exchange rates, including foreign currency denominated debt obligations.

Aggregate nominal amount of total debt denominated in foreign currency outstanding at year-end (in millions of U.S. dollars or euros, as indicated):

	2009	2010	2011	2012	2013	2014	Thereafter	Fair Value as of December 31, 2009
<b>Total debt:</b>								
Fixed Rate (US\$)	3,132.1	2,835.4	2,650.6	2,400.6	1,600.0	1,600.0	1,600.0	3,328.6
Average interest rate	8.8%	8.8%	8.9%	8.7%	8.8%	8.8%	8.8%	
Variable Rate ( )	648.3	322.7						652.7
Average interest rate	3.9%	3.9%						
Variable Rate (US\$)	1,634.3	672.7	134.8	59.7	41.4	23.1	4.8	1,607.0
Average interest rate	2.5%	2.5%	2.3%	3.0%	3.0%	3.0%	2.9%	
	<b>5,414.7</b>	<b>3,830.8</b>	<b>2,785.4</b>	<b>2,460.3</b>	<b>1,641.4</b>	<b>1,623.1</b>	<b>1,604.8</b>	<b>5,588.3</b>



**Table of Contents****VimpelCom USD/RUB zero-cost collars Derivative Instruments**

As of December 31, 2009, the total notional amount of our derivative instruments, consisting of a Sovintel interest rate swap instrument, amounted to US\$156.0 million. This derivative is considered to be an economic hedge, but for financial accounting purposes it has not been accounted for as a hedge.

Type of derivative	Hedged Risk	Notional amount	Mark to Market Spot (Clean Price) as of December 31, 2009 (US\$ in millions)
<b>Interest Rate Swaps</b>		<b>156</b>	<b>(5.1)</b>
Swap agreement to transfer floating U.S. dollars interest rate (LIBOR 3M) to a fixed interest rate of 4.355% in the event the LIBOR 3M floating rate is equal to no greater than 5.4%	Interest Rate Risk	156	(5.1)
Our cash and cash equivalents are not subject to any material interest rate risk.			

**ITEM 12. Description of Securities other than Equity Securities****A. Debt Securities**

Not required.

**B. Warrants and Rights**

Not required.

**C. Other Securities**

Not required.

**D. American Depositary Shares****Fees paid by our ADS holders**

The Bank of New York Mellon is the depository for our ADS program. Our depository collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal. The depository collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. According to our deposit agreement with our depository, dated November 20, 1996, holders of our ADSs may have to pay our depository, either directly or indirectly, fees or charges up to the amounts set forth in the table below.

<b>For:</b> Issuance of ADSs, including issuances resulting from a distribution of our shares or rights to subscribers for shares of the issuer or of any other	<b>Persons holding ADSs or depositing or withdrawing shares must pay:</b> US\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)
--	---

nature

Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates	
Any cash distribution to ADS registered holders	US\$.02 (or less) per ADS (or portion thereof)
Distribution of securities other than our shares to ADS registered holders	A fee equivalent to the fee that would be payable if securities distributed to ADS holders had instead been shares deposited for issuance of ADSs
Transfer and registration of shares on our share register to or from the name of the depository or its agent when a shareholder deposits or withdraws our shares	Registration or transfer fees
Cable, telex and facsimile transmissions (when expressly provided in our deposit agreement)	Expenses of the depository
Converting foreign currency to U.S. dollars	
As necessary	Taxes and other governmental charges our depository or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes

## **Table of Contents**

We understand that in connection with the VimpelCom Ltd. Transaction the depositary has agreed to waive the fees that would otherwise be due from holders of our common shares who deposit their common shares with the depositary in exchange for ADSs or holders of our ADSs who surrender their ADSs for delivery of the underlying common shares.

### **Fees Payable by the Depositary to Us**

Our depositary has agreed to reimburse us or pay us for:

our continuing NYSE listing fees;

certain maintenance costs for the ADS program, including expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. Federal tax information, mailing required tax forms, stationery, postage, facsimile and telephone calls; and

certain investor relationship programs or special investor relations promotional activities.

In certain instances, our depositary has agreed to provide additional payments to us based on changes in certain conditions relating to the ADS facility. According to our agreement with the depositary, there are limits on the amount of investor relations program or special relations promotional activities expenses for which our depositary will pay or reimburse us, but the amount of payment or reimbursement available to us is not tied to the amount of fees the depositary collects from investors

From January 1, 2009 to April 1, 2010, the depositary paid approximately US\$397,782.00 for our continuing NYSE listing fees, US\$70,000.00 for maintenance costs for the ADSs, and reimbursed to us or paid on our behalf US\$142,721.00 for investor relationship programs or special investor relations promotional activities.

**Table of Contents**

**PART II**

**ITEM 13. Defaults, Dividend Arrearages and Delinquencies**

None.

**ITEM 14. Material Modifications to the Rights of Security Holders and Use of Proceeds**

None.

**ITEM 15. Controls and Procedures**

**(a) Disclosure Controls and Procedures**

An evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer, or CEO, General Director and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 20-F. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives, and management necessarily applies its judgment in assessing the costs and benefits of such controls and procedures. Based upon the evaluation, our CEO, General Director and Chief Financial Officer have concluded that as of December 31, 2009, our disclosure controls and procedures were effective in providing reasonable assurance that information required to be disclosed by us in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our CEO, General Director and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. These disclosure controls and procedures include our Disclosure Review Committee's review of the preparation of our Exchange Act reports. The Disclosure Review Committee also provides an additional check on our disclosure controls and procedures.

**(b) Management's Annual Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of our company's published consolidated financial statements in accordance with accounting principles generally accepted in the United States.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Our management has assessed the effectiveness of our company's internal control over financial reporting as of December 31, 2009. In making its assessment, our management has utilized the criteria set forth by the Committee of Sponsoring Organizations, or COSO, of the Treadway Commission in Internal Control - Integrated Framework, and Securities and Exchange Commission's Guidance Regarding Management's Report on Internal Control Over Financial Reporting Under Section 13(a) or 15(d) of the Exchange Act. Based on the assessment, our management believes our company maintained effective internal control over financial reporting as of December 31, 2009.

Ernst & Young LLC, our company's independent registered public accounting firm has issued an attestation report on our management's assessment of internal controls, a copy of which appears below.

**(c) Attestation Report of the Registered Public Accounting Firm**

**Report of Independent Registered Public Accounting Firm**

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

The Board of Directors and Shareholders

Open Joint Stock Company Vimpel-Communications

We have audited Open Joint Stock Company Vimpel-Communications ( VimpelCom ) internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). VimpelCom s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the VimpelCom s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

## **Table of Contents**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, VimpelCom maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of VimpelCom as of December 31, 2009 and 2008, and the consolidated statements of income, shareholders' equity and accumulated other comprehensive income and cash flows for each of the three years in the period ended December 31, 2009 and our report dated March 18, 2010 expressed an unqualified opinion thereon.

/s/Ernst & Young LLC

March 18, 2010

Moscow, Russia

### **(d) Changes in Internal Control Over Financial Reporting**

We have implemented additional control procedures related to the analysis and documentation of non-routine, complex transactions, including those related to contractual redemption arrangements. The additional control procedures include increased and more timely communication between the departments associated with such non-routine, complex transactions and the accounting department; improvement of tools (e.g. checklists) to ensure the proper and timely identification of potential U.S. GAAP accounting issues; and increased review controls for non-routine, complex transactions.

There were no other changes in our internal control over financial reporting identified in connection with an evaluation thereof that occurred during the period covered by this Annual Report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **ITEM 16A. Audit Committee Financial Expert**

Our board of directors does not have an audit committee. We are required by Russian law and our charter to have an audit commission. See the section of this Annual Report on Form 20-F entitled "Item 6 Directors, Senior Management and Employees C. Board Practices." The board of directors has determined that Alexander Gersh, a member of our audit commission, is a financial expert, as defined in Item 16A of Form 20-F and independent, as defined in Rule 10A-3 under the Exchange Act and current NYSE listing rules applicable to us. For a description of Mr. Gersh's experience, please see "Item 6 Directors, Senior Management and Employees A. Directors and Senior Management Audit Commission Members Alexander Gersh."

### **ITEM 16B. Code of Ethics**

We have adopted a code of ethics, as defined in Item 16B of Form 20-F under the Exchange Act, which applies to employees, officers and directors of VimpelCom. Our code of ethics is available on our web site at <http://www.vimpelcom.com>. We will disclose any amendment to the provisions of such code of ethics or any waiver that our board of directors may grant on our web site at the same address.

**ITEM 16C. Principal Accountant Fees and Services**

Ernst & Young LLC has served as our independent public accountants for each of the fiscal years in the two-year period ended December 31, 2009, for which audited financial statements appear in this Annual Report on Form 20-F. The following table presents the aggregate fees for professional services and other services rendered by Ernst & Young LLC and its affiliates in 2009 and 2008, respectively.

	<b>Year ended December 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>Audit Fees</b>	US\$ 4,965,478	US\$ 6,472,982
<b>Audit-Related Fees</b>	US\$ 0	US\$ 0
<b>Tax Fees</b>	US\$ 4,850	US\$ 77,984
<b>All Other Fees</b>	US\$ 0	US\$ 45,463
<b>Total</b>	US\$ 4,970,328	US\$ 6,596,429

## **Table of Contents**

### ***Audit Services***

Audit services mainly consisted of the audit of the consolidated financial statements as of and for the years ended December 31, 2009 and 2008, the review of quarterly consolidated financial statements and services provided in connection with regulatory filings, including comfort letters, consents and Sarbanes-Oxley Section 404 attestation services.

### ***Audit-related services***

Audit-related services are assurance and related services which are reasonably related to the performance of audit or review and generally include advisory services regarding specific regulatory filings and reporting procedures and other agreed-upon services related to accounting and billing records. No audit-related services were performed in 2009 and 2008 by Ernst & Young LLC.

### ***Tax Services***

Tax services consisted of services for preparation of personal income tax returns for employees for US tax purposes.

### ***Other Services***

Other services include consulting and survey services.

### ***Audit Committee Pre-Approval Policies and Procedures***

The Sarbanes-Oxley Act of 2002 required the Company to implement a pre-approval process for all engagements with its independent public accountants. In compliance with Sarbanes-Oxley requirements pertaining to auditor independence, the Company's audit commission pre-approves the engagement terms and fees of Ernst & Young LLC for audit and non-audit services, including tax services. The Company's audit commission pre-approved the engagement terms and fees of Ernst & Young LLC for all services performed for the fiscal year ended December 31, 2009.

### **ITEM 16D. Exemptions from the Listing Standards for Audit Committees**

The current NYSE rules require us to have an audit committee that satisfies the requirements of Rule 10A-3 under the Exchange Act. As described in Item 16A Audit Committee Financial Expert, our board of directors does not have an audit committee, but rather our company has an audit commission, as required by Russian law and our charter. Our audit commission meets the standards for the audit committee exemption afforded by Rule 10A-3(c)(3) and we, therefore, rely on the Rule 10A-3(c)(3) exemption in this Annual Report on Form 20-F. We believe that such reliance does not materially adversely affect the ability of the audit commission to act independently or to satisfy the other requirements of Rule 10A-3.

### **ITEM 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

Not required.

### **ITEM 16F. Change in Registrant's Certifying Accountant**

Not applicable.

### **ITEM 16G. Corporate Governance**

We comply with the corporate governance rules applicable to foreign private issuers listed on the NYSE. The following is a summary of such significant corporate governance differences between our corporate governance practices and Section 303A.11 of the NYSE's Listed Company Manual corporate governance requirements applicable to U.S. companies.



***Director Independence***

The NYSE corporate governance rules require that listed companies have a majority of independent directors and the rules set forth standards for determining independence. Neither Russian law nor regulation impose any such requirement on our company. As a foreign private issuer, we are exempt from complying with this NYSE requirement and our board does not currently determine which of our directors are independent. However, currently, no members of management are members of our board.

***Non-Management Directors Meetings***

The NYSE rules provide that, in order to empower non-management directors to serve as a more effective check on management, the non-management directors of a listed company must meet at regularly scheduled executive sessions without management. Neither Russian law nor regulation impose any such requirement on our company. As a foreign private issuer, we are exempt from complying with this NYSE requirement and our internal corporate governance rules and procedures do not currently require non-management directors to meet at regularly scheduled executive sessions without management.

However, since our board does not include any members of our management, effectively all meetings are non-management directors meetings. Furthermore, from time to time, the board has requested that management not be present for portions of board meetings in order to allow the board to serve as a more effective check on management.

***Nominating/Corporate Governance Committee***

The NYSE rules require that listed companies must have a nominating/corporate governance committee composed entirely of independent directors. Neither Russian law nor regulation impose any such requirement on our company. As a foreign private

## **Table of Contents**

issuer, we are exempt from complying with the NYSE requirement to establish a nominating/corporate governance committee and we do not currently have such a committee. However, our board of directors has established a corporate governance committee to act in an advisory capacity to our board of directors with respect to corporate governance issues. Our board of directors has not made any determination with respect to the independence of corporate governance committee members.

Russian law limits the board's ability to nominate directors to narrow circumstances, providing that a board may, in its discretion, nominate additional candidates if shareholders do not submit nominations for a sufficient number of candidates to the board. Since the listing of our company on the NYSE, our shareholders have always nominated a sufficient number of candidates to our board so that our board has not had to nominate additional candidates.

### ***Compensation Committee***

The NYSE rules require that listed companies must have a compensation committee composed entirely of independent directors. Neither Russian law nor regulation impose any such requirement on our company. As a foreign private issuer, we are exempt from complying with the NYSE requirement to establish a compensation committee. However, our board of directors has established a compensation committee to act in an advisory capacity to our board of directors with respect to compensation issues. Our board of directors has not made any determination with respect to the independence of compensation committee members.

### ***Audit Committee***

The NYSE corporate governance rules provide that each listed company must have an audit committee that satisfies the requirements of Rule 10A-3 under the Securities Exchange Act of 1934, as amended, or Rule 10A-3, as well as further requirements set out in the NYSE rules unless an exemption applies.

Neither Russian law nor regulation impose any such requirement on our company. Russian law and our charter require us to have an Audit Commission consisting of non-directors. Under our Charter and our Audit Commission By-Laws, our Audit Commission is responsible for reviewing both our Russian and U.S. GAAP accounts. The Audit Commission By-Laws expressly prohibit officers from being members of the Audit Commission.

We believe that we are eligible to avail ourselves of the exemption provided by Rule 10A-3, which would otherwise require us to have an audit committee of the board consisting of independent directors with the functions set forth in Rule 10A-3. However, we believe that our Audit Commission is empowered with authority and responsibility that is largely consistent with Rule 10A-3 and NYSE requirements for audit committees. The following are the most significant differences between the responsibility of the Audit Commission and the Rule 10A-3 and NYSE requirements:

consistent with Russian law, the Audit Commission may nominate outside auditors for appointment by shareholders, whereas Rule 10A-3 requires audit committees to have the power to directly appoint outside auditors;

because we do not prepare an annual proxy statement in accordance with SEC regulations, the Audit Commission is not required to prepare a report as required by the SEC to be included in a proxy statement; and

the Audit Commission is not required by its By-Laws to set hiring policies relating to the hiring of employees or former employees of our outside auditors.

Our board of directors has determined that Alexander Gersh, the Chairman of the Audit Commission, is independent as such term is defined in Rule 10A-3 and under the current NYSE rules applicable to us.

### ***Equity Compensation Plans***

The NYSE rules require that listed companies must give shareholders an opportunity to vote on all equity compensation plans and material revisions thereto. Neither Russian law nor regulation impose any such requirement on our company and, in fact, Russian law does not permit shareholders to approve such equity compensation plans except to the extent that they relate to the compensation to directors (our directors do

not receive any equity compensation). As a foreign private issuer, we are exempt from complying with this NYSE requirement and no equity compensation plans have been submitted for approval by our shareholders.

***Corporate Governance Guidelines***

The NYSE rules require that listed companies must adopt and disclose corporate governance guidelines. Neither Russian law nor regulation impose any such requirement on our company. As a foreign private issuer, we are exempt from complying with this NYSE requirement and we do not currently have corporate governance guidelines.

***CEO Certification***

The NYSE rules require that each listed company CEO must certify to the NYSE each year that he or she is not aware of any violation by the company of NYSE corporate governance listing standards. This certification must be disclosed in the company's annual report mailed to shareholders. Neither Russian law nor regulation impose any such requirement on our company. As a foreign private issuer, we are exempt from complying with this NYSE requirement and although we periodically evaluate compliance with the NYSE corporate governance listing standards, we do not currently comply with this requirement.

**Table of Contents**

**PART III**

**ITEM 17.\*\* Financial Statements**

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

**ITEM 18. Financial Statements**

**INDEX TO FINANCIAL STATEMENTS**

**OF OPEN JOINT STOCK COMPANY VIMPEL-COMMUNICATIONS**

<u>Report of Independent Registered Public Accounting Firm</u>	F-2
Consolidated Financial Statements	F-3
<u>Consolidated Balance Sheets</u>	F-3
<u>Consolidated Statements of Income</u>	F-4
<u>Consolidated Statements of Shareholders' Equity and Accumulated Other Comprehensive Income</u>	F-5
<u>Consolidated Statements of Cash Flows</u>	F-6
<u>Notes to Consolidated Financial Statements</u>	F-8

**ITEM 19. Exhibits**

**List of Exhibits.**

<b>Exhibit No.</b>	<b>Description</b>
1.1	Restated Charter of VimpelCom, approved by the annual general meeting of shareholders of VimpelCom on June 29, 2007, and as amended by the board of directors of VimpelCom on August 22, 2007. +####
2.1	Deposit Agreement, dated November 20, 1996, by and among VimpelCom, The Bank of New York, as the depository, and all owners or beneficial owners of ADSs.*
2.2	Loan Agreement, dated October 18, 2004, by and between VimpelCom and UBS (Luxembourg) S.A.##
2.3	Trust Deed, dated October 22, 2004, by and between UBS (Luxembourg) S.A. and The Bank of New York.##
2.4	Loan Agreement, dated February 8, 2005, by and between VimpelCom and UBS (Luxembourg) S.A.##
2.5	Trust Deed, dated February 11, 2005, by and between UBS (Luxembourg) S.A. and The Bank of New York.##
2.6	Loan Agreement, dated May 12, 2006, by and between VimpelCom and UBS (Luxembourg) S.A.###
2.7	Trust Deed, dated May 22, 2006, by and between UBS (Luxembourg) S.A. and The Bank of New York.###
2.8	Loan Agreement, dated April 28, 2008, by and between VimpelCom and VIP Finance Ireland Limited. ####
2.9	Trust Deed, dated April 30, 2008, by and between VIP Finance Ireland Limited, BNY Corporate Trustee Services Limited, The Bank of New York, London Branch, The Bank of New York, New York Branch and The Bank of New York (Luxembourg) S.A. #####
2.10	Loan Agreement, dated April 28, 2008, by and between VimpelCom and VIP Finance Ireland Limited. ####
2.11	Trust Deed, dated April 30, 2008, by and between VIP Finance Ireland Limited, BNY Corporate Trustee Services Limited, The Bank of New York, London Branch, The Bank of New York, New York Branch and The Bank of New York (Luxembourg) S.A. #####

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

- 4.1 Form of Indemnification Agreement.
- 4.2 Primary Agreement, dated as of May 30, 2001, by and among VimpelCom, Telenor East Invest AS and Eco Telecom Limited. §§
- 4.3 Registration Rights Agreement, dated as of May 30, 2001, by and among VimpelCom, Telenor East Invest AS and Eco Telecom Limited. §§
- 4.3.1 Amendment No. 1 to Registration Rights Agreement, dated August 28, 2003, to Registration Rights Agreement, dated May 30, 2001, by and among VimpelCom, Telenor East Invest AS and Eco Telecom Limited. #
- 4.4 Guarantee Agreement, dated as of May 30, 2001, by and among Telenor ASA, as guarantor, and VimpelCom, VimpelCom-Region and Eco Telecom Limited, as beneficiaries. §
- 4.5 Guarantee Agreement, dated as of May 30, 2001, by and among CTF Holdings Limited, as limited guarantor, Eco Holdings Limited, as general guarantor, and VimpelCom, VimpelCom-Region and Telenor East Invest AS, as beneficiaries. §§

**Table of Contents**

<b>Exhibit No.</b>	<b>Description</b>
4.6	\$3.5 billion Facility Agreement, dated February 8, 2008, between VimpelCom and ABN AMRO Bank N.V., London Branch, Barclays Capital, BNP Paribas, CALYON, Citibank, N.A., HSBC Bank plc, ING Bank N.V. and UBS Limited as mandated lead arrangers and bookrunners, ABN AMRO Bank N.V., Barclays Bank PLC, BNP Paribas, CALYON, Citibank, N.A., HSBC Bank plc, ING Bank N.V., Dublin Branch and UBS (Luxembourg) S.A. as original lenders and Citibank International plc as agent. §§§
4.6.1	Amendment Agreement, dated April 28, 2009, in relation to \$3.5 billion Facility Agreement, dated February 8, 2008, between VimpelCom and ABN AMRO Bank N.V., London Branch, Barclays Capital, BNP Paribas, CALYON, Citibank, N.A., HSBC Bank plc, ING Bank N.V. and UBS Limited as mandated lead arrangers and bookrunners, ABN AMRO Bank N.V., Barclays Bank PLC, BNP Paribas, CALYON, Citibank, N.A., HSBC Bank plc, ING Bank N.V., Dublin Branch and UBS (Luxembourg) S.A. as original lenders and Citibank International plc as agent. ^^
8.	List of Subsidiaries.^^
12.1	Certification of General Director pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, 15 U.S.C. Section 7241.^^
12.2	Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, 15 U.S.C. Section 7241.^^
12.3	Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, 15 U.S.C. Section 7241.^^
13.1	Certification of General Director, CEO and CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.^^
15.1	Consent of Ernst & Young LLC.^^
*	Incorporated by reference to the Registration Statement on Form F-1 (Registration No. 333-5694) of Open Joint Stock Company Vimpel-Communications.
**	Incorporated by reference to the Registration Statement on Form F-3 (Registration No. 333-12210) of Open Joint Stock Company Vimpel-Communications.
***	Incorporated by reference to the Annual Report on Form 20-F of Open Joint Stock Company Vimpel-Communications for the fiscal year ended December 31, 1997 (SEC File No. 1-14522).
****	Incorporated by reference to the Annual Report on Form 20-F of Open Joint Stock Company Vimpel-Communications for the fiscal year ended December 31, 1998 (SEC File No. 1-14522).
	Incorporated by reference to the Annual Report on Form 20-F of Open Joint Stock Company Vimpel-Communications for the fiscal year ended December 31, 1999 (SEC File No. 1-14522).
	Incorporated by reference to the Annual Report on Form 20-F of Open Joint Stock Company Vimpel-Communications for the fiscal year ended December 31, 2000 (SEC File No. 1-14522).
	Incorporated by reference to the Annual Report on Form 20-F of Open Joint Stock Company Vimpel-Communications for the fiscal year ended December 31, 2001.
	Incorporated by reference to the Annual Report on Form 20-F of Open Joint Stock Company Vimpel-Communications for the fiscal year ended December 31, 2002.
#	Incorporated by reference to the Annual Report on Form 20-F of Open Joint Stock Company Vimpel-Communications for the fiscal year ended December 31, 2003.
##	Incorporated by reference to the Annual Report on Form 20-F of Open Joint Stock Company Vimpel-Communications for the fiscal year ended December 31, 2004.
###	Incorporated by reference to the Annual Report on Form 20-F of Open Joint Stock Company Vimpel-Communications for the fiscal year ended December 31, 2005.
####	Incorporated by reference to the Annual Report on Form 20-F of Open Joint Stock Company Vimpel-Communications for the fiscal year ended December 31, 2007.
§	Incorporated by reference to Form 6-K of Open Joint Stock Company Vimpel-Communications furnished to the Securities and Exchange Commission on May 9, 2001.
§§	Incorporated by reference to Form 6-K of Open Joint Stock Company Vimpel-Communications furnished to the Securities and Exchange Commission on June 14, 2001.
§§§	Incorporated by reference to exhibit (b)(4) to the Schedule TO-T/A filed by Lillian Acquisition, Inc. with the Securities and Exchange Commission on February 8, 2008.
^^	Filed herewith.
+	English translation.

**Table of Contents**

**SIGNATURE**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on Form 20-F on its behalf.

**OPEN JOINT STOCK COMPANY  
VIMPEL-COMMUNICATIONS**

By: /s/ Alexander Y. Torbakhov  
Name: Alexander Y. Torbakhov  
Title: General Director

By: /s/ Boris Nemsic  
Name: Boris Nemsic  
Title: Chief Executive Officer

Date: April 8, 2010

**Table of Contents**

Open Joint Stock Company Vimpel-Communications

Consolidated Financial Statements

Years ended December 31, 2009, 2008 and 2007

**Contents**

<u>Report of Independent Registered Public Accounting Firm</u>	F-2
Consolidated Financial Statements	
<u>Consolidated Balance Sheets</u>	F-3
<u>Consolidated Statements of Income</u>	F-4
<u>Consolidated Statements of Shareholders' Equity and Accumulated Other Comprehensive Income</u>	F-5
<u>Consolidated Statements of Cash Flows</u>	F-6
<u>Notes to Consolidated Financial Statements</u>	F-8



**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders

Open Joint Stock Company Vimpel-Communications

We have audited the accompanying consolidated balance sheets of Open Joint Stock Company Vimpel-Communications ( **VimpelCom** ) as of December 31, 2009 and 2008, and the related consolidated statements of income, shareholders' equity and comprehensive income and cash flows for each of the three years in the period ended December 31, 2009. These consolidated financial statements are the responsibility of VimpelCom's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of VimpelCom at December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with US generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, effective January 1, 2009 VimpelCom adopted the Financial Accounting Standards Board's Statement No. 160, *Noncontrolling Interest in Consolidated Financial Statements* (primarily codified in ASC 810-10, Consolidation Overall) relating to the presentation and accounting for noncontrolling interest. As discussed in Note 2 to the consolidated financial statements, effective January 1, 2007, VimpelCom also adopted FASB Interpretation No.48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109, Accounting for Income Taxes (primarily codified in ACS 740-10, Income Taxes Overall).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), VimpelCom's internal control over financial reporting as of December 31, 2009, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 18, 2010, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLC

Moscow, Russia

March 18, 2010

**Table of Contents****Open Joint Stock Company Vimpel-Communications****CONSOLIDATED BALANCE SHEETS***(In thousands of US dollars, except share amounts)*

	Note	December 31, 2009	December 31, 2008
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	5	\$ 1,446,949	\$ 914,683
Trade accounts receivable, net of allowance for doubtful accounts		392,365	475,667
Inventory	13	61,919	142,649
Deferred income taxes	18	91,493	82,788
Input value added tax		96,994	182,045
Due from related parties	20	249,631	168,196
Other current assets	14	627,257	440,479
<b>Total current assets</b>		<b>2,966,608</b>	<b>2,406,507</b>
Property and equipment, net	8	5,561,569	6,425,873
Telecommunications licenses, net	9	542,597	764,783
Goodwill	10	3,284,293	3,476,942
Other intangible assets, net	9	700,365	882,830
Software, net	11	448,255	549,166
Investments in associates	12	436,767	493,550
Other assets	14	792,087	725,502
<b>Total assets</b>		<b>\$ 14,732,541</b>	<b>\$ 15,725,153</b>
<b>Liabilities, redeemable noncontrolling interest and equity</b>			
Current liabilities:			
Accounts payable		\$ 545,690	\$ 896,112
Due to employees		113,368	105,795
Due to related parties	20	9,211	7,492
Accrued liabilities	14	315,666	288,755
Taxes payable		212,767	152,189
Customer advances, net of VAT		376,121	425,181
Customer deposits		28,386	29,557
Short-term debt	15	1,813,141	1,909,221
<b>Total current liabilities</b>		<b>3,414,350</b>	<b>3,814,302</b>
Deferred income taxes	18	596,472	644,475
Long-term debt	15	5,539,906	6,533,705
Other non-current liabilities	14	164,636	122,825
Commitments, contingencies and uncertainties	24		
<b>Total liabilities</b>		<b>9,715,364</b>	<b>11,115,307</b>
Redeemable noncontrolling interest		508,668	469,604
Equity:	16		
Convertible voting preferred stock (.005 rubles nominal value per share), 10,000,000 shares authorized; 6,426,600 shares issued and outstanding			
Common stock (.005 rubles nominal value per share), 90,000,000 shares authorized; 51,281,022 shares issued (December 31, 2008: 51,281,022); 50,714,579 shares outstanding (December 31, 2008: 50,617,408)		92	92
Additional paid-in capital		1,143,657	1,165,188
Retained earnings		4,074,492	3,271,878
Accumulated other comprehensive (loss)		(488,277)	(90,021)
Treasury stock, at cost, 566,443 shares of common stock (December 31, 2008: 663,614)		(223,421)	(239,649)

<b>Total VimpelCom shareholders' equity</b>	<b>4,506,543</b>	4,107,488
Noncontrolling interest	<b>1,966</b>	32,754
<b>Total equity</b>	<b>4,508,509</b>	4,140,242
<b>Total liabilities, redeemable noncontrolling interest and equity</b>	<b>\$ 14,732,541</b>	\$ 15,725,153

*The accompanying notes are an integral part of these consolidated financial statements.*

**Table of Contents****Open Joint Stock Company Vimpel-Communications****CONSOLIDATED STATEMENTS OF INCOME***(In thousands of US dollars, except share (ADS) amounts)*

	Note	Years ended December 31,		
		2009	2008	2007
<b>Operating revenues:</b>				
Service revenues		\$ 8,580,815	\$ 9,999,850	\$ 7,161,833
Sales of equipment and accessories		109,959	107,946	6,519
Other revenues		19,788	17,190	6,528
<b>Total operating revenues</b>		<b>8,710,562</b>	<b>10,124,986</b>	<b>7,174,880</b>
Revenue based tax		(7,660)	(8,054)	(3,782)
<b>Net operating revenues</b>		<b>8,702,902</b>	<b>10,116,932</b>	<b>7,171,098</b>
<b>Operating expenses:</b>				
Service costs		1,878,443	2,262,570	1,309,287
Cost of equipment and accessories		110,677	101,282	5,827
Selling, general and administrative expenses		2,389,998	2,838,508	2,206,322
Depreciation		1,393,431	1,520,184	1,171,834
Amortization		300,736	360,980	218,719
Impairment loss	10		442,747	
Provision for doubtful accounts	19	51,262	54,711	52,919
<b>Total operating expenses</b>		<b>6,124,547</b>	<b>7,580,982</b>	<b>4,964,908</b>
<b>Operating income</b>		<b>2,578,355</b>	<b>2,535,950</b>	<b>2,206,190</b>
<b>Other income and expenses:</b>				
Interest income		51,714	71,618	33,021
Net foreign exchange (loss)/gain		(411,300)	(1,142,276)	72,955
Interest expense		(598,531)	(495,634)	(194,839)
Equity in net (loss)/gain of associates	12	(35,763)	(61,020)	(211)
Other (expenses)/income, net		(32,114)	(17,404)	3,240
<b>Total other income and expenses</b>		<b>(1,025,994)</b>	<b>(1,644,716)</b>	<b>(85,834)</b>
Income before income taxes		1,552,361	891,234	2,120,356
Income tax expense	18	435,030	303,934	593,928
<b>Net income</b>		<b>1,117,331</b>	<b>587,300</b>	<b>1,526,428</b>
Net (loss)/income attributable to the noncontrolling interest		(4,499)	62,966	63,722
<b>Net income attributable to VimpelCom</b>		<b>\$ 1,121,830</b>	<b>\$ 524,334</b>	<b>\$ 1,462,706</b>
Basic EPS :	21			
<b>Net income attributable to VimpelCom per common share</b>		<b>\$ 21.71</b>	<b>\$ 10.32</b>	<b>\$ 28.78</b>
Weighted average common shares outstanding (thousand)		50,647	50,700	50,818
<b>Net income attributable to VimpelCom per ADS equivalent</b>		<b>\$ 1.09</b>	<b>\$ 0.52</b>	<b>\$ 1.44</b>
Diluted EPS :	21			
<b>Net income attributable to VimpelCom per common share</b>		<b>\$ 21.69</b>	<b>\$ 10.32</b>	<b>\$ 28.78</b>

Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

Weighted average diluted shares (thousand)		<b>50,678</b>		50,703		50,818	
<b>Net income attributable to VimpelCom per ADS equivalent</b>	<b>\$</b>	<b>1.08</b>	<b>\$</b>	0.52	<b>\$</b>	1.44	
Dividends per share	<b>\$</b>	<b>6.30</b>	<b>\$</b>	11.46	<b>\$</b>	6.47	
Dividends per ADS equivalent	<b>16</b>	<b>\$</b>	<b>0.31</b>	<b>\$</b>	0.57	<b>\$</b>	0.32

*The accompanying notes are an integral part of these consolidated financial statements.*

F-4

**Table of Contents****Open Joint Stock Company Vimpel-Communications****CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY AND COMPREHENSIVE INCOME**

Years ended December 31, 2009, 2008 and 2007

*(In thousands of US dollars, except shares)*

	Common Stock		Additional Paid-in Capital	Retained earnings	Accumulated Other Comprehensive income (loss)	Treasury stock	Total equity attributable to VimpelCom	Noncontrolling interest	Total equity	Redeemable noncontrolling interest	Net Income
	Shares	Amount									
<b>Balances at December 31, 2006</b>	51,281,022	\$92	\$ 1,382,522	\$ 2,195,713	\$423,088	\$(58,505)	<b>\$3,942,910</b>	\$257,859	<b>\$ 4,200,769</b>		
Issuance of treasury stock 100,113 shares			30,881			8,906	<b>39,787</b>		<b>39,787</b>		
Repurchase of treasury stock 10,000 shares ( <i>Note 16</i> )						(81,069)	<b>(81,069)</b>		<b>(81,069)</b>		
Dividends declared				(326,595)			<b>(326,595)</b>		<b>(326,595)</b>		
Option of RSU 48 ( <i>Note</i> 16)				(4,108)			<b>(4,108)</b>	(4,092)	<b>(8,200)</b>		
Acquisition of noncontrolling interests								(41,465)	<b>(41,465)</b>		
Comprehensive income:											
Foreign currency translation adjustment					378,155		<b>378,155</b>	12,386	<b>390,541</b>		
Net income				1,462,706			<b>1,462,706</b>	63,722	<b>1,526,428</b>		1,526,428
Net comprehensive income				1,462,706	378,155		<b>1,840,861</b>	76,108	<b>1,916,969</b>		
<b>Balances at December 31, 2007</b>	51,281,022	92	1,413,403	3,327,716	801,243	\$(130,668)	<b>5,411,786</b>	288,410	<b>5,700,196</b>		
Issuance of treasury stock 40,568 shares			19,993			5,495	<b>25,488</b>		<b>25,488</b>		
Repurchase of treasury stock 10,000 shares ( <i>Note 16</i> )						(114,476)	<b>(114,476)</b>		<b>(114,476)</b>		
Option of RSU method stock option in accounting			12,030				<b>12,030</b>		<b>12,030</b>		
Dividends declared				(580,172)			<b>(580,172)</b>		<b>(580,172)</b>		
								(106,722)	<b>(106,722)</b>		

Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

acquisition of noncontrolling interests																						
Initial measurement of recognizable redeemable noncontrolling interest ( <i>Note 17</i> )							(278,825)															
Contribution to redeemable noncontrolling interest							(1,413)															
Comprehensive Income:																						
Foreign Currency Translation Adjustment								(891,263)														
Net Income							524,334															
Total Accumulated Comprehensive Income (loss)							524,334	(891,263)														
<b>Balances at December 31, 2008</b>							51,281,022	92	1,165,188	3,271,878	(90,020)	(239,649)	<b>4,107,489</b>	32,754	<b>4,140,243</b>	<b>469,604</b>						
Exercise of stock options							2,974						16,228									
Stock based compensation expense							1,766															
Dividends declared							(319,216)															
Dividends to noncontrolling interest														(977)								(13,000)
acquisition of noncontrolling interests							3,598															
Contribution to redeemable noncontrolling interest ( <i>Note 17</i> )							(29,869)															
Comprehensive Income:																						
Foreign Currency Translation Adjustment																						
Net Income							1,121,830															
Total Accumulated Comprehensive Income (loss)							1,121,830	(388,335)														
<b>Balances at December 31, 2009</b>							51,281,022	\$92	\$ 1,143,657	\$ 4,074,492	\$(488,277)	\$ (223,421)	<b>\$4,506,543</b>	\$1,966	<b>\$ 4,508,509</b>	<b>\$508,668</b>						

The accompanying notes are an integral part of these consolidated financial statements





**Table of Contents****Open Joint Stock Company Vimpel-Communications****CONSOLIDATED STATEMENTS OF CASH FLOWS***(In thousands of US dollars)*

	Years ended December 31,		
	2009	2008	2007
<b>Operating activities</b>			
Net income	\$ 1,117,331	\$ 587,300	\$ 1,526,428
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	1,393,431	1,520,184	1,171,834
Amortization	300,736	360,980	218,719
Impairment loss		442,747	
Loss from associates	35,763	61,020	211
Provision for deferred taxes	(19,541)	(92,654)	32,858
Loss (gain) on foreign currency translation	411,300	1,142,276	(72,955)
Provision for doubtful accounts	51,262	54,711	52,919
Stock-based compensation expense/ (gain)	2,323	(121,890)	171,242
Loss from early debt redemption	19,063		
Other adjustments	(380)	(5,078)	
Changes in operating assets and liabilities:			
Trade accounts receivable	(57,452)	(240,629)	(333)
Inventory	64,927	(90,221)	(3,021)
Input value added tax	78,972	(103,941)	45,383
Other current assets	135,212	(415,735)	(351)
Accounts payable	(69,290)	281,725	(157,901)
Customer advances and deposits	(23,010)	75,098	85,135
Taxes payable and accrued liabilities	72,122	(34,035)	(32,478)
<b>Net cash provided by operating activities</b>	<b>3,512,769</b>	<b>3,421,858</b>	<b>3,037,690</b>
<b>Investing activities</b>			
Purchases of property and equipment	(691,445)	(2,002,452)	(1,238,305)
Purchases of intangible assets	(15,685)	(75,012)	(73,814)
Purchases of software	(184,481)	(313,652)	(293,956)
Acquisition of subsidiaries, net of cash acquired		(4,134,609)	(301,355)
Investments in associates	(12,500)	(491,265)	
Exercise of escrow cash deposit		200,170	(200,170)
Loan granted		(350,000)	
Investments in deposits	(488,580)	43,179	(42,356)
Purchases of other assets, net	(40,799)	(53,575)	(84,596)
<b>Net cash used in investing activities</b>	<b>(1,433,490)</b>	<b>(7,177,216)</b>	<b>(2,234,552)</b>
<b>Financing activities</b>			
Proceeds from bank and other loans	1,270,248	6,209,392	666,348
Proceeds from sale of treasury stock		25,488	39,787
Repayments of bank and other loans	(2,432,862)	(721,222)	(365,657)
Payments of fees in respect of debt issues	(53,071)	(68,159)	(14,380)
Repayments of equipment financing obligations			(106,888)
Net proceeds from employee stock options	18,142		
Purchase of noncontrolling interest in consolidated subsidiaries	(18,198)	(992,825)	
Payment of dividends	(315,644)	(587,302)	(331,885)
Payment of dividends to noncontrolling interest	(13,977)		
Purchase of treasury stock		(114,476)	(81,069)
<b>Net cash (used in)/ provided by financing</b>	<b>(1,545,362)</b>	<b>3,750,896</b>	<b>(193,744)</b>
Effect of exchange rate changes on cash and cash equivalents	(1,651)	(84,566)	49,823

Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>532,266</b>	<b>(89,028)</b>	<b>659,217</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>914,683</b>	<b>1,003,711</b>	<b>344,494</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 1,446,949</b>	<b>\$ 914,683</b>	<b>\$ 1,003,711</b>

F-6

**Table of Contents****Open Joint Stock Company Vimpel-Communications****CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)***(In thousands of US dollars)*

	Years ended December 31,		
	2009	2008	2007
<b>Supplemental cash flow information</b>			
<b>Cash paid during the period:</b>			
Income tax	\$ 428,761	\$ 647,597	\$ 601,939
Interest	571,964	406,020	201,259
<b>Non-cash activities:</b>			
Equipment acquired under financing agreements		2,726	48,514
Accounts payable for property, equipment and other long-lived assets	210,159	448,218	417,478
Non-cash discounts from suppliers of equipment	239	2,464	(5,441)
Issue of promissory notes		81,660	
<b>Acquisitions :</b>			
Fair value of assets acquired		2,645,655	84,125
Fair value of noncontrolling interest acquired		206,129	41,636
Difference between the amount paid and the fair value of net assets acquired		3,517,062	182,034
Consideration for the acquisition of subsidiaries		(5,348,180)	(291,928)
<b>Fair value of liabilities assumed</b>	<b>\$</b>	<b>\$ 1,020,666</b>	<b>\$ 15,867</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

---

**Table of Contents**

**Open Joint Stock Company Vimpel-Communications**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2009, 2008 and 2007**

*(Amounts presented are in thousands of US dollars unless otherwise indicated*

*and except per share (ADS) amounts)*

**1. Description of Business**

Open Joint Stock Company Vimpel-Communications was registered in the Russian Federation on September 15, 1992 as a closed joint stock company, re-registered as an open joint stock company on July 28, 1993 and began full-scale commercial operations in June 1994. On November 20, 1996, Open Joint Stock Company Vimpel-Communications completed an initial public offering of its common stock on the New York Stock Exchange ( **NYSE** ) through the issuance of American Depositary Shares ( **ADS** ). Each ADS currently represents one-twentieth of one share of VimpelCom's common stock (*Note 16*).

In these notes, **VimpelCom** or the **Company** refers to Open Joint Stock Company Vimpel-Communications and its consolidated subsidiaries.

VimpelCom earns revenues by providing voice, data and other telecommunication services through a range of wireless, fixed and broadband internet services, as well as selling equipment and accessories. The Company operates telecommunications services in Russia, Kazakhstan, Ukraine, Armenia, Tajikistan, Uzbekistan, Georgia and Cambodia primarily under the Beeline brand name. VimpelCom also has investments in an entity in Vietnam that launched its operations on July 20, 2009.

On October 5, 2009, VimpelCom's two major shareholders, Altimo and Telenor, signed a series of agreements pursuant to which they agreed to combine their holdings in VimpelCom and Closed Joint Stock Company Kyivstar G.S.M. ( **Kyivstar** ) under a new company, VimpelCom Ltd., to be listed on the New York Stock Exchange, subject to successful completion of exchange offers for VimpelCom's shares and ADSs. On February 9, 2010, VimpelCom Ltd. commenced an exchange offer to acquire all of VimpelCom's outstanding common and preferred shares from holders resident in the United States, and all outstanding ADSs from any holder, wherever located, in exchange for VimpelCom Ltd. depositary receipts ( **DRs** ), pursuant to the Registration Statement on Form F-4 and related preliminary prospectus dated February 8, 2010 filed with the U.S. Securities and Exchange Commission (the **SEC** ). VimpelCom Ltd. also commenced a parallel exchange offer on February 9, 2010, to all holders of the Borrower's common and preferred shares, wherever located, pursuant to a separate Russian offer document. VimpelCom Ltd. also offered a nominal cash consideration alternative under the exchange offers, as required by Russian law. The completion of the exchange offers is subject to the satisfaction or waiver of certain conditions. On February 9, 2010, VimpelCom announced that the Company's Board of Directors (the **Board** ) had unanimously recommended that the Company's shareholders and ADS holders exchange their Company shares and ADSs for VimpelCom Ltd. DRs in the exchange offers (and not for the nominal cash consideration alternative). In connection with the Board recommendation, on February 9, 2010, the Company filed with the SEC a solicitation/recommendation statement on Schedule 14D-9, which contained more information on the background of the exchange offer and the Board's reasons for its recommendation.

**2. Basis of Presentation and Significant Accounting Policies**

***Basis of Presentation***

Effective since September 15, 2009, the Financial Accounting Standards Board ( **FASB** ) Accounting Standards Codification ( **ASC** ) became the only source of authoritative US generally accepted accounting principles ( **US GAAP** ) recognized by FASB. ASC supersedes all then-existing non-SEC accounting and reporting standards. The adoption of ASC resulted in modifications of accounting and reporting references with codification in ASC.

**Table of Contents**

**Open Joint Stock Company Vimpel-Communications**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

*(Amounts presented are in thousands of US dollars unless otherwise indicated  
and except per share (ADS) amounts)*

**2. Basis of Presentation and Significant Accounting Policies (continued)**

VimpelCom maintains its records and prepares its financial statements in accordance with Russian accounting and tax legislation and US GAAP. VimpelCom's foreign subsidiaries maintain their accounting records in accordance with local accounting and tax legislation and US GAAP. The accompanying consolidated financial statements differ from the financial statements issued by the individual companies for statutory purposes. The principal differences relate to: (1) revenue recognition; (2) recognition of interest expense and other operating expenses; (3) valuation and depreciation of property and equipment; (4) foreign currency translation; (5) deferred income taxes; (6) capitalization and amortization of telephone line capacity; (7) valuation allowances for unrecoverable assets; (8) business combinations, (9) consolidation and accounting for subsidiaries, and (10) stock based compensation.

The accompanying financial statements have been presented in US dollars. Amounts are presented in thousands, except for share and per share (ADS) amounts or unless otherwise indicated.

***Principles of Consolidation***

The consolidated financial statements have been prepared in accordance with US GAAP and include VimpelCom and all companies in which VimpelCom directly or indirectly exercises control, which generally means that VimpelCom owns more than 50% of the voting rights in the company. Consolidation is also required when the Company is subject to a majority of the risk of loss or is entitled to receive a majority of the residual returns or both from a variable interest entity's activities.

All intercompany accounts and transactions within the Company have been eliminated from the consolidated financial statements.

The noncontrolling interest is reported in the Consolidated Balance Sheets as a separate component of equity and represents the aggregate ownership interests in the subsidiaries that are held by owners other than the Company.

***Investments in Associates***

Investments in associated companies in which the Company exercises significant influence over the operations and financial policies, but does not control, are reported according to the equity method of accounting. Generally, the Company owns between 20 and 50 percent of such investments.

***Business Combinations***

VimpelCom accounts for its business acquisitions under the purchase method of accounting. The total cost of an acquisition is allocated to the underlying assets, including intangible assets, and liabilities assumed based on their respective estimated fair values. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, license and other asset lives and market multiples, among other items. The results of operations of acquired companies are included in the Consolidated Financial Statements from the date of acquisition.

**Table of Contents**

**Open Joint Stock Company Vimpel-Communications**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

*(Amounts presented are in thousands of US dollars unless otherwise indicated  
and except per share (ADS) amounts)*

**2. Basis of Presentation and Significant Accounting Policies (continued)**

***Foreign Currency Translation***

The reporting currency of VimpelCom is the US dollar. Therefore, the accompanying financial statements were translated into the reporting currency in accordance with ASC 830, Foreign Currency Matters, (SFAS No. 52) using the current rate method. Domestic and certain foreign subsidiaries of VimpelCom have their local currencies as their functional currency, and use the current rate method for translating their financial statements to US dollars.

The current rate method assumes that assets and liabilities measured in the functional currency are translated into US dollars at exchange rates prevailing on the balance sheet date; whereas revenues, expenses, gains and losses are translated into US dollars at historical exchange rates prevailing on the transaction dates. VimpelCom translates income statement amounts using the average exchange rates for the period. Translation adjustments resulting from the process of translating financial statements into US dollars are reported in accumulated other comprehensive income, a separate component of shareholders' equity.

Within the countries that VimpelCom operates, official exchange rates are determined daily by the respective countries' central bank. Market rates may differ from the official rates but the differences are, generally, within narrow parameters monitored by the respective countries' central bank.

Local currencies of certain of VimpelCom's foreign subsidiaries are not fully convertible currencies outside the territories of countries of their operations. The translation of ruble-, tenge-, hryvnia-, somoni-, sum-, dram- and lari-denominated assets and liabilities into US dollars for the purposes of these financial statements does not indicate that VimpelCom could realize or settle the reported values of these assets and liabilities in US dollars. Likewise, it does not indicate that VimpelCom could return or distribute the reported US dollar value of capital to its shareholders.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from those estimates. Accounting policies such as valuation of stock based compensation, business combinations, assessing tangible and intangible asset impairments, and revenue recognition include estimates and assumptions that may have a material impact on the financial statements.

***Cash and Cash Equivalents***

VimpelCom considers all highly liquid investments with an original maturity of 90 days or less at the time of purchase to be cash equivalents. Cash equivalents are carried at cost which approximates fair value. Escrow cash was primarily related to cash held in escrow at a financial institution for the collateralization of certain payment obligations that the Company has agreed to assume in the future.

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

*(Amounts presented are in thousands of US dollars unless otherwise indicated  
and except per share (ADS) amounts)*

**2. Basis of Presentation and Significant Accounting Policies (continued)*****Trade Accounts Receivable and Doubtful Accounts***

Accounts receivable are shown at their net realizable value which approximates their fair value. VimpelCom reviews the valuation of accounts receivable on a monthly basis. The allowance for doubtful accounts is estimated based on historical data and other relevant factors, such as a change in tariff plans from pre-paid to post-paid.

***Inventory***

Inventory consists of telephone handsets and accessories for sale, SIM and scratch cards, equipment for sale and others, and is stated at the lower of cost or market. Cost is computed using either the average cost method or a specific identification method.

***Input Value Added Tax***

Value Added Tax ( **VAT** ) related to revenues is payable to the tax authorities on an accrual basis based upon invoices issued to customers or cash received. VAT incurred on purchases may be offset, subject to certain restrictions, against VAT related to revenues, or can be reclaimed in cash from the tax authorities under certain circumstances. VAT related to purchase transactions, which will be offset against VAT related to revenues within the following year, is recognized on the balance sheets on a gross basis. As of December 31, 2009, the VAT rate in Russia, Tajikistan and Georgia was 18%, in Kazakhstan it was 12%, and in Ukraine, Uzbekistan, and Armenia it was 20%.

***Short Term Investments***

Short-term investments represent investments in time deposits, which have original maturities in excess of three months but less than twelve months. These investments are accounted for at cost.

***Property and Equipment***

Property and equipment is stated at historical cost. The Company depreciates property and equipment assets using the straight-line method, depreciation expense is recognized ratably over the estimated useful life of the asset.

The following categories with the associated useful lives are used:

Mobile telecommunications equipment	7-9 years
Fixed line telecommunication equipment	3-12 years
Fiber-optic equipment	9-10 years
Buildings and constructions	20 years
Electronic exchange devices	7 years
Office and measuring equipment, vehicles and furniture	5-10 years

Equipment acquired under capital leases is depreciated using the straight-line method over its estimated useful life or the lease term, whichever is shorter. Depreciation of these assets recorded under capital leases is included in depreciation in the statement of income. Capitalized leasehold improvement expenses for base station positions is depreciated using the straight-line method over the estimated useful life of seven years or the lease term, whichever is shorter.





**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***2. Basis of Presentation and Significant Accounting Policies (continued)**

Repair and maintenance costs are expensed as incurred. Interest costs are capitalized with respect to qualifying construction projects, the capitalization period begins when qualifying expenditures are made, development activities are underway and interest cost is being incurred.

***Telecommunication Licenses, Goodwill and Other Intangible Assets***

Intangible assets consist primarily of telecommunication licenses, customer relationships, telephone line capacity, goodwill and other intangible assets. VimpelCom capitalizes payments made to third party suppliers to acquire access to and for use of telephone lines (telephone line capacity). These payments are accounted for as intangible assets and are amortized on a straight-line basis over ten years. Telecommunication licenses are amortized on a straight-line basis within the estimated useful lives determined based on the management estimation of future economic benefits from these licenses. Customer relationships are amortized using pattern of consumption of economic benefit associated with them. Other intangible assets are amortized on a straight-line basis over their estimated useful lives, generally from four to ten years.

Goodwill represents the excess of consideration paid over the fair value of net assets acquired in purchase business combinations and is not amortized. VimpelCom has acquired identifiable intangible assets through its acquisition of interests in various enterprises. The cost of acquired entities at the date of acquisition is allocated to identifiable assets and the excess of the total purchase price over the amount assigned to identifiable assets is recorded as goodwill.

In accordance with ASC 350-10, Intangibles – Goodwill and Other – Overall (SFAS No. 142, *Goodwill and Other Intangible Assets*), VimpelCom continues to evaluate the amortization period for intangible assets with finite lives to determine whether events or circumstances warrant revised amortization periods. In accordance with ASC 350-10 (SFAS No. 142), VimpelCom tests goodwill for impairment on an annual basis. Additionally, goodwill is tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of an entity below its carrying value. These events or circumstances would include, but are not limited to, a significant change in the business climate, legal factors, operating performance indicators, competition, sale or disposition of a significant portion of the business or other factors.

Goodwill impairment is evaluated using a two-step process. The first step involves a comparison of the estimated fair value of each of the Company's eight geographic reporting units to its carrying amount, including goodwill. In performing the first step, the Company determines the fair value of a reporting unit in accordance with ASC 820, *Fair Value Measurements and Disclosures*, (SFAS 157 *Fair Value Measurement*) using an income approach. When available and as appropriate, the Company uses comparative market multiples to corroborate discounted cash flows results.

Determining fair value based on the income approach is based on the present value of estimated future cash flows from a market participant perspective, discounted at an appropriate risk-adjusted rate. The cash flows employed in the DCF analyses are based on the most recent views of the medium and long-term outlook for each reporting unit considering market development, penetration and competitive environment in each geographic location and sub sector (fixed line, internet and mobile segments). The discount rates used in the DCF analyses are intended to commensurate with the risks and uncertainty inherent in the respective businesses forecasts. The Company derives its discount rates by applying the capital asset pricing model (i.e., to estimate the cost of equity financing) and analyzing published rates for industries relevant to our reporting units (including public information about risks premiums, cost of debt as well as debt-to-equity structure).

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***2. Basis of Presentation and Significant Accounting Policies (continued)**

If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not impaired and the second step of the impairment test is not necessary. If the carrying amount of a reporting unit exceeds its estimated fair value, then the second step of the goodwill impairment test must be performed. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with its goodwill carrying amount to measure the amount of impairment, if any. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. In other words, the estimated fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment is recognized in an amount equal to that excess.

***Software***

Under the provision of ASC 350-40, Intangibles—Goodwill and Other—Internal-use Software, (Statement of Position No. 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*), VimpelCom capitalizes costs associated with software developed or obtained for internal use when both the preliminary project stage is completed and VimpelCom management has authorized further funding of the project which it deems probable will be completed and used to perform the function intended. Capitalization of such costs ceases no later than the point at which the project is substantially complete and ready for its intended purpose.

Research and development costs and other computer software maintenance costs related to software development are expensed as incurred. Capitalized software development costs are depreciated using the straight-line method over the expected life of the asset. Research and development costs in 2009, 2008 and 2007 were US\$610, US\$857, and US\$382, respectively.

***Long-Lived Assets***

VimpelCom accounts for impairment of long-lived assets, except for goodwill, in accordance with the provisions of ASC 360-10, Property, Plant and Equipment—Overall (SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*). ASC 360-10 requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Impairment indicators that do not result in the actual impairment of the asset may, however, result in modification of the useful economic life to a shorter period.

***Accounting for Assets Retirement Obligations***

VimpelCom has certain legal obligations related to rented sites for base stations, which fall within the scope of ASC 410-20, Asset Retirement and Environmental Obligations—Asset Retirement Obligations (SFAS 143 *Accounting for Asset Retirement Obligations*). These legal obligations include obligations to remediate leased land and other locations on which base stations are located (*Note 14*).

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***2. Basis of Presentation and Significant Accounting Policies (continued)*****Derivative Instruments and Hedging Activities***

ASC 815-10, Derivatives and Hedging (SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*), requires companies to recognize all of their derivative instruments as either assets or liabilities in the consolidated balance sheet at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. The Company has not designated any of its derivative contracts as hedges, therefore all hedging instruments have been recorded at fair value and changes in these fair values reflected in the accompanying statements of income as other income/(expense) and net foreign exchange (loss)/gain items (*Note 7*).

***Revenue Recognition***

VimpelCom generates revenues from providing voice, data and other telecommunication services through a range of wireless, fixed and broadband internet services, as well as selling equipment and accessories. Service revenues include revenues from airtime charges from contract and prepaid subscribers, monthly contract fees, interconnect revenue, roaming charges and charges for value added services ( **VAS** ). Interconnect revenue is generated when the Company receives traffic from mobile or fixed subscribers of other operators and that traffic terminates on VimpelCom's network. Roaming revenues include both revenues from VimpelCom customers who roam outside of home country network and revenues from other wireless carriers for roaming by their customers on VimpelCom's network. VAS includes short messages ( **SMS** ), multimedia messages ( **MMS** ), caller number identification, call waiting, data transmission, mobile Internet, downloadable content and other services. The cost of content revenue relating to VAS is presented net of related costs when the Company acts as an agent of the content providers. VimpelCom charges subscribers a fixed monthly fee for the use of the service, which is recognized as revenue in the respective month.

Service revenue is generally recognized when the services (including VAS and roaming revenue) are rendered. Prepaid cards, used as a method of cash collection, are accounted for as customer advances for future services. Prepaid cards do not have expiration dates but are subject to statutory expiration periods, and unused balances are added to service revenue when cards expire. Also, VimpelCom uses E-commerce systems, retail offices and agent locations as channels for receiving customer payments. Revenues from mobile equipment sales, such as handsets, are recognized in the period in which the equipment is sold.

Revenue from Internet services is measured primarily by monthly fees and internet-traffic volume which has been not included in monthly fees. Revenue from service contracts is accounted for when the services are provided. Payments from customers for fixed-line equipment are not recognized as revenue until installation and testing of such equipment are completed and accepted by the customer. Domestic Long Distance/International Long Distance ( **DLD/ILD** ) and zonal revenues are recorded gross or net depending on the contractual arrangements with the end-users. The Company recognizes DLD/ILD and zonal revenues from local operators net of payments to these operators for interconnection and agency fees when local operators establish end-user tariffs and assume credit risk.

Revenues are stated net of value-added tax and sales tax charged to customers.

In accordance with the provisions of ASC 605-10-S25-3, Revenue Recognition-Overall-SEC Recognition-Delivery and Performance, VimpelCom defers upfront telecommunications connection fees. The deferral of

**Table of Contents**

**Open Joint Stock Company Vimpel-Communications**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

*(Amounts presented are in thousands of US dollars unless otherwise indicated*

*and except per share (ADS) amounts)*

**2. Basis of Presentation and Significant Accounting Policies (continued)**

revenue is recognized over the estimated average subscriber life, which is generally 32 months for mobile subscribers and from 5 to 29 years for fixed line subscribers. The Company also defers direct incremental costs related to connection fees for fixed line subscribers, in an amount not exceeding the revenue deferred.

***Advertising***

VimpelCom expenses the cost of advertising as incurred. Advertising expense for the years ended December 31, 2009, 2008 and 2007 was US\$157,808, US\$345,888 and US\$276,837, respectively.

***Rent***

VimpelCom leases office space and the land and premises where telecommunications equipment is installed. Operating lease agreements for premises where telecommunications equipment is installed typically contain automatic year-by-year renewal provisions which stipulate renewal to the extent that neither party indicates otherwise, our experience to date indicates that renewal rates are in excess of 99%. Rental agreements do not include contingent or escalation clauses based on operations.

Rent expense under all operating leases and rental contracts in 2009, 2008 and 2007 was US\$363,884, US\$370,533 and US\$240,968, respectively.

***Government Pension Fund***

VimpelCom contributes to the state pension funds in the Russian Federation, Kazakhstan, Ukraine, Tajikistan, Uzbekistan, Georgia (before January 1, 2008), and Armenia on behalf of its employees, contributions are expensed as incurred. Total contributions for the years ended December 31, 2009, 2008 and 2007 were US\$44,670, US\$58,010 and US\$38,439, respectively.

***Borrowing Costs***

Borrowing costs include interest incurred on existing indebtedness and debt issuance costs. Interest costs associated with assets that require a period of time to get them ready for their intended use are capitalized and amortized over the related assets' estimated useful lives. Debt issuance costs are capitalized and amortized over the term of the respective borrowings using the effective interest method. Interest expense for the years ended December 31, 2009, 2008 and 2007, was US\$598,531, US\$495,634 and US\$194,839, respectively. VimpelCom capitalized interest in the cost of long lived assets in the amount of US\$39,952, US\$43,939 and US\$36,659 in 2009, 2008 and 2007, respectively.

***Interest income***

The Company earns interest income from deposits in banks and from granting loans. Interest income is calculated based on applied interest rate and the amount deposited as well as principal amount of loan granted.

***Income Taxes***

VimpelCom computes and records income tax in accordance with ASC 740, Income taxes (SFAS No. 109, *Accounting for Income Taxes*). Under the asset and liability method of, deferred tax assets and liabilities are



**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***2. Basis of Presentation and Significant Accounting Policies (continued)**

recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is recognized for deferred tax assets when it is considered more likely than not that the asset will not be recovered.

In July 2006, the FASB issued Interpretation No. 48 ( **FIN 48** ) *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109, Accounting for Income Taxes* (primarily codified in ASC 740-10, Income taxes – Overall). ASC 740-10 clarifies accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. ASC 740-10 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. In addition, ASC 740-10 states that income taxes should not be accounted for under the provisions of ASC 450, Contingencies (SFAS No. 5, *Accounting for Contingencies*). The Company adopted FIN 48 at the beginning of the fiscal year 2007. As a result of the adoption the Company recognized in its consolidated financial statements a cumulative-effect adjustment to increase its liability for unrecognized tax benefits, interest, and penalties by US\$15,069 and reduced the January 1, 2007, balance of retained earnings by US\$4,108 and subsidiary noncontrolling interest by US\$4,091 and increased the balance of goodwill by US\$6,870. The cumulative-effect adjustment pertains to a pre-acquisition contingency in a subsidiary that has a minority shareholder. VimpelCom's continuing practice is to recognize fines and penalties (interest) related to income tax matters in income tax expense.

**Concentration of Credit Risk**

Trade accounts receivable consist of amounts due from subscribers for airtime usage and amounts due from dealers and subscribers for equipment sales. In certain circumstances, VimpelCom requires deposits as collateral for airtime usage. In addition, VimpelCom has introduced a prepaid service GSM network. Equipment sales are typically paid in advance of delivery, except for equipment sold to dealers on credit terms. VimpelCom's credit risk arising from its trade accounts receivable from subscribers is mitigated due to the large number of its active subscribers (subscribers in the registered subscriber base who were a party to a revenue generating activity in the past three months and remain in the base at the end of the reported period), of which approximately 96% subscribed to a prepaid service as of December 31, 2009 and, accordingly, do not give rise to credit risk. VimpelCom's credit risk arising from its trade accounts receivable from dealers is mitigated due to the large number of dealers. Management periodically reviews the history of payments and credit worthiness of the dealers. The Company also has receivables from other local and international operators from interconnect and roaming services provided to their customers, as well as receivables from customers using fixed-line services, such as business services, wholesale services and services to residents.

VimpelCom holds available cash in bank accounts with financial institutions in countries of its operations. To manage credit risk associated with such cash holdings, VimpelCom allocates its available cash to a variety of local banks and local affiliates of international banks within the limits set forth by its treasury policy. Management periodically reviews the credit worthiness of the banks in which it deposits cash.

VAT is recoverable from the tax authorities via offset against VAT payable to the tax authorities on VimpelCom's revenue or direct cash receipts from the tax authorities. Management periodically reviews the recoverability of the balance of input value added tax and believes it is fully recoverable.

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***2. Basis of Presentation and Significant Accounting Policies (continued)**

VimpelCom issues advances to a variety of vendors of property and equipment for its network development. The contractual arrangements with the most significant vendors provide for equipment financing in respect of certain deliveries of equipment (*Note 15*). VimpelCom periodically reviews the financial position of vendors and their compliance with the contract terms.

***Accumulated Other Comprehensive Income***

ASC 220, Comprehensive income (SFAS No. 130, *Reporting Comprehensive Income*), requires the reporting of comprehensive income in addition to net income. Comprehensive income is a more inclusive financial reporting methodology that includes the effects of all other non-shareholder changes in net assets.

***Stock-Based Compensation***

VimpelCom accounts for stock-based compensation plans in accordance with SFAS No. 123 (revised 2004) *Share Based Payment* ( **SFAS No. 123R** ) (primarily codified in ASC 718-10, Compensation—Stock Compensation—Overall), which is a revision of SFAS No. 123 and SFAS No. 95, *Statement of Cash Flows* (primary codified in ASC 230, Statement of Cash flows). Under ASC 718-10, companies must calculate and record the cost of equity instruments, such as stock options or restricted stock, awarded to employees for services received in the income statement. The cost of the equity instruments is to be measured based on the fair value of the instruments on the date they are granted (with certain exceptions) and is required to be recognized over the period during which the employees are required to provide services in exchange for the equity instruments.

The Company also has stock-based compensation in a form of cash settled stock appreciation rights ( **SARs** ). The cost of these instruments which are recorded as liabilities is remeasured based on fair value of the instruments on each reporting date and is required to be recognized over the period during which the employees are required to provide services in exchange for the equity-based compensation.

On December 24, 2008, VimpelCom modified its stock-based compensation programs (except for phantom plans and SARs) to require equity classification. The modification was applied to all the options outstanding as of modification date. In determination of fair value VimpelCom considered historical data on estimated life of the options, forfeiture rates and volatility since from employee's standpoint no changes to the amount of award were proposed. The historical based stock compensation provision accrued at the modification date in the amount of US\$12,030 was reclassified from liability to equity and no gain or loss was recognized as of the modification date (*Note 21*).

***Government Regulations***

The Company is subject to governmental regulation of tariffs in its Armenian fixed line business of its direct wholly owned subsidiary CJSC ArmenTel . The Company has the right to seek tariff adjustments at the retail and wholesale level based on costs incurred. Governmental authorization of tariff adjustments is only necessary for those services that are under Governmental control.

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***2. Basis of Presentation and Significant Accounting Policies (continued)**

The Company is subject to governmental control over tariffs in its Kazakhstan mobile telecom business of its consolidated subsidiary KaR-Tel Limited Liability Partnership ( **KaR-Tel** ), which is recognized as an entity having dominant position on the Kazakhstan market of mobile telecom. The Company has the right to make tariff adjustments, but is required by law to notify the antimonopoly state body of any increase of its tariffs and to justify the adjustments. The antimonopoly body is required to carry out an examination of tariff adjustments, on which it has been notified, and subject to results of such examination is empowered to prohibit increase of the tariffs.

No assets or liabilities have been recorded in the accompanying financial statements to recognize the effects of possible regulatory assets or liabilities, as allowed under ASC 980, Regulated Operations (SFAS No. 71, Accounting for the Effects of Certain Types of Regulation).

***Litigation Accrual***

VimpelCom is party to various legal and regulatory proceedings in the normal course of business with respect to certain matters. Except as described in *Note 23* VimpelCom does not believe that any legal or regulatory proceedings to which it is a party could have a material adverse impact on its business or prospects. VimpelCom evaluates the likelihood of an unfavorable outcome of the legal or regulatory proceedings to which it is a party in accordance with ASC 450, Contingencies and ASC 855-10-S99-2, Subsequent events Overall SEC Materials Issuance of Financial Statements (SFAS No. 5, *Accounting for Contingencies* and EITF Topic D-86, *Issuance of Financial Statements, respectively*). These judgments are subjective based on the status of the legal or regulatory proceedings, the merits of its defenses and consultation with in-house and external legal counsel. The actual outcomes of these proceedings may differ from the Company's judgments.

***Recent Accounting Pronouncements***

In September 2006, the FASB issued Statement of Financial Accounting Standards ( **SFAS** ) No. 157, Fair Value Measurements, primarily codified in ASC 820, Fair Value Measurements and Disclosures. The standard provides guidance for using fair value to measure assets and liabilities. The standard applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. The standard does not expand the use of fair value in any new circumstances. VimpelCom measures financial assets and financial liabilities at fair value on a recurring basis where it is required by other GAAP. ASC 820, Fair Value Measurements and Disclosures, is effective for nonfinancial assets and liabilities for fiscal years beginning after November 15, 2008. VimpelCom adopted ASC 820, Fair Value Measurements and Disclosures, for nonfinancial assets and liabilities on January 1, 2009, which did not have a material impact on VimpelCom's results of operations or financial position.

On December 4, 2007, the FASB issued SFAS No. 141(R), Business Combinations, and SFAS No. 160, Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB No. 51, primarily codified in ASC 805, Business Combinations and ASC 810-10, Consolidation-Overall, respectively. These new standards significantly change the financial accounting and reporting of business combination transactions and noncontrolling (or minority) interests in consolidated financial statements. Under ASC 805, Business Combinations, acquisition related costs should not be capitalized any longer but expensed as incurred. With few exceptions assets acquired and liabilities assumed should be measured at fair value using market participant assumptions in accordance with ASC 820, Fair value measurements and Disclosures. Noncontrolling interest



**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***2. Basis of Presentation and Significant Accounting Policies (continued)**

should be measured at fair value as of the acquisition date that results in the recognition of the goodwill attributable to the noncontrolling interest in addition to that attributable to the Company. Under ASC 810-10, Consolidation-Overall, noncontrolling interest in a consolidated subsidiary should be displayed in the consolidated statement of financial position as a separate component of equity. Losses attributable to the parent and the noncontrolling interest in a subsidiary should be attributed to that interest, even if that attribution results in a deficit noncontrolling interest balance. In a business combination achieved in stages (step acquisition) the Company should remeasure its previously held equity interest in the acquiree at acquisition-date fair value and recognize the resulting gain or loss, if any, in earnings. The Company adopted SFAS No.141(R) (ASC 805, Business Combinations) and SFAS No.160 (ASC 810-10, Consolidation-Overall) on January 1, 2009 prospectively except for classification of non-controlling interest and disclosure that shall be applied retrospectively for all periods presented. If the previous requirement in ASC 810-10-45, Consolidation-Overall-Other Presentation Matters, had been applied in the year of adoption, VimpelCom's consolidated net income attributable to VimpelCom and earnings per share would have been the following (pro-forma):

	<b>Pro-forma for twelve months ended December 31, 2009</b>
Income before income taxes	<b>\$ 1,552,361</b>
Income tax expense	435,030
<b>Net income</b>	<b>1,117,331</b>
Net income attributable to the noncontrolling interest	16,141
<b>Net income attributable to VimpelCom</b>	<b>\$ 1,101,190</b>
Basic EPS:	
Net income attributable to VimpelCom per common share	\$ 21.30
Weighted average common shares outstanding (thousand)	50,647
Net income attributable to VimpelCom per ADS equivalent	\$ 1.07
Diluted EPS :	
Net income attributable to VimpelCom per common share	\$ 21.29
Weighted average diluted shares (thousand)	50,678
Net income attributable to VimpelCom per ADS equivalent	\$ 1.06

In March 2008, the FASB issued SFAS No. 161, Disclosures About Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133, primarily codified in ASC 815-10, Derivatives and Hedging-Overall. SFAS No. 161 (ASC 815-10) is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. SFAS No. 161 (ASC 815-10) is effective for fiscal years beginning after November 15, 2008. The adoption of this statement resulted in the Company expanding its disclosures relative to its derivative instruments and hedging activity (Note 6).

In April 2009, the FASB issued FASB Staff Position FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments, primarily codified in 825-10-65-1, Financial Instruments-Overall-Transition and Open Effective Date Information. These staff positions requires enhanced disclosures on financial instruments, and are effective for interim and annual reporting periods ending after June 15, 2009. This increased the Company's quarterly disclosures but did not have an impact on VimpelCom financial position and results of operations (Note 7).



**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***2. Basis of Presentation and Significant Accounting Policies (continued)**

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events*, primarily codified in ASC 855, Subsequent Events. SFAS No. 165 is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS No. 165 is effective for interim and annual financial periods ending after June 15, 2009 and is applied prospectively. In February 2010, the FASB issued ASU 2010-09, Subsequent events, an amendment of ASC 855, Subsequent events. ASU 2010-09 amends and supersedes the disclosure requirements of SFAS No. 165 and is effective immediately for all financial statements that have not yet been issued. ASU 2010-09 requires SEC registrants to evaluate subsequent events through the date that the financial statements are issued. SEC registrants are not required to disclose the date through which the management evaluates subsequent events either in originally issued financial statements or reissued financial statements. The adoption of SFAS No. 165 and ASU 2010-09 did not have an impact on disclosure of the Company relative to the subsequent events (Note 25).

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R), primarily codified in ASC 810-10, Consolidation-Overall. SFAS 167 amends FIN 46(R), to require an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity. This statement is effective for both interim and annual periods as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, and VimpelCom is currently evaluating its impact on the Company's financial position and results of operations.

In October 2009, FASB issued ASU 2009-13, Revenue Recognition, codified in ASC 605-25, Revenue Recognition - Multiple Element Arrangement. ASU 2009-13 eliminates the use of the residual method of allocation and requires use of the relative-selling price method. ASU 2009-13 expands the disclosures required for multiple-element revenue arrangements. ASU 2009-13 is effective for both interim and annual periods as of the beginning of reporting entity's first annual reporting period that begins after June 15, 2010 with earlier application permitted for full annual periods. VimpelCom is currently evaluating its impact on the Company's financial position and results of operations.

In January 2010, FASB issued ASU 2010-02, Accounting and Reporting for Decreases in Ownership of a Subsidiary - a Scope Clarification. This update provides amendments to ASC 810-10, Consolidation - Overall (formerly SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*) to clarify the scope of the decrease in ownership provisions of ASC 810-10 and related guidance. ASU 2010-02 also clarifies that the decrease in ownership guidance does not apply to certain transactions even if they involve businesses. ASU 2010-02 expands the disclosures required for a business combinations achieved in stages and deconsolidation activity within the scope of ASC 810-10. ASU 2010-02 is effective for both interim and annual periods ending on or after December 15, 2009. The amendments are to be applied retrospectively to the first period that an entity adopted ASU 810-10, Consolidation - Overall. The adoption of this statement did not have an impact on VimpelCom's financial position, results of operations and disclosures relative to noncontrolling interests.

In January 2010, FASB issued ASU 2010-06, Improving Disclosures about Fair Value Measurements, an amendment of ASC 820, Fair Value Measurements and Disclosures (formerly SFAS No. 157 Fair Value Measurements). ASU 2010-06 requires additional disclosures regarding assets and liabilities that are transferred between levels of the fair value hierarchy. ASU 2010-06 clarifies guidance pertaining to the level of disaggregation at which fair value disclosures should be made and the requirements to disclose information about the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***2. Basis of Presentation and Significant Accounting Policies (continued)**

requirement to separately disclose purchases, sales, issuances, and settlements in the Level 3 rollforward, which becomes effective for fiscal years (and for interim periods within those fiscal years) beginning after December 15, 2010. The adoption of this statement may expand VimpelCom's disclosures relative to fair value measurements (Note 7).

**3. Business Combinations and Disposals***Severnaya Korona*

On August 13, 2007, VimpelCom acquired Closed Joint Stock Company Corporation Severnaya Korona ( **CSK** ), which holds GSM 900/1800 and D-AMPS licenses covering the Irkutsk Region. The Company acquired 100% of the shares of CSK for approximately US\$235,509, including US\$1,274 of acquisition related costs.

The primary reason for the acquisition was VimpelCom's entry into the mobile telephony market in the Irkutsk region. CSK's GSM-900/1800 and D-AMPS licenses cover a territory with a population of about 2.5 million. The acquisition was recorded under the purchase method of accounting. The fair value of acquired identifiable net assets of CSK amounted to US\$58,460. The excess of the acquisition cost over the fair market value of the identifiable net assets of CSK amounted to US\$177,049. This amount was recorded as goodwill, was assigned to the Russian mobile reporting unit and is subject to annual impairment tests.

*Golden Telecom*

On December 21, 2007, subsidiaries of VimpelCom and Golden Telecom Inc. ( **Golden Telecom** ), a leading facilities-based provider of integrated telecommunications and Internet services in the Russian Federation, signed a definitive merger agreement. Pursuant to the merger agreement, Lillian Acquisition Inc. ( **Lillian** ), an indirect wholly owned subsidiary of VimpelCom, commenced a tender offer on January 18, 2008, to acquire 100% of the outstanding shares of Golden Telecom's common stock at a price of US\$105.00 per share in cash. The tender offer was successfully completed on February 15, 2008, with 36,533,255 shares of Golden Telecom common stock (including shares delivered through notices of guaranteed delivery), representing approximately 90.5% of the outstanding shares of Golden Telecom's common stock tendered and not withdrawn. On February 18, 2008, Lillian commenced a subsequent offer for all remaining shares of Golden Telecom common stock. The subsequent offer was successfully completed on February 26, 2008, with 38,093,677 shares of Golden Telecom common stock tendered during the initial and subsequent offering periods. These shares represented approximately 94.4% of the outstanding shares of Golden Telecom's common stock, an amount sufficient to permit the completion of a short-form merger under applicable Delaware law, without a vote of the remaining stockholders of Golden Telecom. As a result, VimpelCom Finance B.V., a direct wholly-owned subsidiary of VimpelCom, and Lillian on February 28, 2008, consummated a short-form merger, in which Lillian was merged with and into Golden Telecom and all remaining stockholders of Golden Telecom who did not tender their shares in the tender offer (other than those, if any, properly perfecting dissenters rights) received the right to receive US\$105.00 per share in cash. Following the completion of the merger as of February 28, 2008, Golden Telecom became an indirect wholly-owned subsidiary of VimpelCom and started to be consolidated in VimpelCom's financial statements.

The fair value of acquired identifiable net assets of Golden Telecom at the date of the acquisition amounted to US\$1,431,818. The excess of the acquisition cost over the fair value of the identifiable net assets of Golden Telecom amounted to US\$2,884,341, which was recorded as goodwill and assigned to Russia fixed and Russia mobile reporting units in the amounts of US\$2,430,657 and US\$453,684, respectively. This goodwill is not deductible for tax purposes.



**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***3. Business Combinations and Disposals (continued)**

The following table summarizes the Company's estimate of the fair values of the assets acquired and liabilities assumed at the date of acquisition:

	<b>As of the Date of Acquisition</b>
Cash and cash equivalents	\$ 56,095
Other current assets	382,990
Property and equipment	1,101,217
Licenses (3.3 years weighted average remaining useful life)	70,361
Customer Relationships (13.6 years weighted average remaining useful life)	686,743
Other intangible assets (1 years weighted average remaining useful life)	46,977
Goodwill	2,884,341
Other non-current assets	43,343
<b>Total assets acquired</b>	<b>5,272,067</b>
Current liabilities	379,014
Long-term liabilities	576,894
<b>Total liabilities assumed</b>	<b>955,908</b>
<b>Total acquisition price</b>	<b>\$ 4,316,159</b>

**Sotelco**

On July 16, 2008, VimpelCom through Ararima acquired an indirect 90% voting and economic interest in the Cambodian company Sotelco Ltd. (**Sotelco**), which holds a GSM 900/1800 license and related frequencies for the territory of Cambodia. The transaction was made through the purchase of 90% of Sotelco's parent company, Atlas Trade Limited (BVI) (**Atlas**), for US\$28,000 from Altimo. The remaining 10% of Atlas are owned by a local partner, a Cambodian entrepreneur. VimpelCom has also acquired a call option to purchase the 10% interest of the local partner. The acquisition of Sotelco was accounted for as an asset purchase of the telecom license through a variable interest entity. On acquisition, the Company allocated approximately US\$41,646 to license, US\$8,329 to deferred tax liability and US\$5,100 to noncontrolling interest.

On May 18, 2009, Sotelco launched its mobile operations in Cambodia under VimpelCom's Beeline brand.

**Millicom Lao Co., Ltd.**

On September 16, 2009, VimpelCom signed an agreement for the acquisition of a 78% stake in Millicom Lao Co., Ltd., a mobile telecom operator with operations in the Lao PDR, from Millicom Holding B.V. (Netherlands) and Cameroon Holdings B.V. (Netherlands). The remaining 22% of Millicom Lao Co., Ltd. is owned by the Government of the Lao PDR, as represented by the Ministry of Finance.

Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

The purchase price for the acquisition will be determined on the completion date and will be based on an enterprise value of Millicom Lao Co., Ltd. of US\$102,000.

Completion of the acquisition is subject to the satisfaction or waiver of certain conditions, including the receipt of regulatory approvals.

F-22

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***3. Business Combinations and Disposals (continued)***Purchase of non-controlling interest in consolidated subsidiaries**Corbina Telecom*

On June 11, 2008, VimpelCom increased its share of ownership in Closed Joint Stock Company Cortec ( **Corbina Telecom** ), 51% subsidiary of Golden Telecom by acquiring the remaining 49% from Inure Enterprises Ltd. ( **Inure** ) for US\$404,000 and US\$4,250 of costs related to acquisition. As a result of this transaction, VimpelCom and its subsidiary together now own 100% of the shares of Corbina Telecom. The step acquisition was recorded under purchase method of accounting. The Company's financial statements reflect the allocation of the purchase price based on a fair value assessment of the assets acquired and liabilities assumed, and as such, the Company has assigned US\$68,120 to intangible assets which will be amortized over a weighted average period of approximately 12 years, recording of a deferred tax liability in the amount of US\$17,348 and adjusted noncontrolling interest by US\$40,404. The total fair value of identifiable net assets acquired amounted to US\$95,338. The excess of the acquisition cost over the fair value of identifiable net assets of Corbina Telecom amounted to US\$312,912 and was assigned to Russia fixed reporting unit.

*Limnotex*

On July 1, 2008 VimpelCom exercised its option to acquire an additional 25% less one share of Limnotex Developments Limited ( **Limnotex** ) for US\$561,807. Limnotex is the parent company of KaR-Tel, VimpelCom's operating subsidiary in Kazakhstan. As a result of the exercise, VimpelCom's overall direct and indirect share stake in Limnotex increased from 50% plus one share to 75%. The acquisition was recorded as step acquisition under the purchase method of accounting. The Company's financial statements reflect the allocation of the purchase price based on a fair value assessment of the assets acquired and liabilities assumed, and as such, the Company has assigned US\$147,734 to intangible assets which will be amortized over a weighted average period of approximately 7 years, recording of a deferred tax liability in the amount of US\$42,834 and adjusted noncontrolling interest by US\$153,981. The fair value of acquired identifiable net assets amounted to US\$99,946. The excess of the acquisition cost over the fair market value of the identifiable net assets amounted to US\$309,490. This amount was recorded as goodwill, was assigned to the Kazakhstan reporting unit and is subject to annual impairment tests. To ensure a path to complete ownership over KaR-Tel, VimpelCom has agreed on put and call option arrangements with respect to the remaining 25% share in Limnotex which is held by Crowell Investments Limited ( **Crowell** ). More details about the options and amendments made in 2009 are disclosed in Note 17.

*LLC Golden Telecom (Ukraine)*

On December 30, 2009, VimpelCom increased its ownership interest in LLC Golden Telecom, a consolidated Ukrainian subsidiary of VimpelCom, from 80% to 100% by acquiring the 20% ownership interest it did not already own for a total cash consideration of US\$18,200. The transaction was accounted for as a decrease in non-controlling interest and a change in additional paid-in capital.



**Table of Contents**

**Open Joint Stock Company Vimpel-Communications**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

*(Amounts presented are in thousands of US dollars unless otherwise indicated  
and except per share (ADS) amounts)*

**3. Business Combinations and Disposals (continued)**

*Investments in associates*

*GTEL-Mobile*

On July 8, 2008, VimpelCom and its 100% owned direct subsidiary Ararima Enterprises Limited (Cyprus) ( **Ararima** ) signed a Joint Venture and Shareholders Agreement to establish a mobile telecommunications joint venture in Vietnam under the name of GTEL-Mobile Joint Stock Company ( **GTEL-Mobile** ). The other participants in GTEL-Mobile are Global Telecommunications Corporation ( **GTEL** ), a Vietnamese state-owned enterprise and GTEL TSC, a subsidiary of GTEL. Ararima received a 40% voting and economic interest in GTEL-Mobile in consideration for an equity investment of US\$266,670 that has been paid in full. GTEL and GTEL TSC have equity interests in GTEL-Mobile of 51% and 9%, respectively. GTEL-Mobile has received all of the regulatory approvals required under the Joint Venture and Shareholders Agreement, including the registration of GTEL-Mobile, GSM license and related frequencies.

On July 20, 2009, GTEL-Mobile launched its mobile operations in Vietnam under the **Beeline** brand.

*Euroset*

On October 23, 2008, VimpelCom through Ararima acquired 49.9% shares of Morefront Holdings Ltd, a company that owns 100% of the Euroset Group ( **Euroset** ), from Rambert Management Ltd, a company controlled by Inure, for approximately US\$226,000. The acquisition was recorded under the equity method of accounting. The total estimated fair value of identifiable net liabilities acquired amounted to US\$355,515. The excess of the acquisition cost over VimpelCom's share in the fair value of identifiable net liabilities of Euroset amounted to US\$405,516. In addition, as part of the transaction, VimpelCom has agreed on put and call arrangements, exercisable after three years, with respect to a further 25% of the shares of Morefront Holdings Ltd. owned by Rambert Management Ltd.

*Other Acquisitions*

In 2008, the Company completed several small acquisitions of fixed line telecommunication operators in different regions of Russia with the total consideration of US\$32,274. The acquisitions were recorded under the purchase method of accounting. The fair value of acquired identifiable net assets of the acquired companies amounted to US\$21,959 and adjusted noncontrolling interest by US\$11,744. The excess of the acquisition cost over the fair market value of the identifiable net assets amounted to US\$10,315. This amount was recorded as goodwill, was mainly assigned to the Russia fixed reporting unit and is subject to annual impairment tests.

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***3. Business Combinations and Disposals (continued)**

The following unaudited pro forma combined results of operations for VimpelCom give effect to the CSK, Golden Telecom, Corbina Telecom and Euroset business combinations as if they had occurred at the beginning of 2007. The pro forma combined results do not include Sotelco as it was a non-operating entity in 2008 and, therefore, its inclusion would not impact the results. These pro forma amounts are provided for informational purposes only and do not purport to present the results of operations of VimpelCom had the transactions assumed therein occurred on or as of the date indicated, nor is it necessarily indicative of the results of operations which may be achieved in the future.

Unaudited	Year ended December 31,	
	2008	2007
Pro forma total operating revenues	\$ 10,359,737	\$ 8,403,248
Pro forma net income attributable to VimpelCom	299,455	1,314,887
Pro forma basic and diluted net income per common share	\$ 5.89	\$ 25.84

**4. Unconsolidated Variable Interest Entities*****Sky Mobile***

On February 13, 2008, VimpelCom advanced to Crowell, under a loan agreement as of February 11, 2008, (the **Loan Agreement**), a loan in the principal amount of US\$350,000 and at the interest rate of 10%. The loan was secured by 25% of the shares of Limnotex. The Loan Agreement was entered into after Crowell acquired the entire issued share capital of Menacrest Limited (**Menacrest**), which is the parent company of LLC Sky Mobile (**Sky Mobile**), a mobile operator in Kyrgyzstan, holding GSM and 3G licenses to operate over the entire territory of Kyrgyzstan. Crowell granted the Company two call options (the **Call Option Agreement**) over the entire issued share capital of Menacrest.

On May 29, 2009, VimpelCom agreed to amend the Loan Agreement in that the term of the loan facility was extended until February 11, 2014 and interest rate has been changed to be a fixed amount per annum starting from the effective date of the amendment. Also, the security interest granted by Crowell to VimpelCom over 25% of the shares of Limnotex was replaced by a security interest over 100% of the shares of Menacrest.

KaR-Tel also has a management agreement with Sky Mobile.

In accordance with ASC 810-10, VimpelCom analyzed these agreements to determine if the entities that are party to them are variable interest entities (VIE) on both quantitative and qualitative basis. The Company concluded that Sky Mobile is a VIE.

To determine whether VimpelCom is the primarily beneficiary, an analysis was performed to identify if the Company absorbs majority of expected losses or benefits from majority of expected residual returns of VIE, or both. The analysis led to conclude that VimpelCom is not the primary beneficiary and Sky Mobile should not be consolidated.

The Company involvement with Sky Mobile affects the enterprise's financial position, financial performance and cash flows in that the Company has recorded the loan granted to Crowell in other non-current assets in the amount US\$395,792, including long-term portion of accrued interest and related accrued interest of US\$5,945 in other current assets as of December 31, 2009 (Note 14). The Company's risk of loss related to Sky Mobile is primarily limited to these carrying values.



**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

*(Amounts presented are in thousands of US dollars unless otherwise indicated  
and except per share (ADS) amounts)*

**5. Cash and Cash Equivalents**

Cash and cash equivalents consisted of the following at December 31:

	<b>2009</b>	<b>2008</b>
US dollars	\$ 919,739	\$ 553,611
Russian rubles	361,344	182,165
Uzbekistan Sum	98,384	75,727
Kazakhstan Tenge	37,391	32,740
EURO	19,646	56,571
Armenian Dram	5,234	8,835
Ukrainian Hryivna	3,952	3,120
Other currencies	1,259	1,914
<b>Total cash and cash equivalents</b>	<b>\$ 1,446,949</b>	<b>\$ 914,683</b>

**6. Derivative Instruments**

VimpelCom uses derivative instruments, including swaps, forward contracts and options to manage certain foreign currency and interest rate exposures. The Company views derivative instruments as risk management tools and does not use them for trading or speculative purposes. Derivatives are considered to be economic hedges, however all derivatives are accounted for on a fair value basis and the changes in fair value are recorded in the statement of income. Cash flows from derivative instruments are reported in operating activities section in the statement of cash flows. As described in *Note 2*, the Company adopted ASC 820-10, Fair Value Measurements and Disclosures Overall on January 1, 2008. ASC 820-10, among other things, defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. ASC 820-10 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820-10 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The Company measures the fair value of derivatives on a recurring basis, using observable inputs (Level 2), such as LIBOR floating rates, using income approach with present value techniques.

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

*(Amounts presented are in thousands of US dollars unless otherwise indicated  
and except per share (ADS) amounts)*

**6. Derivative Instruments (continued)**

The following table represents VimpelCom's derivatives as of December 31, 2009 and for the year ended December 31, 2009:

Derivatives not designated as hedging	As of December 31, 2009		Year ended December 31, 2009	
	Liability derivatives		Location of Gain (Loss)	Amount of Gain (Loss)
	Balance Sheet Location	Fair value	Recognized in Income on Derivative	Recognized in Income on Derivative
<b>Instruments under ASC 815-10</b>				
Interest rate exchange contracts	Accrued liabilities	\$ 1,163		
Interest rate exchange contracts	Other non-current liabilities	3,961	Other income/ (expense)	\$ (1,792)
Foreign exchange contracts	Accrued liabilities		Net foreign exchange (loss)/gain	(35,996)
<b>Total derivatives not designated as hedging instruments under ASC 815-10</b>		\$ 5,124		\$ (37,788)

The disclosure of derivatives fair value is also provided in Note 7.

In November 2006, VimpelCom entered into forward foreign exchange contracts for a total amount of US\$736,629 to hedge its US dollar denominated obligations due in 2007 and 2008. These contracts ranged from 26.6 Russian rubles per 1 US dollar to 26.7 Russian rubles per 1 US dollar. These forward agreements were fully exercised as of December 31, 2007.

In March 2007, VimpelCom entered into short-term forward agreements for a total amount of US\$53,010 to hedge its short-term US dollar denominated obligations with a forward exchange rate 26.1775 Russian rubles per 1 US dollar. These forward agreements were fully exercised as of March 31, 2008.

During the third quarter of 2007, VimpelCom entered into a short-term zero-cost collar agreement for a total amount of US\$120,545 to hedge its US dollar debt. The forward exchange rate of protection was 27.0323 Russian rubles per 1 US dollar and the rate of participation was 24.9281 Russian rubles per 1 US dollar. These zero-cost collars were closed in June 2008.

During the fourth quarter of 2006, VimpelCom entered into a short-term cross-currency interest rate swap transaction. The amount of the swap was US\$236,111 at 26.64 Russian rubles per 1 US dollar as well as a 6.37% interest rate. The amount of the contract was subject to remeasurement, in conjunction with the change of the exchange rate of the US dollar to the Russian ruble and LIBOR fluctuation. This cross-currency interest rate swap was closed in February 2008.

On October 3, 2006, KaR-Tel and Citibank, N.A., London signed an agreement which provided KaR-Tel rights to enter into transactions with derivatives. On November 8, 2006, KaR-Tel entered into a swap deal with Citibank, N.A., London for the amount of US\$100,000 or 12,246,000 thousand Kazakhstan Tenge by fixing the settlement rate to 122.64 Kazakhstan Tenge per 1 US dollar and current floating interest rate payable for a loan with the European Bank for Reconstruction and Development ( **EBRD** ) at 9.9%. This agreement was effective until December 18, 2010. However, on March 4, 2008, the swap transaction was terminated based on the mutual agreement with Citibank, N.A., London.



**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***6. Derivative Instruments (continued)**

On October 27, 2007, Sovintel entered into a three-year Interest Rate Swap agreement with Citibank, N.A. London Branch, to reduce the volatility of cash flows in the interest payments for variable-rate debt in the amount of US\$225,000. Pursuant to the agreement, Sovintel will exchange interest payments on a regular basis and will pay a fixed rate equal to 4.355% in the event LIBOR floating rate is not greater than 5.4%, and otherwise Sovintel shall pay LIBOR floating rate. As of December 31, 2009, outstanding notional amount was US\$155,790.

On March 5, 2008, VimpelCom entered into an option agreement (zero-cost collar) with Deutsche Bank and received a right to purchase US dollars in the amount of US\$643,620 for Russian rubles at a rate not higher than 26.84 Russian rubles per one US dollar in exchange for granting to Deutsche Bank a right to sell the same amount of US dollars to VimpelCom at a rate not lower than 23.50 Russian rubles per one US dollar. Options were exercisable at various dates ranging from August 2008 to March 2009 and fully exercised as of March 31, 2009.

On October 3, 2008, VimpelCom entered into an option agreement (zero-cost collar) with Vneshtorgbank ( **VTB** ) and received a right to purchase US dollars in the amount of US\$851,813 for Russian rubles at a rate not higher than 33.15 Russian rubles per one US dollar in exchange for the granting to VTB a right to sell the same amount of US dollars to VimpelCom at rate not lower than 24.90 Russian rubles per one US dollar. Options were exercisable at various dates ranging from April 2009 to September 2009 and fully exercised as of September 30, 2009.

In March 2009, VimpelCom entered into a series of forward agreements with BNP Paribas and Citibank to acquire US dollars in the amounts of US\$101,134 and US\$65,558, respectively, at rates ranging from 38.32 to 39.72 Russian rubles per one US dollar, to hedge its short-term US dollar-denominated liabilities due in the fourth quarter of 2009. These forward agreements were fully exercised as of December 31, 2009.

**7. Fair Value of Financial Instruments**

VimpelCom measures financial assets and financial liabilities at fair value on a recurring basis.

The following table provides the disclosure of fair value measurements separately for each major category of assets and liabilities measured at fair value.

Description	Total	Fair Value Measurements as of December 31, 2009 Using		
		Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivatives liabilities	\$ 5,124		\$ 5,124	
Total	\$ 5,124		\$ 5,124	

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***7. Fair Value of Financial Instruments (continued)**

As of December 31, 2009 and December 31, 2008, the fair value of fixed and floating rate bank loans (based on future cash flows discounted at current market rates) was as follows:

	December 31, 2009		December 31, 2008	
	Carrying value	Fair value	Carrying value	Fair value
<b>Loans payable</b>				
Eurobonds	\$ 1,800,647	\$ 1,946,126	\$ 2,000,000	\$ 1,262,770
US\$3,500 million Loan Facility	1,170,000	1,145,071	2,000,000	1,954,077
UBS (Luxemburg) S. A.	1,063,264	1,111,915	1,417,234	1,079,265
Sberbank	1,436,555	1,458,612	829,229	836,340
EUR600 million Loan Facility	632,371	636,793	777,186	781,312
Ruble Bonds	661,284	733,609	340,363	320,337
US\$275 million Loan Facility	190,410	188,001	275,000	268,860
<b>Loans receivable</b>				
Crowell	350,000	324,652	350,000	345,812

The fair value of bank financing, equipment financing contracts and other financial instruments not included in the table above approximates carrying value.

The fair market value of financial instruments, including cash and cash equivalents, which are included in current assets and liabilities, accounts receivable and accounts payable approximates the carrying value of these items due to the short term nature of these amounts.

**8. Property and Equipment**

Property and equipment, at cost, consisted of the following at December 31:

	2009	2008
Telecommunications equipment	\$ 7,206,446	\$ 6,608,140
Land, buildings and constructions	335,675	351,055
Office and measuring equipment	769,097	711,304
Other equipment	370,192	400,713
	8,681,410	8,071,212
Accumulated depreciation	(3,730,395)	(2,828,845)
Equipment not installed and assets under construction	610,554	1,183,506
Total property and equipment, net	\$ 5,561,569	\$ 6,425,873

**9. Telecommunications Licenses and Other Intangible Assets**



Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

Telecommunications licenses acquired directly by VimpelCom were initially recorded at cost. Telecommunications licenses acquired in business combinations were initially recorded at their fair value as of the acquisition date.

F-29

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***9. Telecommunications Licenses and Other Intangible Assets (continued)**

The total gross carrying value and accumulated amortization of VimpelCom's telecommunications licenses as of December 31, 2009 and 2008 were as follows:

	2009	2008
Telecommunications licenses, at cost	\$ 1,240,201	\$ 1,301,169
Accumulated amortization	(697,604)	(588,962)
	<b>542,597</b>	712,207
Telecommunications licenses not in current use		52,576
<b>Total telecommunications licenses, net</b>	<b>\$ 542,597</b>	<b>\$ 764,783</b>

Telecommunication licenses not in current use mainly comprised of GSM telecommunications license owned by Sotelco, for which the business operations have not been started, in the amount of US\$41,741 as of December 31, 2008.

In 2007, VimpelCom acquired Dominanta LLC ( **Dominanta** ) an entity which holds a DVB-H license and, together with Golden Telecom, in February 2008 VimpelCom acquired Colangon-Optim LLC ( **Colangon** ), an entity which holds a DVB-T license. Both licenses gave an opportunity for VimpelCom to provide TV services. However, additional broadcasting licenses were required to start operations, and legislation did not have a mechanism of obtaining such licenses in 2008. Due to the high level of uncertainty on the terms when such licenses could be obtained, the management decided to write-off the value of the DVB-T/DVB-H licenses as of the end of 2008. The total amount of write-off was US\$37,620.

The total gross carrying value and accumulated amortization of VimpelCom's other intangible assets by major intangible asset class as of December 31, 2009 and December 31, 2008 was as follows:

	Weighted average amortization period, years	2009	2008
Telephone line capacity	9.5	\$ 149,077	\$ 144,927
Customer relationships	14.9	763,496	836,374
Other intangible assets	5.0	219,668	228,170
		<b>1,132,241</b>	1,209,471
Accumulated amortization		(431,876)	(326,641)
<b>Total other intangible assets, net</b>	<b>12.3</b>	<b>\$ 700,365</b>	<b>\$ 882,830</b>

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

Amortization expense for all VimpelCom s intangible assets (telecommunications licenses and other intangible assets) for each of the succeeding five years is expected to be as follows:

2010	\$ 254,235
2011	235,315
2012	211,407
2013	144,175
2014	94,671
Thereafter	303,159

F-30

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***10. Impairment of Goodwill and Long-Lived Assets**

The Company has the following reporting units. The change in carrying amount of goodwill for the year ended December 31, 2008 and December 31, 2009 is presented below:

Reporting units	Balance as of	Acquisition	Finalization	Impairment	Translation	Balance as of
	December 31,		of			December 31,
	2007		Purchase		adjustment	2008
			Price			
			Allocation			
Kazakhstan mobile	\$ 180,481	\$ 309,490	\$ (7,045)	\$	\$ (3,220)	\$ 479,706
Kazakhstan fixed	12,911		(12,870)		(41)	
Ukraine mobile	81,999			(53,778)	(28,221)	
Tajikistan mobile	13,063					13,063
Uzbekistan mobile	154,061					154,061
Armenia mobile	135,662				(1,110)	134,552
Armenia fixed	10,211				(84)	10,127
Russia mobile	451,428	453,684			(155,134)	749,978
Russia fixed		2,753,883		(315,049)	(503,379)	1,935,455
<b>Total</b>	<b>\$ 1,039,816</b>	<b>\$ 3,517,057</b>	<b>\$ (19,915)</b>	<b>\$ (368,827)</b>	<b>\$ (691,189)</b>	<b>\$ 3,476,942</b>

Reporting units	Balance as of	Acquisition	Finalization	Impairment	Translation	Balance as of
	December 31,		of			December 31,
	2008		Purchase		adjustment	2009
			Price			
			Allocation			
Kazakhstan mobile	479,706				(88,845)	390,861
Tajikistan mobile	13,063					13,063
Uzbekistan mobile	154,061					154,061
Armenia mobile	134,552				(25,107)	109,445
Armenia fixed	10,127				(1,911)	8,216
Russia mobile	749,978				(21,420)	728,558
Russia fixed	1,935,455				(55,366)	1,880,089
<b>TOTAL</b>	<b>3,476,942</b>				<b>(192,649)</b>	<b>3,284,293</b>

Under provisions of ASC 350, Intangibles – Goodwill and Other, goodwill is tested annually for impairment or upon the occurrence of certain events or substantive changes in circumstances. In performing the first step ( Step 1 ) of the goodwill impairment test in accordance with ASC 350, the Company compared the net book values of its reporting units to their estimated fair values. In determining the estimated fair values of the reporting units, the Company employed a Discounted Cash Flow ( DCF ) analysis. Determining estimated fair values requires the application of significant judgment. The basis for VimpelCom s cash flow assumptions includes historical and forecasted revenue, operating costs and other relevant factors including estimated capital expenditures.

Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

	2009	2008
Discount rate (functional currency)	14.6%-16.0%	16.6%-21.9%
Terminal growth rate	3%-3.5%	3%-3.5%
Start of terminal growth period	7 years-10 years	7 years-10 years

The Company estimates revenue growth rates for each reporting unit and each future year. These rates vary based on numerous factors, including size of market in particular country, GDP (Gross Domestic Product) and

F-31

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***10. Impairment of Goodwill and Long-Lived Assets (continued)**

foreign currency projections, traffic growth, market share and others. In 2009, the Compound Annual Growth Rates ranged from 3.7% to growth by 13.7% in comparison to range of 0%-18% in 2008. In 2009 the average operating income margins ranged from 12.4% to 37.1% (in 2008 the average operating income margins ranged from negative 11.2 % to positive 34.8%).

The results of the DCF analyses were corroborated with other value indicators where available, such as the Company's market capitalization, comparable company earnings multiples and research analyst estimates. Management bases its fair value estimates on assumptions it believes to be reasonable, but which are unpredictable and inherently uncertain.

In 2009, the results of this Step 1 process indicated that there was no impairment of goodwill as the estimated fair values of the reporting units exceeded the carrying values of their net assets. In 2008, the results of this Step 1 process indicated that there was a potential impairment of goodwill in the Russia Fixed and Ukraine Mobile reporting units, as the carrying values of the net assets of the reporting units exceeded their estimated fair values. As a result of the Step 2 analyses, as of December 31, 2008 the Company recorded goodwill impairments of US\$315,049 and US\$53,778 at the Russia Fixed and Ukraine Mobile reporting units, respectively.

To illustrate the magnitude of potential goodwill impairments relative to future changes in estimated fair values, had the fair values of the following material reporting units been hypothetically lower by the percentages listed below, the reporting unit book value would have exceeded fair value as of impairment test date, October 1, 2009, approximately by the following amounts set forth in the table.

	10%	20%	30%
Russia Fixed			191,239
Armenia Mobile		14,087	39,928
Armenia Fixed			23,916

If any of these cases were to occur, Step 2 of the goodwill impairment test would be required to be performed to determine the ultimate amount of impairment loss to record.

As for the other reporting units, a change in fair value of 30% would not cause the reporting unit to fail Step 1.

An increase in the discount rate by one percentage point or a reduction in revenue growth by 10% would result in a decrease in the combined fair value of the reporting units as of impairment test date of approximately US\$2,018,069 and US\$2,104,178, respectively. For the reporting units discussed above, the relative decreases in fair value of reporting unit as of impairment test date would be:

	1% age Point Increase In Discount Rate	10% Decrease in Revenue Growth
Russia Fixed	9.7%	24.2%
Armenia Fixed	6.3%	3.6%
Armenia Mobile	6.7%	6.4%

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

*(Amounts presented are in thousands of US dollars unless otherwise indicated  
and except per share (ADS) amounts)*

**10. Impairment of Goodwill and Long-Lived Assets (continued)****Long Lived Assets**

As a result of the goodwill impairments for the year ended December 31, 2008, the Company also tested the finite-lived intangible assets for impairment pursuant to the provisions of ASC 360-10, Property, Plant and Equipment – Overall (SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*). For the Russia Fixed reporting unit, the undiscounted future cash flows associated with the long-lived assets exceeded the carrying value of those assets, and thus there was no impairment. However, for the Ukraine Mobile reporting unit, because of the decrease in the expected future cash flows due to the projected decline in service revenues (relative to the Company's previous analyses), the Company concluded such assets were impaired, and an asset impairment of US\$36,300 was recognized for the year ended December 31, 2008.

VimpelCom also decided to write-off the value of DVB-T/DVB-H licenses in the year ended December 31, 2008 (*Note 9*).

For the year ended December 31, 2009, no impairment indicators were noted and no loss was recognized.

**11. Software**

The total gross carrying value and accumulated amortization of VimpelCom's software as of December 31, 2009 and December 31, 2008 were as follows:

	<b>2009</b>	<b>2008</b>
Software, at cost	\$ 1,489,107	\$ 1,453,319
Accumulated depreciation	(1,040,852)	(904,153)
<b>Total software, net</b>	<b>\$ 448,255</b>	<b>\$ 549,166</b>

**12. Investments in Associates**

Investments in associates consisted of the following at December 31:

	<b>2009</b>	<b>2008</b>
GTEL Mobilé <sup>(1)</sup>	\$ 265,797	\$ 306,027
Euroset <sup>(2)</sup>	140,095	160,127
Rascom <sup>(3)</sup>	26,840	23,409
Others	4,035	3,987
<b>Total</b>	<b>\$ 436,767</b>	<b>\$ 493,550</b>

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

(1), (2) VimpelCom acquired 49.9% interest in Euroset in October 2008 and 40% interest in GTEL - Mobile in July 2008 (*Note 3*). The following table shows the combined results of operations and financial position of Euroset and GTEL-Mobile:

	<b>2009</b>	<b>2008</b>
Current assets	\$765,550	\$1,063,151
Non-current assets	823,517	689,192
Current liabilities	1,167,541	1,508,505
Non-current liabilities	303,097	5,757
Net assets	118,429	238,081
Share of VimpelCom in net assets	2,869	52,899
Net sales	1,714,598	504,307
Gross profit	576,460	160,857
Net loss	(90,295)	(116,337)
Net loss attributable to VimpelCom	(39,185)	(58,497)

F-33



**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***12. Investments in Associates (continued)**

The difference between the share of VimpelCom in net assets of associates and the carrying amount of investments in associates primarily represents goodwill.

- (3) The Company's share in Rascom CJSC ( **Rascom** ), a company acquired as part of Golden Telecom acquisition (*Note 3*), is 54%. Investment in Rascom does not qualify for accounting under the consolidation method of accounting because the rights of the minority shareholder represent substantive participating rights, and as result, such rights overcome the presumption that the Company controls Rascom. Therefore, the Company accounts for this investment under the equity method. Equity in net income of Rascom for the year ended December 31, 2008 and 2009 was of US\$2,176 and US\$3,862, respectively.

**13. Inventory**

Inventory consisted of the following at December 31:

	<b>2009</b>	<b>2008</b>
Telephone handsets and accessories for sale	\$ 20,255	\$ 78,607
SIM-Cards	17,572	16,205
Equipment for sale	8,886	12,918
Info materials	3,257	11,829
Scratch cards	4,064	7,000
Other inventory	7,885	16,090
<b>Total</b>	<b>\$ 61,919</b>	<b>\$ 142,649</b>

**14. Supplemental Balance Sheet Information**

Other current assets consisted of the following at December 31:

	<b>2009</b>	<b>2008</b>
Short term investments	\$ 406,856	\$ 482
Advances to suppliers	116,576	85,887
Software with a useful life shorter than one year	29,097	29,331
Interest receivable	15,697	32,184
Prepaid taxes	9,989	154,837
Deferred costs related to connection fees	6,505	3,011
Forwards and other derivatives		109,751
Other	42,537	24,996
<b>Total other current assets</b>	<b>\$ 627,257</b>	<b>\$ 440,479</b>

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

Short term investments represent bank deposits carried at amounts of cash deposited with maturity dates within the year ended December 31, 2010. Deposits can be withdrawn prior to the contractual maturity date. In case of early withdrawal interest rate will be decreased.

F-34

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***14. Supplemental Balance Sheet Information (continued)**

Other non-current assets consisted of the following at December 31:

	<b>2009</b>	<b>2008</b>
Long term loans granted to Crowell	\$ 395,792	\$ 350,000
Frequencies and permissions	107,118	113,972
Unamortized debt issue costs	96,016	81,142
Long term deposits	78,880	
Long term advances	29,364	56,486
Long term input VAT	27,941	41,222
Prepayments to suppliers for long-lived assets	23,904	56,953
Other long-term assets	33,072	25,727
<b>Total other non-current assets</b>	<b>\$ 792,087</b>	<b>\$ 725,502</b>

As of December 31, 2009, long term loan receivable represents the loan granted to Crowell and related long-term interest accrued in the amount of US\$45,792 (Note 4). As of December 31, 2008, the loan has been recorded in long term loans receivable and related short-term interest in the amount of US\$26,790 in other current assets.

Long term deposits represent bank deposits carried at amounts of cash deposited with primarily maturity date of January, 2011. Deposits can be withdrawn prior to the contractual maturity date. In case of early withdrawal interest rate will be decreased.

Other current accrued liabilities consisted of the following at December 31:

	<b>2009</b>	<b>2008</b>
Cash rights for shares of Golden Telecom	\$ 145,930	\$ 145,930
Interest payable	94,299	84,606
Short-term deferred revenue	28,713	17,002
Deferred consideration for associates	12,500	25,000
Other accrued liabilities	34,224	16,217
<b>Total current accrued liabilities</b>	<b>\$ 315,666</b>	<b>\$ 288,755</b>

Cash rights for shares of Golden Telecom represents amount not paid to the previous shareholders of Golden Telecom as of December 31, 2009.

Other non-current liabilities consisted of the following at December 31:

<b>2009</b>	<b>2008</b>
-------------	-------------

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

FIN 48 provision, long-term portion	\$ 73,621	\$ 29,470
Asset retirement obligations	37,916	29,717
Long term deferred revenue	35,766	29,470
Derivatives	3,961	8,544
Other non-current liabilities	13,372	25,624
Total other non-current liabilities	\$ 164,636	\$ 122,825

F-35

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

*(Amounts presented are in thousands of US dollars unless otherwise indicated  
and except per share (ADS) amounts)*

**14. Supplemental Balance Sheet Information (continued)**

The following table summarizes the movement in asset retirement obligations for the years ended December 31, 2009 and December 31, 2008:

	<b>2009</b>	<b>2008</b>
Asset retirement obligations at the beginning of the reporting period	\$ 29,717	\$ 21,095
Liabilities incurred in the current period	3,900	6,009
Accretion expense	2,027	1,948
Increase as a result of changes in estimates	2,936	5,892
Foreign currency translation adjustment	(664)	(5,227)
Asset retirement obligations at the end of the reporting period	<b>\$ 37,916</b>	<b>\$ 29,717</b>

The accretion expense was included in depreciation in the accompanying consolidated statements of income.

**15. Short and Long Term Debt**

VimpelCom finances its operations using a variety of lenders in order to minimize total borrowing costs and maximize financial flexibility. The Company continues to use bank debt, lines of credit and notes to fund operations, including capital expenditures.

The following table provides a summary of outstanding bank loans, equipment financing indebtedness, capital lease obligations and other debt as of:

	<b>December 31, 2009</b>	<b>December 31, 2008</b>
Bank loans, less current portion	\$ 5,356,655	\$ 6,405,492
Long-term portion of equipment financing	182,935	127,807
Long-term portion of capital leases	316	406
Total long-term debt	\$ 5,539,906	\$ 6,533,705
Bank loans, current portion	\$ 1,729,364	\$ 1,705,777
Short-term portion of equipment financing	79,830	88,704
Short-term portion of capital leases	3,947	739
Other debt		114,001
Bank and other loans, current portion	\$ 1,813,141	\$ 1,909,221

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***15. Short and Long Term Debt (continued)**

Bank loans consisted of the following as of December 31:

	<b>2009</b>	<b>2008</b>
Eurobonds <sup>(1)</sup>	\$ 1,800,647	\$ 2,000,000
Sberbank <sup>(2)</sup>	1,436,555	829,230
US\$3,500 million Loan Facility (Facility B) <sup>(3)</sup>	1,170,000	2,000,000
UBS (Luxembourg) S.A. <sup>(4)</sup>	1,063,264	1,417,234
Ruble Bonds <sup>(5)</sup>	661,284	340,363
EUR600 million Loan Facility <sup>(6)</sup>	632,371	777,179
Citibank International plc <sup>(7)</sup>	190,410	275,000
Svenska Handelsbanken AB <sup>(8)</sup>	57,671	81,866
US\$275 million Loan Facility <sup>(9)</sup>	44,740	61,191
Standart Bank PLC loan to URS <sup>(0)</sup>	20,000	100,000
Bayerische Hypo- und Vereinsbank AG <sup>(11)</sup>	9,001	25,020
EBRD loan to KaR-T&I <sup>(2)</sup>		127,965
Raiffeisenbank Austria loan to URS <sup>(3)</sup>		32,000
Bayerische Landesbank loan to URS <sup>(4)</sup>		32,000
OTP Bank loan to URS <sup>(5)</sup>		10,000
Other loans	76	2,221
	<b>\$ 7,086,019</b>	<b>\$ 8,111,269</b>
Less current portion	(1,729,364)	(1,705,777)
<b>Total long-term bank loans</b>	<b>\$ 5,356,655</b>	<b>\$ 6,405,492</b>

<sup>(1)</sup> On April 30, 2008, VIP Finance Ireland Limited completed an offering of an aggregate principal amount of US\$2,000,000 loan participation notes, split equally between five-year and 10-year tranches, for the sole purpose of funding loans in an aggregate principal amount of US\$2,000,000 to VimpelCom. The five-year US\$1,000,000 issue (the **2013 Notes**) and related loan in the same principal amount bear interest at an annual rate of 8.375% payable semi-annually and are due in April 2013. The 10-year US\$1,000,000 issue (the **2018 Notes**) and related loan in the same principal amount bear interest at an annual rate of 9.125% payable semi-annually and are due in April 2018. The loan participation notes are listed on the Irish Stock Exchange and are with limited recourse to VIP Finance Ireland Limited. VimpelCom raised this financing (i) to repay Facility A under the loan agreement entered into on February 8, 2008 (as described below), in connection with its acquisition of Golden Telecom and (ii) to continue the development and expansion of the Company's networks, including through possible acquisitions or investments in existing wireless operators within Russia or abroad, by establishing new wireless operators or by entering into local partnerships or joint ventures within Russia or abroad. Deferred financing costs relating to the 2013 Notes offering and 2018 Notes offering (which include gross issuance costs) comprised US\$8,027 and US\$8,327 respectively and will be amortized over 5 and 10 years respectively.

In October 2009, VimpelCom completed the partial repurchase of an aggregate principal amount of US\$199,353 of its US\$1,000,000 8.375% 2013 Notes. The 2013 Notes were purchased on October 14, 2009 with a 4.75% premium over the notes' nominal value. The payment for the repurchased notes also included accrued interest. Related effect in the amount of US\$9,470 was recognized in other (expenses)/income, net in the statement of income.

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

- (2) In April 2004, Sberbank provided a five-year, US dollar denominated, secured, non-revolving credit line of US\$130,000 to VimpelCom. The loan was to be repaid in eight equal installments, on a quarterly basis, commencing February 27, 2007. The interest rate as of December 31, 2007, was 8.5% per annum and was subject to change by Sberbank upon the occurrence of certain events. Under the loan agreement, VimpelCom was subject to certain defined debt covenant restrictions, including several restrictions related to financial condition. From November 1, 2008, Sberbank increased the interest rate to 9.25%. On April 14 2009, VimpelCom repaid the principal amount outstanding under this loan facility. As of December 31, 2009, there was no debt outstanding under this loan facility.

On August 31, 2006, Sberbank provided VimpelCom with a three-year Russian ruble denominated, secured, non-revolving credit line in the amount of RUR6,000 million (US\$198,385 at the exchange rate as of December 31, 2009). The loan bore annual interest at a rate of 8.5%, which could be changed by Sberbank upon the occurrence of certain events. The loan was to be repaid in three quarterly installments, the first of which was on February 27, 2009, and the last of which was on August 30, 2009. On February 26, 2007, VimpelCom drew down RUR6,000 million under this non-revolving credit line with Sberbank. From November 1, 2008, Sberbank

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***15. Short and Long Term Debt (continued)**

increased the interest rate to 9.75%. On August 31, 2009, VimpelCom repaid the outstanding indebtedness under this loan facility. As of December 31, 2009, there was no debt outstanding under this loan facility.

On February 14, 2008, VimpelCom signed a five year credit line with Sberbank in the amount of US\$750,000, to be drawn down in Russian rubles at the exchange rate at the date of the draw down. The credit line bears annual interest at a rate of 9.5% for the first two years and 9.25% for the third and subsequent years. The Company borrowed RUR17,886 million (equivalent to US\$591,399 at the exchange rate as of December 31, 2009) during 2008. On November 1, 2008, Sberbank increased the interest rate to 11.0%. On March 1, 2009, Sberbank again increased the interest rate to 13.0%. The amount of debt outstanding under this loan as of December 31, 2009 was US\$591,399.

On March 10, 2009, VimpelCom signed a ruble-denominated, secured, loan agreement with Sberbank in the amount of RUR8,000 million (equivalent to US\$223,855 at the exchange rate as of March 10, 2009). The loan agreement matures on December 27, 2011. According to the provisions of the loan agreement, the interest rate of 17.5% per annum may be increased up to 19.0% per annum in case of occurrence of certain events. The interest rate can also be raised unilaterally by Sberbank upon 30 days notice, in which case VimpelCom will have the right to prepay the loan in full without penalty at any time within 30 days after receipt of the notice. On May 29, 2009, VimpelCom made a drawdown in the amount of RUR8,000 million (the equivalent to US\$255,380 at the exchange rate as of May 29, 2009) under this loan agreement. At the moment of the drawdown, the actual interest rate under this loan facility was 17.5% per annum. On June 28, 2009, Sberbank decreased the interest rate on this loan facility from 17.5% to 17.25% and the maximum interest rate to 18.75%. On September 1, 2009, Sberbank decreased the interest rate on this loan facility to 16.25% and the maximum interest rate to 17.75%. The indebtedness under this loan agreement is secured by the pledge of telecommunication equipment in the amount of RUR8,485 million (the equivalent to US\$280,550 at the exchange rate as of December 31, 2009). As of December 31, 2009, the principal amount of debt outstanding under this facility was RUR8,000 million (equivalent to US\$264,514 at the exchange rate as of December 31, 2009).

On March 10, 2009, VimpelCom also signed a secured loan agreement with Sberbank in the amount of US\$250,000. The loan agreement matures on December 27, 2012. According to the provisions of the loan agreement, the initial interest rate of 12.0% per annum may be increased up to 13.0% per annum in case of occurrence of certain events. The interest rate can also be raised unilaterally by Sberbank upon 30 days notice, in which case VimpelCom will have the right to prepay the loan in full without penalty at any time within 30 days after receipt of the notice. On May 29, 2009, VimpelCom made a drawdown in the amount of US\$250,000 under this loan agreement. At the moment of the drawdown, the actual interest rate under this loan facility was 12.0% per annum. VimpelCom agreed with Sberbank to decrease the interest rate on this loan facility from 12.0% to 11.5% per annum and the maximum interest rate from 13.0% to 12.5%, starting from June 28, 2009. VimpelCom also agreed with Sberbank to decrease the interest rate on this loan facility from 11.5% to 11.00% per annum and the maximum interest rate from 12.5% to 12.0%, starting from September 1, 2009. The indebtedness under this loan agreement is secured by the pledge of telecommunication equipment in the amount of US\$325,764. As of December 31, 2009, the principal amount of debt outstanding under this facility was US\$250,000.

On August 28, 2009, VimpelCom signed an unsecured three and a half year loan agreement with Sberbank in the amount of RUR10,000 million (equivalent to US\$316,051 at the exchange rate as of August 28, 2009). The loan agreement matures on April 30, 2013. According to the provisions of the loan agreement, the interest rate of 15.0% per annum may be increased up to 15.25% per annum in case of occurrence of certain events. The interest rate can also be raised by Sberbank upon 30 days notice, in which case VimpelCom will have the right to prepay the loan in full without penalty at any time within 30 days after receipt of the notice. On August 31, 2009, VimpelCom made a drawdown in the amount of RUR10,000 million (equivalent to US\$316,769 at the exchange rate as of August 31, 2009) under this loan agreement. At the moment of the drawdown the actual interest rate under this loan was 15.0% per annum. As of December 31, 2009, the principal amount of debt outstanding under this facility was RUR10,000 million (equivalent to US\$330,642 at the exchange rate as of December 31, 2009).

(3)



## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

On February 8, 2008, VimpelCom entered into a loan agreement for an aggregate principal amount of US\$3,500,000. The loan agreement included a US\$1,500,000 bridge term loan facility ( **Facility A** ) and a US\$2,000,000 term loan facility ( **Facility B** ) to partially finance the acquisition of Golden Telecom by a subsidiary of the Company. Facility A was required to be refinanced within 12 months by an issuance of bonds or other form of financing, subject to market conditions. Facility B is required to be repaid in equal semi-annual installments starting from the date falling 12 months after the signing date. Facility A bore interest at London Interbank Offered Rate ( **LIBOR** ) plus margins of 0.75% per annum for first 6 months; 1% per annum for the period from 7 to 9 months; and 1.25% per annum thereafter. Facility B bears interest at LIBOR plus a margin of 1.5% per annum. On February 19, 2008, VimpelCom drew down US\$3,500,000 under the loan agreement. On May 6, 2008, the Company fully repaid Facility A from the proceeds of two loans from VIP Finance Ireland Limited in an aggregate principal amount of US\$2,000,000, funded by the issuance of limited-recourse loan participation notes by VIP Finance Ireland Limited on April 30, 2008 (as described above).

F-38

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***15. Short and Long Term Debt (continued)**

On April 28, 2009, VimpelCom signed an Amendment Agreement in relation to the US\$3,500,000 Facility Agreement dated February 8, 2008, and as amended by an Amendment and Transfer Agreement dated March 28, 2008. In accordance with the terms of the Amendment Agreement, certain financial covenants and general undertakings were changed, including, among others, decrease of the required minimum level of Total Shareholders Equity from US\$3,000,000 to US\$2,000,000, which will be applicable to the financial statements for the first three quarters of 2009 and for the 2009 financial year. Starting from the financial statements for the first quarter of 2010 and thereafter, the requirement of the minimum level of Total Shareholders Equity will be returned to the level of US\$3,000,000. As of December 31, 2009, the principal amount of debt outstanding under this facility was US\$1,170,000.

- (4) Starting in June of 2004, VimpelCom entered into a series of loan agreements (the **Loans**) with UBS (Luxembourg) S.A., ( **UBS** ), whereby various amounts were borrowed to finance operations and capital expenditures. UBS then completed a series of offerings of loan participation notes (the **Notes**) for the sole purpose of funding the loans to VimpelCom. The Notes are listed on the Luxembourg Stock Exchange and are without recourse to UBS.

In October 2009, VimpelCom completed the partial repurchase of an aggregate principal amount of US\$115,236 of its US\$300,000 8.375% Loan Participation Notes due 2011 issued by, but without recourse to, UBS for the sole purpose of funding a loan totaling US\$300,000 to the Company (the **2011 Notes**). The 2011 Notes were purchased on October 22, 2009 with a 6.625% premium over the notes' nominal value. Related effect in the amount of US\$7,634 was recognized in other (expenses)/income, net in the statement of income.

On May 22, 2006, UBS and VimpelCom entered into a Loan for US\$600,000. UBS completed an offering of US\$600,000 8.25% loan participation notes due 2016 (the **2016 Notes**) for the sole purpose of funding such US\$600,000 loan (the **2016 Loan**) to VimpelCom. US\$367,234 principal amount of the 2016 Notes was issued in a concurrent offer (the **Concurrent Offer**) for cash consideration and US\$232,766 principal amount of the 2016 Notes was issued in an exchange offer (the **Exchange Offer**) in exchange for an equal principal amount of validly tendered and accepted 10.0% loan participation notes due 2009 (the **2009 Notes**) issued in June and July 2004. As a consequence of the Exchange Offer, the obligation of UBS to advance the remaining US\$232,766 principal under the 2016 Loan was offset against the tendered 2009 Notes, thereby reducing the aggregate outstanding principal amount due under the Loans due June 16, 2009 from US\$450,000 to US\$217,234. Deferred financing costs relating to the 2016 Notes offering (which includes gross issuance cost and the compensatory fee connected with the Exchange Offer) comprised US\$28,421 and will be amortized over 10 years.

The following table outlines the amounts borrowed and the respective interest rates and due dates for each series of the Loans and the 2016 Loan.

<b>Date Borrowed</b>	<b>Due Date</b>	<b>Payment Period</b>	<b>Amount Borrowed</b>	<b>Interest Rate</b>	<b>31-Dec-09</b>	<b>31-Dec-08</b>
16-Jun-04	16-Jun-09	Semi-annually	\$ 250,000	10%	\$	\$ 17,234
14-Jul-04	16-Jun-09	Semi-annually	\$ 200,000	10%		200,000
22-Oct-04	22-Oct-11	Semi-annually	\$ 300,000	8.38%	184,764	300,000
11-Feb-05	11-Feb-10	Semi-annually	\$ 300,000	8%	278,500	300,000
22-May-06	22-May-16	Semi-annually	\$ 600,000	8.25%	600,000	600,000
Total					\$ 1,063,264	\$ 1,417,234

(5)

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

On July 25, 2008, VimpelCom issued Russian ruble-denominated bonds in an aggregate principal amount of RUR10,000 million (US\$427,749 at exchange rate as of July 25, 2008). The bonds are due on July 19, 2013, and bondholders had a put option exercisable on January 26, 2010, at 100% of nominal value plus accrued interest. Interest is to be paid semi-annually. The annual interest rate for the first three payment periods is 9.05%. VimpelCom will determine the annual interest rate for subsequent periods no later than seven business days before the third interest payment. The aggregate amount of debt outstanding under these bonds as of December 31, 2009 was RUR10,000 million (equivalent to US\$330,642 at the exchange rate as of December 31, 2009) and is included in short-term debt in the consolidated balance sheet as of December 31, 2009 because of the put option described above.

On July 14, 2009, VimpelCom issued Russian ruble-denominated bonds in an aggregate principal amount of RUR10,000 million (the equivalent to US\$302,483 at the exchange rate as of July 14, 2009). The bonds are due on July 8, 2014. Interest will be paid semiannually. The annual interest rate for the first four payment periods is 15.2%. VimpelCom will determine the annual interest rate for subsequent periods based on market conditions. Bond holders will have the right to sell their bonds to VimpelCom when the annual interest rate for subsequent periods is announced at the end of the fourth payment period. As of December 31, 2009, the aggregate principal amount of debt outstanding under these bonds was RUR10,000 million (equivalent to US\$330,642 at the exchange rate as of December 31, 2009).

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***15. Short and Long Term Debt (continued)**

- (6) On October 15, 2008, VimpelCom signed an unsecured loan agreement with The Bank of Tokyo-Mitsubishi UFJ, Ltd., Barclays Capital, BNP Paribas, Commerzbank Aktiengesellschaft, Standard Bank Plc, Sumitomo Mitsui Banking Corporation Europe Limited and WestLB AG, London Branch as mandated lead arrangers and bookrunners and Standard Bank Plc as agent. On the signing date, VimpelCom borrowed the total committed amount of EUR476 million. In November and December 2008, the agreement was amended to increase the commitments by EUR75 million. The facility is required to be repaid in five equal semi-annual installments starting from October 16, 2009. The rate of interest for the facility is EURIBOR plus 2.30% per annum.

On April 28, 2009, VimpelCom signed an amendment pursuant to which certain financial covenants and general undertakings were changed, including, among others, a decrease of the required minimum level of Total Shareholders Equity from US\$3,000,000 to US\$2,000,000, which will be applicable to the financial statements for the first three quarters of 2009 and for the 2009 financial year. Starting from the financial statements for the first quarter of 2010 and thereafter, the required minimum level of Total Shareholders Equity will be returned to the level of US\$3,000,000. As of December 31, 2009, the principal amount of debt outstanding under this facility was EUR441 million (equivalent to US\$632,371 at the exchange rate as of December 31, 2009).

- (7) As of the date of VimpelCom's acquisition of Golden Telecom (*Note 3*), Golden Telecom was a party to a five-year term facility agreement (the **Facility Agreement**) with banks, financial institutions and other institutional lenders as lenders, Citibank, N.A. London Branch and ING Bank N.V. as mandated lead arrangers, and Citibank International plc as agent. The Facility Agreement established an unsecured credit facility under which certain wholly owned subsidiaries of Golden Telecom, may borrow up to an aggregate of US\$275,000. The Facility Agreement bears interest at a rate equal to LIBOR plus 1.5% per annum for the first twenty-four months and LIBOR plus 2% per annum thereafter and matures in January 2012. In April 2008, EDN Sovintel LLC (**Sovintel**), a wholly owned subsidiary of Golden Telecom, borrowed an additional US\$50,000 under the Facility Agreement. The set of covenants was amended to be similar to those in VimpelCom's syndicated facility agreements. The outstanding principal amount of debt under the Facility Agreement as of December 31, 2009 was US\$190,410.
- (8) On February 24, 2004, Svenska Handelsbanken AB provided a seven-year, US dollar denominated credit line of US\$69,700 to VimpelCom under guarantee of the Swedish Export Credits Guarantee Board (**EKN**). The loan is to be repaid in fourteen equal installments, on a semi-annual basis, commencing not later than November 20, 2004. The loan bears interest at the rate of six-month LIBOR plus 0.325%, which is payable semi-annually. Under the loan agreement, VimpelCom is subject to certain defined debt covenant restrictions, including several restrictions related to financial condition. The principal amount outstanding under this credit line as of December 31, 2009, was US\$14,940.

On November 3, 2005, VimpelCom signed a US\$99,705 loan agreement with Svenska Handelsbanken AB under an EKN guarantee. The loan bears interest at LIBOR plus 0.325% per annum. Each tranche borrowed under this loan is to be repaid in fourteen equal installments on a semi-annual basis commencing not later than May 30, 2006. The facility was available for drawing until and including April 30, 2006. As of December 31, 2009, the principal amount of debt outstanding under this loan agreement was US\$42,731.

- (9) On November 1, 2006, VimpelCom signed a six-year US\$99,350 loan agreement arranged by Citibank N.A., and insured by Euler Hermes Kreditversicherungs AG. The loan bears interest at the rate of LIBOR plus 0.1% per annum. The first tranche borrowed under this loan is to be repaid in twelve equal installments on a semi-annual basis commencing on November 21, 2006. The second tranche borrowed under this loan is to be repaid in twelve equal installments on a semi-annual basis commencing not later than May 6, 2007. The principal amount of debt outstanding under this loan as of December 31, 2009 was US\$44,740.
- (10) On March 26, 2007, VimpelCom's wholly owned subsidiary Ukrainian Radio Systems CJSC (**URS**) signed a US\$100,000 loan agreement with Standard Bank Plc, SMBC and VTB Bank Europe plc. The facility bears interest at a rate of LIBOR plus 1.15%. The loan will be repaid in five installments, starting from March 26, 2009. As of December 31, 2009, the principal amount of debt outstanding under this facility was US\$20,000.
- (11) On June 30, 2005, VimpelCom signed two unsecured loan agreements in an aggregate amount of US\$59,000 with Bayerische Hypo- und Vereinsbank AG and Nordea Bank AB. The loans have identical terms and bear interest at LIBOR plus 0.35% per annum. The first loan is to be repaid in ten equal installments on a semi-annual basis commencing November 7, 2005, and the second loan is to be repaid in ten equal installments on a semi-annual basis commencing November 18, 2005. As of December 31, 2009, the aggregate principal amount outstanding under these loan agreements was US\$5,855.

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

On June 30, 2005, Vostok-Zapad Telecom, at the time a subsidiary of VimpelCom and since merged into VimpelCom, signed a US\$22,525 loan agreement with Bayerische Hypo- und Vereinsbank AG and Nordea Bank AB under ECA guarantee. In 2006, Vostok-Zapad Telecom was merged into VimpelCom and VimpelCom assumed Vostok-Zapad Telecom's obligations under this loan facility. The loan bears interest at LIBOR plus 0.35% per annum. The first tranche borrowed under this loan agreement is to be repaid in ten equal installments on a semi-annual basis commencing November 16, 2005, and the second tranche is to be repaid in ten installments on a semi-annual basis commencing April 18, 2006. As of December 31, 2009, the principal amount outstanding under this loan agreement was US\$3,146.

F-40

---

**Table of Contents**

**Open Joint Stock Company Vimpel-Communications**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

*(Amounts presented are in thousands of US dollars unless otherwise indicated*

*and except per share (ADS) amounts)*

**15. Short and Long Term Debt (continued)**

- (12) On December 16, 2005, KaR-Tel signed a US\$100,000 loan agreement with the EBRD. The EBRD granted US\$50,000 from its own sources and another US\$50,000 was granted by participation with a group of banks. The original interest rate was LIBOR plus 3.9% for the first \$50,000 tranche and LIBOR plus 3.5% for the second \$50,000 tranche. On December 29, 2007, KaR-Tel and the EBRD amended the loan agreement to increase the amount of the loan facility available to KaR-Tel up to US\$130,000 and to amend certain other terms and conditions. EBRD provided US\$65,000 from its own sources, and the remaining US\$65,000 was provided by a group of banks. The interest rate was 6-month LIBOR plus 2.05% per annum for the tranche provided by EBRD and 6-month LIBOR plus 1.85% per annum for the tranche provided by the group of banks. The amended agreement allowed for the extension of the debt up to 7 years and was effected from April 10, 2008. The loan had a number of financial covenants that in case of breach would require KaR-Tel to repay the debt before the stated maturity date. On November 30, 2009, the outstanding balance, including the accrued interest, under this loan facility in an aggregate amount of US\$131,855 was fully prepaid. There was no outstanding amount under this loan facility as of December 31, 2009.
- (13) On October 19, 2006, URS signed a US\$40,000 loan agreement with Raiffeisen Zentralbank Österreich Aktiengesellschaft. The facility bore interest at a rate of LIBOR plus 1.25%. The loan was to be repaid in five equal quarterly installments starting on October 17, 2008. On October 19, 2009, URS fully repaid the outstanding indebtedness. As of December 31, 2009, there was no debt outstanding under this loan facility.
- (14) On December 12, 2006, URS signed a US\$40,000 loan agreement with Bayerische Landesbank. The facility bore interest at a rate of LIBOR plus 1.0%. The loan was to be repaid in five equal quarterly installments starting on December 19, 2008. On December 11, 2009, URS fully repaid the outstanding indebtedness. As of December 31, 2009, there was no debt outstanding under this loan facility.
- (15) On November 9, 2006, URS signed a US\$20,000 loan agreement with OTP Bank (formerly Raiffeisen Ukraine). The facility bore annual interest at a rate of LIBOR plus 3.0%. The loan was to be repaid in four equal quarterly installments starting on January 20, 2009. On April 21, 2009, URS fully prepaid the outstanding indebtedness under this loan facility. As of December 31, 2009, there was no debt outstanding under this loan facility.

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***15. Short and Long Term Debt (continued)****Equipment Financing Obligations**

VimpelCom has entered into agreements with different equipment vendors for the purchase and installation of mobile telecommunications GSM network equipment. These agreements allow for the expenditures to be deferred similar to a long term debt agreement. The following table provides a summary of VimpelCom's material outstanding equipment financing indebtedness, including bank loans obtained for the purposes of financing equipment purchases.

Borrower	Vendor/Lender	Interest rate	Outstanding debt as of December 31,		Maturity date	Security
			2009	2008		
VimpelCom	Unicredit - HVB	AB SEK Rate +0,75%	\$ 90,281	\$	Semiannually, final June 15, 2016	EKN guarantee
VimpelCom	HSBC	6 month MOSPRIME + 0.08%	46,717	58,375	Semiannually, September 28, 2007 March 2014	EKN guarantee
VimpelCom	Cisco	16%	42,571		Quarterly, 2012	Network equipment
KaR-Tel	BayernLB (Hermes2)	6 month LIBOR + 0.38%	28,422	37,824	Semiannually, final December 27, 2012	EHECA guarantee
Sotelco	Huawei	6 month LIBOR +2,1%	19,351		Semiannually, June, 2016	VimpelCom guarantee, Sinasure guarantee
Unitel	Huawei	8%	14,620	30,818	Various dates through 2008	Network equipment
ArmenTel	BNP Paribas	6 month EURIBOR +0.9%	6,939	9,991	Various dates through 2010	None
ArmenTel	Intracom SA	from 3 month EURIBOR + 1.5% to 12 month EURIBOR + 1.5%, 12 month LIBOR plus 1.5%	4,970	14,728	Various dates through 2011	None
KaR-Tel	Citibank International Plc	6 month LIBOR +0.25%, 6 month LIBOR +0.30%	4,462	29,498	Semiannually, January 24, 2007 August 28, 2011	VimpelCom guarantee
Tacom	Huawei	8%	351	3,195	Various dates through 2008	Network equipment
KaR-Tel	HVB	6 month LIBOR +0.2%, 6 month LIBOR +0.4%		24,345	Semiannually, final December 21, 2011	ATF Bank guarantee
ArmenTel	Siemens A.E	3 month EURIBOR +1.5%		1,058	Various dates through 2012	None
Other			4,081	6,679		
Total equipment financing			\$ 262,765	\$ 216,511		
Less current portion			(79,830)	(88,704)		

Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

Long-term equipment financing

\$ 182,935    \$ 127,807

F-42



**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***15. Short and Long Term Debt (continued)**

Future payments under bank loans, equipment financing and capital lease agreements and other debt are as follows:

2010	1,813,141
2011	1,963,216
2012	731,688
2013	1,198,547
2014	23,332
Thereafter	1,623,123
<b>Total</b>	<b>7,353,047</b>

**Other Debt**

In April 2007, VimpelCom entered into an agreement to sell a 33.3% ownership interest in its wholly-owned subsidiary, Freevale Enterprises, Inc. (BVI) for a sale price of US\$20,000. Freevale Enterprises owns 21.0% of Unitel. The sale effectively represents 7% of Unitel. The transaction was finalized on June 14, 2007. In connection with this agreement, the purchaser granted to VimpelCom an option to acquire the entire remaining interest held by the purchaser and, simultaneously, VimpelCom granted to the purchaser an option to sell to VimpelCom the entire remaining interest held by the purchaser. Under the terms of the options, the future price was to be based on a formula; however in no event could the future price be less than US\$57,500 or more than US\$60,000. Following the provisions of EITF No. 00-4, Majority Owner's Accounting for a Transaction in the Shares of a Consolidated Subsidiary and a Derivative Indexed to the Minority Interest in That Subsidiary (primarily codified in ASC 480-10-55, Distinguishing Liabilities from Equity-Overall-Implementation Guidance and Illustration), the sale consideration was accounted for as a secured borrowing of US\$20,000. On September 23, 2009, upon the purchaser's exercise of the option to sell to VimpelCom 33.3% of the shares of Freevale Enterprises, VimpelCom completed the purchase of the Freevale Enterprises shares for a total consideration of US\$57,500. As a result of the transaction, VimpelCom's indirect ownership in Unitel increased to 100%. The transaction was accounted for as a repayment of debt. As of December 31, 2009, there was no amount of debt outstanding under this agreement.

In November and December 2008, Vimpelcom issued promissory notes in the amount of RUR2,399 million (the equivalent to US\$86,787 at the exchange rate as of the date of issuance). The promissory notes were issued as an advance payment to secure future services. The promissory notes were ruble-denominated and bore no interest, maturing at weekly intervals within the period up to November 2009. As of June 30, 2009, the outstanding indebtedness amounted to RUR939 million (the equivalent to US\$30,009 at the exchange rate as of June 30, 2009). As of September 30, 2009, VimpelCom fully repaid the outstanding indebtedness in the amount of RUR929 million (equivalent to US\$30,872 at the exchange rate as of September 30, 2009), including some portion repaid before maturity. The gain on extinguishment of debt before maturity was US\$319.

**16. Equity**

In 1996, VimpelCom issued 6,426,600 shares of preferred stock. As of December 31, 2009 and 2008, all of the shares of preferred stock were owned by Eco Telecom Limited ( **Eco Telecom** ). Each share of preferred stock entitles its holder to (i) one vote, (ii) to receive a fixed dividend of .001 ruble per share per year and (iii) to receive a fixed liquidation value of .005 Russian rubles per share in the event of VimpelCom's liquidation, to the extent there are sufficient funds available. As of December 31, 2009, the official exchange rate was



**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***16. Equity (continued)**

30.2442 rubles per 1 US dollar. Each share of preferred stock is convertible into one share of common stock at any time after June 30, 2016, at the election of the holder upon payment to VimpelCom of a conversion premium equal to 100% of the market value of one share of common stock at the time of conversion.

On December 14, 2006, the VimpelCom's Board approved Amendment No. 4 to the Amended and Restated Stock Options Plan (the **Plan**) in order to increase the maximum aggregate number of shares authorized under the Plan from 650,000 to 1,050,000. In May 2007, 800,000 ADSs (the equivalent of 200,000 shares of the Company's common stock, prior to the adjustment in the ADS ratio mentioned below) were repurchased at an average price of US\$101.29 (pre-ADS split as discussed below), for a total aggregate consideration of approximately US\$81,069.

In June and July 2008, VC ESOP N.V. purchased 200,000 shares of VimpelCom's common stock for US\$114,476 in open market transactions, the purchased shares were utilized for the issuance of stock based compensation awards under the Plan.

The shares held by VC ESOP N.V. (566,443 shares and 663,614 shares as of December 31, 2009 and 2008, respectively) were treated as treasury shares in the accompanying consolidated financial statements.

In March 2007, the Board approved the Company's dividend policy. Subject to the constraints and guidelines contained in the dividend policy as well as those under Russian law, the policy contemplates that the Board will recommend the payment of cash dividends annually and the amount of the annual dividend will generally be equal to at least 25.0% of the consolidated net income (which is equivalent to net income attributable to VimpelCom following the Company's adoption of SFAS 160), as determined under US GAAP.

In 2007, a dividend was paid in the amount of RUR166.88 per share of the common stock (or approximately US\$0.32 per ADS based on the Russian Central Bank exchange rate as of date of approval, June 29, 2007, as adjusted for the change in the ADS ratio mentioned below) based on the results of the 2006 fiscal year, amounting to a total of RUR8.6 billion (or approximately US\$331,742 based on the Russian Central Bank exchange rate as of June 29, 2007). In accordance with Russian tax legislation, VimpelCom withheld a tax of up to 30% on the dividend amount upon payment, which was approximately RUR1.2 billion (or approximately US\$44,664 based on the Russian Central Bank exchange rate as of June 29, 2007).

At the Annual General Shareholders Meeting held on June 9, 2008 the shareholders approved payment of a cash annual dividend to holders of common registered shares in the amount of 270.01 Russian rubles per common share of VimpelCom stock, or approximately US\$0.57 per ADS based on the Russian Central Bank exchange rate as of June 9, 2008 based upon the results of the 2007 fiscal year, amounting to a total of RUR13.85 billion (or approximately US\$588,580 based on the Russian Central Bank exchange rate as of June 9, 2008). In accordance with Russian tax legislation, VimpelCom withheld a tax of up to 15% on the dividend amount, which was approximately RUR1.9 billion (or approximately US\$79,080 based on the Russian Central Bank exchange rate as of June 9, 2008).

On December 17, 2009, the Extraordinary General Meeting of Shareholders of the Company approved an interim dividend payment based on the operating results for the nine months ended September 30, 2009 in the amount of RUR190.13 per common share of VimpelCom common stock (the equivalent to US\$0.31 per ADS at

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***16. Equity (continued)**

the exchange rate as of December 17, 2009), amounting to a total of approximately RUR9.75 billion (the equivalent to US\$322,873 at the exchange rate as of December 17, 2009). In accordance with Russian tax legislation, VimpelCom is required to withhold a tax of up to 15% on dividend payments which was approximately RUR1.3 billion (or approximately US\$43,465 based on the Russian Central Bank exchange rate as of December 17, 2009).

On August 8, 2007, VimpelCom announced a change in the ratio of its ADSs traded on the NYSE from four ADSs for one common share to 20 ADSs for one common share effective August 21, 2007. The distribution date to ADS holders was August 21, 2007. There were no changes to VimpelCom's underlying common shares. All amounts in the accompanying financial statements have been restated to reflect the revised ratio, except where otherwise indicated.

Each outstanding share of VimpelCom's common stock entitles its holder to participate in shareholders meetings, to receive dividends in such amounts as have been validly approved by shareholders, and in the event of VimpelCom's liquidation, to receive part of VimpelCom's assets to the extent there are sufficient funds available.

In accordance with Russian legislation, VimpelCom can distribute all profits as dividends or invest them into the operations. Dividends may only be declared from accumulated undistributed and unreserved earnings as shown in the Russian statutory financial statements, not out of amounts previously transferred to reserves. In accordance with Russian tax legislation, dividends are subject to a withholding tax of up to 15% when payable, starting from January 1, 2008. Transfers to reserves have been insignificant through December 31, 2009. As of December 31, 2009, VimpelCom's retained earnings distributable under Russian legislation were US\$5,784,622 (*non-audited*), at the official year-end exchange rate.

**17. Redeemable noncontrolling interest**

The Company accounts for securities with redemption features that are not solely within the control of the issuer in accordance with EITF Topic D-98, Classification and Measurement of Redeemable Securities (codified as ACS 480-10 Distinguishing Liabilities from Equity ( ACS 480-10 )).

In June 2008, the Company modified its contractual arrangements with respect to the 25% noncontrolling interest in its subsidiary Limnotex Developments Limited ( Limnotex ), which is held by Crowell Investments Limited ( Crowell ). The modified contractual arrangements contained embedded redemption features that could or will result in the noncontrolling interest being redeemable outside of the control of VimpelCom at various dates. Under the modified contractual arrangements as of December 31, 2008, Crowell could exercise a put option between January 1, 2010 and December 31, 2010, at a redemption amount of US\$550,000 in the aggregate. Additionally, after the 2008 audited financial statements of KaR-Tel were issued, the Company had a call option on the noncontrolling interest for a redemption amount determined by a fair value-based pricing mechanism which should have been exercised on or before December 31, 2011.

In May 2009, the contractual arrangements related to the noncontrolling interest were further amended to extend the timing of the redeemable features embedded in the contractual arrangements. Under the amended contractual arrangements, Crowell may exercise a put option between January 1, 2013 and December 31, 2013,

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***17. Redeemable noncontrolling interest (continued)**

at a redemption amount of US\$550,000 in the aggregate. Additionally, after the 2011 audited financial statements of KaR-Tel are issued, the Company has a call option on the noncontrolling interest for a redemption amount determined by a fair value-based pricing mechanism which must be exercised on a date which is after the issuance of the audited financial statements of KaR-Tel for the year ended December 31, 2014. As of December 31, 2009, the redemption amount of the redeemable noncontrolling interest based on this fair value-based pricing mechanism (as if the noncontrolling interest were currently redeemable) was US\$640,119.

The Company classifies redeemable non-controlling interest as temporary equity. The Company recorded it at its estimated fair value at the date of the change to its contractual arrangements with Crowell and then accreted to its redemption amount over the redemption term. The estimated fair value of the redeemable noncontrolling interest was calculated by discounting the future redemption amount of the noncontrolling interest from January 1, 2010 (the date on which the noncontrolling interest was first to become redeemable outside of VimpelCom's control (under the June 2008 modified contractual arrangements, prior to the May 2009 amendment)). The redeemable noncontrolling interest has been valued based on the terms of the put option because the fair value of the redemption amount that may be required under the put option exceeded the fair value of the redemption amount that may be required under the call option. If, in the future, the fair value of the redemption amount under the call option is greater, the Redeemable noncontrolling interest will accrete to that amount. The redeemable noncontrolling interest is first credited with its share of earnings of the Company's subsidiary, Limnotex, and, to the extent that this is less than the required accretion, the difference is charged to additional paid-in capital. The charge to additional paid-in capital does not affect net income attributable to VimpelCom in the Company's income statement, but does reduce the numerator in the calculation of earnings per share (*Note 21*).

**18. Income Taxes**

VimpelCom and its subsidiaries file their tax returns as prescribed by the tax laws of the jurisdictions in which they operate. The provision for income taxes varies from the amount computed by applying the statutory rate to income before taxes (Russia 20% (24%, before January 1, 2009), due to certain tax benefits allowed under applicable tax legislation, the non-deductibility of certain expenses and income (loss) being generated in jurisdictions having different tax rates (Kazakhstan 20% (30% before January 1, 2009), Ukraine and Tajikistan 25%, Armenia 20%, Georgia 15%, in Uzbekistan there is a complex income tax regime, that results in an effective rate of approximately 18% (17% effective January 1, 2010)). Income tax exemptions relate primarily to accumulated tax losses, which may be carried forward for use against future taxable income. However, tax losses do not have an effect on Income Tax Rate (unless reserved by a valuation allowance). Non-deductible expenses consist primarily of tax effect of intragroup dividends, legal, consulting, representational and other expenses in excess of allowable limits.

Income tax expense consisted of the following for the years ended December 31:

	2009	2008	2007
Current income taxes	\$ 454,571	\$ 396,588	\$ 561,070
Deferred taxes	(19,541)	(92,654)	32,858
	\$ 435,030	\$ 303,934	\$ 593,928

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***18. Income Taxes (continued)**

A reconciliation between the income tax expense reported in the accompanying consolidated financial statements and income before taxes multiplied by the Russian Federation statutory tax rate of 20% for the year ended December 31, 2009 and 24% and for the years ended December 31, 2008 and 2007, is as follows:

	2009	2008	2007
Income tax expense computed on income before taxes at Russian statutory tax rate	\$ 310,472	\$ 213,896	\$ 508,886
Effect of goodwill impairment		89,056	
Effect of deductible temporary differences not recognized as measured by the change in valuation allowance	33,133	58,871	187
Effect of non-deductible expenses	45,698	42,515	71,028
Tax effect of intragroup dividends	27,904		
Effect of tax claims	15,841	15,738	(615)
Taxable capital contribution	1,818	14,875	15,001
Effect of different tax rates in different jurisdictions	(3,843)	8,768	8,984
Effect of change in statutory Income tax rate	6,519	(137,762)	
Other	(2,512)	(2,023)	(9,543)
Income tax expense reported in the accompanying consolidated financial statements	\$ 435,030	\$ 303,934	\$ 593,928

VimpelCom has the following significant balances for income tax losses carried forward, fully provisioned as of December 31, 2009 and December 31, 2008, respectively:

Jurisdiction	Balance as of 31.12.2009	Balance as of 31.12.2008	Period for carry-forward
Ukraine	\$ 219,401	\$ 166,626	Carry-forward rule is set up annually by legislation. The rule as of the end of 2009 period limited in time (2010-2011)
Russia	126,609	10,260	2012-2019
Georgia	72,502	44,125	2010-2015
USA	37,382	43,781	2019-2029
Belgium	29,284	20,489	Not limited in time
Netherlands	13,858		2013-2017
Cyprus	13,388	20,615	Not limited in time
Tadjikistan	7,941		2010-2012
<b>Total</b>	<b>\$ 520,365</b>	<b>\$ 305,896</b>	

For financial reporting purposes, a valuation allowance has been recognized to reflect management's estimate for realization of the deferred tax assets. Valuation allowances are provided when it is more likely than not that some or all of the deferred tax assets will not be realized in the future. These evaluations are based on expectations of future taxable income and reversals of the various taxable temporary differences.



**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***18. Income Taxes (continued)**

Starting from January 1, 2007, the Company adopted the provisions of FIN 48 (*Note 2*). The reconciliation of the total amounts of unrecognized tax benefit, including fines and penalties (interest), for the three years ended December 31, 2009 are presented in the table below:

Balance as of January 1, 2007 adoption	\$ 44,344
Increase of tax positions taken during the current period	3,146
Decrease of tax positions taken during the current period	(353)
Increase of tax positions taken during a prior period	5,880
Decrease of tax positions taken during a prior period	(9,441)
Decrease as a result of resolution through litigation	(1,063)
Foreign currency translation adjustment	2,567
Balance as of December 31, 2007	45,080
Increases as a result of business combinations	11,389
Increase of tax positions taken during the current period	43,719
Decrease of tax positions taken during the current period	(2,648)
Increase of tax positions taken during a prior period	30,139
Decrease of tax positions taken during a prior period	(42,875)
Decrease as a result of resolution through litigation	(16,176)
Foreign currency translation adjustment	(10,257)
Balance as of December 31, 2008	58,371
Increase of tax positions taken during the current period	27,504
Decrease of tax positions taken during the current period	(8,878)
Increase of tax positions taken during a prior period	21,654
Decrease of tax positions taken during a prior period	(16,526)
Foreign currency translation adjustment	(2,426)
Balance as of December 31, 2009	\$ 79,699

The amount of total unrecognized tax benefit as of December 31, 2009 and December 31, 2008, includes US\$67,977 and US\$56,101, respectively, of unrecognized tax benefits that, if recognized, would affect the effective income tax rate in any future periods.

As of December 31, 2008, the Company had accrued US\$9,226 and US\$3,211 for the potential payment of fines and penalties (interest), respectively. The Company accrued additional fines and penalties (interest) of US\$7,505 and US\$5,948, respectively, for the year ended December 31, 2009 and US\$11,275 and US\$3,832, respectively, for the year ended December 31, 2008. The total amounts of fines and penalties (interest) recognized in the consolidated balance sheet as of December 31, 2009 comprised US\$12,015 and US\$5,677, respectively.

The Russian tax inspectorate has completed its examination of VimpelCom's tax filings for the years 2005-2006 (*Note 23*). The court hearings related to the tax inspectorate claims resulting from the examination of tax years 2005-2006, if finalized in 2010, could change the amount of the unrecognized income tax benefits.



## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

The total amount of unrecognized tax benefit that could significantly increase or decrease within 12 months due to lapse of statutory limitation term or the results of foregoing litigations comprised US\$7,817 and US\$13,203 as of December 31, 2009 and December 31, 2008, respectively.

F-48

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***18. Income Taxes (continued)**

Due to the fact that, subject to certain legal issues, the year 2006 remains open to a repeated examination by the tax authorities in Russia, the Company considers the tax years from 2006 through 2009 to be open in Russia. VimpelCom's subsidiaries in Tajikistan, Armenia, Uzbekistan and Ukraine are subject to income tax examinations for the tax years 2007 through 2009; the subsidiary in Georgia is subject to income tax examination for the tax years 2004 through 2009 and the subsidiary in Kazakhstan is subject to income tax examination for the tax years 2005 through 2009. Management is unable to reliably predict the outcome of any tax examinations and the materiality of their impact on VimpelCom's consolidated financial statements, if any.

The following deferred tax balances were calculated by applying the presently enacted statutory tax rate applicable to the period in which the temporary differences between the carrying amounts and tax base of assets and liabilities are expected to reverse. The amounts reported in the accompanying consolidated financial statements at December 31 consisted of the following:

	2009	2008
<b>Deferred tax assets:</b>		
<b>Current</b>		
Accrued operating and interest expenses, including gain from derivatives	\$ 58,516	\$ 46,215
Deferred revenue	32,661	28,990
Bad debts assets	9,120	7,856
Loss carry-forwards	10,070	3,079
<b>Non-current assets</b>		
Accrued operating and interest expenses	17,707	9,345
Non-current assets	3,870	2,627
Loss carry-forwards	105,855	75,356
	237,799	173,468
Valuation allowance	(108,932)	(74,707)
	128,867	98,761
<b>Deferred tax liabilities:</b>		
<b>Current</b>		
Undistributed retained earnings of subsidiaries	19,037	
Bad debts provision	516	945
<b>Non-current assets</b>		
Property and equipment	378,087	317,638
Telecommunication licenses	89,018	144,379
Customer relationships and other intangible assets	125,511	166,478
Other non-current assets	21,852	30,789
	633,621	660,229
<b>Net deferred tax liabilities</b>	504,754	561,468
Add current deferred tax assets	91,493	82,788
Add non-current deferred tax assets	904	1,521
Less current deferred tax liability	(679)	(1,302)

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

Total long-term net deferred tax liability	\$ 596,472	\$ 644,475
--	------------	------------

At December 31, 2009, undistributed earnings of VimpelCom s foreign (outside of Russian Federation) and domestic subsidiaries indefinitely invested amounted to approximately US\$969,221 and US\$64,903, respectively. Determination of the amount of unrecognized deferred taxes related to these undistributed earnings is not practical.

F-49

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

*(Amounts presented are in thousands of US dollars unless otherwise indicated  
and except per share (ADS) amounts)*

**19. Valuation and Qualifying Accounts**

The following summarizes the changes in the allowance for doubtful accounts for the years ended December 31, 2009, 2008 and 2007:

Balance as of December 31, 2006	\$ 39,483
Provision for bad debts	62,444
Accounts receivable written off	(55,966)
Foreign currency translation adjustment	3,143
Balance as of December 31, 2007	49,104
Provision for bad debts	64,559
Accounts receivable written off	(78,761)
Foreign currency translation adjustment	(2,958)
Balance as of December 31, 2008	31,944
Provision for bad debts	56,160
Accounts receivable written off	(19,048)
Foreign currency translation adjustment	(9,986)
Balance as of December 31, 2009	\$ 59,070

The provision for bad debts included in the accompanying consolidated statements of income is net of related value-added taxes of US\$4,898, US\$9,848 and US\$9,525 for the years ended December 31, 2009, 2008 and 2007, respectively.

**20. Related Party Transactions**

The Company from time to time enters into certain transactions with its shareholders and their affiliates and other related parties.

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***20. Related Party Transactions (continued)**

Transactions between VimpelCom and its related parties, except for the transactions described below, consist primarily of services from the related parties and loans to them, which are not material to the financial results of VimpelCom. The following table summarizes the significant transactions and balances with related parties:

	2009	2008	2007
Revenue from Alfa	\$ 19,584	\$ 10,377	\$
Revenue from Telenor	3,474	3,221	
Revenue from associates	40,600	9,622	520
Revenue from other related parties	36,169	3,934	21,079
	\$ 99,827	\$ 27,154	\$ 21,599
Services from Alfa	\$ 6,128	\$ 9,122	\$ 1,806
Services from Telenor	2,049	3,264	590
Services from associates	131,812	35,900	7,992
Services from other related parties	70,685	5,039	8,160
	\$ 210,674	\$ 53,325	\$ 18,548
Accounts receivable from Alfa	\$ 3,352	\$ 3,536	\$
Accounts receivable from Telenor	377	396	
Accounts receivable from associates	236,729	163,871	133
Accounts receivable from other related parties	9,173	393	5,272
	\$ 249,631	\$ 168,196	\$ 5,405
Non-current account receivable from associates	\$ 1,040	\$ 2,059	\$
Accounts payable to Alfa	\$ 301	\$ 434	\$
Accounts payable to Telenor	272	106	49
Accounts payable to associates	1,880	5,248	1,627
Accounts payable to other related parties	6,758	1,704	1,097
	\$ 9,211	\$ 7,492	\$ 2,773
Long-term account payable to associates	\$ 626	\$ 666	\$

Outstanding balances and transactions with Alfa relate to operations with VimpelCom's shareholder Eco Telecom, its consolidated subsidiaries, its direct owners and their consolidated subsidiaries. In particular, VimpelCom has contracts with Alfa Insurance to provide the Company with property and equipment liability insurance; the General Service Agreement with Altime for provision of legal and personnel services. The Company also has contracts to provide fixed telecommunication service to Eco Telecom and its subsidiaries.

VimpelCom maintains bank accounts in Alfa Bank, which are used for payroll and other payments in the ordinary course of business. The balances in these bank accounts were US\$176,500 and US\$139,114 at December 31, 2009 and 2008, including US\$75,000 and US\$130,500 of short-term deposits, respectively.

## Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

Outstanding balances and transactions with Telenor relate to operations with VimpelCom's shareholder Telenor East Invest AS, its consolidated subsidiaries, its direct owners and their consolidated subsidiaries. In particular, VimpelCom has roaming contracts with ProMonte Montenegro, DTAC/UCOM Thailand, Telenor Serbia, Telenor Mobil AS Norway, Pannon GSM Telecommunications Ltd. Hunga, Telenor Mobile Sweden Norway; the General Agreement for provision of personnel and General Services Agreement with Telenor Russia AS. VimpelCom also has a contract to provide fixed telecommunication service to Telenor Mobile Holding AS Norway.

F-51

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***20. Related Party Transactions (continued)**

Outstanding balances and transactions with associates relate to operations with VimpelCom's equity investees (Note 12). Euroset transactions included from the acquisition date (Note 3) mainly represent dealer commission payments for the acquisition of new subscribers and commission for payments receipts. Operations with associates also include purchase of bill delivery services from Firma Kurier. VimpelCom also has a contract to provide fixed telecommunication service with ZAO Rascom.

Outstanding balances and transactions with other related parties relate to operations with Sky Mobile (Note 4) and Kyivstar (jointly owned by Telenor and Eco Telecom, Note 1). The Company has the contracts with them for providing mobile telecommunication services, including roaming activity, and purchasing from them services on transportation of fixed telecommunication traffic. KaR-Tel also has a management agreement with Sky Mobile.

**21. Earnings per Share**

Net income per common share for all periods presented has been determined in accordance with ASC 260, Earnings per Share, by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. Net income per share of common stock has been adjusted by a factor of twenty to determine net income per ADS equivalent as each ADS is equivalent to one-twentieth of one share of common stock.

The following table sets forth the computation of basic and diluted earnings per share:

	Years ended December 31,		
	2009	2008	2007
	(In thousands US dollars, except share amounts)		
<b>Numerator:</b>			
Net income attributable to VimpelCom	\$ 1,121,830	\$ 524,334	\$ 1,462,706
Less: impact on net income attributable to VimpelCom through changes in Redeemable noncontrolling interest	(22,402)	(1,060)	
	<b>1,099,428</b>	523,274	1,462,706
<b>Denominator:</b>			
Denominator for basic earnings per share - weighted average common shares outstanding (thousand)	50,647	50,700	50,818
<b>Effect of dilutive securities:</b>			
Employee stock options	31	3	
Denominator for diluted earnings per share - assumed conversions (thousand)	50,678	50,703	50,818
<b>Basic net income attributable to VimpelCom per common share</b>	<b>\$ 21.71</b>	\$ 10.32	\$ 28.78
<b>Diluted net income attributable to VimpelCom per common share</b>	<b>\$ 21.69</b>	\$ 10.32	\$ 28.78

Employee stock options (representing 197,100 shares) that are out of the money as of December 31, 2009 that could potentially dilute basic EPS in the future were not included in the computation of diluted EPS because to do so would have been antidilutive for the periods presented.





**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***22. Stock Based Compensation Plan**

As discussed in *Note 16*, VimpelCom has adopted the Plan, which has been amended since inception.

The Plan is administered by a Committee which, as of December 31, 2009, consisted of the Compensation Committee of VimpelCom's Board. The Committee has the power to determine the terms and conditions of grants under the Plan, including the number of options to be granted, the exercise price and the vesting schedule.

The options granted generally vest at varying rates over two years. If certain events provided for in the Plan and the agreement relating to each option grant occur, the vesting period for certain employees is accelerated. VimpelCom recognizes compensation cost separately for each vesting tranche for awards subject to graded vesting. The total fair values of shares vested during the years ended and as of December 31, 2009, 2008 and 2007 were of US\$3,416, US\$5,683 and US\$60,148, respectively. The number of options exercised during 2009 was 97,171 and the amount paid to employees was US\$15,276. The number of shares converted for the 62,970 options exercised during 2008 was 40,568 and share-based liabilities paid to employees was US\$25,487. The number of shares converted for the 177,436 options exercised during 2007 was 100,113 and share-based liabilities paid to employees was US\$51,471. Amounts of liabilities paid were equal to intrinsic value of options exercised as of exercise date.

Prior to December 24, 2008, the manner of exercise of stock options required variable accounting for stock-based compensation under ASC 718, Compensation-Stock Compensation, and the options were considered liability awards. On December 24, 2008, VimpelCom modified its stock-based compensation programs (except for phantom plans and SARs) to require equity classification. The amount of compensation expense in respect of the Plan included in the accompanying consolidated statements of operations was US\$2,333 expense, US\$121,890 gain and US\$171,242 expense in the years ended December 31, 2009, 2008 and 2007, respectively. As of December 31, 2009, the total compensation cost related to non-vested awards not yet recognized is US\$453 and the weighted-average period over which it is expected to be recognized is 0.9 years. As of December 31, 2009, the additional paid-in capital balance related to the share-based compensation arrangements granted under the Plan amounted to US\$13,796.

The fair value of the options has been estimated using a Black Scholes option pricing model. The fair value of each grant is estimated on the date of grant (or date of modification). In estimating the fair value, the Company used the following significant assumptions. Expected term of the options was determined based on analysis of historical behavior of stock option participants. Expected volatility of VimpelCom's shares was estimated based on the historical volatility of the shares on the New York Stock Exchange over the period equal to the expected life of the option granted and other factors. The dividend yield was included into the model based on last dividend payment. The risk free rate was determined using the rate on Russian Government Bonds, having a remaining term to maturity equal to the expected life of the options, approximated where applicable. Forfeiture rate was determined as an average for the historic experience for all grants.

In 2009, VimpelCom Board adopted a SARs plan for senior managers and employees. The plan is administered by the Company's General Director and the Compensation Committee of the Board determines the aggregate number of SARs that may be granted. A SAR, upon vesting, entitles the holder to receive a cash amount per SAR equal to any excess of the NYSE closing price of an ADS on the exercise date over the price at which such SAR was granted. In 2009, the Board authorized the granting of 2,266,000 SARs.

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***22. Stock Based Compensation Plan (continued)**

On November 26, 2009, 2,050,760 of SARs were granted, 50% of which become vested on June 1, 2010 and 50% become vested on June 1, 2011 if the growth of KPIs exceeds certain parameters in 2009 as compared to 2008. If this condition is not met, 100% of SARs granted vest on June 1, 2011 if the growth of KPIs exceeds certain parameters in 2010 as compared to 2009. The plan is accounted for using a Black Scholes model with the assumptions that are used in calculation of the fair value of the stock option plan and is classified in liabilities in the balance sheet. As of December 31, 2009, an aggregate of 2,016,440 SARs were outstanding, none of which are currently redeemable or will become redeemable within 60 days of the financial statement date. As of December 31, 2009, the liability related to SARs amounted to US\$2,484. The amount of expense included in the accompanying income statement in connection with SARs was US\$2,484.

The following table summarizes the activity for the Plan and SARs:

	Number of Options			Number of SARs
	2009	2008	2007	2009
Outstanding, beginning of year	572,297	459,825	372,261	
Granted	90,750	223,000	279,500	2,050,760
Exercised	(97,171)	(62,970)	(177,436)	
Modified	(181,500)			
Forfeited	(54,326)	(47,558)	(14,500)	(34,320)
Outstanding, end of year	330,050	572,297	459,825	2,016,440
Exercisable, end of year	274,366	264,516	92,825	

No stock options expired in the years ended December 31, 2009, 2008 or 2007.

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***22. Stock Based Compensation Plan (continued)**

The following table summarizes the weighted-average exercise prices of options and SARs for the year ended December 31, 2009. The grant-date fair-value for options in the table below was based on the assumptions used as of the modification date (December 24, 2008).

	<b>Stock Options</b>	<b>SARs</b>
The number of options/SARs outstanding , beginning of year	572,297	
Weighted-average exercise price of options/SARs outstanding	436.9	
Weighted-average grant-date fair value at the beginning of the year	25.9	
The number of options/SARs granted	90,750	2,050,760
Weighted-average exercise price of options/SARs granted	326.5	13.1
Weighted-average grant-date fair value of options/SARs granted during the year	28.7	11.8
The number of options/SARs exercised	(97,171)	
Weighted-average exercise price of options/SARs exercised	186.7	
The total intrinsic value of options/SARs exercised (or share units converted)	240.6	
The number of options/SARs forfeited/modified	(235,826)	(34,320)
Weighted-average exercise price of options/SARs forfeited	619.0	13.1
Weighted-average grant-date fair value of options/SARs forfeited during the year	16.4	11.8
The number of options/SARs outstanding, end of year	330,050	2,016,440
Weighted-average exercise price of options/SARs outstanding	350.1	13.1
Weighted-average grant-date fair value at the end of the year	27.2	11.8
Weighted-average remaining contractual life (years)	1.8	6.0
The aggregate intrinsic value of options/SARs outstanding	13,443	11,151
<u>Out of the options/SARs outstanding at the end of the year</u>		
The number of options/SARs exercisable	274,366	
Weighted-average exercise price of options/SARs exercisable	354.9	
Weighted-average remaining contractual life (years)	1.4	
The aggregate intrinsic value of options/SARs exercisable	10,921	
The number of options/SARs nonvested at the beginning of the year	307,781	
Weighted-average grant-date fair value of options/SARs nonvested at the beginning of the year	18.2	
The number of options/SARs vested during the year	119,232	
Weighted-average grant-date fair value of options/SARs vested during the year	31.9	
The number of options/SARs nonvested at the end of the year	55,684	2,016,440
Weighted-average grant-date fair value of options/SARs nonvested at the end of the year	13.4	11.8
The total fair value of shares vested during the year ended and as of December 31, 2009	3,416	

The weighted-average grant-date fair value of options granted in 2008 and 2007 were US\$160.1 and US\$100.4, respectively.

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***22. Stock Based Compensation Plan (continued)**

The following table illustrates the major assumptions of the Black Scholes model for the options and SARs for the years ended December 31:

	2009	2008	2007
Expected volatility	92%-138%	91%-184%	38%-50%
The weighted-average expected term (in years)	1.8	0.8	1.7
Expected dividend yield	0%-2.2%	1.8%	1.5%
Risk free interest rate	7.0%-9.77%	7.6%-11.8%	5.4%-5.9%
Forfeiture rate	6.2%	5.4%	3.7%

In addition to the Plan and SARs, members of the Board who are not employees participate in a phantom stock plan, pursuant to which they each receive up to a maximum of 20,000 phantom ADSs per year with an additional 10,000 phantom ADSs granted to the chairman of the Board and 10,000 phantom ADSs granted to each director for serving as head of any official committee of the Board, provided that the amount paid to a director upon redemption may not exceed US\$3.00 per phantom ADS per year of each one-year term served by the director. The number of phantom ADSs to be granted to each director is set by the Board. The phantom ADSs may be redeemed for cash on the date the director ceases to be a director; provided, however, that directors who are re-elected to the Board may redeem such phantom ADSs related to a previous period of his/her service as a director at any time from the date of his or her re-election to the date he or she is no longer a director. As of December 31, 2009, an aggregate of 1,490,000 phantom ADS were outstanding under phantom stock plan, of which 1,270,000 are currently redeemable or will become redeemable within 60 days of the financial statement date at prices per phantom ADS ranging from US\$0.96 to US\$31.63. As of December 31, 2009, the liability related to the phantoms amounted to US\$4,195. The amount of expense included in the consolidated income statement in connection with phantom ADS granted to members of the Board was US\$1,890 for the year ended December 31, 2009.

VimpelCom's senior managers are also eligible to receive phantom ADSs in an amount approved by the Compensation Committee of the Board. The Board determines the aggregate amount of phantom ADSs that may be granted to senior managers in each calendar year. In 2007, 2008 and 2009, the Board authorized the granting of 2,575,000, 800,000 and 820,000 phantom ADSs, respectively. As of December 31, 2009, an aggregate of 286,666 phantom ADSs were outstanding, of which 20,000 are currently redeemable or will become redeemable within 60 days of the financial statement date at a price per phantom ADS US\$9.29. As of December 31, 2009, the liability related to the phantom ADSs amounted to US\$2,337. The amount of expense included in the accompanying income statement in connection with phantom ADS granted to senior managers were US\$2,480 expense, US\$721 gain and US\$33,975 expense for the years ended December 31, 2009, December 31, 2008 and December 31, 2007, respectively.

**23. Segment Information**

Management analyzes the reportable segments separately because of different economic environments and stages of development in different geographical areas, requiring different investment and marketing strategies. The segment data for acquired operations are reflected herein from the date of their acquisitions. The Board and management utilize more than one measurement and multiple views of data to measure segment performance. However, the dominant measurements are consistent with VimpelCom's consolidated financial statements and, accordingly, are reported on the same basis herein. Management evaluates the performance of its segments on a

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***23. Segment Information (continued)**

regular basis primarily based on revenue, operating income, income before income taxes and net income along with cash flows and overall economic returns. Inter-segment revenues are eliminated in consolidation. Intersegment revenues may be accounted for at amounts different from sales to unaffiliated companies. The accounting policies of the segments are the same as those of VimpelCom.

Starting from February 28, 2008, the date of acquisition of Golden Telecom, VimpelCom's Board and management identified Russia mobile, Russia fixed, CIS mobile and CIS fixed reporting segments based on the business activities in different geographical areas. Although Georgia is no longer a member of the CIS, consistent with VimpelCom's historic reporting practice VimpelCom continue to include Georgia in its CIS reporting segment.

These segments have been determined based on the nature of their operations: mobile includes activities for the providing of wireless telecommunication services to the Company's subscribers; fixed line includes all activities for providing wireline telecommunication services, broadband and consumer Internet. Information about other business activities and operating segments that are not reportable due to non materiality of business activity was combined and disclosed in the Other category separate from other reconciling items. This Other category includes VimpelCom's operations in Cambodia, DVB-T/DVB-H activities and VimpelCom's respective equity in net results of operations of the Company's associates GTEL-Mobile and Morefront Holdings Ltd.

Financial information by reportable segment for the years ended December 31, 2009, 2008 and 2007 is presented in the following tables.

Year ended December 31, 2009:

	<b>Russia Mobile</b>	<b>Russia Fixed line</b>	<b>CIS Mobile</b>	<b>CIS Fixed line</b>	<b>Other</b>	<b>Total</b>
Net operating revenues from external customers	\$ 6,104,016	\$ 1,319,542	\$ 1,095,876	\$ 177,817	\$5,651	\$ 8,702,902
Intersegment revenues	94,366	367,620	32,858	85,352		580,196
Depreciation and amortization	1,019,322	242,074	331,106	91,696	9,969	1,694,167
Operating income	2,185,540	226,976	183,917	19,962	(38,040)	2,578,355
Interest income	102,601	11,619	8,347	3,234	500	126,301
Interest expense	(596,407)	(5,256)	(56,613)	(8,050)	(6,792)	(673,118)
(Loss)/gain from associates	62	3,854		330	(40,009)	(35,763)
Income/(loss) before income taxes	1,346,191	228,799	47,667	13,515	(83,811)	1,552,361
Income tax expense/ (benefit)	339,873	49,068	39,101	7,213	(225)	435,030
Net income/(loss) attributable to VimpelCom	1,007,786	180,205	(2,013)	12,295	(76,443)	1,121,830
Total assets	8,648,241	4,268,502	2,695,891	501,645	558,034	16,672,313
Non-current assets other than goodwill	4,524,634	1,435,403	1,589,500	402,273	529,830	8,481,640
Goodwill	728,559	1,880,089	667,429	8,216		3,284,293
Expenditures for long-lived assets	481,644	137,391	94,037	32,897	68,139	814,108

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***23. Segment Information (continued)**

Year ended December 31, 2008:

	<b>Russia Mobile</b>	<b>Russia Fixed line</b>	<b>CIS Mobile</b>	<b>CIS Fixed line</b>	<b>Other</b>	<b>Total</b>
Net operating revenues from external customers	\$ 7,310,487	\$ 1,286,697	\$ 1,294,677	\$ 225,071	\$	\$ 10,116,932
Intersegment revenues	61,279	142,769	20,318	47,663		272,029
Impairment loss		315,049	90,078		37,620	442,747
Depreciation and amortization	1,204,676	219,442	368,305	88,526	215	1,881,164
Operating income	2,667,369	(191,226)	81,765	23,942	(45,900)	2,535,950
Interest income	97,451	14,703	4,081	1,140	1,685	119,060
Interest expense	(464,682)	(18,209)	(52,235)	(5,982)	(1,968)	(543,076)
(Loss)/gain from associates	(463)	2,176		109	(62,842)	(61,020)
Income before income taxes	1,463,321	(268,040)	(196,607)	250	(107,690)	891,234
Income tax expense/ (benefit)	316,911	(1,863)	(1,439)	(5,062)	(4,613)	303,934
Net income attributable to VimpelCom	1,145,969	(266,443)	(260,448)	3,372	(98,116)	524,334
Total assets	8,284,753	4,088,643	3,061,215	781,917	543,080	16,759,608
Non-current assets other than goodwill	5,132,739	1,579,043	1,926,447	672,335	531,140	9,841,704
Goodwill	749,978	1,935,455	781,382	10,127		3,476,942
Expenditures for long-lived assets	1,432,807	343,601	636,069	139,041	19,327	2,570,845

Year ended December 31, 2007:

	<b>Russia Mobile</b>	<b>Russia Fixed line</b>	<b>CIS Mobile</b>	<b>CIS Fixed line</b>	<b>Other</b>	<b>Total</b>
Net operating revenues from external customers	\$ 6,090,316	\$	\$ 937,419	\$ 143,363	\$	\$ 7,171,098
Intersegment revenues	3,354		10,413			13,767
Depreciation and amortization	1,108,971		220,339	61,243		1,390,553
Operating income	1,991,833		198,592	15,765		2,206,190
Interest income	54,535		662	490		55,687
Interest expense	(168,944)		(47,146)	(1,415)		(217,505)
Gain/(loss) from associates				(211)		(211)
Income before income taxes	1,937,086		169,715	13,555		2,120,356
Income tax expense	514,819		76,357	2,752		593,928
Net income attributable to VimpelCom	1,422,221		30,661	9,824		1,462,706
Total assets	7,891,322		2,568,758	473,278	24,620	10,957,978
Non-current assets other than goodwill	5,586,534		1,790,698	400,556	24,363	7,802,151
Goodwill	451,428		565,266	23,122		1,039,816
Expenditures for long-lived assets	1,072,520		634,123	66,176		1,772,819

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***23. Segment Information (continued)**

A reconciliation of VimpelCom's total segment financial information to the corresponding consolidated amounts follows:

	Segment total	Intersegment interest	Consolidated totals
<b>For the year ended December 31, 2009</b>			
interest income	126,301	(74,587)	51,714
interest expense	(673,118)	74,587	(598,531)
<b>For the year ended December 31, 2008</b>			
interest income	119,060	(47,442)	71,618
interest expense	(543,076)	47,442	(495,634)
<b>For the year ended December 31, 2007</b>			
interest income	55,687	(22,666)	33,021
interest expense	(217,505)	22,666	(194,839)

	December 31, 2009	December 31, 2008
<b>Assets</b>		
Total assets for reportable segments	\$ 16,672,313	\$ 16,759,608
Elimination of intercompany balances	(1,939,772)	(1,034,455)
<b>Total consolidated assets</b>	<b>\$ 14,732,541</b>	<b>\$ 15,725,153</b>

In Russia and Kazakhstan, VimpelCom's revenues from external customers amounted to US\$7,423,558 and US\$651,443 for the year ended December 31, 2009, respectively and long-lived assets amounted to US\$5,305,075 and US\$707,464 as of December 31, 2009, respectively.

**24. Commitments, Contingencies and Uncertainties**

The economies of the countries in which VimpelCom operates continue to display certain traits consistent with that of a market in transition. These characteristics have in the past included higher than normal historic inflation, lack of liquidity in the capital markets, and the existence of currency controls which cause the national currency to be illiquid outside of their territories. The imposition of exchange controls or other similar restrictions on currency convertibility in CIS countries and particularly in Uzbekistan could limit VimpelCom's ability to convert local currencies in a timely manner or at all, which could have a material adverse effect on VimpelCom's business, financial condition and results of operations. The continued success and stability of the economies of these countries will be significantly impacted by their respective governments' continued actions with regard to supervisory, legal and economic reforms.

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in a decline in gross domestic product, capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Russia as well as ruble depreciation. While the Russian Government has introduced a range of stabilization measures aimed at providing liquidity and supporting debt refinancing for Russian banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for Russian companies, which could affect VimpelCom's financial position, results of operations and business prospects. The crisis may also damage purchasing power of VimpelCom's customers mainly in the business sector and thus lead to decline in revenue streams and cash generation.





**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***24. Commitments, Contingencies and Uncertainties (continued)**

While management believes it is taking appropriate measures to support the sustainability of the VimpelCom's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Company's results and financial position in a manner not currently determinable.

In the ordinary course of business, VimpelCom may be party to various legal and tax proceedings, and subject to claims, certain of which relate to the developing markets and evolving fiscal and regulatory environments in which VimpelCom operates. In the opinion of management, VimpelCom's liability, if any, in all pending litigation, other legal proceeding or other matters, other than what is discussed in this Note, will not have a material effect upon the financial condition, results of operations or liquidity of VimpelCom.

VimpelCom's operations and financial position will continue to be affected by political developments in the countries in which VimpelCom operates including the application of existing and future legislation, telecom and tax regulations. These developments could have a significant impact on VimpelCom's ability to continue operations. VimpelCom does not believe that these contingencies, as related to its operations, are any more significant than those of similar enterprises in such countries.

***Telecom Licenses Capital Commitments***

VimpelCom's ability to generate revenues in Russia is dependent upon the operation of the wireless telecommunications networks authorized under its various licenses. VimpelCom's GSM-900/1800 licenses that cover Moscow and the Moscow region, Central region, Volga region, Caucasus region, and the Siberia region have been reissued and under the new terms expire on April 28, 2013. The GSM-900/1800 licenses that cover the Northwest region, Urals and part of Far East region expire in 2011-2012 (the GSM-900/1800 license for Irkutsk region, excluding Ust-Ordynskiy Buryatskiy Autonomous Region, expires in 2011).

In April 2007, VimpelCom was awarded a license for the provision of 3G mobile radiotelephony communications services for the entire territory of the Russian Federation that expires on May 21, 2017. The 3G license was granted subject to certain capital commitments. The three major conditions are that VimpelCom will have to build a certain number of base stations that support 3G standards and will have to start services provision by certain dates in each subject area of the Russian Federation, and also will have to build a certain number of base stations by the end of the third, fourth and fifth years from the date of granting of the license. To date all of these conditions have been fulfilled according to the indicated terms and schedule.

KaR-Tel owns a GSM-900 license to operate over the entire territory of Kazakhstan. The license expires in August 2013. In July 2008, the GSM-900 license was amended with the permission for KaR-Tel to render services in GSM-1800 standard and with the related commitment to cover cities with population of more than 1000 people by December 31, 2012.

Closed Joint Stock Company Ukrainian Radio Systems (CJSC URS) and Golden Telecom Limited Liability Company (GT LLC), VimpelCom indirect Ukrainian subsidiaries own GSM licenses. CJSC URS owns a GSM-900 and 2 GSM-1800 licenses to operate over the entire territory of Ukraine, which expires in April 2010, October 2020 and December 2020 respectively. GT LLC owns 3 GSM-1800 licenses to operate over the nearly entire territory of Ukraine (except 3 regions), which expires in July 2014 and May 2021, respectively. In

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***24. Commitments, Contingencies and Uncertainties (continued)**

April 2009, the National Commission on Regulation of Telecommunication of Ukraine has amended its regulation establishing so-called license terms applicable to all mobile telecommunication network operators licensed in Ukraine. Under the amendments, Ukrainian mobile telecommunication network operators are obliged to ensure radiofrequency coverage of 90% of cities within one year from the date of issue of respective mobile telecommunication services license, and 80% of all other settlements and major highways within two years from the same date. In case respective license allows rendering mobile telecommunication services in several regions, each of these requirements shall be fulfilled in each region with an interval of not more than two months. These new capital commitments apply to CJSC URS and GT LLC. The commitments should be fully complied with in all regions licensed for use of radiofrequency corresponding to GSM 900/1800 standard as follows: CJSC URS by August, 2015 and GT LLC by October 2014.

***Taxation***

The taxation systems in the countries in which VimpelCom operates are evolving as their respective national governments transform their national economies from a command to market oriented economies. In the Russian Federation, VimpelCom's predominant market, there were many tax laws and related regulations introduced in previous periods as well as in 2009 which were not always clearly written, and their interpretation is subject to the opinions of the local tax inspectors and officials of the Ministry of Finance. Instances of inconsistent opinions between local, regional and federal tax authorities and Ministry of Finance are not unusual. Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, VimpelCom has accrued tax liabilities based on management's best estimate.

On June 30, 2008, the Company received a final decision of the Russian tax inspectorate's audit of VimpelCom's tax filings for financial years 2005 and 2006. According to the final decision, VimpelCom owed an additional RUR1,251 million in taxes (including RUR49 million in fines and penalties), which is approximately US\$41,363 (including US\$1,620 in fines and penalties) at the exchange rate as of December 31, 2009. VimpelCom challenged the tax inspectorate's final decision and has so far prevailed in court with respect to RUR1,179 million of taxes (including RUR48 million in fines and penalties), which is approximately US\$38,982 (including US\$1,587 in fines and penalties) at the exchange rate as of December 31, 2009. The tax inspectorate cannot appeal the court decisions. The remaining part of the tax authorities' claims in the amount of RUR72 million (including RUR1 million in fines and penalties), which is approximately US\$2,380 (including US\$33 in fines and penalties) at the exchange rate as of December 31, 2009, are still being challenged in court.

On April 30, 2009, the Company's subsidiary Sovintel received a final decision of the Russian tax inspectorate's audit of its tax filings for financial years 2006 and 2007. According to the final decision, Sovintel owes an additional RUR324 million in taxes (including RUR36 million in fines and penalties), which is approximately US\$10,712 (including US\$1,190 in fines and penalties) at the exchange rate as of December 31, 2009. Sovintel disagrees with the tax inspectorate's decision and has filed a lawsuit in the Russian Arbitration courts. The court has already rejected the tax authorities' claims. The tax inspectorate do not agree with court decisions and continue to assert their claims in court. No amounts have been accrued in these financial statements in relation to this claim.

***KaR-Tel***

On January 10, 2005, KaR-Tel received an order to pay issued by The Savings Deposit Insurance Fund, a Turkish state agency responsible for collecting state claims arising from bank insolvencies (the **Fund**), in the

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***24. Commitments, Contingencies and Uncertainties (continued)**

amount of approximately US\$4,991,744 at the exchange rate as of December 31, 2009 (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 and requesting the Turkish court to cancel the order and stay of execution proceedings in Turkey. The petition was assigned to the 4th Administrative Court in Turkey, and it should be reviewed pursuant to applicable law.

On June 1, 2006, KaR-Tel received formal notice of the 4<sup>th</sup> Administrative Court's ruling that the stay of execution request was denied. KaR-Tel's Turkish counsel has advised KaR-Tel that the stay request is being adjudicated separately from the petition to cancel the order. KaR-Tel submitted an appeal of the ruling with respect to the stay application.

On June 1, 2006, KaR-Tel also received the Fund's response to its petition to cancel the order. In its response, the Fund asserts, among other things, that the order to pay was issued in furtherance of its collection of approximately Turkish lira 7.55 quadrillion (prior to the introduction of the New Turkish Lira, which became effective as of January 1, 2005) in claims against the Uzan group of companies that were affiliated with the Uzan family in connection with the failure of T. Imar Bankasi, T.A.S. The Fund's response to KaR-Tel's petition claims that the Uzan group of companies includes KaR-Tel, Rumeli Telecom A.S. and Telsim Mobil Telekomunikasyon Hizmetleri A.S. Rumeli Telecom A.S. and Telsim Mobil Telekomunikasyon Hizmetleri A.S are Turkish companies that owned an aggregate 60% of the equity interests in KaR-Tel until their interests were redeemed by KaR-Tel in November 2003 in accordance with a decision of the Review Panel of the Supreme Court of Kazakhstan. In July 2006, KaR-Tel submitted its response, dated June 30, 2006, to the Fund's response via the Kazakh Ministry of Justice, to be forwarded to the 4th Administrative Court of Istanbul. In its response, KaR-Tel denied in material part the factual and legal assertions made by the Fund in support of the order to pay.

On December 11, 2008, KaR-Tel received a Decision of Territorial Court of Istanbul dated December 12, 2007, wherein the Court rejected KaR-Tel's appeal with respect to the stay of execution request. On December 11, 2008, KaR-Tel also received a response from the Fund to KaR-Tel's court filing in July 2006. The Turkish court presiding over the case may issue a decision on the basis of the parties' filings.

On October 20, 2009, KaR-Tel filed with Sisli 5<sup>th</sup> Court of the First Instance in Istanbul a claim to recognize in the Republic of Turkey the decision of the Almaty City Court of the Republic of Kazakhstan dated June 6, 2003 regarding, among other things, compulsory redemption of equity interests in KaR-Tel owned by Rumeli Telecom A.S. and Telsim Mobil Telekomunikasyon Hizmetleri A.S., which was confirmed by the Civil Panel of the Supreme Court of the Republic of Kazakhstan on June 23, 2003, as amended by the resolution of the Review Panel of the Supreme Court of the Republic of Kazakhstan dated October 30, 2003. On October 20, 2009, KaR-Tel also filed with the 4<sup>th</sup> Administrative Court of Istanbul a petition asking the Court to treat the recognition of the Kazakhstan court decision as a precedential issue and to stay the proceedings in relation to the order to pay.

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)***(Amounts presented are in thousands of US dollars unless otherwise indicated**and except per share (ADS) amounts)***24. Commitments, Contingencies and Uncertainties (continued)**

KaR-Tel continues to believe that the Fund's claim is without merit, and KaR-Tel will take whatever further actions it deems necessary and appropriate to protect itself against the Fund's claim.

***Other Litigations***

On April 15, 2008, VimpelCom received a copy of a purported claim filed with the Arbitration Court of Khanty-Mansiysky Autonomous Okrug in Russia from Farimex Products, Inc., the purported holder of 25,000 of VimpelCom's ADSs. The named defendants under the claim are Eco Telecom Limited, Altimo, Avenue Limited, Janow Properties Limited, Santel Limited, Telenor East Invest AS ( **Telenor** ) and OJSC CT-Mobile. Both VimpelCom and several of its current and former directors, namely, Messrs. Mikhail Fridman, Arve Johansen, Alexey Reznikovich, Fridtjof Rusten and Henrik Torgersen, are named as third parties to the case. Under Russian law, a person named as a third party to a claim is generally a person potentially interested in the case who can participate in the proceedings if he so chooses. A third party is not a defendant in the claim and judgments cannot be entered against a person solely due to the fact that the person was named as a third party. The claimant is seeking reimbursement from the defendants to VimpelCom of US\$3,798,000 in alleged damages caused to VimpelCom by the actions of the defendants with regard to its entrance into the Ukrainian telecommunications market. Among other things, the claimant alleged that Alfa and Telenor prevented VimpelCom from acquiring Kyivstar and that Telenor, acting through the directors on its board nominated by Telenor, caused a delay in VimpelCom's acquisition of URS, which caused damages to VimpelCom. The court rejected the claimant's motion to arrest the shares in VimpelCom owned by Eco Telecom and Telenor to secure the claim. On August 16, 2008, the court of first instance sustained the claim in part and held Telenor liable for US\$2,824,000 of damages. Telenor appealed this decision and on December 29, 2008 the Court of Appeals vacated the lower court's ruling and remanded it for a new hearing at a different court of first instance. On February 20, 2009, the court of first instance sustained the claim in part and found Telenor liable for US\$1,728,000 in damages. Telenor is appealing this decision. Subsequent to the court ruling, a court bailiff arrested 15,300,000 of VimpelCom's ordinary shares owned by Telenor. The Company understands that these shares can, under certain circumstances, be sold by the court bailiff to satisfy the court judgment. The court bailiff may also transfer the shares to VimpelCom to the extent that they cannot be sold to satisfy the court judgment within a certain period of time. Telenor has applied for a stay of enforcement proceedings but the court denied the application. Telenor has publicly stated that it is appealing this decision. If a stay of enforcement is granted, it would freeze the sale of the arrested shares. On April 3, 2009, Telenor publicly disclosed that it had officially been served with a claim to pay US\$1,728,000 to VimpelCom and that it had five days to pay the sum voluntarily. VimpelCom received a letter from Telenor, dated March 31, 2009, addressed to its former CEO, relating to the Farimex Case.

In the letter, Telenor alleges that in connection with the Farimex Case there have been gross violations of Telenor's procedural and substantive rights, and states, among other things, that they expect that VimpelCom would publicly denounce the Farimex Case and publicly state that it will have nothing to do with the case or any proceeds from the Farimex Case. Telenor also stated in the letter that if for any reason VimpelCom accepts, whether actively or through its own inaction, the payment of proceeds of enforcement of the Farimex Case, Telenor will not hesitate to pursue whatever remedies against VimpelCom (and, if appropriate, any of its management involved, personally) as may be available to Telenor in the United States and Europe, or before any transnational courts or agencies. On April 3, 2009, VimpelCom responded to Telenor's letter and stated, among other things, that if and when VimpelCom is faced with a decision respecting the outcome or implications of the Farimex Case, it, of course, will act in accordance with all applicable laws, rules and regulations and in the best

**Table of Contents****Open Joint Stock Company Vimpel-Communications****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

*(Amounts presented are in thousands of US dollars unless otherwise indicated  
and except per share (ADS) amounts)*

**24. Commitments, Contingencies and Uncertainties (continued)**

interests of VimpelCom's shareholders and will protect its reputation and will defend VimpelCom and its officers and directors against actions taken against it or them. As of the date hereof, the Company is not aware of any pending legal action against it in connection with this matter.

In April 2009, for the purpose of control over VAT payments, the tax authorities requested that the Company provide the details of the Court decision as of March 2, 2009, concerning the reimbursement of losses from Telenor in favor of VimpelCom. Taking into consideration that the amount of the judgment is not related to the Company's ordinary business obligations for goods or services, management believes that the amount is not subject to tax.

On March 11, 2009, a cassational appeal was filed on behalf of Telenor. The cassational appeal was initially scheduled to be heard for May 26, 2009, but the hearing was postponed until March 24, 2010.

Telenor continues to seek relief in various Russian courts challenging the original decision on substantive and procedural grounds as well as the various steps taken by the bailiff to collect on the judgement. The Company is not actively participating in any of these proceedings.

At this stage, the Company does not know what, if any, further actions it will take or will be required to take regarding this matter and cannot predict what, if any, impact this matter may have on VimpelCom's strategic shareholders, named board members or the Company. No amounts have been accrued in these financial statements in relation to this claim.

***Operating Lease Commitments***

Operating lease commitments for each of the succeeding five years is expected to be as follows:

2010	\$ 14,027
2011	12,499
2012	9,052
2013	7,292
2014	4,959
Thereafter	23,781
<b>Total</b>	<b>\$ 71,610</b>

***Other Commitments***

On August 13, 2008, the Company entered into an agreement with Apple Sales International ( Apple ) to purchase 1.5 million iPhone handsets under the quarterly purchase installments over a two year period beginning with commercial launch in the fourth quarter 2008. In 2009 and 2008, the Company made 0.5% and 12% of its total purchase installment contemplated by the agreement, respectively. In January and February, 2010, the Company made 1.6% of its total purchase installment contemplated by the agreement with Apple.

**25. Subsequent Events**

Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

On January 12, 2010, LLC VimpelCom-Invest, a consolidated Russian subsidiary of VimpelCom, determined the interest rate for the fourth and subsequent payment periods at 9.25% per annum related to its

F-64

---

**Table of Contents**

**Open Joint Stock Company Vimpel-Communications**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

*(Amounts presented are in thousands of US dollars unless otherwise indicated*

*and except per share (ADS) amounts)*

**25. Subsequent Events (continued)**

Russian ruble-denominated bonds in an aggregate principal amount of RUR10,000 million (US\$427,749 at exchange rate as of July 25, 2008) issued on July 25, 2008. Bonds holders had the right to sell their bonds to VimpelCom-Invest until January 22, 2010 in accordance with the original terms of the bonds. On January 26, 2010, VimpelCom-Invest repurchased an aggregate principal amount of RUR6,059 million (or approximately US\$201,345 at the exchange rate as of January 26, 2010) from bond holders who exercised their right to sell the bonds. As of February 24, 2010, VimpelCom-Invest sold back in the market all repurchased bonds.

On January 18, 2010, CJSC URS has renewed its GSM-900 mobile telecom license. The term of duration of the new license is until July 25, 2021, instead of April 28, 2010 expiration date of the previous GSM-900 license.

On March 12, 2010, VimpelCom signed a series of Amendments to the Loan Agreements with Sberbank. Starting from February 1, 2010 Sberbank decreased the interest rate on loan facility signed on March 10, 2009, from 16.25% to 10.75% per annum and the maximum interest rate from 17.25% to 11.0% and decreased the interest rate on loan facility signed on March 10, 2009, from 11.0% to 8.0% per annum and the maximum interest rate from 12.0% to 8.25%.

On March 12, 2010, VimpelCom signed a Termination Agreements to the Pledge Agreements signed with Sberbank on May 25, 2009 to release the telecommunication equipment from pledge.

In accordance with an Amendment Agreement to the Loan Agreement signed on August 28, 2009, Sberbank decreased the interest rate on this loan facility from 15.0% to 11.00% per annum and the maximum interest rate from 15.25% to 11.25%, starting from February 1, 2010.

In accordance with an Amendment Agreement to the Loan Agreement signed on February 14, 2008, Sberbank decreased the interest rate on this loan facility from 13.0% to 11.00% per annum and the maximum interest rate from 14.5% to 11.25%, starting from February 1, 2010.

The Federal Anti-Monopoly Service of Russia ( FAS ) started legal proceedings against VimpelCom, OJSC MTS and OJSC Megafon about their alleged violation of anti-monopoly legislation by charging artificially high prices for roaming services. The Company received the related Order of FAS in March 2010. The Company does not possess information related to the date that this case will be considered by FAS. VimpelCom does not believe that it is in violation of the anti-monopoly legislation but if its roaming tariffs are found to violate applicable legislation, the Company could face certain fines of up to 15% of the revenue from the services provided in violation of the legislation. At this stage, the Company is unable to evaluate the outcome of this case and no amounts have been accrued in these financial statements in relation to this claim.

**Table of Contents****EXHIBIT LIST**

<b>Exhibit No.</b>	<b>Description</b>
1.1	Restated Charter of VimpelCom, approved by the annual general meeting of shareholders of VimpelCom on June 29, 2007, and as amended by the board of directors of VimpelCom on August 22, 2007.+####
2.1	Deposit Agreement, dated November 20, 1996, by and among VimpelCom, The Bank of New York, as the depository, and all owners or beneficial owners of ADSs.*
2.2	Loan Agreement, dated October 18, 2004, by and between VimpelCom and UBS (Luxembourg) S.A.##
2.3	Trust Deed, dated October 22, 2004, by and between UBS (Luxembourg) S.A. and The Bank of New York.##
2.4	Loan Agreement, dated February 8, 2005, by and between VimpelCom and UBS (Luxembourg) S.A.##
2.5	Trust Deed, dated February 11, 2005, by and between UBS (Luxembourg) S.A. and The Bank of New York.##
2.6	Loan Agreement, dated May 12, 2006, by and between VimpelCom and UBS (Luxembourg) S.A.###
2.7	Trust Deed, dated May 22, 2006, by and between UBS (Luxembourg) S.A. and The Bank of New York.###
2.8	Loan Agreement, dated April 28, 2008, by and between VimpelCom and VIP Finance Ireland Limited.####
2.9	Trust Deed, dated April 30, 2008, by and between VIP Finance Ireland Limited, BNY Corporate Trustee Services Limited, The Bank of New York, London Branch, The Bank of New York, New York Branch and The Bank of New York (Luxembourg) S.A.####
2.10	Loan Agreement, dated April 28, 2008, by and between VimpelCom and VIP Finance Ireland Limited.####
2.11	Trust Deed, dated April 30, 2008, by and between VIP Finance Ireland Limited, BNY Corporate Trustee Services Limited, The Bank of New York, London Branch, The Bank of New York, New York Branch and The Bank of New York (Luxembourg) S.A.####
4.1	Form of Indemnification Agreement.
4.2	Primary Agreement, dated as of May 30, 2001, by and among VimpelCom, Telenor East Invest AS and Eco Telecom Limited.§§
4.3	Registration Rights Agreement, dated as of May 30, 2001, by and among VimpelCom, Telenor East Invest AS and Eco Telecom Limited.§§
4.3.1	Amendment No. 1 to Registration Rights Agreement, dated August 28, 2003, to Registration Rights Agreement, dated May 30, 2001, by and among VimpelCom, Telenor East Invest AS and Eco Telecom Limited.#
4.4	Guarantee Agreement, dated as of May 30, 2001, by and among Telenor ASA, as guarantor, and VimpelCom, VimpelCom-Region and Eco Telecom Limited, as beneficiaries.§
4.5	Guarantee Agreement, dated as of May 30, 2001, by and among CTF Holdings Limited, as limited guarantor, Eco Holdings Limited, as general guarantor, and VimpelCom, VimpelCom-Region and Telenor East Invest AS, as beneficiaries.§§
4.6	\$3.5 billion Facility Agreement, dated February 8, 2008, between VimpelCom and ABN AMRO Bank N.V., London Branch, Barclays Capital, BNP Paribas, CALYON, Citibank, N.A., HSBC Bank plc, ING Bank N.V. and UBS Limited as mandated lead arrangers and bookrunners, ABN AMRO Bank N.V., Barclays Bank PLC, BNP Paribas, CALYON, Citibank, N.A., HSBC Bank plc, ING Bank N.V., Dublin Branch and UBS (Luxembourg) S.A. as original lenders and Citibank International plc as agent.§§§
4.6.1	Amendment Agreement, dated April 28, 2009, in relation to \$3.5 billion Facility Agreement, dated February 8, 2008, between VimpelCom and ABN AMRO Bank N.V., London Branch, Barclays Capital, BNP Paribas, CALYON, Citibank, N.A., HSBC Bank plc, ING Bank N.V. and UBS Limited as mandated lead arrangers and bookrunners, ABN AMRO Bank N.V., Barclays Bank PLC, BNP Paribas, CALYON, Citibank, N.A., HSBC Bank plc, ING Bank N.V., Dublin Branch and UBS (Luxembourg) S.A. as original lenders and Citibank International plc as agent. ^^
8.	List of Subsidiaries.^
12.1	Certification of General Director pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, 15 U.S.C. Section 7241.^
12.2	Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, 15 U.S.C. Section 7241.^



Edgar Filing: OPEN JOINT STOCK CO VIMPEL COMMUNICATIONS - Form 20-F

- 12.3 Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, 15 U.S.C. Section 7241.^
- 13.1 Certification of General Director, CEO and CFO pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.^
- 15.1 Consent of Ernst & Young LLC.^

**Table of Contents**

- \* Incorporated by reference to the Registration Statement on Form F-1 (Registration No. 333-5694) of Open Joint Stock Company Vimpel-Communications.
- \*\* Incorporated by reference to the Registration Statement on Form F-3 (Registration No. 333-12210) of Open Joint Stock Company Vimpel-Communications.
- \*\*\* Incorporated by reference to the Annual Report on Form 20-F of Open Joint Stock Company Vimpel-Communications for the fiscal year ended December 31, 1997 (SEC File No. 1-14522).
- \*\*\*\* Incorporated by reference to the Annual Report on Form 20-F of Open Joint Stock Company Vimpel-Communications for the fiscal year ended December 31, 1998 (SEC File No. 1-14522).
- \*\*\*\*\* Incorporated by reference to the Annual Report on Form 20-F of Open Joint Stock Company Vimpel-Communications for the fiscal year ended December 31, 1999 (SEC File No. 1-14522).
- \*\*\*\*\* Incorporated by reference to the Annual Report on Form 20-F of Open Joint Stock Company Vimpel-Communications for the fiscal year ended December 31, 2000 (SEC File No. 1-14522).
- \*\*\*\*\* Incorporated by reference to the Annual Report on Form 20-F of Open Joint Stock Company Vimpel-Communications for the fiscal year ended December 31, 2001.
- \*\*\*\*\* Incorporated by reference to the Annual Report on Form 20-F of Open Joint Stock Company Vimpel-Communications for the fiscal year ended December 31, 2002.
- # Incorporated by reference to the Annual Report on Form 20-F of Open Joint Stock Company Vimpel-Communications for the fiscal year ended December 31, 2003.
- ## Incorporated by reference to the Annual Report on Form 20-F of Open Joint Stock Company Vimpel-Communications for the fiscal year ended December 31, 2004.
- ### Incorporated by reference to the Annual Report on Form 20-F of Open Joint Stock Company Vimpel-Communications for the fiscal year ended December 31, 2005.
- #### Incorporated by reference to the Annual Report on Form 20-F of Open Joint Stock Company Vimpel-Communications for the fiscal year ended December 31, 2007.
- § Incorporated by reference to Form 6-K of Open Joint Stock Company Vimpel-Communications furnished to the Securities and Exchange Commission on May 9, 2001.
- §§ Incorporated by reference to Form 6-K of Open Joint Stock Company Vimpel-Communications furnished to the Securities and Exchange Commission on June 14, 2001.
- §§§ Incorporated by reference to exhibit (b)(4) to the Schedule TO-T/A filed by Lillian Acquisition, Inc. with the Securities and Exchange Commission on February 8, 2008.
- ^^ Filed herewith.
- + English translation.