

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549



FORM 6-K

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

MAY 10 2004

For the month of May 2004

Commission File Number 1-14522

P.E.
5/3/04

Open Joint Stock Company "Vimpel-Communications"

(Translation of registrant's name into English)

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

(Address of principal executive offices)

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

Form 20-F Form 40-F

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

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

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

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

SIGNATURES

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

OPEN JOINT STOCK COMPANY
"VIMPEL-COMMUNICATIONS"
(Registrant)

By: _____
Name: Alexander V. Izosimov
Title: Chief Executive Officer and
General Director

Date: May 10, 2004

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VimpelCom 2003 Annual Report

ВымпелКом Годовой отчет



Hello!

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Life is good!
Жизнь прекрасна!



Company Profile

VimpelCom is a leading provider of wireless telecommunications services in Russia,

operating under the "Bee Line GSM" brand, which is one of the most recognized brand names in Russia. The VimpelCom Group's license portfolio covers approximately 92% of Russia's population (134 million people), including Moscow and St. Petersburg.

VimpelCom has always been a pioneer in wireless telecommunications in Russia and the Company continues to be a market leader in product innovation. In 2003, VimpelCom became one of the first operators in the world to introduce on-line prepaid roaming. The Company also introduced commercial GPRS (General Packet Radio Services) and MMS (Multimedia Messaging Services) offerings across the country in 2003. For its traveling customers and foreign visitors, VimpelCom maintains roaming agreements with companies from 150 countries and supports GPRS roaming in 38 countries.

At the end of 2003, VimpelCom's total subscriber base was approximately 11.54 million, with approximately 5.66 million subscribers in the Moscow license area and 5.78 million subscribers in the regions outside Moscow.

Since its listing on the NYSE, VimpelCom has been a leader in corporate governance and transparency in Russia, being recognized on numerous occasions as the best in Russian corporate governance by various independent institutions and organizations.

VimpelCom was the first Russian company to list its shares on the NYSE in November 1996. VimpelCom's ADSs are listed on the NYSE under the symbol "VIP".

Информация о Компании ВымпелКом является ведущим оператором сотовой связи в России,

предоставляющая свои услуги под торговой маркой «Билайн GSM», одной из наиболее известных торговых марок России. Лицензии на предоставление услуг сотовой связи Группы компаний ВымпелКом покрывают приблизительно 92% населения России (134 миллиона человек), включая Москву и Санкт-Петербург.

ВымпелКом всегда был пионером в беспроводной связи в России и Компания продолжает быть лидером отрасли на рынке новых продуктов. В 2003 году ВымпелКом одним из первых в мире внедрил услугу онлайн-преpaid-роуминга для абонентов. Компания также первой в мире представила коммерческие услуги GPRS (General Packet Radio Services) и MMS (Multimedia Messaging Services) в масштабах всей страны. Для своих иностранных посетителей и туристов ВымпелКом заключил соглашения с более чем 150 странами, при этом в 38 странах предоставляет услуги GPRS-роуминга.

В конце 2003 года общая абонентская база ВымпелКом по-прежнему, приблизительно 11,54 миллиона клиентов, из них около 5,66 миллиона проживало в Москве и Московской области и 5,78 миллиона в остальных регионах страны.

С момента выхода на Нью-Йоркскую фондовую биржу ВымпелКом занимает ведущее положение среди российских компаний с точки зрения корпоративного управления и прозрачности, за что неоднократно получал от ведущих независимых институтов и организаций звания лидера в области корпоративного управления.

ВымпелКом стал первой российской компанией, включенной в список Нью-Йоркской фондовой биржи (NYSE) в ноябре 1996 года. Акции Компании kotированы по NYSE под названием "VIP".

Financial Highlights

(In thousands of US dollars, except per share (ADS) amounts)
(US GAAP)

	2003	2002	2001
Operating Results			
Total operating revenues	1,335,598	779,644	427,696
Net operating revenues (1)	1,335,598	766,496	422,602
Operating income (loss)	427,904	224,792	87,150
% net operating revenues	32.0%	29.3%	20.6%
Net income (loss)	US\$ 233,962	US\$ 149,552	US\$ 47,301
% net operating revenues	17.5%	16.5%	11.2%
Net income (loss) per common share	US\$ 6.12	US\$ 3.41	US\$ 1.41
Net income (loss) per ADS equivalent (2)	US\$ 4.59	US\$ 2.56	US\$ 1.06

Consolidated Balance Sheet Data
(In thousands of US dollars)

	2003	2002	2001
Cash, cash equivalents and short-term investments	US\$ 157,611	US\$ 263,657	US\$ 145,092
Working capital (deficit)	(167,409)	69,592	52,146
Property and equipment, net	1,460,542	937,602	535,405
Intangible assets, net	163,186	144,115	70,926
Total assets	US\$ 2,302,232	US\$ 1,692,240	US\$ 923,806
Total debt including current portion	606,991	680,580	277,673
Total liabilities	1,304,016	1,030,081	417,685
Total shareholders' equity	998,216	662,663	508,121

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	2003	2002	2001
End of period subscribers			
Moscow License Area	5,659,600	3,712,700	1,911,200
The regions	5,777,360	1,440,400	209,300
Total subscribers	11,436,960	5,153,100	2,111,500
Employees (3)	7,800	4,990	3,174
Market share - Moscow License Area (4)	49%	52%	46%
Market share - Russia (5)	31%	29%	n/a

1. Net operating revenues after deduction of revenue based taxes
2. Net income (loss) per common share has been adjusted by a factor of 1.33 to determine net income (loss) per ADS equivalent. As each ADS is equivalent to three quarters of one share of common stock.
3. VimpeLcom and its principal subsidiaries
4. Based on the Company's estimates of active subscribers on its networks and independent estimates of active subscribers on the networks of the other wireless telecommunications providers in the Moscow license area
5. Source: ALCM Consulting and other independent sources



Остаточные финансовые показатели

(в тысячах долларов США, кроме сумм на акциях (АД))

	2003	2002	2001
ИАИ (США)			
Результаты операционной деятельности			
Общий операционный доход	1 335 596	779 644	427 896
Чистые операционные доходы (1)	1 335 596	768 496	422 602
Операционная прибыль (операционный убыток)	432 904	224 792	87 150
% с чистой операционной прибылью	32,0%	29,3%	20,6%
Чистая прибыль (убыток)	US\$ 233 962	US\$ 129 552	US\$ 47 391
% с чистой операционной прибылью	17,5%	16,9%	11,2%
Чистая прибыль (убыток) на обыкновенную акцию	US\$ 6,12	US\$ 3,41	US\$ 1,41
Чистая прибыль (убыток) на эквивалент АД (2)	US\$ 4,59	US\$ 2,56	US\$ 1,06

Данные консолидированного баланса (в тысячах долларов США)

	2003	2002	2001
Денежные средства, их эквиваленты и краткосрочные финансовые вложения			
Оборотные средства (субфидит)	US\$ 157 611	US\$ 263 657	US\$ 145 092
Средства в пути	(167 409)	59 562	52 146
Средства, не в пути	1 469 542	957 602	585 405
Незавершенные акты, не в пути	163 166	144 115	70 926
Общий сумма активов	US\$ 2 322 222	US\$ 1 692 764	US\$ 925 696
Общая задолженность, включая задолженность за текущий период			
Общая сумма обязательств	1 204 016	1 030 081	417 685
Собственный капитал	998 216	662 683	506 121

Статистические данные:

	2003	2002	2001
Количество абонентов в конце года			
Московская лицензионная территория	5 659 600	3 712 700	1 911 200
Регионы	5 777 306	1 440 400	200 300
Итого абонентов	11 436 906	5 153 100	2 111 500
Количество сотрудников (3)			
Доля рынка - Московская лицензионная территория (4)	7 600	4 990	3 174
Доля рынка - Россия (5)	49%	52%	46%
	31%	28%	

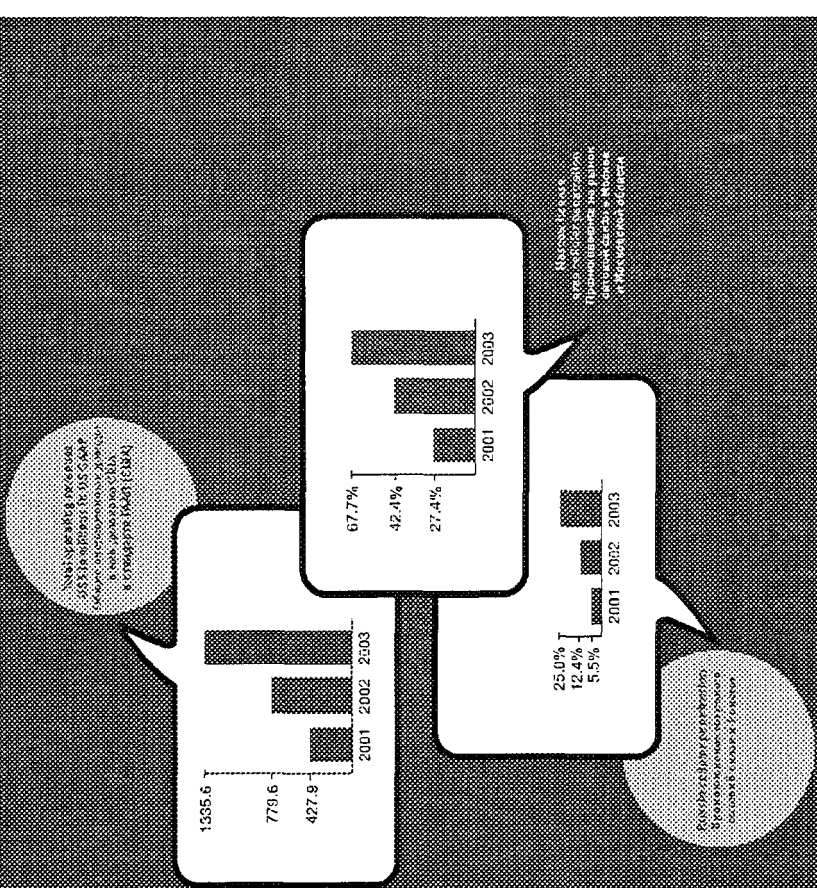
1. Чистый операционный доход после вычета налога на доход

2. Чистая прибыль (убыток) за обыкновенную акцию был разделен на величину 1,23 для определения чистой прибыли (убытка) на эквивалентную акцию (АД), так как одна акция эквивалентна десяти акциям обыкновенной акции

3. В расчеты и на основании данных, предоставленных

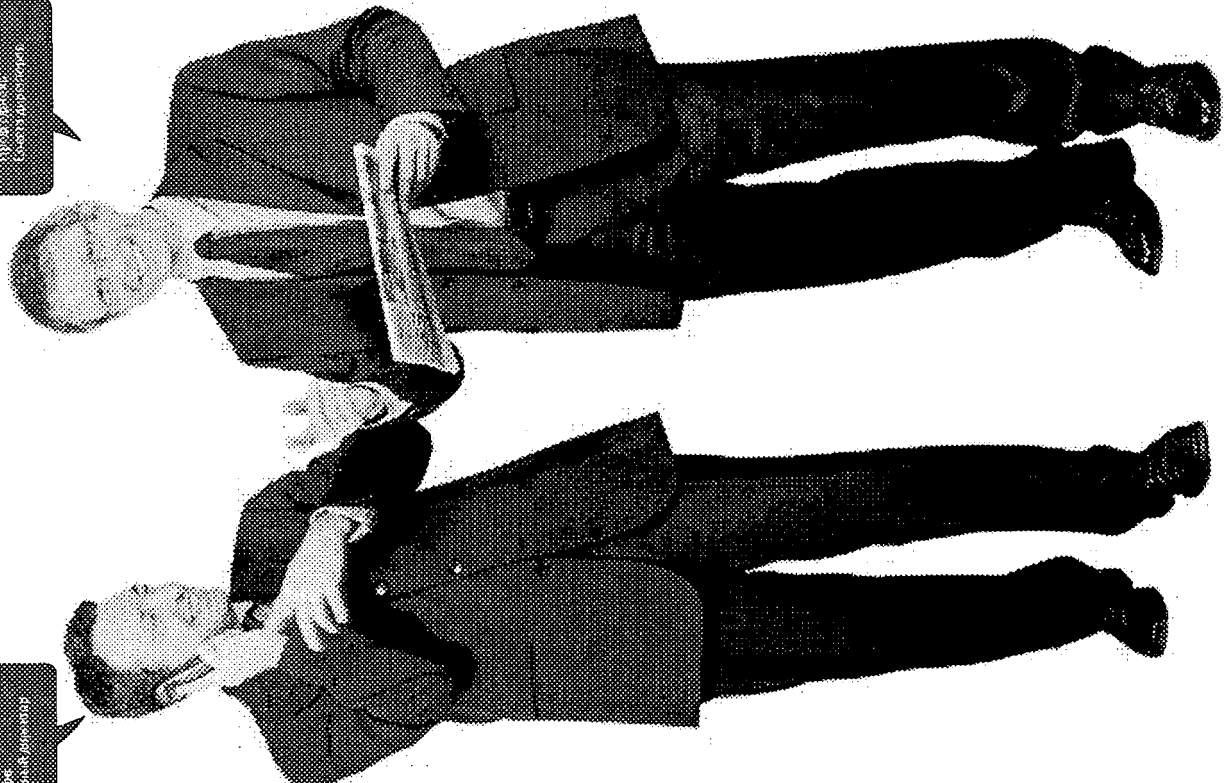
4. Данные основаны на сервисе Коэффициент, который является частью пакета услуг оператора связи от ИАИ (США) и предоставляется клиентам ИАИ (США) в рамках услуги «Информация о тарифах»

5. Источник: АСМЭИ-Сторителл и другие независимые источники



Investor Relations
Press
New York, NY

Key to the
VimpelCom
Success



Letter to Shareholders

Dear Shareholders: Robust economic development and rising disposable incomes in Russia stimulated spectacular growth in the Russian cellular industry. During 2003, the number of mobile subscribers in Russia grew from 18.0 million to 36.2 million. VimpelCom took more than 34% of this growth and increased its subscriber base from 5.15 million at the end of 2002 to approximately 11.44 million at the end of 2003. Despite fierce competition, we were able to maintain our leadership position in the key Moscow market in terms of the number of subscribers. At the end of 2003, we served approximately 5.66 million subscribers in the Moscow license area, corresponding to a market share of approximately 49.0%. Although we increased the number of subscribers in Moscow by 52.4% in 2003, our progress in the regions was even more impressive. In the beginning of 2003, we operated in 38 regions outside of the Moscow license area, serving approximately 1.44 million subscribers. At the end of 2003, we operated in 53 regions outside of the Moscow license area and served approximately 5.78 million subscribers, which represents more than 300% annual growth. In April 2003 we launched our operations in St. Petersburg, the second largest city in Russia, and by the end of 2003 we had signed more than 330,000 subscribers in the city. In December 2003 we launched our operations in three regions in the Urals, a very important industrial area in the center of Russia. In 2003, as in 2002, VimpelCom demonstrated the highest rate of growth in the Russian regions of any major cellular operator.

2003 marked yet another record year for VimpelCom with the following financial and operational achievements:

- For the year 2003, VimpelCom reported net operating revenues of \$1,335.6 million, a 73.8% increase from 2002.
- Our operating income before depreciation and amortization (OIBDA)* was approximately \$613.2 million, a 90.3% increase from 2002.
- Our OIBDA margin reached 45.9%, compared to 41.9% reported for 2002.
- Our net income reached approximately \$234.0 million, a 60.6% increase from 2002.
- In 2003, the Company generated approximately \$511.9 million in operating cash flows.
- As of December 31, 2003 our balance sheet was strong, with the debt-to-equity ratio at 0.6.
- Our regional operations became profitable in the second quarter of 2003 with net income doubling in the third and fourth quarter compared with the previous quarter.
- The Company increased its overall national market share by 3%, from 28% to 31%. As of March 31, 2004, our national market share reached 32% according to an independent research report.

Our massive subscriber growth in 2003, driven by capital investments in the amount of approximately \$770 million, was accompanied by revenue and cash flow growth and, more importantly, improved margins. We were particularly pleased that our regional operations became net income positive in the middle of 2003, less than two years after the start of our national expansion program. The financial performance of our regional arm, VimpelCom-Region, improved so much during 2003 that in the fourth quarter of 2003 VimpelCom-Region's OIBDA margin** reached 40.2% and net income margin

* Reconciliation of the VimpelCom OIBDA and OIBDA margin to their most directly comparable U.S. GAAP financial measurements is presented in the section "Selected Consolidated Financial Data."

** Reconciliation of the VimpelCom-Region OIBDA margin to its most directly comparable U.S. GAAP financial measurement is presented in the Company's fourth quarter and annual 2003 earnings release which is posted on our website at the following URL address: <http://www.vimpelcom.com/news/press/20040325.htm>

интересения членам сетей, и приобретение существующим операторам новых активов/лицензий как фактор. Самой богатой и страной мировой по количеству поставщиков является Великобритания. Уровень производства здесь уже перешагнул показатель в 70%. Хотя рост числа абонентов еще продолжается, мы находимся в новой фазе конкуренции, в которой решающую роль будут играть такие факторы, как надежность абонентов, более высокие, чем у конкурентов, качество предоставляемых услуг, выход на рынок привлекательных и удобных в использовании продуктов.

В 2003 году ВымпелКом продолжил традицию эффективного и инновационного управления компанией. Как и в прошлые годы, важнейшими международными организациями признаны «Глобал Телеком» и «Глобал Телеком», такие как «Глобал Телеком», «Глобал Телеком» и «Глобал Телеком». В «Глобал Телеком» мы выражаем уверенность в том, что эти компании решают задачу 2004 года, успешно реализуют свои планы и увеличат ценность Компании для своих акционеров.

Джо Лукасу
Президент, Совет директоров

Александр Васильев
Генеральный директор

Стремительный рост абонентской базы в 2003 году был обусловлен капитальными вложениями в размере приблизительно \$770 миллионов. Этот рост сопровождался ростом выручки и денежных потоков, и, что очень важно, увеличением значимой маржи. С удивительным успехом мы выполнили все операции, запланированные в середине 2003 года, даже тем, что региональные операции вышли на уровень прибыльности в среднем 2003 года, даже тем, что два года после начала реализации нашей программы развития в регионах. Финансовые показатели выигрывают благодаря подразделению ВымпелКом-Регión, который улучшился за 2003 год, что в четвертом квартале 2003 года маржа ОПВВ* ВымпелКом-Регión достигла 40,2%, а маржа чистой прибыли составила 33,9%. Результаты нашей финансовой деятельности демонстрируют, что в 2003 году Компания успешно реализовала свою стратегию как в Москве, так и в масштабах всей страны.

Целью акций (ADS) ВымпелКома отражает успех операционной и финансовой деятельности. В течение 2003 года цена акций выросла приблизительно на 120%, с \$31,6 до \$69,2 за АД. Это выше не только показателя роста индекса РНА, который вырос на 25%, но и индекса российской РТС, увеличиваясь почти на 80% в 2003 году. В течение первого квартала 2004 года цена АД выросла еще на 50% и достигла \$104.

Ожидается, что в 2004 году в последующие годы продолжится интенсивный рост числа абонентов в регионах России. Такая перспектива определяет стратегию ВымпелКома на дальнейшее расширение операций в России. В конце 2003 года мы работали в 55 из 89 субъектов Федерации и нам, где это необходимо, мы планируем увеличить зону обслуживания и емкость наших сетей. В марте 2004 года мы запустили новую сеть в Южном федеральном округе. В этом году мы также планируем запустить новые сети в большинстве из 18 оставшихся вне зоны обслуживания субъектов Федерации, находящихся на наших лицензионных территориях. На Дальнем Востоке расширение еще 15 регионов, на работу в которых мы не можем лицензий, и мы продолжим усилия по получению доступа к необходимой деятельности в этих регионах.

В октябре 2003 года наши акционеры одобрили слияние с ВымпелКом-Регiónом, нашими дочерними предприятиями, занимающимися реализацией регионального развития. Сделку планируется завершить во втором квартале 2004 года при условии, что все лицензии и разрешения будут переданы от ВымпелКом-Регiónа ВымпелКому. После завершения слияния с ВымпелКом-Регiónом все акционеры ВымпелКома будут получать 100-процентную выгоду от регионального роста.

Мы считаем, что значительный рост в российских регионах будет принадлежать ВымпелКому благодаря реализации нашей стратегической региональной экспансии. Эта стратегия прибыльного роста основана на двух ключевых элементах: 1) сети сотовой связи строится как единая общенациональная сеть с унифицированными бизнес-процессами и решениями в отношении эксплуатации и контроля работы сети, инфраструктурных технологий, маркетинга, системы обслуживания абонентов и обслуживания и бизнеса; и 2) развитие в регионах осуществляется путем

* Сопоставимый уровень прибыли. Включая ВымпелКом-Регión с сопоставимыми финансовыми показателями, предлагаем с U.S. \$144, при этом в расчете не учитывается стоимость приобретения акций в 2003 году. Расчеты основаны на веб-сайте: www.vimpelcom.com

Cellular Penetration in Russia: Doubled During 2003

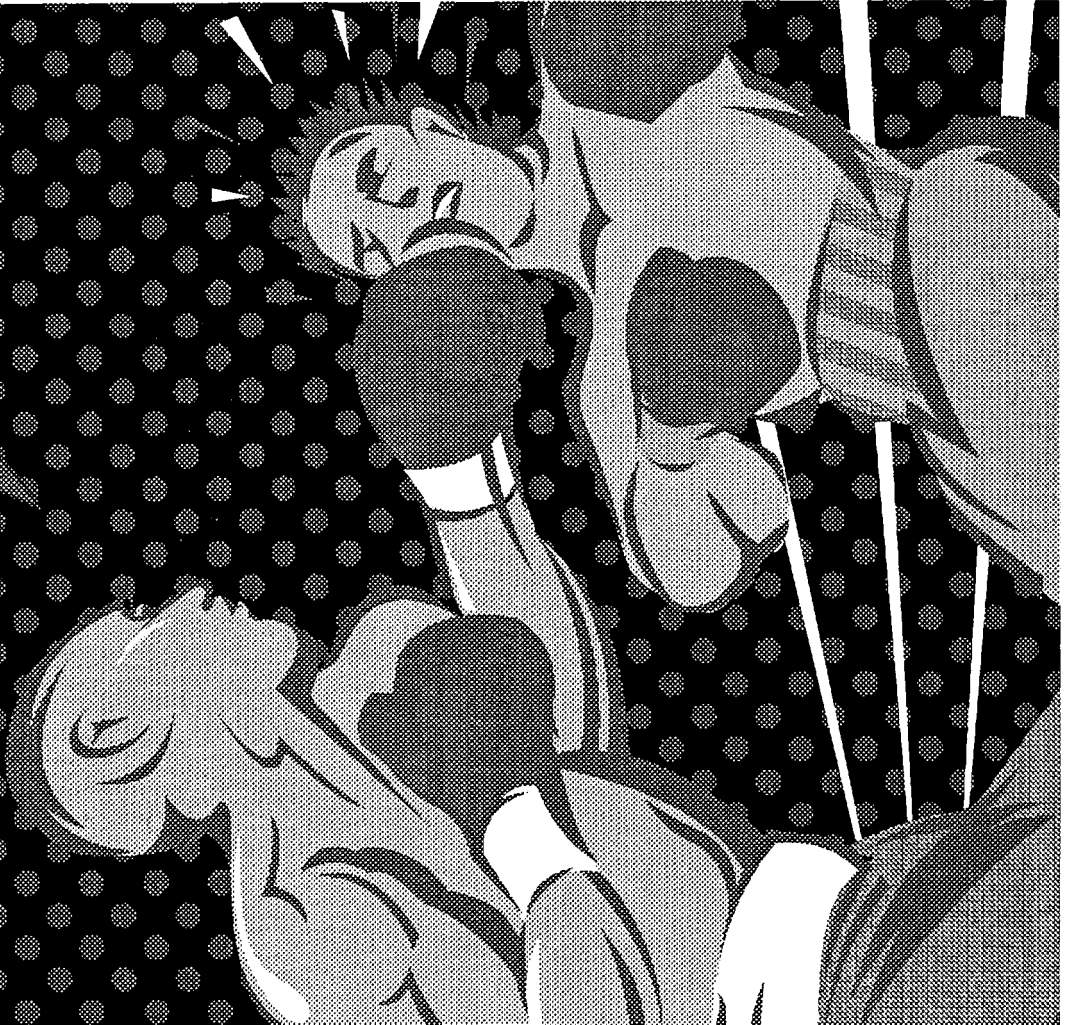
Improving economic conditions and the increasing strength of mobile operators led to record growth in subscriber numbers in 2003.

The total number of mobile subscribers in Russia more than doubled, from 18.0 million at the end of 2002 to 36.2 million at the end of 2003. In 2003, Russia added more mobile subscribers than any other country in the world except China. Cellular penetration in Russia reached the level of approximately 25.0% compared to approximately 12.4% reported for 2002. The subscriber figures published for January, February and March of 2004 showed that growth in absolute numbers in 2004 was even higher than it was during the same period in 2003, in aggregate adding approximately 6.63 million subscribers compared with 3.26 million in 2003. In Moscow, which is the largest and most lucrative market in Russia, cellular penetration has exceeded 70%. Nonetheless, growth is continuing and Moscow is expected to repeat the cellular pattern of such Central European countries as Czech Republic where cellular penetration rate has gone beyond 80%.

VimpelCom made a significant contribution to the overall growth of the Russian cellular industry in 2003. During the year VimpelCom installed and launched 22 switching centers and more than 3,500 base stations. Starting the year with 38 regional networks and approximately 1.44 million subscribers outside of Moscow, VimpelCom ended the year with 53 regional networks and approximately 5.78 million subscribers outside of Moscow. Our new regional networks cover the strategically important markets in St. Petersburg and the Urals. In Moscow, VimpelCom maintained its leadership position and ended the year with approximately 5.66 million subscribers, a 52.4% increase from 3.71 million subscribers reported at the end of 2002. At the end of March 2004, VimpelCom had more than 13 million subscribers in Russia, with more than 6 million subscribers in Moscow and more than 7 million subscribers in the regions outside of Moscow.

Get the message!

Получите сообщение!



ВымпелКом: достижение новых рубежей в 2003 году

2003 год явился годом выдающихся успехов ВымпелКома по всем направлениям его деятельности.

Чрезвычайный рост числа абонентов ВымпелКома свидетельствует рекордный операционный доход в размере около \$1,34 миллиарда, который является целевым показателем успеха \$1 миллиарда. Дивиденды также увеличились в 2003 году, что является крупнейшим достижением за много лет, когда Компания объявила дивиденды в размере 15 новиз стенок. С особым удовлетворением отмечаем, что рынок SIP-телефонии достиг 45,9%, самого высокого значения за все время своего существования. ВымпелКом также вышел на Нью-Йоркскую фондовую биржу. После запуска в Москве в 2002 году новой современной биллинговой системы ВымпелКом завершил переход на эту самую новую платформу практически во всех регионах в 2003 году. Эта новая платформа дает ВымпелКому значительные операционные преимущества и улучшает его операционные показатели на рынке в отношении качества предоставления услуг и внедрения новых продуктов. Стремление к увеличению объема предоставляемых услуг, как стали предоставлять в масштабах всей страны услуги по передаче цифровой информации (бизнес), использование IP-телефонии (VoIP), а также телемедицина (Система Provider Access).

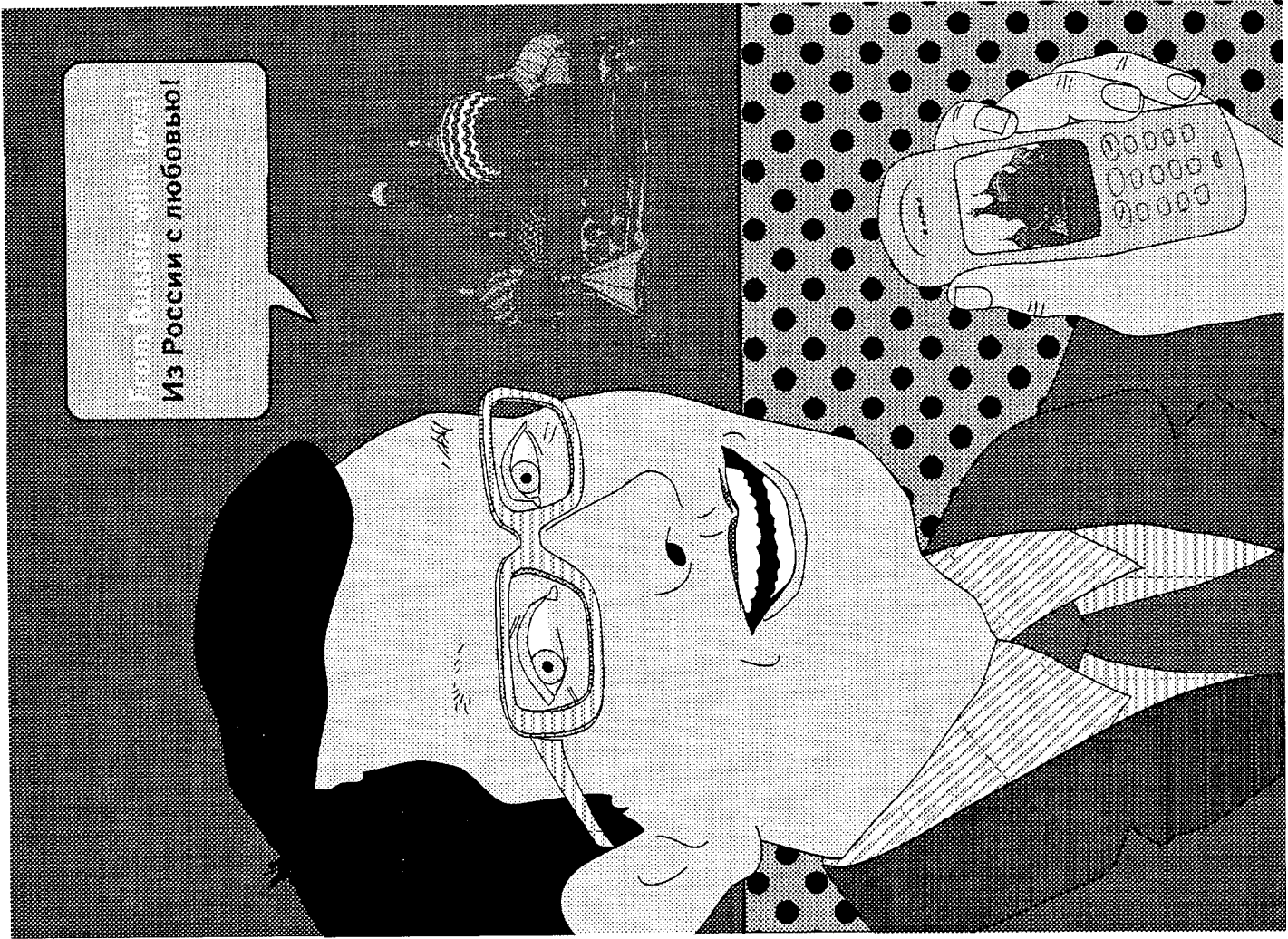
В 2003 году ВымпелКом был признан лучшей сетевой компанией, которая:

- запустила в масштабах страны услуги на основе маршрутизации SIP;
- запустила в масштабах страны услуги маршрутизации в режиме реального времени для абонентов с сетевой передачей голоса; новый шаг для Комании, в которой абоненты с сетевой передачей составляют 87% от общей абонентской базы.

В 2003 году ВымпелКом представила услуги SIP-телефонии в 38 странах, значительно увеличив своих конкурентов.

Как и в прошлые годы, высокие показатели работы ВымпелКома получили признание в 2003 году, и ВымпелКому присудили следующие звания и призы:

- Бронза года (for EFFE),
- Лучшее корпоративное управление (for IT Magazine),
- Призери за лучшую организацию отношений с инвесторами (for IT Magazine),
- Лучшее качество обслуживания клиентов (for IT Magazine).



BEST AVAILABLE COPY

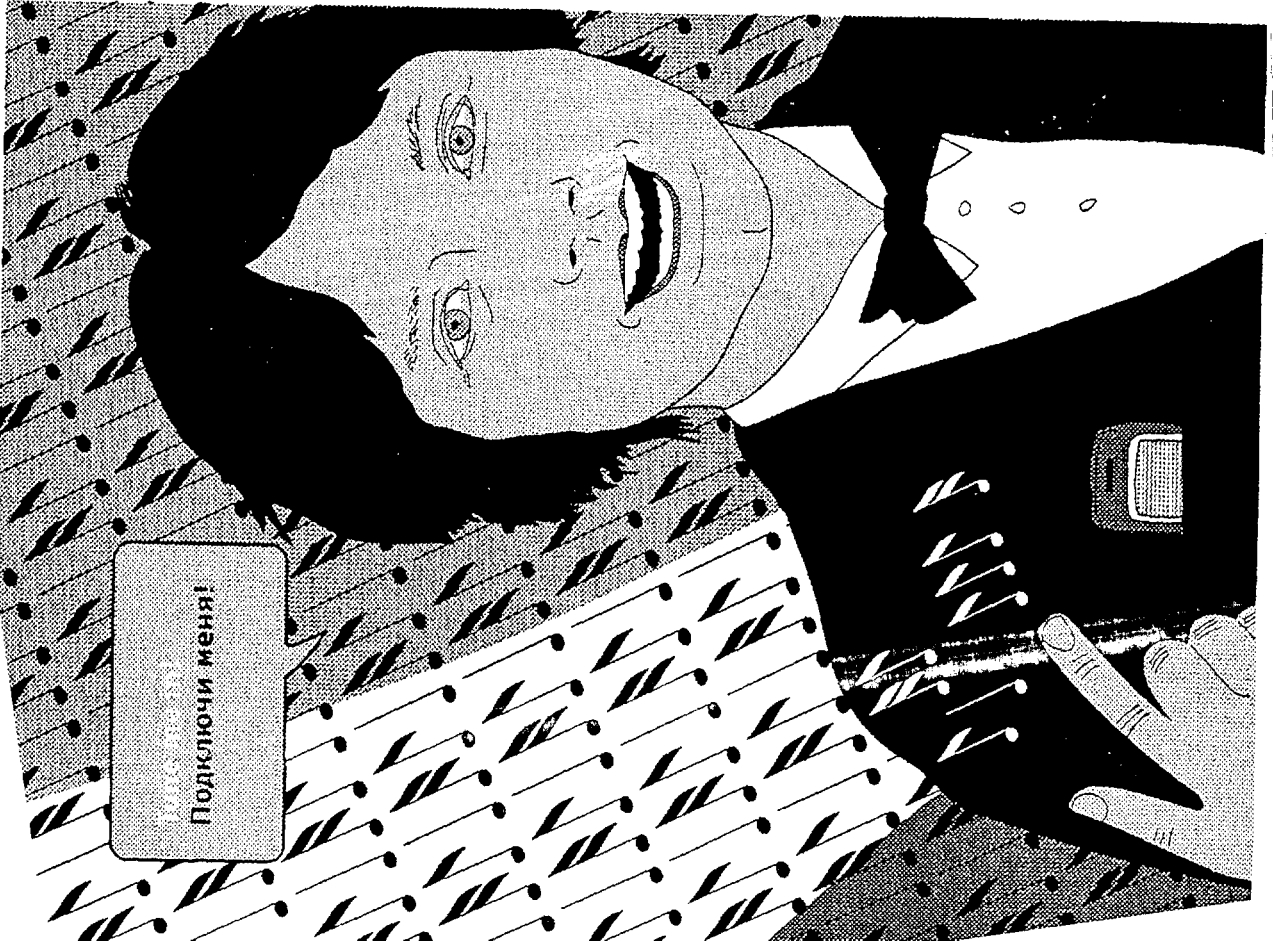
Core Principles of Corporate Culture **VimpelCom**
views its employees as one of the
Company's most valuable assets.

The role of employees is particularly important during this time of rapid growth in the region when dozens of new offices are being opened and millions of new subscribers are added each year. Management actively promotes the development of our personnel in an effort to ensure that we are one of the most attractive employers in Russia today.

VimpelCom maintains a professional and open corporate culture, which provides all employees with an opportunity to fully realize their talents. VimpelCom combines management of its personnel with the development of its corporate organization and corporate culture.

An annual *intra-corporate* research study called "Our Capital", which is based on an "Internal Value Creation" technique, is among our new development technologies. "Our Capital" provides management with important information about the "internal health" of the Company. VimpelCom is the first to carry out this type of research in Russia.

Trust and respect toward our employees are key elements of our corporate culture. At the same time, our corporate culture and principles of business conduct reflect the Company's obligations as one of the largest and most prominent Russian companies with thousands of shareholders. VimpelCom has adopted a Code of Business Conduct and Ethics based on the best world practices. The Code is posted on our corporate website and compliance is obligatory for all our employees. Among other things, the Code covers such issues as disclosure of information, conflict of interests, measures to prevent corruption, interested party transactions and insider trading.



Основные принципы корпоративной культуры

Выпелком рассматривает своих сотрудников как одно из самых главных достояний Компании.

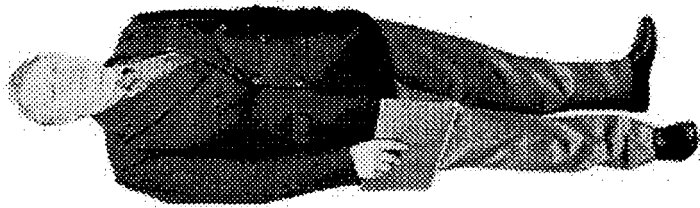
Вопь сотрудников особенно важна в условиях стремительного роста в регионах, где компания работает. Каждый новый офис и заводской филиал несет ответственность за развитие и процветание нашей сети. Руководство Компании активно поддерживает развитие и продвижение сотрудников. Компания с тем, чтобы Выпелком имел лучшие возможности для обучения, развития и роста. Мы предлагаем своим сотрудникам работу в интересной среде. Выпелком стремится профинансировать структуру корпоративной культуры, которая позволяет каждому сотруднику развиваться, реализовать свои амбиции. Компания может работать с клиентами в соответствии с требованиями и корпоративной культуры.

Среди наших ключевых принципов организации следует отметить следующие: инновационное мышление. «Ваш капитал», основанное на инновационных идеях. «Ваш капитал» — это капитал, основанный на инновационных идеях. Также мы предлагаем Выпелком своим клиентам и партнерам.

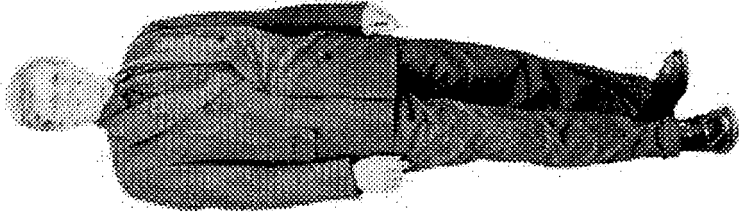
Деловые и честные отношения. Мы предлагаем клиентам элемент корпоративной культуры Компании. Выпелком является одним из крупнейших и наиболее успешных компаний России и имеет тысячи клиентов. Это позволяет нам работать и со стратегическими партнерами, которые расширяют возможности на рынке. Мы и будем работать в интересах наших клиентов. Каждый деловой партнер имеет и этики, основанной на принципах честных отношений. Это документально зафиксировано на сайте Выпелкома и является обязательным для всех сотрудников. Среди прочего, этот документ рассматривает также вопросы, как развитие кадровой политики, взаимодействие клиентов, финансы, сделки с клиентами, безопасность, порядок и порядок работы с клиентами. Мы предлагаем

Board of Directors
Совет директоров
Senior Management
Старший менеджмент

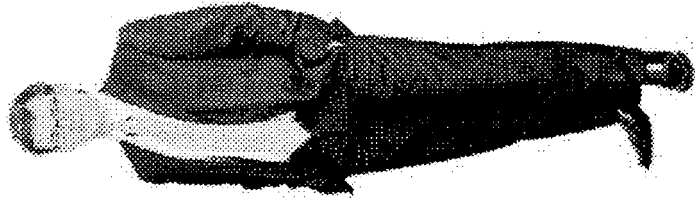
СОВЕТ ДИРЕКТОРОВ



Alex Eronoff
Chairman of the Board, Sinesub Corporation;
Co-Chairman of the 3rd Peter Dablow Foundation;
Senior Vice President,
The American Chamber of Commerce
in Moscow; Director, American
Embassy in Moscow; Chairman,
American Business Council in
Moscow

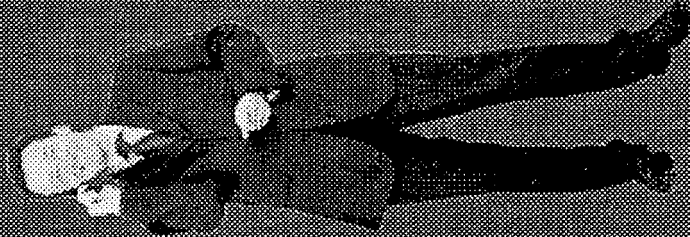


Terje Thore
Chairman of the Board
of the Norwegian newspaper
Dagbladet AS
1992-1997
Vice Chairman, Norsk
Informasjonstjeneste
1997-1999

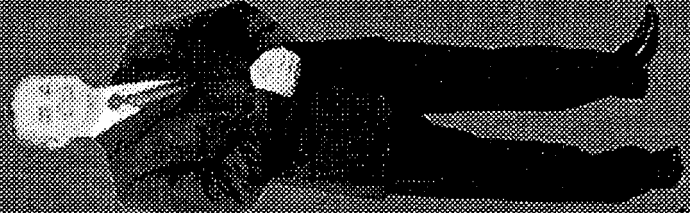


Peter V. Kulkov
General Director, Alex-Geo Television
Company, Broadcast Services
Company
1992-1997
General Director,
Telecom of the Russian
Federation

Senior Management



Alexander V. Izrael
Chair, Executive Office,
since October 1, 2002
Chair, High Performance
Program
1992-1997
Chair, Executive Office,
since October 1, 2002



Mikhail V. Pyramushin
Vice President,
Commercial Director,
Research Department,
1992-1997
Vice President,
Research Department,
1992-1997

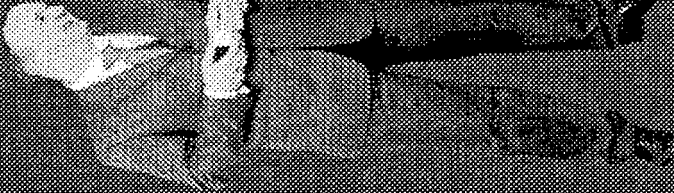


Elina A. Shtokova
Vice President, Office
of the Vice President,
1992-1997
Vice President,
1992-1997



Alex G. Collins
Vice President, Corporate Office Unit
and Product Division
1992-1997
Vice President,
1992-1997

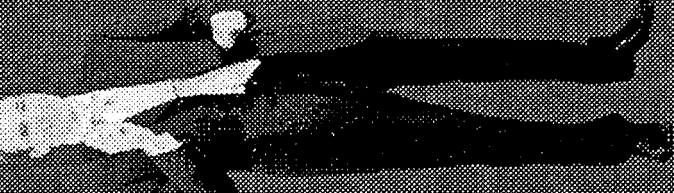
Старший менеджмент



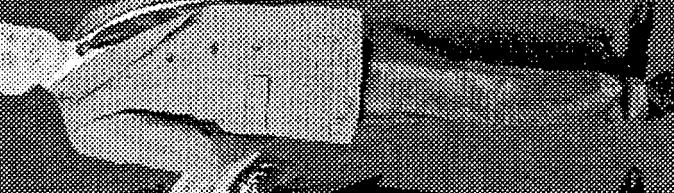
Andrey P. Kuznetsov
Vice President
Engineering, Technology
Development, Taxation
Купцов Андрей Павлович
Вице-президент
по инженерным, технологическим
и налогово-финансовым вопросам



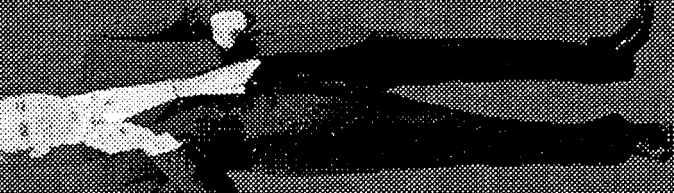
Olga H. Tereshchewa
Marketing Director
Business Development
Терещева Ольга Генриховна
Директор по развитию
бизнеса



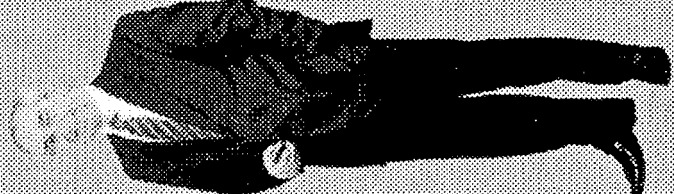
Valery A. Frankov
Vice President, Licensing
Business Development
Director
Френков Валерий Александрович
Вице-президент по лицензированию
и развитию бизнеса
Директор



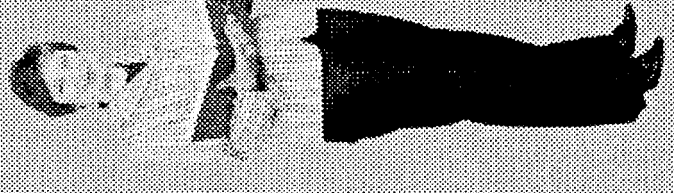
Sergei N. Avdeyev
Vice President
Business Development
Савдеев Сергей Николаевич
Вице-президент по развитию
бизнеса



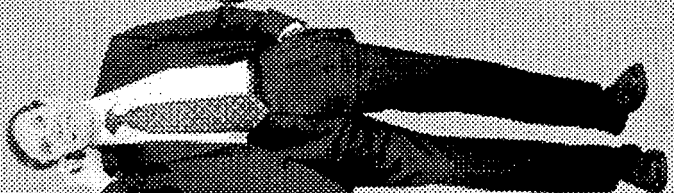
Michael V. Tsvetkov
Sales Director
Professor, Entrepreneurship
Tsvetkov Mikhail Vladimirovich
Директор по продажам



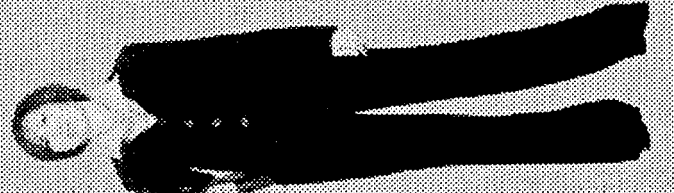
Elena G. Ruzhanskaya
Vice President, Director
of Business Development
Ruzhanskaya Elena Gennadievna
Вице-президент по развитию
бизнеса



Marina V. Drogosova
Vice President, Director
of Sales, Sales Management
Drogosova Marina Vladimirovna
Вице-президент по продажам



Valery K. Balbin
Vice President, Director of
Sales, Director of Sales
Development
Balbin Valery Konstantinovich
Вице-президент по продажам
и развитию бизнеса



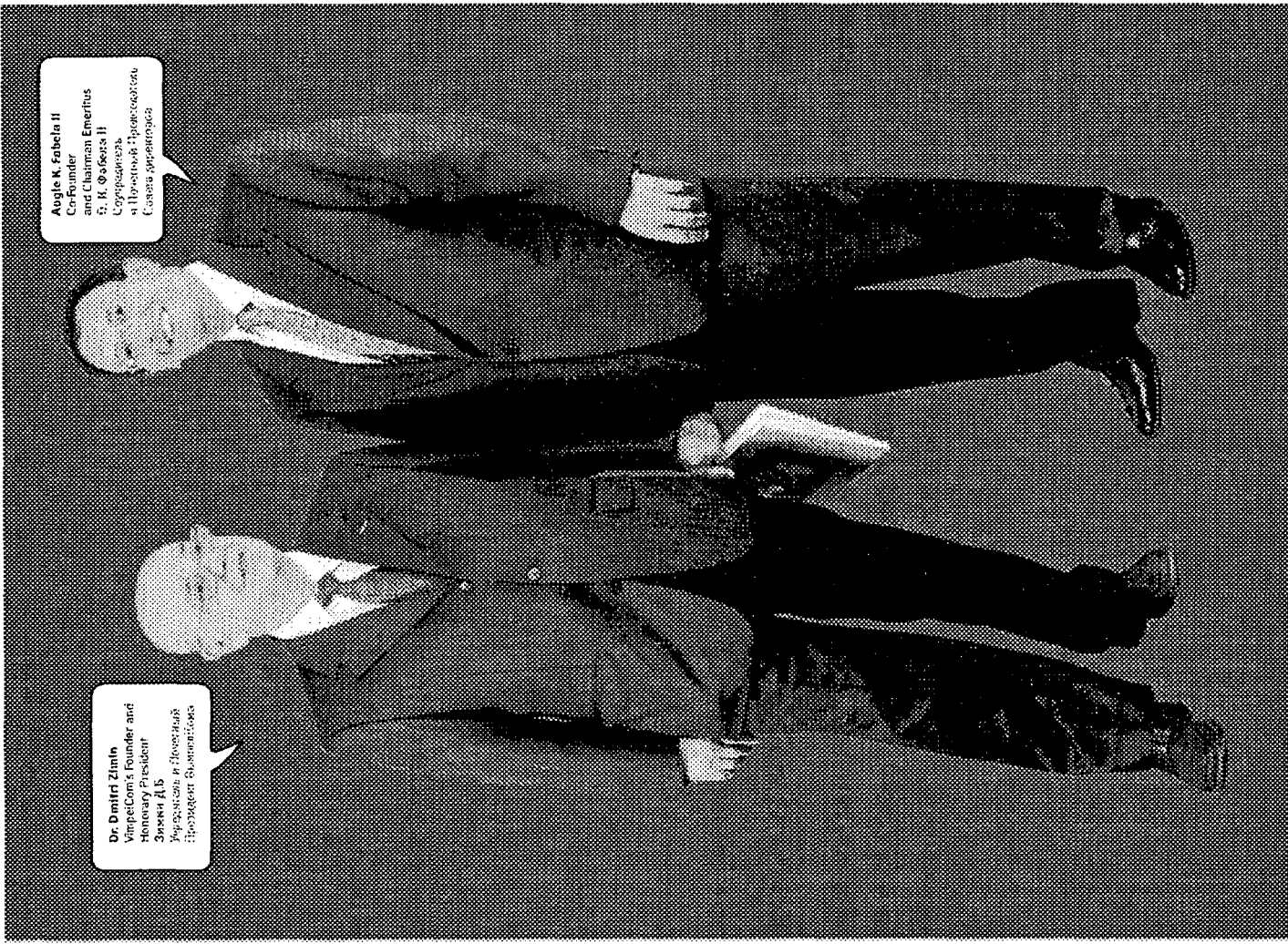
Evgeny G. Gerasimov
Vice President for Corporate & Legal
Affairs, Corporate Director
and Secretary of the Board
Gerasimov Evgeny Gennadievich
Вице-президент по корпоративным
и юридическим вопросам, директор
по юридическим вопросам и секретарь
правления

The Legacy of VimpelCom: Founders' Pioneering Spirit

VimpelCom's Founder and Honorary President Dr. Dmitri B. Zimin and Co-Founder and Chairman Emeritus Augie K. Fabela II have inspired the Company's transparency, strong corporate governance, quality, innovation and a pioneering spirit – values and characteristics that have made VimpelCom unique in Russia and a leader in the industry. They led VimpelCom from its inception in 1992, to its history-making step of becoming the first Russian company to be listed on the New York Stock Exchange in 1996. Messrs. Zimin and Fabela laid the foundation that has made VimpelCom the second largest telecommunications company in Russia, CIS, Central and Eastern Europe and one of the fastest growing telecommunications companies in the world.

Наследие Вымпелкома: новаторский дух учредителей

Учредитель и Почетный Президент Вымпелкома д-р Д. В. Зимин и соучредитель и Почетный Председатель Совета директоров г-н О. К. Фабела II являются инициаторами принятия таких ценностей и принципов, как приоритет высокого качества, новаторский дух, прозрачность бизнеса и высокий уровень корпоративного управления, которые сделали Компанию уникальным явлением в современной России, а также лидером в своей индустрии. Они возглавляли Компанию с момента ее основания в 1992 году и привели ее к историческому достижению 1996 года, когда ВымпелКом стал первой российской компанией, включенной в список Нью-Йоркской фондовой биржи. Д-р Зимин и г-н Фабела заложили тот фундамент, который позволил ВымпелКому стать второй по величине крупнейшей телекоммуникационной компанией России, СНГ, Центральной и Восточной Европы, а также одной из самых быстрорастущих телекоммуникационных компаний в мире.



Dr. Dmitri Zimin
VimpelCom's Founder and
Honorary President
Дмитри В. Зимин
Учредитель и Почетный
Председатель Вымпелкома

Augie K. Fabela II
Co-Founder
and Chairman Emeritus
О. К. Фабела II
Соучредитель
и Почетный Председатель
Вымпелкома

Corporate Information

Корпоративная информация

Legal Advisers

Akin, Gump, Strauss, Miller & Field, L.L.P.
Корпоративный
Эдман, Лам, Стрейтс, Миллер и Филд Л.Л.П.

Independent Auditors

Ernst & Young (CIS) Limited
Бизнес-центр «Универсум»
Эрнст энд Янг (США) Лимитед

Depository Bank

The Bank of New York
Банк Нью-Йорк
Банк оф Нью-Йорк

CUSIP # 68370R109

Custodian Bank

ING Bank Eurasia
Банк-оператор «Инвест»
(ИИ) Банк Евразия

Primary Trading Information

NYSE: VIP (ADS)
Самантис на фонде
Нью-Йоркская фондовая биржа: VIP (ADS)

Requests for Corporate Information:

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Fax: +7 (095) 721-0017
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Факс: +7 (095) 721-0017
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Fax: +1 (212) 704-0128
www.edelman.com

Американская компания
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Эдман Финанс Уорлдвайд
Бродвей, 1500
Бруклин, Нью-Йорк, Нью-Йорк 10036 - 4015
Тел: +1 (212) 768-0550
Факс: +1 (212) 704-0128
www.edelman.com

Financial Information

All information contained herein is qualified in its entirety by reference to VimpelCom's Annual Report on Form 20-F which will be filed with the U.S. Securities & Exchange Commission by June 30, 2004 pursuant to Section 15(d) of the United States Securities Exchange Act of 1934, as amended.

Financial Information

Selected Consolidated Financial Data

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The following tables of consolidated statements of operations and consolidated balance sheet data present a summary of our historical consolidated financial information for the years ended December 31, 2002, 2001, 2000, 1999 and for the years then ended and are derived from our unaudited financial statements and related notes, which have been audited by Ernst & Young, LLP ("EY"). The selected financial data set forth below should be read in conjunction with our consolidated financial statements and related notes and the section of this document entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Years ended December 31,

(in thousands of U.S. dollars, except per share and per ADS amounts)

Consolidated statement of operations data

	2002	2001	2000	1999
Operating revenues:				
Service revenues and commission fees	US\$ 1,266,662	US\$ 727,666	US\$ 181,321	US\$ 252,313
Sales of hardware and accessories	54,975	49,934	43,228	31,487
Other revenue	2,561	1,645	1,347	1,295
Total operating revenues	1,324,198	779,244	225,896	285,095
Less revenue-based rates	(31,149)	(5,262)	(11,577)	(14,232)
Net operating revenues	1,293,049	773,982	214,319	270,863
Operating expenses:				
Service costs	191,441	111,387	74,097	61,326
Cost of hardware and accessories sold	34,044	41,764	37,591	34,167
Selling, general and administrative expenses	467,535	271,983	146,982	106,704
Depreciation	181,302	83,364	46,600	47,188
Amortization	34,064	12,213	14,916	14,364
Impairment of long-lived assets	-	-	-	66,467
Provision for doubtful accounts	9,226	21,173	11,406	19,148
Total operating expenses	907,592	545,248	313,582	389,606
Operating income (loss)	385,457	228,734	(99,263)	(118,743)
Other income and expenses:				
Interest income	6,378	3,168	5,733	4,939
Other income	6,299	3,903	2,817	2,113
Interest expense	(66,246)	(46,846)	(36,845)	(21,089)
Other expense	(3,281)	(2,141)	(3,576)	(36)
Net foreign exchange loss	(1,279)	(2,439)	(119)	(2,651)
Total other income and expenses	(58,119)	(45,255)	(31,990)	(16,624)
Income (loss) before income taxes, minority interest and cumulative effect of change in accounting principle	327,338	183,479	(130,273)	(230,566)
Income tax expense (benefit)	121,941	46,525	18,539	(14,344)
Minority interest in net earnings (loss) of subsidiaries, before cumulative effect of change in accounting principle	26,372	(1,234)	7	672

Эта информация предназначена для ознакомления с финансовыми результатами и финансовым положением Компании и не является рекомендацией по покупке или продаже каких-либо ценных бумаг. Информация не является гарантией точности и не должна рассматриваться как инвестиционная рекомендация. Информация не является гарантией точности и не должна рассматриваться как инвестиционная рекомендация.

Selected Operating Data

The following selected operating data as of December 31, 2003, 2002, 2001, 2000, and 1999 and for the corresponding periods have been determined from our company and from independent sources that we believe to be reliable. The selected operating data set forth below should be read in conjunction with our consolidated financial statements and their related notes and the section of this document entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	At December 31:				
Selected quarterly operating data:					
Estimated population:					
Moscow license area (1)	16,984,200	14,984,800	15,051,800	15,091,900	14,468,700
Region (2)	1,481,811,200	1,451,111,900	1,461,193,600	1,431,541,500	1,510,555,500
Estimated subscribers:					
Moscow license area (3)	11,587,200	7,201,460	4,110,200	1,993,600	785,000
Region (3)	39,734,000	18,008,000	8,060,400	3,445,000	1,355,000
Penetration rate:					
Moscow license area (4)	67.6%	42.4%	27.4%	13.2%	5.2%
Region (3)	25.0%	12.4%	5.7%	2.4%	0.9%
Selected company operating data:					
End of period subscribers:					
Moscow license area	5,659,600	3,712,700	1,911,200	789,100	300,400
Region (6)	17,777,200	12,929,000	53,500	53,500	21,700
Total subscribers	11,436,800	3,153,100	2,111,800	853,600	322,100
Market share:					
Moscow license area subscribers (3)	92.3%	51.6%	46.5%	39.1%	41.6%
Region subscribers (7)	31.8%	26.4%	26.3%	14.2%	31.8%
Estimated coverage of Moscow license area (5): New (8)					
D-AMPS	40,000	40,000	39,700	36,700	37,400
GSM	46,700	46,700	46,500	44,200	34,000
Monthly average subscribers at end of year ("AOLP") (9)					
Moscow license area AOLP	89.8	92.1	103.3	80.5	127.0
Region AOLP	87.9	93.6	106.1	N/A	N/A
Regional AOLP	92.4	94.7	95.5	94.6	N/A
Monthly average revenue per subscriber ("ARPU") (10)					
Moscow license area ARPU	US\$ 13.6	US\$ 18.2	US\$ 37.2	105.9	N/A
Region ARPU	US\$ 16.4	US\$ 19.4	18.5	26.5	N/A
Regional ARPU	US\$ 16.8	US\$ 12.4	10.8	21.9	N/A
Churn rate (11)					
Moscow license area churn rate	36.9%	30.8%	26.0%	34.6%	25.0%
Region churn rate	46.6%	33.8%	23.7%	N/A	N/A
Number of regional operational base stations:					
D-AMPS	110	214	516	318	302
GSM	2,472	1,721	1,072	745	685
D-AMPS	466	106	94	N/A	N/A
GSM	4,224	1,578	262	N/A	914

(1) The Moscow license area includes the City of Moscow and its area surrounding the Moscow region. Population statistics for 1999 to 2002 were published by the Government.

(2) Estimated population statistics for 2003 and 2002 were published by independent sources and for 1999 through 2001 were published by the Federal Statistical Service of Russia.

(3) Estimated subscribers for 2003 and 2002 were published by independent sources and for 1999 through 2001 were published by the Federal Statistical Service of Russia.

(4) Total estimated Moscow license area subscribers expressed as a percentage of the estimated population of the Moscow license area.

(5) Estimated population statistics for 2003 and 2002 were published by independent sources and for 1999 through 2001 were published by the Federal Statistical Service of Russia.

(6) Estimated subscribers for 2003 and 2002 were published by independent sources and for 1999 through 2001 were published by the Federal Statistical Service of Russia.

(7) Total estimated Moscow license area subscribers expressed as a percentage of the estimated population of the Moscow license area.

(8) Estimated subscribers for 2003 and 2002 were published by independent sources and for 1999 through 2001 were published by the Federal Statistical Service of Russia.

(9) Estimated subscribers for 2003 and 2002 were published by independent sources and for 1999 through 2001 were published by the Federal Statistical Service of Russia.

(10) Estimated subscribers for 2003 and 2002 were published by independent sources and for 1999 through 2001 were published by the Federal Statistical Service of Russia.

(11) Estimated subscribers for 2003 and 2002 were published by independent sources and for 1999 through 2001 were published by the Federal Statistical Service of Russia.

(1) Population statistics for 2002 and 2003 are based on the most recent estimates published by the Federal Statistical Service of Russia. Population statistics for 1999 through 2001 were published by the Federal Statistical Service of Russia.

(2) Represents the total number of our GSM and AMPS subscribers in the region outside of the Moscow license area, including subscribers in various parts of the Moscow license area as approximately 4,100 square kilometers.

(3) Monthly ARPU is calculated as the average monthly revenue per subscriber less Monthly ARPU is calculated for each month in the relevant period on our average revenue during that month, including revenue from activation fees and revenue from our other services. Monthly ARPU is calculated for each month in the relevant period on our average revenue during that month, including revenue from activation fees and revenue from our other services. Monthly ARPU is calculated for each month in the relevant period on our average revenue during that month, including revenue from activation fees and revenue from our other services.

(4) ARPU is a non-Financial Measure (Non-Financial Measure) for calculation of our ARPU and for other information regarding our use of ARPU as a non-Financial Measure.

(5) ARPU is a non-Financial Measure (Non-Financial Measure) for calculation of our ARPU and for other information regarding our use of ARPU as a non-Financial Measure.

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Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this document. 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 described in our Form 20-F for the year ended December 31, 2002.

We are a leading provider of wireless telecommunications services in Russia, operating under the "one rate GSM" brand name. The "one rate GSM" is one of the most recognized brand names in Russia. Independent sources estimate that our nationwide market share of subscribers was 31.8% as of December 31, 2003, compared to 28.6% as of December 31, 2002. Based on independent estimates of the number of subscribers of our competitors in the Moscow license area, we estimate that our market share in the Moscow license area was 49.3% as of December 31, 2003, compared to 51.6% as of December 31, 2002. We believe increased market competition, increasing telecommunications services providers resulted in the decrease of our market share in the Moscow license area in the year ended December 31, 2003. We estimate that our market share in the regions outside the Moscow license area (which include all other regions of the Russian Federation) was 23.9% as of December 31, 2003, compared to 23.3% as of December 31, 2002.

Our GSM services permit us to operate wireless networks in areas populated by approximately 134 million people, or approximately 92% of the Russian population as of December 31, 2003. We hold GSM licenses for seven out of Russia's eight major geographical areas, or super-regions, including the Moscow license area. Additionally, we hold GSM licenses for the smaller regions, all of which are located within the seven super-regions, including the Moscow license area.

Effective since year ended December 31, 2001, our company has two reportable segments - the Moscow license area and the regions outside of the Moscow license area. The Moscow license area includes the City of Moscow and the Moscow region. The regions outside of the Moscow license area include all other regions of the Russian Federation. Our management analyzes the reportable segments separately because of different economic environments and the different stages of development of markets of wireless telecommunications services in different regions, which require different investment and marketing strategies. The Moscow license area is a more developed market for our company's services compared to the regions outside of the Moscow license area.

The Moscow market
During the year ended December 31, 2003, approximately 4.3 million new subscribers were added to the Moscow license area, representing an increase of approximately 60.1% in the number of subscribers in the Moscow license area. As of December 31, 2003, we estimate that there were approximately 11.5 million subscribers in the Moscow license area, where the penetration rate increased to 57.6% from 52.4% as of December 31, 2002. In 2003, industry analysts have predicted that the number of subscribers in the Moscow license area may reach 15.1 million and the Moscow penetration rate may approach approximately 67.0%.

During the year ended December 31, 2003, approximately 4.3 million new subscribers were added to the Moscow license area, representing an increase of approximately 60.1% in the number of subscribers in the Moscow license area. As of December 31, 2003, we estimate that there were approximately 11.5 million subscribers in the Moscow license area, where the penetration rate increased to 57.6% from 52.4% as of December 31, 2002. In 2003, industry analysts have predicted that the number of subscribers in the Moscow license area may reach 15.1 million and the Moscow penetration rate may approach approximately 67.0%.

The following table shows our monthly ARPU and MOU for the periods indicated:

	Years ended December 31,		
	2002	2001	2000
ARPU	US\$ 13.6	US\$ 15.3	US\$ 20.2
Moscow	US\$ 19.4	US\$ 19.4	US\$ 26.5
Regions	US\$ 10.8	US\$ 12.4	US\$ 21.9
MOU	89.8	92.3	105.3
Moscow	87.9	93.6	106.1
Regions	92.4	94.7	85.8

The appropriate authority. Once these above-mentioned conditions are met, we will need certain facility steps taken (including the issuance of shares to Telcel and Alfa Group, and exclusion of VimpelCom-Region from the share register of legal entities). We plan to register the above-mentioned entities when the terms, conditions and other requirements set by VimpelCom-Region are received to VimpelCom or when we receive assurances from the appropriate regulatory authority that they will be received in VimpelCom following the merger of VimpelCom-Region into VimpelCom. The current legal and regulatory regime is unclear about the timing and procedure of such transfer of resources in the event of a merger and we cannot assure you that we will be able to complete the merger.

We believe the VimpelCom-Region merger process to create a stronger platform for future expansion, simplify our company's capital structure and give our company full exposure to the growth potential in the regions. As of December 31, 2003, our minority interest in VimpelCom-Region was approximately US\$79.7 million and the goodwill portion of our intangible asset was approximately US\$57.8 million. If the merger is completed, our minority interest and the expenses related to our income statement will be reduced by the portion of our minority interest related to VimpelCom-Region, the goodwill will amount reflected on our balance sheet will increase to the extent that the purchase price that we pay for VimpelCom-Region's equity capital stock will be in excess of the book value of VimpelCom-Region and our additional paid-in capital will increase to the extent of the excess of the total value of the equity stock of VimpelCom-Region over the cost of the new shares that we issue to Alfa Group and Telcel in exchange for their shares in VimpelCom-Region. The goodwill, if any, that we will realize as a result of the merger will be subject to an annual impairment test.

On March 28, 2004, our board of directors recommended to our shareholders to approve the merger of our wholly-owned subsidiary, 822 Impact, into VimpelCom. We initiated the 822 Impact merger largely in response to public statements by the then-acting Minister of Communications that the possession of the license held by 822 Impact by our company would resolve the regulatory dispute between our company and Moscow Gosvydosudat. The merger of 822 Impact into VimpelCom is subject to various Russian regulatory approvals and the satisfaction of certain conditions precedent, including the transfer or retention of the telecommunications licenses, frequencies and other permissions held by 822 Impact to VimpelCom.

On January 9, 2004, 822 Impact officially received a notice from the Moscow Gosvydosudat which contained a provision that raised issues regarding the accuracy of the documentation of the merger relationship pursuant to which our company was 822 Impact's agent with respect to conducting agreements with 822 Impact's Moscow GSM subscribers. In the future, Moscow Gosvydosudat used certain

ARPU declined from US\$25.3 during 2002 to US\$12.6 during 2003. The decline in ARPU during 2003, 2002 and 2001 was primarily attributable to our major additions in response to market competition and to an increase in the number of our mass market subscribers as a percentage of the total number of our subscribers. To offset declines in average revenue per subscriber and thereby directly decrease ARPU, tariff reductions indirectly decrease ARPU by attracting predominantly mass market subscribers, who typically generate lower ARPU as compared to corporate and business subscribers. In the near term, we expect competition to continue to put pressure on tariff pricing. However, to the extent we expect rate competition to decrease as telecommunications operators will seek to stabilize usage and differentiate their offerings, we will, in turn, increase the number of our active tariff reductions on ARPU. As we increase the number of subscribers in the regions outside of Moscow, we expect to increase the proportion of our subscribers to be mass market subscribers. Over the next several years, we expect the decline in ARPU to continue as we expand our mass market subscriber base in the regions to grow faster than our other subscriber segments. However, in the longer term we expect the segments that constitute our subscriber mix to stabilize in proportion to one another at which time we expect growth among the different subscriber segments will be proportionate. If this happens, we expect the ARPU will stabilize as downward pressure on ARPU from growth in the mass market segment will be balanced by proportionate growth in our business and corporate subscriber segments, which typically results in a higher level of ARPU.

The decline in MOU in the Moscow license area during the periods indicated above was primarily attributable to an increase in the number of our mass market subscribers as a proportion of the total number of our subscribers, as mass market subscribers generate lower MOU than corporate and business subscribers. In the Moscow license area we expect MOU to remain stable. At the same time, the regions are experiencing a period of high churn due to increasing saturation of best-in-class services. Because the Moscow market is beginning to mature, with penetration rates approaching 98.0% as of December 31, 2003, according to our estimates we expect MOU to stabilize in the Moscow license area before it begins to stabilize in the regions, where we estimate penetration rates as of December 31, 2003 were estimated to be approximately 59.3%.

On October 24, 2003, our shareholders approved the merger of VimpelCom-Region into VimpelCom. Under the terms of the merger, Telcel and Alfa Group will receive, respectively, 3,446,141 and 7,091,980 newly issued common shares of VimpelCom in exchange for their shares of voting capital stock of VimpelCom-Region. Upon completion of the merger, Telcel will own approximately 26.6% and 20.9%, respectively, and Alfa Group will own approximately 32.9% and 24.5%, respectively, of VimpelCom's total voting stock and common shares. On April 16, 2004, our shareholders approved amendments to our charter that will become effective upon registration with

approximately 5.6 million subscribers as of December 31, 2003, an increase of 201.1% from 1.9 million subscribers in the region primarily through organic growth, supported by a few selective acquisitions of existing operators primarily in the regions outside of Moscow. In the year ended December 31, 2003, we expanded our operations into the former Soviet Union and other regions, bringing our license portfolio to comprise 67% of Russia's population. In the future, we will endeavor to grow at least in a 50% basis in the far East, the last remaining subcontinent in Russia for which we do not have a GSM license.

Certain Performance Indicators

In each of 2002, 2003 and 2004, we increased our revenues primarily by increasing our number of subscribers. We increased our number of subscribers primarily through organic growth, which was approximately 24.7 million subscribers in the regions outside of the Moscow license area, while the penetration rate increased to 72.3% from 6.4% as of December 31, 2002. In 2004, industry analysts have projected that the number of subscribers in the regions outside of the Moscow license area will rise from approximately 26.7 million as of December 31, 2003 to approximately 46.8 million as of December 31, 2004, with penetration rates expected to reach 37.0%. Given the current level of penetration, we believe that the middle telecommunication market outside of the Moscow license area will continue to expand rapidly over the next several years, after which we expect growth to slow as the market becomes saturated.

Our regional growth has exceeded the overall growth trend. In 2003, we expanded our subscriber base outside of the Moscow license area from approximately 1.6 million subscribers as of December 31, 2002 to

	Years ended December 31,	
	2003	2002
Total number of subscribers:	11,406,250	2,111,500
Moscow	5,153,105	1,911,205
Regions	6,253,145	200,300
Percentage of prepaid subscribers:	85.1%	55.8%

	Years ended December 31,	
	2003	2002
Total churn rate	32.8%	21.0%
Moscow churn rate	48.6%	23.7%
Regions churn rate	19.7%	5.9%

We define our churn rate as the total number of subscribers disconnected from our network in a given period represented as a percentage of the midpoint of the number of our subscribers at the beginning and end of that period. We consider a subscriber to have been disconnected if the subscriber is a contract subscriber who has not made a payment in the last two months or if the subscriber is a prepaid subscriber who has not had a charge on his or her phone in the preceding six months. All growth of subscribers from our GSM network, as well as migration between tariff plans, was included in our churn rate reported in each of the last three years, although we did not have these subscribers. The following table shows our annual churn rates for the periods indicated:

By dividing our average revenue during that month, including roaming revenue, but excluding revenue from activation fees and sales of handsets and accessories, by the average number of our subscribers during that month. See "Additional Reconciliation of Non-U.S. GAAP Financial Measures" for more information regarding our use of ARPU as a non-U.S. GAAP financial measure.

Minimally of one per subscriber, or MOU, in Moscow has increased in the last of the past two years, whereas ARPU in the regions has increased during 2003. MOU is calculated for each month in the relevant period by dividing the total number of billable minutes of service for incoming and outgoing calls during that month (excluding gross minutes) by the average number of subscribers during that month.

Our Moscow subscriber base increased from approximately 3.7 million as of December 31, 2002 to approximately 5.7 million as of December 31, 2003, an increase of 53.4%. In 2004, we intend to maintain our strong market position in the Moscow license area. While we expect our subscriber base to continue to grow, the Moscow license area market is beginning to mature. And, therefore, we expect higher competition and a reduction in the annual growth rates of new subscribers and revenue in the Moscow license area market.

The regional market

During the year ended December 31, 2003, approximately 15.9 million new subscribers were added in the regions outside of the Moscow license area, representing a nearly 122.1% increase in the number of subscribers in the region. As of December 31, 2003, there were approximately 24.7 million subscribers in the regions outside of the Moscow license area, while the penetration rate increased to 72.3% from 6.4% as of December 31, 2002. In 2004, industry analysts have projected that the number of subscribers in the regions outside of the Moscow license area will rise from approximately 26.7 million as of December 31, 2003 to approximately 46.8 million as of December 31, 2004, with penetration rates expected to reach 37.0%. Given the current level of penetration, we believe that the middle telecommunication market outside of the Moscow license area will continue to expand rapidly over the next several years, after which we expect growth to slow as the market becomes saturated.

Our regional growth has exceeded the overall growth trend. In 2003, we expanded our subscriber base outside of the Moscow license area from approximately 1.6 million subscribers as of December 31, 2002 to

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Percentage of prepaid subscribers:	85.1%	55.8%

	Years ended December 31,	
	2003	2002
Total churn rate	32.8%	21.0%
Moscow churn rate	48.6%	23.7%
Regions churn rate	19.7%	5.9%

The increase in our churn rate during 2002 was primarily the result of high subscriber growth and increased marketing competition. A large portion of our new subscribers in first time users of mobile telecommunications services and first time users migrate between tariff plans and operators more often than established users of mobile telecommunications services. We are establishing marketing programs to increase subscriber loyalty among all of our subscriber segments to decrease our churn rate and we expect loyalty among first time users of our services to increase.

While our subscribers and revenues have grown during each of 2003, 2002 and 2001, our average monthly revenue revenues per subscriber, or ARPU, have been decreasing. ARPU is a non-U.S. GAAP financial measure calculated for each month in the relevant period

results (net of asset holdings of acquired companies). Our total capital expenditures for 2003 were approximately US\$776.5 million, with US\$724.2 million for the purchase of property and equipment for the acquisition of new cellular (net of cash holdings of acquired companies). Our increased capital expenditures caused our total depreciation and amortization expenses to increase by 30.2% during 2003 compared to 2002 and by 58.7% during 2002 compared to 2001. Over the next several years, we expect to continue to invest significant resources in our network and our operations, which will increase our depreciation and amortization expense.

In January 2004, we changed the estimated useful life of GSM telecommunication equipment from 5.5 years to seven years in the course of our continuing evaluation of the use of our technology and as a result of the Russian Government's announcements in January 2004 of plans to initiate the process of awarding licenses for new mobile telecommunication technologies. This change will increase our depreciation expense for the year ended December 31, 2004, by approximately US\$36.0 million. See the section titled "Current accounting policies—depreciable assets."

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

Interest expense. We incur interest expense on our tender financing agreements, loans from banks, the loan from J.P. Morgan, capital leases and other borrowings and we will incur interest expense on the loan. Our borrowing facilities carry both fixed and floating interest rates. Our borrowings with a floating interest rate, the interest rate is linked either to LIBOR or to BEAR3M, during 2003, our interest expense amounted to US\$166.2 million, or 5.1% of net operating revenues, a 40.4% increase compared to US\$118.6 million, or 6.1% of net operating revenues during 2002. Our interest expense depends on a combination of prevailing interest rates and the amount of our outstanding interest-bearing liabilities. The increase in our interest expense during 2003 was primarily attributable to the interest expense associated with the loan from J.P. Morgan 6G and the Russian tender financing amount tested by our subsidiary Vimpacnet. Finance in May 2002, during 2004 and 2005, based upon our current business plan we expect to raise up to US\$500.0 million in interest-bearing liabilities and to repay approximately US\$539.3 million.

Income tax expense. The Russian Federation was the only tax jurisdiction in which our income was subject to taxation. On August 6, 2001, a law was adopted which introduced certain changes in Russian tax legislation regarding the statutory income tax rate from 35.5% to 24.0% effective January 1, 2002. Income tax expense includes both current and deferred tax expense. In 2003, we incurred US\$106.5 million of income tax expense, a 417.5% increase compared to US\$49.9 million during 2002. This increase was primarily due to the increase in our taxable income. Our effective income tax rate of 36.8% differed from the statutory income tax rate of 24.0% due to the provisions of Russian tax law with respect to accounting and U.S. GAAP accounting. In particular, with respect to the recognition of foreign currency exchange gains or losses and non-deductible expenses, Russian federal and local tax laws and regulations are subject to frequent change, requiring interpretations and professional judgement.

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

- Selling, general and administrative expenses. Our selling, general and administrative expenses include:
 - dealer commissions;
 - salaries and marketing costs, including related travel costs;
 - advertising and advertising expenses;
 - other miscellaneous expenses, such as insurance, operating taxes, lease fees, and accounting, audit and legal fees;
 - repair and maintenance expenses;
 - rent, including lease payments for base station sites, and;
 - utilities.

Marketing and sales-related expenses comprise a large portion of our operating expenses and are primarily related to the promotion of our services and the acquisition of new subscribers. These expenses include advertising, dealer commissions, salaries and marketing costs and advertising expense. Advertising and marketing costs are primarily for television, radio and print advertising, as well as other media. In addition, we incur U.S. GAAP financial statement costs as a result of our use of SAC as a non-U.S. GAAP financial measure.

In 2003, our SAC fell to US\$59.5 from US\$125.7 during 2002 and US\$172.6 during 2001, primarily due to a decrease in the average dealer commission per new subscriber and a decrease in the amount spent on advertising per new subscriber as the number of new subscribers grew faster than advertising expense. SAC also decreased during 2003 because a growing percentage of our new subscribers were located in the regions, where SAC is lower than in the Moscow license area, primarily as a result of the lower dealer commissions and advertising expense as per contract in the regions than in the Moscow license area. During 2001 and 2002, we made certain improvements in our distribution network and increased the number of our sales offices and points of sale. In the first quarter of 2003, we acquired the "Mobicel Finland" stock exchange, one of the largest retail dealer networks in Moscow for approximately US\$1.1 million. In 2002, Mobicel Finland added new stores and as of December 31, 2003, our Mobicel Finland dealer network consisted of 37 sales offices. In the near term, we expect our SAC to continue to decrease as we expect the subscriber base to grow in line with the expanded penetration rate growth in the regions and to outpace growth in communication and advertising expenses.

Depreciation and amortization expense. We depreciate the capitalized assets of our telephone assets, which consist mainly of equipment and intangible assets, which consist primarily of telecommunication licenses and frequency allocations, purchases of equipment, the capacity for local numbers in the Moscow license area and the Russian and Kazakhstani telephone numbers. We do not depreciate the capitalized assets of our telephone assets, which consist mainly of equipment and intangible assets, which consist primarily of telecommunication licenses and frequency allocations, purchases of equipment, the capacity for local numbers in the Moscow license area and the Russian and Kazakhstani telephone numbers. We do not depreciate the capitalized assets of our telephone assets, which consist mainly of equipment and intangible assets, which consist primarily of telecommunication licenses and frequency allocations, purchases of equipment, the capacity for local numbers in the Moscow license area and the Russian and Kazakhstani telephone numbers. We do not depreciate the capitalized assets of our telephone assets, which consist mainly of equipment and intangible assets, which consist primarily of telecommunication licenses and frequency allocations, purchases of equipment, the capacity for local numbers in the Moscow license area and the Russian and Kazakhstani telephone numbers.

million or 2.1% of our consolidated operating revenues in 2003. Over the next several years, we expect that revenues from SAC will increase as a percentage of our consolidated net operating revenues in both the Moscow license area and the regions.

Sales of handsets and accessories. We sell wireless handsets and accessories to our subscribers for use on our networks. Sales of handsets and accessories constituted approximately 4.6%, 6.8% and 10.7% of our net operating revenues during 2003, 2002 and 2001, respectively. Over the next several years, we expect absolute revenues from sales of handsets and accessories to remain stable in absolute terms but to continue to decrease as a percentage of our net operating revenues.

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

Service Costs Service costs include interconnection and traffic costs, channel rental costs, telephone line rental costs, roaming expense and charges for subscribers to special lines such as 800. As increasing numbers of our subscribers are using 800 federal telephone numbers, which create a cost advantage for us. In 1999, we began offering our subscribers in the Moscow license area the option of receiving a 10-digit related telephone number as an alternative to receiving a more expensive, long seven digit Moscow telephone number. Our costs for the use of non-local, Moscow telephone numbers, which are normally five digits and a single for based on traffic, in contrast, for the use of federal telephone numbers, are normally six digits. We began to offer this service to our subscribers in the near term, resulting in significantly lower service costs with respect to our subscribers using federal telephone numbers. Most of our subscribers in the regions use 10-digit federal telephone numbers. Our service cost per minute improved significantly to 64.7% during 2002, compared to 80.7% during 2001, primarily due to the higher proportion of our subscribers using federal telephone numbers. Our service margin percentage during 2003 was 66.9%, substantially unchanged over the service margin during 2002. Service margin represents the aggregate service revenues and aggregate interconnection fees less service costs. Service margin percentage is service margin expressed as a percentage of service revenues and connection fees. We expect that competitive pressure and new technologies may reduce service costs over the next several years, most likely including interconnection and other traffic costs, although there is a risk that charges for federal numbers may increase.

Costs of Handsets and Accessories Our costs of handsets and accessories sold represent the expense that we pay for our equipment. We purchase handsets and accessories from third party manufacturers for resale to our subscribers for use on our networks. Before 2001, we subsidized sales of handsets and accessories in order to encourage the use of our networks. Since 2001, we have recovered profits from the sales of handsets and accessories of US\$10.9 million during 2003, US\$9.2 million during 2002, and US\$5.6 million during 2001. Subsidies on profits from the sale of handsets and accessories are reflected in the difference between the amounts generated from the sales and the costs of the handsets and accessories sold. Although we have not subsidized handsets and accessories since 2001, primarily because of the rapid expansion of the mobile telecommunication market during that period, we may have to subsidize handsets and accessories in the future if competition for subscribers increases.

reached starting issues in the subscriber agreements and the equity agreements as a basis for asserting first, then 60, then 80% ownership. In addition, we have entered into agreements with subscribers and, therefore, we believe that we can specifically provide that we shall sign subscriber agreements on behalf of 80 input, also in violation of Russian law. It is highly unlikely that the above provisions in the Moscow Governmental order and the Moscow Arbitration Court will be honored and implemented in the future. However, because the court's decision remains subject to further appeal, we cannot be certain of a favorable outcome. In this respect, we cannot make an estimate of the effect of the ultimate resolution of this matter on our consolidated financial statements or results of operations.

We generate our revenues from providing wireless telecommunication services, services sold to selling handsets and accessories. Our primary source of revenues consists of:

Service revenues Our service revenues include airtime charges from prepaid and postpaid subscribers, monthly rental fees, roaming charges and charges for value added services such as SMS, and number portability, value mail and call waiting. Connection fees are one-time charges for the allocation of a telephone number. In the past, connection fees were a notable component of our service revenues. However, in response to competitive forces, we have reduced or eliminated most connection fees in the Moscow license area and the majority of the regions in which we operate. We expect that connection fees are not likely to be significant going forward. Service revenues and connection fees constituted approximately 94.8%, 94.7% and 90.7% of our net operating revenues for 2003, 2002 and 2001, respectively. We believe that service revenues will continue to increase in 2004 primarily as a result of the continued growth in our subscriber base. We also expect that service revenues will continue to grow at a faster rate in the regions than in the Moscow license area.

During 2003, roaming revenues generated by our subscribers increased 57.7% to US\$80.3 million compared to US\$51.1 million during 2002, and our roaming revenues received from other wireless services operators for providing roaming services to their subscribers increased 62.2% to US\$75.8 million compared to US\$46.4 million during 2002. These increases were primarily due to increased and expanded network coverage and an increase in the number of our roaming partners. Our service revenues including roaming revenues grew at a faster rate than our roaming revenues. As a result, roaming revenues as a percentage of our net operating revenues decreased from 14.3% during 2002 to 11.9% during 2003. Over the next several years, we expect our roaming revenues from wireless costs pending through the Moscow license area, which currently represents a substantial portion of our roaming revenues, to stabilize as a percentage of our net operating revenues.

During 2003, we generated US\$324.4 million of revenue or 7.7% of our consolidated operating revenues in the Moscow license area from value added services, or VAS. This represented a 92.0% increase over revenues of US\$33.9 million during 2002. We currently provide traditional value added services such as value mail, text forwarding, call waiting, conference calling, self-booking, call-back, automatic dialing and voice dialing. We also provide a variety of messaging value added services such as messaging SMS, MMS, MMS, e-mail, content delivery, alerts and other "information" services. Our revenues from VAS in the Moscow license area were US\$25.2 million during 2002 and US\$181.2

The table below shows, for the periods indicated, the following statement of operations data expressed as a percentage of net operating revenues

	Year ended December 31,	
	2003	2002
Consolidated statement of income		
Operating revenues:		
Service revenues and accessories fees	94.8%	94.7%
Sales of handsets and accessories	4.9	10.1
Other revenues	6.3	0.3
Total operating revenues	106.0	105.1
Less: revenue-based taxes	(11.4)	(11.2)
Net operating revenues	100.0%	100.0%
Operating expenses:		
Service costs	14.3	17.5
Cost of handsets and accessories sold	4.5	6.9
Selling, general and administrative expenses	35.2	35.3
Depreciation	11.8	11.1
Amortization	2.5	2.5
Provision for doubtful accounts	0.3	3.2
Total operating expenses	(68.6)	(70.7)
Operating income	31.4%	29.3%
Other income and expenses:		
Interest income	6.6	0.9
Other income	0.3	0.2
Interest expense	(5.1)	(6.4)
Other expenses	-	-
Net foreign exchange loss	(0.1)	(1.2)
Total other income and expenses	(4.3)	(6.5)
Income before income taxes, minority interest, and cumulative effect of change in accounting principle	27.1%	15.6%
Income tax expense	6.2	4.4
Minority interest in net earnings (losses) of subsidiaries	-	-
Before consolidation effect of change in accounting principle	2.9	(0.2)
Income before consolidation effect of change in accounting principle	(3.3)	(3.2)
Cumulative effect of change in accounting principle	-	-
Minority interest in cumulative effect of change in accounting principle	-	-
Net income	17.8%	11.2%

The figures below provide additional information about the results of our two reportable segments for the year ended December 31, 2003 compared to the year ended December 31, 2002, expressed in the year ended December 31, 2001. The figures below provide additional information about the results of our two reportable segments for the year ended December 31, 2003 compared to the year ended December 31, 2002, expressed in the year ended December 31, 2001.

	Year ended December 31,	
	2003	2002
Operating revenues excluding intergroup transactions		
Operating revenues (in \$)	416.9	408.4
Income / (loss) before income taxes	64.5	40.1
Income tax expense / (benefit)	62.4	21.4
Net income (loss)	2.1	72.5

The increase in net operating revenues from our Moscow license area operations was primarily due to an increase in our operating revenues from our Moscow license area operations. Our net operating revenues, net of revenue-based taxes, increased by 71.6% to US\$1,335.6 million during 2003 from US\$768.5 million during 2002. Net operating revenues from our Moscow license area operations increased by 31.5% to US\$918.7 million during 2003 from US\$698.7 million during 2002. Net operating revenues from our operations in the regions increased by 434.6% to US\$426.5 million during 2003 from US\$81.6 million during 2002. Revenues from our Moscow license area operations constituted 68.8% of our net operating revenues during 2003 compared to 60.9% during 2002. Revenue growth in 2003 was primarily due to the overall increase in the number of our subscribers in the regions, 301.1% during this period, an increase in our revenues from VAS and an increase in our roaming revenues. The increase in our roaming revenues was primarily due to the approved and expanded roaming agreements and a greater number of roaming partners and the increase from VAS was primarily due to an increase in consumption of our VAS services during 2003 as compared to 2002. In the future, we expect more rapid subscriber growth in the regions than in the Moscow license area, where the telecommunications services needed is approaching saturation, and, therefore, we expect revenues from our operations in the regions to continue to increase as a proportion of our net operating revenues.

Service revenues and accessories fees increased by 74.5% to US\$1,266.7 million during 2003 from US\$727.6 million during 2002, an increase of 70.3% to US\$65.0 million during 2003 from US\$49.9 million during 2002, primarily due to the increase in the number of our subscribers. As a percentage of net operating revenues, revenues from sales of handsets and accessories decreased to 4.9% during 2003 from 6.3% during 2002, as our service revenues increased at a faster rate than our revenues from sales of handsets and accessories.

Operating Expenses
Service costs, our service costs increased approximately 71.8% to US\$191.4 million during 2003 from US\$111.4 million during 2002. Our service costs grew at a slower rate than net operating revenues, which led to an improvement in our gross margin percentage from 40.1% during 2002 to 41.6% during 2003. Gross margin is defined as net operating revenues less selected operating costs (exclusively, service costs). Gross margin percentage is defined as gross margin expressed as a percentage of net operating revenues.

Our service costs remained stable relative to the growth in operating revenues primarily due to our continued ability to enter into favorable intercarrier agreements with telephone line providers and to

the increased use of lower cost federal telephone numbers by our subscribers in the Moscow license area and the regions. We pay a monthly rental fee and incur much lower interconnection costs for federal telephone numbers as compared to local telephone numbers. As a percentage of net operating revenues, our service costs decreased to 14.3% during 2003 from 14.5% during 2002.

Cost of handsets and accessories sold. Our cost of handsets and accessories sold increased by 59.2% to US\$564.6 million during 2003 from US\$354.6 million during 2002. This increase was primarily due to the increased volume of sales of handsets and accessories, although our unit cost of handsets and accessories sold increased, because of the faster rate of growth in net operating revenues, which grew at a rate of 75.8%. Our cost of handsets and accessories sold as a percentage of net operating revenues declined to 4.5% during 2003 compared to 5.6% during 2002.

Selling, general and administrative expenses. Our selling, general and administrative expenses increased 71.9% to US\$497.7 million during 2003 from US\$272.0 million during 2002. The increase in selling, general and administrative expenses resulted from increased aggregate subscriber acquisition costs and general and administrative expenses related to our regional expansion, including the acquisition of an average dealer commission per subscriber and our advertising expense per subscriber. At the same time, our SAC decreased from US\$55.7 million to US\$19.3 million during 2003, primarily due to a decrease in the amount spent on acquiring new subscribers and because a growing percentage of our new subscribers were located in the regions, where SAC is lower than in the Moscow license area. See Note 25, "Goodwill and Intangible Assets," for more information regarding our use of SAC as a non-U.S. GAAP financial measure. The decrease in the amount spent on advertising per subscriber is due primarily to economies of scale. In this respect, we derive significant benefits from our brand name, which is one of the most recognized brand names in Russia. As a percentage of net operating revenues, our selling, general and administrative expenses continued substantially the same during 2003 and 2002 at 35.0% and 35.3%, respectively.

Depreciation and amortization expense. Our depreciation and amortization expense during 2003 was US\$185.9 million, a 29.2% increase compared to the US\$143.6 million reported during 2002. In 2003, the depreciation and amortization expense for our Moscow license area operations increased by 29.5% to US\$129.3 million, compared to US\$96.4 million during 2002, while depreciation and amortization expense for our regional operations increased by 473.5% to US\$56.8 million compared to US\$11.3 million during 2002. The total increase in depreciation and amortization expense was due to the accelerated capital expenditures in the regions and continued investment in the Moscow license area.

was primarily attributable to operations conducted within the greenfield development of our regional networks and the low number of subscribers during the initial stages of development of our business in the regions. This primarily resulted from the development of our regional networks. We primarily provided development services in place prior to seeking services to, and thus receiving revenue from, our regional subscribers. This accelerated development of our infrastructure in the regions during 2002 has resulted in a significant increase in our capital expenditures and, consequently, depreciation and amortization expenses, as well as our selling, general and administrative expenses. Over the next several years, we anticipate that our revenues in the regions will grow relative to our regional operating expenses as we continue to rollout operations and grow our subscriber base.

Other Income and Expenses

Our interest expense increased 73.3% to US\$66.6 million during 2002, compared to US\$38.5 million during 2001. This increase was due to an increase in our interest-bearing debt, primarily by the 2002 bond issue of J.P. Morgan AG, funded by the issuance of loan participation notes by J.P. Morgan AG, certain vendor financing and bank credit lines from US\$27.7 million at the end of 2001 to US\$40.6 million at the end of 2002.

Foreign currency exchange loss and gain on Russian securities. We recorded a US\$9.4 million foreign currency exchange loss during 2002 as compared to a foreign currency exchange loss of US\$0.1 million during 2001. The devaluation of the U.S. dollar against the Russian ruble during 2002 resulted in a foreign exchange loss from a corresponding revaluation of our Euro-denominated liabilities to our suppliers of telecommunications equipment. In order to reduce our U.S. dollar currency exposure, in August 2002, we entered into a series of currency forward agreements to exchange approximately 620 million in a fixed rate in U.S. dollar exchange rate as of December 31, 2002, substantially all of our Euro-denominated liabilities that were not covered by these forward agreements were covered by our cash holdings, devaluated in Euros, to the approximate amount of 620 million. We recorded a US\$6.0 million gain during 2002 from the sale of Russian securities as compared to a US\$5.4 million gain during 2001.

Income tax expense. In 2002, we recorded a US\$42.9 million income tax expense compared to an income tax expense of US\$33.5 million recorded during 2001. This income tax expense consisted of current and deferred taxes. Deferred taxes arose due to differences between the basis of computing income under Russian tax principles and U.S. GAAP. In 2002, our income tax expense grew as our taxable income increased.

Net income and net income per share. In 2002, our net income was approximately US\$170.8 million, or US\$3.41 per common share (US\$2.89 per ADS) compared to our net income of approximately US\$147.3 million, or US\$3.14 per common share (US\$2.66 per ADS) during 2001. In 2002, we reported diluted net income of US\$131.1 million, or US\$2.88 per common share (US\$2.40 per ADS) compared to diluted net income of US\$93.8 million, or US\$2.09 per common share (US\$1.75 per ADS) during 2001. In 2002, before eliminating intercompany transactions, net income for our Moscow license area operations was US\$130.6 million, compared to US\$55.3 million during 2001. For the first time, before intercompany transactions, net income for 2002 amounted to US\$23.2 million, before eliminating intercompany transactions, compared to US\$7.5 million during 2001.

costs for federal telephone numbers as compared to loan telephone numbers. As a percentage of net operating revenues, our service costs decreased to 14.5% during 2002 from 17.5% during 2001.

Operating Income/Loss

Primarily as a result of the foregoing, our operating income was US\$427.9 million during 2002, compared to US\$225.5 million during 2001. In 2003, our Moscow license area operating income grew by 59.6% to US\$232.5 million compared to US\$236.5 million during 2002, which was primarily attributable to the growth of our Moscow license area subscriber base and management's efforts to decrease our operating income from regional operations. In 2002, we recorded a US\$193.2 million compared to our operating loss of US\$112.9 million during 2001. In previous years, operating losses were primarily attributable to expenses associated with the greenfield development of our regional networks and the low number of subscribers during the initial stages of development of our business in the regions. The primarily significant infrastructure in place prior to offering services to, and thus receiving revenue from, our regional subscribers. This accelerated development of our infrastructure in the regions during 2002 and 2003 resulted in a significant increase in our capital expenditures and, consequently, depreciation and amortization expenses, as well as our selling, general and administrative expenses. In 2003, when full commercial usage of our telecommunications networks in the regions began, the number of subscribers grew substantially, which resulted in a sharp increase in our operating revenues during 2003. Over the next several years, we will continue to anticipate that our revenues in the regions will continue to grow.

Other Income and Expenses

Our interest expense increased 46.4% to US\$66.2 million during 2003, compared to US\$45.2 million during 2002. This increase was primarily attributable to the issuance of a US\$100 million Euro-denominated bond issued by our subsidiary Vitaphone in May 2003.

Foreign currency exchange loss. We recorded a US\$13 million foreign currency exchange loss during 2003 as compared to a foreign currency exchange loss of US\$9.4 million during 2002. The devaluation of the U.S. dollar against the Russian ruble during 2003 resulted in a corresponding revaluation of our Euro-denominated liabilities to our suppliers of telecommunications equipment. In order to reduce our U.S. dollar currency exposure, in August 2002, we entered into a series of currency forward agreements to acquire approximately 620 million in a fixed rate in U.S. dollar exchange rate. During 2003 we continued to enter into currency forward agreements. As of December 31, 2003, substantially all of our Euro-denominated liabilities that were not covered by these forward agreements were covered by our cash holdings, devaluated in Euros, to the approximate amount of 620 million. Our foreign exchange loss during 2003 was primarily due to the difference between rates on translation of forward agreements (bank word rate) and liabilities (spot rate).

Income tax expense. During 2003, we recorded a US\$108.6 million income tax expense compared to an income tax expense of US\$49.9 million recorded during 2002. This income tax expense consisted of current and deferred taxes. Deferred taxes arose due to differences between the basis of computing income under Russian tax principles

and U.S. GAAP. In 2003, our income tax expense grew as a result of the increase in our taxable income. Our effective income tax rate of 30.4% during 2003 was approximately the same as our effective income tax rate of 28.1% in 2002.

Operating Expenses

Our service costs increased approximately 50.3% to US\$111.4 million during 2002 from US\$74.1 million during 2001. Our service costs grew at a slower rate than net operating revenues, which led to an improvement in our gross margin percentage from 28.5% during 2001 to 30.1% during 2002. Gross margin percentage is defined as net operating revenues less selected operating costs (exclusively service costs, costs of materials and accessories sold and cost of other revenues). Gross margin percentage is defined as gross margin expressed as a percentage of net operating revenues.

The slower growth in service costs relative to net operating revenues was primarily due to improved interconnect agreements with regional providers and in part to the increased use of federal numbers by our subscribers in the Moscow license area and the regions. We pay a monthly rental fee and incur much lower interconnection

Our total operating revenues, net of revenue-based fees, increased by 81.9% to US\$766.5 million during 2002 from US\$425.6 million during 2001. Our net operating revenues increased by 82.3% to US\$775.6 million during 2002 from US\$427.9 million during 2001. Total operating revenues from our Moscow license area operations increased by 67.6% to US\$948.1 million during 2002 from US\$416.9 million during 2001. Total operating revenues from our operations in the regions increased by 65.4% to US\$1.6 billion during 2002 from US\$1.1 billion during 2001. Revenue from our Moscow license area operations contributed 87.6% of our total operating revenues during 2002 compared to 97.4% during 2001. Revenue growth was primarily due to the overall increase in the number of our subscribers, an increase in our revenues from value added services and an increase in our operating revenues. Our increase in operating revenues was primarily due to the improved and expanded roaming coverage and a greater number of roaming partners.

Service revenues and activation fees increased by 89.6% to US\$111.4 million during 2002 from US\$59.3 million during 2001. Revenue from sales of handsets and accessories during 2002 increased 15.9% to US\$49.9 million during 2002 from US\$43.2 million during 2001, primarily due to the increase in the number of our subscribers. As a percentage of net operating revenues, revenues from sales of handsets and accessories decreased to 8.5% during 2002 from 12.3% during 2001, as our sales revenues increased at a faster rate than our revenues from sales of handsets and accessories.

Operating Expenses

Our service costs increased approximately 50.3% to US\$111.4 million during 2002 from US\$74.1 million during 2001. Our service costs grew at a slower rate than net operating revenues, which led to an improvement in our gross margin percentage from 28.5% during 2001 to 30.1% during 2002. Gross margin percentage is defined as net operating revenues less selected operating costs (exclusively service costs, costs of materials and accessories sold and cost of other revenues). Gross margin percentage is defined as gross margin expressed as a percentage of net operating revenues.

The slower growth in service costs relative to net operating revenues was primarily due to improved interconnect agreements with regional providers and in part to the increased use of federal numbers by our subscribers in the Moscow license area and the regions. We pay a monthly rental fee and incur much lower interconnection

Our total operating revenues, net of revenue-based fees, increased by 81.9% to US\$766.5 million during 2002 from US\$425.6 million during 2001. Our net operating revenues increased by 82.3% to US\$775.6 million during 2002 from US\$427.9 million during 2001. Total operating revenues from our Moscow license area operations increased by 67.6% to US\$948.1 million during 2002 from US\$416.9 million during 2001. Total operating revenues from our operations in the regions increased by 65.4% to US\$1.6 billion during 2002 from US\$1.1 billion during 2001. Revenue from our Moscow license area operations contributed 87.6% of our total operating revenues during 2002 compared to 97.4% during 2001. Revenue growth was primarily due to the overall increase in the number of our subscribers, an increase in our revenues from value added services and an increase in our operating revenues. Our increase in operating revenues was primarily due to the improved and expanded roaming coverage and a greater number of roaming partners.

Service revenues and activation fees increased by 89.6% to US\$111.4 million during 2002 from US\$59.3 million during 2001. Revenue from sales of handsets and accessories during 2002 increased 15.9% to US\$49.9 million during 2002 from US\$43.2 million during 2001, primarily due to the increase in the number of our subscribers. As a percentage of net operating revenues, revenues from sales of handsets and accessories decreased to 8.5% during 2002 from 12.3% during 2001, as our sales revenues increased at a faster rate than our revenues from sales of handsets and accessories.

Consolidated Cash Flow Summary

	Year ended December 31,	
	2002	2001
Net cash flow provided by operating activities	US\$ 511.9	US\$ 101.1
Net cash flow used for financing activities	(36.1)	53.9
Net cash flow used in investing activities	(594.0)	(161.7)
Effect of exchange rate changes on cash and cash equivalents	3.2	(1.3)
Net cash flow	119.5	(8.0)

During 2002, 2001 and 2000 we generated positive cash flows from our operating activities and negative cash flows from investing activities. Cash flow from financing activities was negative during 2001 and positive during 2002 and 2000. The negative cash flow from financing activities during 2002 was a result of our repayment of the current portion of our interest-bearing liabilities, including equipment financing obligations to Allied and Ericsson in the amount of US\$244.2 million, in the foreseeable future, our further expansion will require significant investment activity, including the acquisition of new equipment and possibly the acquisition of other companies. Additionally, approximately US\$214.7 million of our consolidated obligations will mature prior to December 31, 2004 and US\$227.6 million prior to December 31, 2005. We expect our near term investment activity and contractual obligations payments to generate cash inflows, and we expect to meet these needs from interest and external sources. As our subscriber base grows, we expect positive cash flows from operations to 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 relationships, availability of capital, credit ratings, B2A guarantees, the financial position of Russian banks, the willingness of international banks to lend to Russian companies and the liquidity of international and Russian capital markets. Ultimately, a large portion of our external financing needs will be met by vendor financing and financing through the international capital markets. However, in light of current market conditions, we currently intend to reduce our use of vendor financing and increasingly look to international and Russian capital markets and B2A backed credits for our financing needs. Under our current business plan, we plan to raise up to US\$500.0 million, including the proceeds from the Loan, in additional debt financing in the Russian and/or international capital markets and/or in bank financing to meet our projected capital requirements through 2005.

As of December 31, 2003, our cash and cash equivalents balance was US\$187.9 million (approximately US\$ 1.8 billion, Russian rubles and Euro) compared to US\$263.7 million as of December 31, 2002. As of December 31, 2003, we had negative working capital of US\$457.4 million, compared to positive working capital of US\$562.6 million as of

December 31, 2002. Working capital is defined as current assets less current liabilities. Deposits and advances from customers are primarily received by provision of telecommunications services and may be claimed by subscribers if billed communications. Historical customer deposits and advances have been claimed at a very low rate, and, therefore, we are capable of using customer deposits and advances as a permanent financing source. As of December 31, 2002, customer deposits and advances amounted to US\$161.6 million, compared to US\$126.7 million as of December 31, 2001. The growth in customer deposits and advances during 2003 was the result of the increase in the volume of our operations. We expect customer deposits and advances to continue to grow at the with the growth of our operations.

The decrease in our working capital during 2003 was primarily due to a decrease in our cash and cash equivalents and other current assets, augmented by an increase in the current portion of interest-bearing liabilities, accounts payable, accrued liabilities and customer deposits and advances. The increase in our working capital during 2002 from US\$53.1 million as of December 31, 2001, was primarily due to the increase in our cash and cash equivalents and other current assets, offset by an increase in the current portion of interest-bearing liabilities, accounts payable, accrued liabilities and customer deposits and advances. We believe that our working capital is sufficient to meet our present requirements.

Operating analysis

During 2003, net cash provided by operating activities was US\$511.9 million, a 136.0% improvement from US\$211.7 million of net cash provided by operating activities during 2002. During 2002, net cash provided by operating activities was US\$211.7 million, a significant improvement from net cash provided by operating activities during 2001 of US\$101.1 million. The improvement in net cash from operating activities during 2003 and 2002 was primarily due to the increased profitability of our operations and the increase in the volume of operations, which, in turn, was primarily the result of an increase in the number of subscribers during 2002 compared to 2001. In 2003, there were no significant changes in the terms of payments to our suppliers and our policies in respect of customer advances and payments as compared to 2001.

Financing activities

The following table provides a summary of the outstanding material liabilities of our company and our significant subsidiaries as of December 31, 2003. Upon the consummation of the necessary VimpelCom-Region and ZP reports, the VimpelCom, VimpelCom shall become the obligor under the indebtedness of VimpelCom-Region and ZP reports, respectively. For additional information on this table, please refer to the discussion below, as well as to the notes to our consolidated financial statements contained elsewhere in this document.

Entity	Loan from J.E. Morgan AG (bonded by the company of loan participation notes by J.E. Morgan AG)	US\$ 256.9	April 26, 2003	None	None
VimpelCom-Region	US\$ 101.9 (2001.0 Russian rubles)	US\$ 101.9	May 16, 2002 with interest on May 16, 2004	VimpelCom-Region	None
VimpelCom-Region	8.50% floating rate adjustment by VimpelCom Finance to last 15th May 7, 2004	US\$ 85.7 (€ 65.2)	Various dates through 2006	VimpelCom-Region	Network equipment
VimpelCom-Region	Equipment financing obligations to Allied	US\$ 70.9	August 27, 2002	VimpelCom (US\$ 50.1)	Equipment and promotional enter (used by VimpelCom-Region)
VimpelCom-Region	Loan from Swedish bank, Sweden AB (used and guaranteed by VimpelCom-Region)	US\$ 24.9	August 28, 2001	FKP (Swedish Export Credits Guarantee Board)	Network equipment
VimpelCom-Region	Promissory notes issued in Belarus	US\$ 16.9 (€ 15.6)	Various dates through 2006	None	None
VimpelCom-Region	Loan from Starbank	US\$ 16.7	April 26, 2004	None	Common stock of our subsidiaries, equipment, and buildings
VimpelCom-Region	Leasing agreement with Investinvestevyaz (Luzhna-Region)	US\$ 14.9	March 2002	None	Table to Network equipment retained by lease
VimpelCom-Region	Equipment financing obligations to Allied	US\$ 11.8 (€ 9.5)	Various dates through December 27, 2005	VimpelCom-Region	Network equipment
VimpelCom-Region	Bank loans, equipment financing obligations and capital assets	US\$ 9.3	Various	None	Various
VimpelCom-Region	Promissory notes issued in General Postone	US\$ 4.4	Various dates through 2006	None	None
VimpelCom-Region	Promissory notes issued to Technover	US\$ 2.7 (€ 2.5 and US\$ 2.1)	Various dates through 2005	None	None

In December 2002, VinpeloCom-Region acquired 100% of Limited Liability Company "Vostok-Zapad Telekom", or Vostok-Zapad Telekom, for a purchase price of approximately US\$26.6 million. Vostok-Zapad Telekom has a GSM-1800 license for the Ural super-region and a dual band GSM-900/1800 license for the following territories within the Ural region: the Sverdlovsk region, the Yarovsk region, the Surgut region, the Republic of Komi, the Republic of Adygeya, and the Tatarskaya autonomous district. Approximately 14.2 million people live in the Vostok-Zapad Telekom license area. At the time of the acquisition, Vostok-Zapad Telekom had no subscribers.

In January and September 2002, VinpeloCom-Region acquired 100% and 100%, respectively, of the outstanding shares of Global Best Stock Company "Savitel-Sat" or SavitelSat, the largest mobile telecommunications service provider in the Stavropol region. VinpeloCom-Region acquired 99% of these shares from Telekom. VinpeloCom-Region paid an aggregate purchase price of approximately US\$4.1 million for this acquisition. In addition, we agreed to enter a credit line agreement in the amount of approximately US\$9.2 million to be repaid in full by the end of 2002. In addition, we agreed to meet our contractual obligations with cash flows from our operations, part of the proceeds from the loan and other financing arrangements.

Contractual Obligations

The following table summarizes the contractual principal obligations of our 60% owned subsidiaries, including our minimum payments required under our capital lease obligations and purchase obligations, each as of December 31, 2002. We expect to meet our contractual obligations payments with cash flows from our operations, part of the proceeds from the loan and other financing arrangements.

	2002	2003	2004	2005	2006	2007
Bank loans	111.5	35.3	30.2	-	-	-
Loan from J.P. Morgan AG + E. Morgan AG (financed by the issuance of loan participation notes by J.P. Morgan AG)	-	-	352.0	-	-	-
Equipment financing (including accrued interest)	256.0	78.8	53.0	-	-	-
Fixed deferred interest payable (2)	101.9	-	-	-	-	-
Capital lease obligations	15.7	6.6	9.1	-	-	-
Total	607.9	34.7	372.3	-	-	-

(1) Note that 50% Payment made by accelerated upon termination of each instrument.
 (2) The table summarized bonds are due on May 19, 2006, and 100% of the bonds are due on May 19, 2006, and 100% of the bonds are due on May 19, 2006. The amount of this payment may depend on the decision by VinpeloCom-Region, our share of the table summarized bonds, to adjust the interest rate for the fixed and floating interest rates. Payments which administration shall be made in full by July 7, 2006.

we are approximately US\$53.9 million (compared to US\$32.4 million during 2002 and US\$154.9 million during 2001) and our payables in respect of acquisitions fell of each 30,300 of acquired companies (we are approximately US\$62.5 million, compared to US\$69.2 million during 2002 and US\$62.5 million during 2001). In 2002, payments for purchases of equipment, intangible assets and other non-current assets for our Moscow license area operations were approximately US\$286.4 million (compared to US\$215.2 million for 2002 and US\$162.2 million during 2001). We did not make any payments in respect of acquisitions in the Moscow license area during 2002 (compared to US\$6.02 million during 2002 and US\$2.2 million during 2001) due to each holding of acquired companies in 2002, payment for purchases of equipment, intangible assets and other non-current assets for our operations in the regions were approximately US\$294.5 million (compared to US\$117.6 million during 2002 and US\$52.7 million during 2001) and our payments in respect of acquisitions of each holding of acquired companies were approximately US\$143.5 million (compared to US\$66.9 million during 2002 and US\$41.5 million during 2001).

Our acquisitions during 2001, 2002 and 2003 are described below. In January 2001, we acquired all of the outstanding shares of our main source of Global Best Stock Company "Savitel-Sat", which operated under the trade name "Mobile Center", for approximately US\$3.2 million. Mobile Center is a retail dealer for mobile communications companies.

In April 2001, VinpeloCom-Region acquired 97% of the shares of our main stock of Global Best Stock Company "Savitel-Sat", or SavitelSat, a wireless ASMS telecommunications operator in Moscow, for approximately US\$6.5 million. At the time of the acquisition, VinpeloCom-Region acquired an additional 5% of the stock of SavitelSat for approximately US\$0.2 million. The remaining 2% of SavitelSat Company is owned by our wholly-owned subsidiary, K.O. Impact.

In July 2002, VinpeloCom-Region acquired 107,684 common shares of Open Joint Stock Company "VimpelCom" or VimpelCom, representing 77.0% interest, for a purchase price of approximately US\$14.2 million. VimpelCom has a GSM 900/1800 license for the Dnepropetrovsk region, which covers approximately 2.2 million people. At the time of the acquisition, VimpelCom had approximately 52,800 subscribers including 46,130 ASMS subscribers. In October 2002, VinpeloCom-Region acquired an additional 28,224 shares, or 21.2% of VimpelCom, for a purchase price of approximately US\$33.9 million, or 95.8% of VimpelCom-Region owned 136,238 shares, or 95.8% of VimpelCom.

In October 2002, we acquired an additional 200 shares, or 1.5% of common stock of Open Joint Stock Company "Ural-Telecom", or Ural-Telecom, for a purchase price of approximately US\$5.7 million. Ural-Telecom has a GSM 900 license for the Samara region, which covers approximately 3.3 million people. At the time of the acquisition, Ural-Telecom had approximately 103,000 ASMS subscribers.

In December 2002, VinpeloCom-Region acquired from Telekom and another shareholder 20.6% of the outstanding shares of Global Best Stock Company "Erel" or Erel, for a purchase price of approximately US\$25.3 million. VinpeloCom-Region acquired 49.5% of these shares from Telekom. Erel has a GSM 900 license for the Kaliningrad region, which covers approximately 0.9 million people. At the time of the acquisition, Erel had approximately 108,000 subscribers.

In February 2004, VinpeloCom-Region entered into a new revolving credit agreement with Svenska Handelsbanken AB (publ) with a credit limit of US\$67.7 million. The credit line bears interest at the rate of six month LIBOR plus 0.15%, which is payable semi-annually over a seven year period. Payment commitments are limited to the amount of US\$67.7 million. The credit line is available for the purchase of telecommunications equipment and for the purchase of other assets. A guarantee from the Swedish Export Credit Agency "EKS" and a guarantee from our company for 25.0% of the outstanding indebtedness in the loan. In addition to interest payments, VinpeloCom-Region is obligated to pay the Swedish Export Credit Agency a fee in the amount of 9.62% of the total commitment under this loan. The credit line may only be used to finance the acquisition of telecommunications equipment and to refinance the EKS Guarantee. VinpeloCom-Region's credit agreement with Svenska Handelsbanken AB (publ) contains certain covenants that, among other things, limit VinpeloCom-Region's ability to grant loans (with certain exceptions) and impose a debt to our company (the maximum level of indebtedness in our company is set at \$1.6 billion). In addition, these covenants limit VinpeloCom-Region's ability to effect a acquisition of VinpeloCom-Region with other entities outside our group of companies. However, VinpeloCom-Region is permitted to accept all interest payment checks and payments outstanding under this line. VinpeloCom and Svenska Handelsbanken AB (publ) will market and accept this credit agreement with VinpeloCom as the borrower upon completion of the proposed merger of VinpeloCom-Region into VinpeloCom. Svenska Handelsbanken AB (publ) and VinpeloCom have already requested the terms of this amended and restated credit agreement. The interest rate, the repayment date and the covenants from the EKS will remain the same. VinpeloCom's guarantee of VinpeloCom-Region's debt as described above and the restriction on VinpeloCom-Region's ability to pay debt to VinpeloCom will cease to exist under this credit facility upon amendment and restatement of the credit agreement.

In April 2004, Sherbank provided our company with a five year US dollar denominated secured revolving credit line of US\$130 million. The credit line bears interest at the rate of 6.316 per annum, which may change upon the occurrence of certain events, such as a change in Russia law or a change in the interest rate of the Central Bank of Russia. The credit line is repayable in eight equal quarterly installments over a five-year period, beginning on February 27, 2007 and ending April 14, 2009. To date, we have not drawn down any amount under this facility. The end of the draw-down period under the credit line falls on April 15, 2005. The credit line will be covered by a pledge of telecommunications equipment, shares in amounts of our directly and indirectly owned subsidiaries and real estate. Our company's ability to draw upon the credit line is sufficient to fully secure the borrowings under the credit line. The proceeds of the credit line may be used to finance the expansion of our business. The credit line with Sherbank contains certain restrictive covenants that, among other things, limit borrowings by our company and terms of our subsidiaries and requires that a specified amount of our company's aggregate credit reserves be deposited in the relevant depository bank through Sherbank. The credit line also contains a financial covenant requiring that our company's ratio of interest expense to EBITDA on a consolidated basis not exceed 3.0.

Borrowing facilities
 We purchase network equipment, telephone line capacity, frequency allocations, buildings and other assets as a part of the ongoing development of our wireless networks. In 2001, our total payments for purchases of equipment, intangible assets and other non-current assets

handsets and accessories sold on our Statements of Income, divided by the number of new, post-subscribers added in the period.

We believe that ARPU and SAC provide useful information to investors because they are indicators of the performance of our business operations and assist management in budgeting. We believe ARPU provides management with useful information concerning asset and non-asset of our services. We believe that SAC assists management in quantifying the incremental cross to acquire a new subscriber. Non-U.S. GAAP financial measures should not be viewed in isolation, or as an alternative to other financial reports under U.S. GAAP. Reconciliation of ARPU to average revenue and connection fees and SAC to selling, general and administrative expenses, the most directly comparable U.S. GAAP financial measures, is provided below:

ARPU and SAC are non-U.S. GAAP financial measures. ARPU is used to measure the average monthly services revenue on a per subscriber basis. ARPU is calculated as service revenue generated by subscribers, including monthly revenue, but excluding revenue from connection fees and revenue from text or other services, divided by the average number of our subscribers for the period. SAC is used to measure the average cost of adding a new subscriber. SAC is calculated as our selling and marketing expenses which include advertising and marketing expenses and dealer/commissioner expense (included within selling, general and administrative expenses on our Statements of Income) and handset and accessories subsidies, if any, (included within Cost of

handsets and accessories sold on our Statements of Income, divided by the number of new, post-subscribers added in the period.

(Thousands of U.S. dollars, except for SAC amounts)

Years ended December 31,

Selling, general and administrative expenses	US\$ 467,655	US\$ 271,563	US\$ 149,052
Less: General and administrative expenses	200,679	171,991	91,230
Sales and marketing expenses, including advertising & marketing expenses	US\$ 176,745	US\$ 59,972	US\$ 57,822
dealer/commissioner expense	33,667	28,867	19,285
New gross subscribers	125,916	71,685	32,997
Total Subscriber Acquisition Cost (SAC)	US\$ 19.3	US\$ 25.7	US\$ 37.6

Monowire license area SAC	US\$ 938,745	US\$ 215,111	US\$ 139,510
Selling, general and administrative expenses	193,256	131,218	82,082
Less: General and administrative expenses	US\$ 115,489	US\$ 80,893	US\$ 51,429
Sales and marketing expenses, including advertising & marketing expenses	54,824	22,930	19,127
dealer/commissioner expense	26,156	64,965	37,206
New gross subscribers	4,655	2,762	1,467
Monowire license area Subscriber Acquisition Cost (SAC)	US\$ 28.5	US\$ 31.5	US\$ 39.0

Regional SAC	US\$ 95,235	US\$ 17,317	US\$ 2,423
Revenues from sales of handsets and accessories	30,698	18,510	2,558
Less: Cost of handset and accessories sold	US\$ -	US\$ 1,631	US\$ 135
Handsets and accessories subsidies	US\$ 175,163	US\$ 69,551	US\$ 11,896
Selling, general and administrative expenses	108,502	35,878	13,689
Less: General and administrative expenses	US\$ 61,855	US\$ 13,673	US\$ 1,207
Sales and marketing expenses, including advertising & marketing expenses	19,835	7,189	763
dealer/commissioner expense	41,815	6,469	444
Handsets and accessories subsidies	US\$ -	US\$ 1,311	US\$ 125
Site and marketing expenses	91,450	13,676	1,507
Customer acquisition costs	US\$ 61,855	US\$ 14,909	US\$ 1,382
New gross subscribers	5,019	1,194	59
Regional Subscriber Acquisition Cost (SAC)	US\$ 12.1	US\$ 13.2	US\$ 17.1

Years ended December 31,

Total ARPU	US\$ 727,968	US\$ 383,321	US\$ 252,353	US\$ 256,544
Service revenue and connection fees	1,962	2,779	711	867
Less: Connection fees	1,331	2,932	813	2,135
Service revenue used to calculate ARPU	724,078	379,210	232,209	231,520
Average number of subscribers	3,205	1,426	862	172
Average revenue per subscriber per month	US\$ 18.3	US\$ 26.2	US\$ 27.2	US\$ 95.6

Monowire license area ARPU	US\$ 716,429	US\$ 420,297	N/A	N/A
Less: Revenues from sales of handsets and accessories and other revenues	53,417	45,430	N/A	N/A
Less: Connection fees	1,797	1,894	N/A	N/A
Service revenue from rent of flip-ops: channels	1,631	2,432	N/A	N/A
Service revenue used to calculate ARPU	664,454	371,011	N/A	N/A
Average number of subscribers	2,835	1,358	N/A	N/A
Monowire license area average revenue per subscriber per month	US\$ 19.4	US\$ 26.5	N/A	N/A

Regional ARPU	US\$ 48,513	US\$ 11,973	N/A	N/A
Total operating revenues	17,219	2,423	N/A	N/A
Less: Revenues from sales of handsets and accessories	547	69	N/A	N/A
Less: Other revenues	298	294	N/A	N/A
Service revenue used to calculate ARPU	416,366	9,109	N/A	N/A
Average number of subscribers	850	35	N/A	N/A
Regional average revenue per subscriber per month	US\$ 12.4	US\$ 21.9	N/A	N/A

Report of Independent Auditors

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, 2003 and 2002, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2003. 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 auditing standards generally accepted in the United States of America. 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 Open Joint Stock Company "Vimpel-Communications" at December 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, in 2003, Open Joint Stock Company "Vimpel-Communications" adopted Financial Accounting Standards Board Statement No. 143, changing its method of accounting for asset retirement obligations.

EY
Ernst + Young (Co.) Ltd.

March 15, 2004, except for Note 27, as to which the date is March 18, 2004.

Consolidated Balance Sheets

December 31,

In thousands of US dollars, except share numbers

Assets	2003	2002
Current assets:		
Cash and cash equivalents (Note 5)	157,611	263,657
Trade accounts receivable, net of allowance for doubtful accounts of US\$7,958 in 2003 and US\$2,916 in 2002 (Note 22)	112,982	75,209
Inventory	17,966	13,209
Debtors' share issues (Note 27)	21,177	15,742
Input value added tax (Note 2)	175,648	87,331
Other current assets (Note 7)	41,211	13,027
Property and equipment, net (Note 9)	1,456,540	957,602
Intangible assets, net of amortization (Note 10)	105,617	98,395
Share intangible assets, net (Note 11)	58,769	55,736
Due from related parties (Note 23)	1,171	3,063
Unamortized debt discounts (Note 15)	4,774	8,075
Other assets (Note 12)	146,346	92,504
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	158,457	202,241
Due to related parties (Note 23)	6,568	4,114
Due to employees	14,791	5,751
Accrued liabilities	10,153	10,455
Taxes payable	161,294	13,306
Deferred revenue	2,791	2,016
Deferred income taxes (Note 21)	1,481	--
Customer advances	140,756	53,866
Customer deposits	40,719	53,106
Capital lease obligations (Note 17)	6,357	3,969
Roaming terminated bills payable (Note 15)	161,892	--
Bank loans, current portion (Note 13)	35,343	37,780
Equipment financing obligations, current portion (Note 16)	75,915	134,617
Deferred income taxes (Note 21)	34,386	35,227
Bank loans, less current portion (Note 13)	330,132	305,606
5.5% Senior convertible notes due July 2005 (Note 14)	--	15,911
Capital lease obligations, less current portion (Note 17)	9,154	999
Equipment financing obligations, less current portion (Note 16)	53,006	11,425
Accrued liabilities	4,916	3,265
Contingencies and contingent liabilities (Note 16, 27)	--	--
Minority interest	179,684	98,491
Shareholders' equity (Note 18):		
Convertible voting preferred stock (1,005 ruble nominal value per share), 15,000,000 shares authorized; 6,426,400 shares issued and outstanding	--	--
Common stock (1,005 ruble nominal value per share), 90,000,000 shares authorized; 80,392,201 shares issued	60	90
Additional paid-in capital	569,836	528,914
Retained earnings	439,262	193,306
Accumulated other comprehensive income, net of tax of US\$866 (Note 3)	3,186	--
Treasury stock, at cost, 160,000 shares of common stock (2002: 2,583,177)	(3,489)	(91,543)

See accompanying notes.

Consolidated Statements of Income

Years ended December 31,

(in thousands of US dollars, except per share (EPS) amounts)

	2002	2001	2000
Operating revenues:			
Service revenues and maintenance fees	US\$ 1,268,682	US\$ 727,868	US\$ 383,323
Sales of hardware and accessories	64,075	49,874	43,228
Other revenues	3,285	1,832	1,240
Revenue from sales (Note 2)		(11,488)	(5,294)
Operating expenses:			
Service costs	133,411	131,282	34,067
Cost of hardware and accessories sold	64,044	41,266	37,591
Selling, general and administrative expenses	467,655	271,953	149,352
Depreciation	85,204	48,522	48,522
Amortization	34,064	12,213	14,615
Provision for doubtful accounts	9,228	21,173	13,465
Other income and expense:			
Interest income	6,378	7,169	5,713
Other income	6,276	3,923	2,517
Interest expense	(68,246)	(46,396)	(26,315)
Other expenses	(3,251)	(2,142)	(2,578)
Net foreign exchange loss	(1,279)	(2,439)	(1,191)
Income tax expense (Note 2)			
Income tax expense (Note 2)	138,645	69,732	18,539
Minority interest in earnings (losses) of subsidiaries		(1,796)	7
Minority interest in cumulative effect of change in accounting principle			
Income before extraordinary items			
Cumulative effect of change in accounting principle, net of tax of US\$797 (Note 2)	(579)		
Minority interest in cumulative effect of change in accounting principle			
Income before extraordinary items			
Income before extraordinary items	US\$ 6.33	US\$ 3.41	US\$ 1.43
Net income, per common share	6.12	3.41	1.31
Weighted average common shares outstanding			
Income before extraordinary items	39,241	34,016	33,542
Income before extraordinary items	US\$ 1.60	US\$ 2.56	US\$ 1.66
Net income, per ADS equivalent	4.59	2.56	1.66
Adjusted EPS:			
Income before cumulative effect of change in accounting principle	US\$ 5.23	US\$ 1.91	US\$ 1.18
Income before cumulative effect of change in accounting principle	5.22	2.91	1.18
Net income, per common share	46,779	37,489	40,015
Income before cumulative effect of change in accounting principle	US\$ 3.92	US\$ 2.18	US\$ 0.62
Net income, per ADS equivalent	3.92	2.18	0.88

See accompanying notes

Consolidated Statements of Shareholders' Equity and Accumulated Other Comprehensive Income

Years ended December 31, 2003, 2002 and 2001

(in thousands of US dollars, except shares)

	2003	2002	2001
Proceeds from issue of common stock to the fiduciary under the Agreement dated May 30, 2001, net of cost of issuance (US\$ 10,803)	5,150,000	92,196	—
Acquisition of treasury stock	—	—	(75)
Sales of treasury stock	—	—	75
Net income	—	43,331	47,301
Gain from issuance of subsidiary stock (Note 10)	33,073	—	—
Sale of treasury stock	—	932	1,917
Net income	—	130,572	129,152
Gain from issuance of subsidiary stock (Note 10)	4,947	—	—
Sale of treasury stock	—	1,279	4,729
Consolidation of Series convertible notes - 2,052,174 shares (Note 10)	32,617	—	36,832
Comprehensive income:			
Foreign currency translation adjustment (Note 2)	—	—	2,466
Net income	—	273,957	333,982
Total amount of other comprehensive income	—	233,963	2,466
See accompanying notes			

Consolidated Statements of Cash Flows

Years ended December 31,

In thousands of U.S. dollars

	2017	2016	2015
Operating activities			
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	151,262	88,204	48,860
Amortization	34,084	13,213	12,616
Goodwill impairment adjustments for short-term investments	--	(36)	(409)
Provision for deferred taxes	(11,898)	(6,385)	(9,979)
Loss on foreign currency translation	1,279	9,438	119
Provision for doubtful accounts	9,228	21,173	13,456
Minority interest in earnings (losses) of subsidiaries	26,872	(1,794)	7
Change in effect of change in accounting principle	379	--	--
Changes in operating assets and liabilities:			
Short-term investments	--	956	59
Trade accounts receivable	(41,781)	(42,659)	(32,365)
Inventory	(2,089)	(1,259)	1,336
Input value added tax	(77,259)	(49,692)	(28,311)
Other current assets	(694)	(18,051)	80
Due from related parties	1,792	1,050	692
Due to related parties	3,084	(973)	(1,371)
Accounts payable	28,928	3,665	10,566
Customer advances and deposits	79,563	49,411	29,129
Deferred revenue	(957)	(815)	(23)
Accrued liabilities	83,922	42,383	5,232
	160,287	331,052	1,959
Financing activities			
Proceeds from bank and other loans	(86,261)	(60,481)	(5,168)
Proceeds from issuance of trade receivables bonds	97,139	--	--
Payment of other convertible notes	(1,200)	--	--
Capital contributions in a consolidated subsidiary by minority shareholders	56,528	1,169,656	--
Payments of fees in respect of debt issue	(4,207)	(6,203)	(363)
Repayment of trade obligations	(917)	(1,982)	(1,982)
Repayment of equipment financing obligations	(256,702)	(1,15,671)	(26,378)
Proceeds from sale of capital stock	--	--	103,193
Payments of fees in respect of capital contributions	(2,478)	--	(10,893)
Purchase of treasury shares	--	--	(75)
Proceeds from sale of treasury shares	--	--	--
	(162,818)	(61,591)	(12,386)
Investing activities			
Purchases of property and equipment	(506,716)	(671,437)	(136,353)
Purchases of intangible assets	(14,694)	(14,769)	(6,598)
Proceeds from sale of property and equipment	12,433	--	--
Purchase of S&P 500 stock, net of cash acquired of US\$ 653	(42,455)	--	(5,765)
Purchase of M&S Silver and Gold Company stock, net of cash acquired of US\$ 958	--	--	--
Purchase of Oregon, Bee Line, Sumata, Sator and Vostok Zoloto Siberian stock, net of cash acquired of US\$ 1,871	--	(69,145)	--
Purchases of other assets	(38,561)	(26,580)	(14,135)
Effect of exchange rate changes on cash and cash equivalents	12,171	5,236	(1,368)
	(523,833)	(716,546)	(163,619)
Supplemental cash flow information			
Cash paid during the period:			
Income tax	US\$ 86,909	US\$ 51,594	US\$ 13,870
Interest	61,994	30,810	16,286
For cash activities:			
Equipment acquired under financing agreements	98,686	140,367	82,990
Accounts payable for equipment and lease	79,982	30,117	15,853
Accrued debt and equity offering costs	--	--	514
Operating activities financed by sale of treasury stock	4,729	1,917	--
Conversion of Senior convertible notes	91,236	--	--
Acquisitions:			
Fair value of assets acquired	79,986	131,385	39,117
Influence between the amount paid and the fair value of net assets acquired	(4,699)	--	--
Carrying value of equity method investment in Bee-Line Sumata before the acquisition of controlling interest	--	(6,542)	--
Cash paid for the purchase of			
Equity interest	(33,173)	(70,722)	(77,785)
Liabilities assumed	107,258,478	107,258,478	107,258,478
	107,258,478	107,258,478	107,258,478

See accompanying notes.

Years ended December 31,

In thousands of U.S. dollars

	2017	2016	2015
Operating activities			
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	151,262	88,204	48,860
Amortization	34,084	13,213	12,616
Goodwill impairment adjustments for short-term investments	--	(36)	(409)
Provision for deferred taxes	(11,898)	(6,385)	(9,979)
Loss on foreign currency translation	1,279	9,438	119
Provision for doubtful accounts	9,228	21,173	13,456
Minority interest in earnings (losses) of subsidiaries	26,872	(1,794)	7
Change in effect of change in accounting principle	379	--	--
Changes in operating assets and liabilities:			
Short-term investments	--	956	59
Trade accounts receivable	(41,781)	(42,659)	(32,365)
Inventory	(2,089)	(1,259)	1,336
Input value added tax	(77,259)	(49,692)	(28,311)
Other current assets	(694)	(18,051)	80
Due from related parties	1,792	1,050	692
Due to related parties	3,084	(973)	(1,371)
Accounts payable	28,928	3,665	10,566
Customer advances and deposits	79,563	49,411	29,129
Deferred revenue	(957)	(815)	(23)
Accrued liabilities	83,922	42,383	5,232
	160,287	331,052	1,959
Financing activities			
Proceeds from bank and other loans	(86,261)	(60,481)	(5,168)
Proceeds from issuance of trade receivables bonds	97,139	--	--
Payment of other convertible notes	(1,200)	--	--
Capital contributions in a consolidated subsidiary by minority shareholders	56,528	1,169,656	--
Payments of fees in respect of debt issue	(4,207)	(6,203)	(363)
Repayment of trade obligations	(917)	(1,982)	(1,982)
Repayment of equipment financing obligations	(256,702)	(1,15,671)	(26,378)
Proceeds from sale of capital stock	--	--	103,193
Payments of fees in respect of capital contributions	(2,478)	--	(10,893)
Purchase of treasury shares	--	--	(75)
Proceeds from sale of treasury shares	--	--	--
	(162,818)	(61,591)	(12,386)
Investing activities			
Purchases of property and equipment	(506,716)	(671,437)	(136,353)
Purchases of intangible assets	(14,694)	(14,769)	(6,598)
Proceeds from sale of property and equipment	12,433	--	--
Purchase of S&P 500 stock, net of cash acquired of US\$ 653	(42,455)	--	(5,765)
Purchase of M&S Silver and Gold Company stock, net of cash acquired of US\$ 958	--	--	--
Purchase of Oregon, Bee Line, Sumata, Sator and Vostok Zoloto Siberian stock, net of cash acquired of US\$ 1,871	--	(69,145)	--
Purchases of other assets	(38,561)	(26,580)	(14,135)
Effect of exchange rate changes on cash and cash equivalents	12,171	5,236	(1,368)
	(523,833)	(716,546)	(163,619)
Supplemental cash flow information			
Cash paid during the period:			
Income tax	US\$ 86,909	US\$ 51,594	US\$ 13,870
Interest	61,994	30,810	16,286
For cash activities:			
Equipment acquired under financing agreements	98,686	140,367	82,990
Accounts payable for equipment and lease	79,982	30,117	15,853
Accrued debt and equity offering costs	--	--	514
Operating activities financed by sale of treasury stock	4,729	1,917	--
Conversion of Senior convertible notes	91,236	--	--
Acquisitions:			
Fair value of assets acquired	79,986	131,385	39,117
Influence between the amount paid and the fair value of net assets acquired	(4,699)	--	--
Carrying value of equity method investment in Bee-Line Sumata before the acquisition of controlling interest	--	(6,542)	--
Cash paid for the purchase of			
Equity interest	(33,173)	(70,722)	(77,785)
Liabilities assumed	107,258,478	107,258,478	107,258,478
	107,258,478	107,258,478	107,258,478

See accompanying notes.

VimpelCom deposits available cash with financial institutions in the Russian Federation. Deposit insurance is not offered to financial institutions operating in Russia. To manage this credit risk, VimpelCom monitors its available cash, mainly in US dollars, to a variety of Russian banks and Russian affiliates of international banks. Management periodically reviews the credit worthiness of the banks in which it deposits cash.

Input value added tax (VAT), representing amounts payable on goods to suppliers, 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 within one year.

VimpelCom issues advances to a variety of vendors of property and equipment for its network development. The contract development agreements with the most significant vendors (Alcatel, Ericsson and Infortelcom A/S) provide for equipment financing in respect of certain deliveries of equipment. VimpelCom periodically reviews the financial position of vendors and their compliance with the contract terms.

Net Value of Financial Instruments
The carrying amounts for financial instruments, consisting of cash and cash equivalents, trade accounts receivable, forward agreements and obligations under accounts payable, approximates their fair value.

The fair value of senior convertible notes based on a quoted market price, market rates (level 1) and future cash flows discounted at current market rates, were as follows at December 31:

	US\$	US\$
Senior convertible notes	103,470	116,266
Fixed denominated bonds	39,360	-
Subbank loan to VimpelCom-Russia	76,425	-
Subbank loan to VimpelCom	51,000	-
J.P. Morgan AG	271,259	263,907
Technaserve A/S, VimpelCom-Russia	19,263	10,681
Technaserve A/S, VimpelCom	2,858	4,102
General Director	4,382	6,257

Sales of Stock by a Subsidiary, Sub No. 21, allows accounting for income of stock by a subsidiary as a capital transaction. VimpelCom includes gain on the sale of newly issued stock of subsidiaries in stock-based compensation expense in the consolidated financial statements.

Stock-Based Compensation
VimpelCom follows the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation", for its stock option plan. SFAS No. 123 generally allows companies to either measure its stock-based compensation under the provisions of SFAS No. 123 or under the provisions of Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees", and to make disclosures in accordance with the provisions of SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of SFAS No. 123." Because the fair value accounting requires use of option valuation models that were not developed for use in issuing employee stock options (see Note 26), VimpelCom has chosen to account for its stock-based compensation in accordance with the provisions of APB No. 25 and related interpretations and present the form disclosures of results of operations as if the fair value method had been adopted.

Business Combinations
VimpelCom accounts for its business acquisition under the purchase method of accounting. The total cost of acquisition is allocated to the underlying assets, including intangible assets and liabilities 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 flows and discounts, discount rates, asset lives, and market multiples, among other items.

Concentration of Credit Risk
Trade accounts receivable consists of amounts due from subscribers for service usage and amounts due from carriers and subcontractors for equipment sales. In certain circumstances, VimpelCom requires deposits as collateral for certain usage. In addition, VimpelCom has entered into a prepaid service for both ISMS and GSM networks. 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 subscribers, of which approximately 97% subscribed to a prepaid service as of December 31, 2003 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 fair value of senior convertible notes based on a quoted market price, market rates (level 1) and future cash flows discounted at current market rates, were as follows at December 31:

	US\$	US\$
Senior convertible notes	103,470	116,266
Fixed denominated bonds	39,360	-
Subbank loan to VimpelCom-Russia	76,425	-
Subbank loan to VimpelCom	51,000	-
J.P. Morgan AG	271,259	263,907
Technaserve A/S, VimpelCom-Russia	19,263	10,681
Technaserve A/S, VimpelCom	2,858	4,102
General Director	4,382	6,257

Comprehensive Income
SFAS No. 132, "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 disclosure of certain financial information that historically has not been recognized in the calculation of net income but is an adjustment to shareholders' equity.

For the year ended December 31, 2003, 2002 and 2001, comprehensive income for VimpelCom comprised US\$236,429, US\$129,552 and US\$67,201, respectively. Comprehensive income for the years ended December 31, 2003, 2002 and 2001 included net income in the amount of US\$233,962, US\$129,552 and US\$67,201, respectively, and other comprehensive income (foreign currency translation adjustment) in the amount of US\$2,466, US\$0 and US\$0, respectively. By net of minority interest in the amount of US\$1,993, US\$0 and US\$0, respectively, and net of tax in the amount of US\$909, US\$0 and US\$0, respectively.

Accounting for Sales of Stock by a Subsidiary
Accounting follows the provisions of SFAS No. 51, "Accounting for

be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future 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 asset 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.

Revenue Recognition
VimpelCom earns service revenues for usage of its cellular system, which include service charges from contract and prepaid subscribers, monthly contract fees, roaming charges and charges for value added services. Revenues include revenues from VimpelCom subscribers who make contracts, their selected basic coverage and revenues from other wireless carriers for roaming by their customers on VimpelCom's network. Value added services include short messages (SMS), other text-based communications, video mail, call waiting and data transmission. Generally, these features generate additional revenues through monthly subscription fees or extended wireless usage through utilization of the features. Service revenues are generally recognized when the services (including value added services and roaming) are rendered. Revenue on prepaid cards is deferred until recognized when services are rendered. Revenues from activation sales are recognized in the period in which the equipment is sold. Revenues are stated net of value-added tax and sales tax charged to customers.

VimpelCom determined that the sale of wireless services through VimpelCom's direct sales channel with an accompanying handset contracts is a revenue arrangement with multiple deliverables. Upon adoption of SFAS No. 48-24, VimpelCom allocates the arrangement consideration to the separate units of accounting, including the wireless service and handset. Based on their relative fair values.

In accordance with the provisions of the US SEC Staff Accounting Bulletin ("SAB") No. 104, "Revenue Recognition in Business Structures", VimpelCom defers telecommunications construction fees. The deferral of revenue is recognized over the estimated average useful life, which is generally two years.

Advertising
VimpelCom expenses the cost of advertising as incurred. Advertising expenses for the year ended December 31, 2003, 2002 and 2001 were US\$33,032, US\$30,458 and US\$21,925, respectively.

Rent
VimpelCom leases office space and premises where telecommunications equipment is installed. These were no non-cancelable operating leases in 2003 and 2002.

Rent expense under all operating leases and rental contracts in 2003, 2002 and 2001 were US\$37,556, US\$18,151, and US\$9,656, respectively.

Deferred Taxes
VimpelCom computes and records income tax in accordance with SFAS No. 109, "Accounting for Income Taxes". Under the asset and liability method of SFAS 109, deferred tax assets and liabilities are 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.

Government Pension Plan
VimpelCom contributes to the Russian Federation state pension fund on behalf of its employees. VimpelCom's contribution was expensed as incurred. Total amounts expensed in connection with contributions in the state pension fund for the years ended December 31, 2003, 2002 and 2001 were US\$3,682, US\$7,698 and US\$5,957, respectively.

Property and Equipment
Property and equipment is stated at historical cost. Telecommunications equipment, including equipment acquired under capital leases, is depreciated using the straight-line method over its estimated useful life of one and one-half years, or the lease term, whichever is shorter. Buildings and leasehold improvements are depreciated using the straight-line method over estimated useful lives of twenty years. Office and measuring equipment, and vehicles and furniture are depreciated using the straight-line method over estimated useful lives ranging from five to ten years.

Rent and maintenance costs are expensed as incurred.

Intangible Assets
Intangible assets consist primarily of telephone line capacity, wireless licenses, goodwill and other intangible assets. VimpelCom capitalizes payments made to third party suppliers to acquire access to air 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. Licenses are amortized on a straight-line basis until the expiration date of the licenses. Goodwill represents the excess of consideration paid over the fair value of net assets acquired in purchase business combinations. In 2001, goodwill was amortized using the straight-line method over estimated remaining useful life. With the adoption of SFAS No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142), as of January 1, 2002, no amortization was taken on goodwill in 2003 and 2002. Other intangible assets are amortized on a straight-line basis over their estimated useful lives, generally from five to ten years.

In accordance with SFAS No. 142, 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 SFAS No. 142, VimpelCom tests goodwill impairment on an annual basis. Additionally, goodwill is tested by impairment when events or circumstances indicate that a change in fair value more likely than not reduces the fair value of an entity below its carrying value. These events or circumstances would include 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.

Software Costs
Under the provision of Statement of Position No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained by Internet 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 initiated further funding of the project which it deems probable will be completed and used to perform the business 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 amortized using the straight-line method over the expected life of the product.

Long-Term Assets
VimpelCom accounts for impairment of long-term assets, except for goodwill, in accordance with the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Term Assets". SFAS No. 144 requires that long-term assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may be

The following amended pro forma combined results of operations for VirapellCom give effect to the business combination as if they had occurred at the beginning of 2002. These pro forma amounts are provided for information purposes only and do not purport to present the results of operations of VirapellCom had the transactions assumed herein 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.

	Years ended December 31,	
	2002	2001
Pro forma basic net income per common share	6.14	3.65
Pro forma diluted net income per common share	5.24	3.11

VirapellCom's cash and cash equivalents consisted of the following at December 31:

Cash	103,67,971	103,40,165
US dollars	62,796	182,215
EUR and other currencies	27,522	49,657

Other current assets consisted of the following at December 31:

Accounts receivable	10,235	133,15,164
Prepaid expenses (Note 6)	2,094	2,639
Prepayment under forward agreement (Note 8)	-	3,197
Other	6,254	2,043
	18,583	9,656

VirapellCom entered into forward exchange contracts to hedge certain liabilities denominated in foreign currencies. The purpose of these contracts is to protect VirapellCom's foreign currency financing activities from changes in the exchange rates.

On May 14, 2002, VirapellCom entered into a forward agreement with Citibank for purchase of EUR 5,000 thousand on November 15, 2002 for US dollars at a rate of 0.977 EUR/US dollar to hedge foreign currency risk associated with the liability under equipment financing agreement with Citibank for purchase of EUR 5,000 thousand on November 15, 2002. The net gain of US\$542 related to the change in the fair value of the derivative instrument was included in net foreign exchange loss in the accompanying consolidated statement of income for the years ended December 31, 2002 and 2001, respectively.

On August 26, 2002, F2I entered into a forward agreement with Citibank for purchase of EUR 20,276 thousand for US dollars at a rate of 0.969 EUR/US dollar to hedge foreign currency risk associated with the liability under equipment financing agreement with Citibank for purchase of EUR 20,276 thousand on November 15, 2002. The net gain of US\$2,539 was included in net foreign exchange loss in the accompanying consolidated statement of income for the years ended December 31, 2002 and 2001, respectively.

acquired 21.21% of Orenstein's common stock, which VirapellCom Region did not previously own, for US\$2,682. This transaction increased VirapellCom Region's ownership in Orenstein to 53.53%. The acquisition was recorded under the purchase method of accounting. The results of operations of Orenstein were included in the accompanying consolidated statement of income from the date of acquisition. The fair value of net assets acquired approximated the cost of acquisition.

In December 2002, VirapellCom Region acquired 100% of ownership in the business of Veeva Systems, a company that holds a GSM-0607 license for operations in the UK region, for US\$3,605. The acquisition was recorded under the purchase method of accounting. The results of operations of Veeva were included in the accompanying consolidated statement of income from the date of acquisition. The fair value of net assets acquired approximated the cost of acquisition.

In January 2003, VirapellCom Region acquired 20% of common stock of Sanyo, a radio operator in the Singapore region, for US\$3,201. The primary reason for the acquisition was obtaining the frequencies allocated to Sanyo under its mobile telecommunications license. The acquisition was recorded under the purchase method of accounting. The results of operations of Sanyo were included in the accompanying consolidated statement of income from the date of acquisition. The fair value of net assets acquired approximated the cost of acquisition.

In January 2003, VirapellCom Region acquired 20% of common stock of Sanyo, a radio operator in the Singapore region, for US\$3,201. The primary reason for the acquisition was obtaining the frequencies allocated to Sanyo under its mobile telecommunications license. The acquisition was recorded under the purchase method of accounting. The results of operations of Sanyo were included in the accompanying consolidated statement of income from the date of acquisition. The fair value of net assets acquired approximated the cost of acquisition.

The following table presents the condensed balance sheet following the amount assigned to each major asset and liability category of VirapellCom at the acquisition date.

Cash and cash equivalents	US\$ 558
Other current assets	6,265
Property and equipment, net	30,825
Other intangible assets, net (1.2 years weighted-average remaining useful life)	74,783
Other assets	209
Current liabilities	(15,403)
Long-term liabilities	(2,833)
Deferred income taxes	(6,942)
Minority's share in net assets	(3,117)

On September 19, 2002, VirapellCom Region increased its share of ownership in Sanyo to 100% by acquiring the remaining 10% of Sanyo's common stock, which VirapellCom Region did not previously own, for US\$4,312. The acquisition was recorded under the purchase method of accounting. The fair value of net assets acquired approximated the cost of acquisition.

At the beginning of the fiscal quarter 2002, VirapellCom changed the estimated remaining useful life of certain assets of telecommunications equipment from 5 to 6.5 years. The change decreased net income for the year ended December 31, 2002 by approximately US\$2,219 (equivalent to US\$0.06 per share of common stock - basic and US\$0.05 per share of common stock - diluted).

At the beginning of the fiscal quarter 2002, VirapellCom changed the estimated remaining useful life of certain assets of telecommunications equipment from 5 to 6.5 years. The change decreased net income for the year ended December 31, 2002 by approximately US\$1,987 (equivalent to US\$0.06 per share of common stock - basic and US\$0.04 per share of common stock - diluted).

At the beginning of the fiscal quarter 2003, VirapellCom changed the estimated remaining useful life of telecommunications equipment from 2.5 to 3 year. The change decreased net income for the year ended December 31, 2003 by approximately US\$4,505 (equivalent to US\$0.12 per share of common stock - basic and US\$0.10 per share of common stock - diluted).

In July 2002, VirapellCom Region acquired 77.6% of common stock of Orenstein, a cellular communications enterprise operating in the Overberg region, for US\$16,294. In October 2002, VirapellCom Region

The following table presents the condensed balance sheet following the amount assigned to each major asset and liability category of VirapellCom at the acquisition date.

Cash and cash equivalents	US\$ 558
Other current assets	6,265
Property and equipment, net	30,825
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equipment financing agreements between VimpelCom-Region and Aritel, and between VimpelCom-Region and LLC Technozone A/S ("Technozone") in November 2003. VimpelCom-Region entered into a forward agreement with Citibank to lock for the purchase of EUR 12,251 thousand for US dollars at a rate of 1:1.926 US\$/EUR, to be used for the purchase of equipment during the period from December 2003 to December 2005 to hedge foreign currency risk associated with the liability under equipment financing agreements between VimpelCom-Region and Aritel, and between VimpelCom-Region and Technozone. These agreements qualified as a fair value hedge under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. The derivatives were measured at fair value of US\$1,425 as of December 31, 2003, and included in other current assets and other assets in the amount of US\$853/HK\$107 in consolidated financials for the period from August 2003 to September 2005, and SFRO 11,790 thousand for US dollars at a rate of 1:1.569 US\$/HK\$ in consolidated financials for the period from August 2003 to September 2005. The derivatives were included in net foreign exchange loss in the accompanying consolidated statement of losses for the year ended December 31, 2003.

forward agreements with Standard Bank in June 2003. VimpelCom-Region entered into a forward agreement with Standard Bank for the purchase of EUR 2,893 thousand for US dollars at a rate of 1:1.451 US\$/EUR in several tranches during the period from August 2003 to June 2005, EUR 2,272 thousand for the period from August 2003 to June 2005, EUR 5,272 thousand for the period from August 2003 to June 2005, and EUR 11,790 thousand for the period from August 2003 to September 2005, and SFRO 11,790 thousand for US dollars at a rate of 1:1.569 US\$/HK\$ in consolidated financials for the period from August 2003 to September 2005. The derivatives were included in net foreign exchange loss in the accompanying consolidated statement of losses for the year ended December 31, 2003.

Property and equipment, at cost, except for impaired assets, consisted of the following at December 31:

	December 31, 2003	December 31, 2002
Telecommunications equipment held under capital lease agreements	US\$ 22,132	US\$ 6,424
Telecommunications equipment	1,021,372	640,295
Buildings and leased improvements	48,170	39,952
Other non-current equipment	63,915	58,351
Autos	6,210	4,072
Furniture	1,128	4,473
Other equipment	4,360	4,913
Accumulated depreciation	(292,228)	(165,932)
Equipment not installed and assets under construction	541,178	262,569

VimpelCom-Region leased 10,000 telecommunication equipment in the amount of US\$1,256, US\$1,500 and US\$15 in 2003, 2002, and 2001, respectively.

In April 2001, VimpelCom-Region acquired Cellular Company Cellular Company had telecommunications equipment held under capital lease agreements (Note 17).

In October 2002, VimpelCom-Region acquired ownership interest in the cellular company Beeline-Siberia had telecommunications equipment held under capital lease agreements (Note 17).

In June 2003, VimpelCom-Region signed a set of agreements with OJSC Technozone for the purchase of certain DPM's equipment and subsequent agency relations. The DPM's equipment was sold to Technozone for US\$14,696 as of July 1, 2003. The selling price was US\$15,509 net of value added tax, payable in two installments. Gain on transaction, representing the excess of the selling price over the net book value of the DPM's equipment sold, was deferred and accounted for proportion in the acquisition of the

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The total gross carrying value and accumulated amortization of VimpelCom-Region's telecommunications equipment and other assets were as follows:

	December 31, 2003	December 31, 2002
Telecommunications equipment	US\$ 102,167	US\$ 656,097
Goodwill	9,816	9,416
Other intangible assets	7,849	(4,597)

The total gross carrying value and accumulated amortization of VimpelCom-Region's telecommunications equipment and other assets were as follows:

	December 31, 2003	December 31, 2002
Telecommunications equipment	US\$ 102,167	US\$ 656,097
Goodwill	9,816	9,416
Other intangible assets	7,849	(4,597)

Amortization expense for each of the succeeding five years is expected to be as follows:

	2004	2005	2006	2007	2008
Telecommunications equipment	US\$ 34,822	34,822	34,822	34,822	34,822
Goodwill	2,036	2,036	2,036	2,036	2,036
Other intangible assets	2,036	2,036	2,036	2,036	2,036
Thereof:	16,450	16,450	16,450	16,450	16,450

The pro forma impact of our acquisition of goodwill on net income and net income per share for the year ended December 31, 2001, compared to actual results for the years ended December 31, 2003 and 2002 is as follows:

	Year ended December 31,	
	2003	2002
Reported net income	US\$ 233,982	US\$ 120,542
Goodwill amortization	—	1,621
Adjusted net income	US\$ 233,982	US\$ 122,163
Reported net income per common share	US\$ 6.12	US\$ 3.41
Adjusted net income per common share	US\$ 6.12	US\$ 3.41
Reported net income	US\$ 5.22	US\$ 2.51
Goodwill amortization	—	0.04
Adjusted net income	US\$ 5.22	US\$ 2.51

For amounts of US dollars, except per share amounts:

	December 31, 2003	December 31, 2002
Reported net income	US\$ 233,982	US\$ 120,542
Goodwill amortization	—	1,621
Adjusted net income	US\$ 233,982	US\$ 122,163
Reported net income per common share	US\$ 6.12	US\$ 3.41
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Reported net income	US\$ 5.22	US\$ 2.51
Goodwill amortization	—	0.04
Adjusted net income	US\$ 5.22	US\$ 2.51

Agreements between VimpelCom and General Dynamics
On August 26, 2002, VimpelCom and United Liability Company General Dynamics (VimpelCom) signed an agreement for delivery of telecommunications equipment for US\$55,000. This agreement provides for the deferral of payment of the amount of US\$2,750 in respect of the future delivery of equipment. The liability will accrue interest at the US dollar six-month LIBOR rate plus 3%. The amount of interest will start after the delivery of the last consignment of equipment. Principal payments are to be made at twelve equal and consecutive quarterly installments. The first installment becomes due three months after the delivery of the last consignment of the equipment.

Agreements between VimpelCom and Telebrowser
On April 26, 2002, VimpelCom and Telebrowser signed an agreement for delivery of GSM equipment for EUR 6,000 (approx. US\$7,500) at exchange rate as of December 31, 2001. This agreement provides for the deferral of payment of the amount of EUR 5,000 (approx. US\$6,250) at exchange rate as of December 31, 2003 in respect of the future delivery of equipment. The liability will accrue interest at a rate of 10% per annum. The amount of interest will start 90 days after the advance payment of the last consignment of the equipment, whatever it is. Principal payments are to be made in equal and consecutive quarterly installments. The first installment becomes due three months after the delivery of the last consignment of the equipment.

As of December 31, 2003, total value of equipment delivered under this contract was: BERO 4,892 (US\$6,119) at exchange rate as of December 31, 2003)

Amount outstanding in connection with VimpelCom's equipment financing obligation consisted of the following at December 31:

Amount (agreements with B3)	US\$ 81,597	US\$ 119,316
Supplier credit facilities	1,403	2,343
Accrued interest	31,587	23,877
Amount (agreements with VimpelCom-Region)	--	58
Supplier credit facilities	2,676	--
Accrued interest	--	85,486
Amount (agreements with Star-Telecom)	--	74
Supplier credit facilities	16,489	10,681
Accrued interest	41	12
Amount (agreements with VimpelCom)	2,654	4,302
Supplier credit facilities	16	4
Accrued interest	4,434	5,257
Amount (agreements with VimpelCom-Region)	62	--
Supplier credit facilities	890	2,633
Accrued interest	--	--
Other	--	--
Total	(79,925)	(128,637)

Future payments under bank loans, mobile telecommunication facilities and supplier credit facilities are as follows:

2004	US\$ 208,095
2005	323,756
2006	36,257
2007	24,106
2008	--

Agreements between VimpelCom and General Dynamics
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Total	(79,925)	(128,637)

Future payments under bank loans, mobile telecommunication facilities and supplier credit facilities are as follows:

2004	US\$ 208,095
2005	323,756
2006	36,257
2007	24,106
2008	--

As of December 31, 2003, VimpelCom had obligations under lease agreements with OJSC "Investment Services" of US\$14,683. Principal payments under these lease agreements were received by VimpelCom on July 1, 2003 (the amount of the lease payments, the lease term is equal to the remaining remaining economic life of the leased property, depreciation received under these agreements was accounted for as capital leases).

US\$ 6,531
2,216
1,211
--

Future payments under capital lease obligations are as follows:

2004
2005
2006
2007
2008

As of December 31, 2003, VimpelCom was obligated to additional paid-in capital in the accompanying consolidated financial statements.

In the third and fourth quarters 2003, VimpelCom used 2,453,174 shares (12,719,665 ADS) of its treasury stock to meet its redemption obligations for senior convertible notes (Note 14). The excess of the nominal value of senior convertible notes redeemed by unexercised debt issue cost over the cost of the treasury shares sold in the amount of US\$32,617 was allocated to additional paid-in capital in the accompanying consolidated financial statements as of December 31, 2003.

On October 24, 2003, an Extraordinary General Meeting of VimpelCom shareholders approved the merger of VimpelCom and VimpelCom-Region and the related issuance of 10,949,821 new VimpelCom common shares (the equivalent of 14,598,426 ADS) in exchange for the 24.7% stake in VimpelCom-Region; this is referred to as the "Merger". Following the merger, the merger will own approximately 25.6% and 29.9%, respectively, and the Company's total voting stock and total economic stock. As of March 15, 2004, the merger and issuance of new shares had not occurred.

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 determined by the board of directors of the 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 transfer them to reserves. Dividends may only be declared from accumulated undistributed and undrawn earnings as shown in the Russian statutory financial statements, not out of amounts previously transferred to reserves. Dividends to shareholders -- residents of Russia are subject to a 6% withholding tax. Dividends to other shareholders are subject to a 15% withholding tax, which may be reduced or eliminated by double tax treaties. Dividends to reserves have been distributed through December 31, 2003. As of December 31, 2003, VimpelCom's retained earnings distributable under Russian legislation were US\$162,493 at the official year-end exchange rate.

As of December 31, 2003, the amount of non-cash received on the sale of VimpelCom represented by undistributed earnings of non-cash which are accounted for using the equity method was US\$2,315.

with the agreement dated May 26, 2001, as amended. Following the completion of the investment tranche, VinpelCom's interest in VinpelCom-Region became 53.51%.

VinpelCom's share in net assets of VinpelCom-Region increased by 1554.945 as a result of capital contribution of Leo Tolstoy made on August 27, 2003. The gain on the sale of newly issued stock of 5 rubles was included in additional paid-in capital in the consolidated financial statements of VinpelCom as of December 31, 2003.

On August 31, 2003, VinpelCom issued and outstanding common stock of VinpelCom-Region comprised 7,816 shares.

On August 6, 2001, a law was signed which introduced certain changes in Russian tax legislation reducing the statutory income tax rate from 35% to 24% effective January 1, 2002. The effect of the new tax legislation was retroactively in the period of enactment.

Income tax expense (benefit) decreased in the following for the year ended December 31:

Current income taxes	US\$ 58,324	US\$ 28,509
Deferred taxes	(6,385)	(9,973)
	US\$ 121,259	(11,500)

A reconciliation between the income tax expense reported in the accompanying consolidated financial statements and income before taxes multiplied by the statutory tax rate of 35% (from January 1, 2001 through December 31, 2001) and 24% (from January 1, 2002 through December 31, 2003) for the years ended December 31 is as follows:

Effect of investment increases in debt-activity	---	(16,463)
Effect of non-deductible expenses and other permanent differences	27,411	9,528
Effect of deductible temporary differences not recognized as measured by the change in valuation allowance	(7,552)	764
Effect of charges to tax fee	---	(5,755)

In anticipation of the announced merger between VinpelCom and VinpelCom-Region, approved on October 24, 2001, by an extraordinary general meeting of VinpelCom Shareholders (from 18), Leo Tolstoy has relinquished the third tranche of its investment into VinpelCom-Region.

On August 27, 2001, Leo Tolstoy purchased 1,463 newly issued shares of VinpelCom-Region's common stock for US\$56,876. Simultaneously, VinpelCom and Tolstoy sold 126 and 24 shares of VinpelCom-Region's preferred stock, respectively, to Leo Tolstoy at a price of 26 rubles per share. The selling price measured the third tranche of equity investments into VinpelCom-Region in accordance with the agreement dated May 26, 2001.

The Russian Federation was the only tax jurisdiction in which VinpelCom's income was subject to taxation.

In addition, on December 5, 2001, VinpelCom sold to Leo Tolstoy one share of common stock of VinpelCom-Region for a purchase price of US\$40.

On May 15, 2002, the annual shareholders' meeting of VinpelCom approved the following changes to the agreements or investments in VinpelCom-Region, dated May 30, 2001.

VinpelCom requested an option to purchase newly issued shares of VinpelCom-Region in addition and accompanied this obligation to November 2003, and Tolstoy agreed to corresponding options to November 2003. In each case, subject to extension in certain instances, Leo Tolstoy's investment in VinpelCom-Region were substituted as required under the original agreements dated May 30, 2001, US\$38,480 on November 2002 and US\$35,520 on November 2003, with each due subject to extension in certain cases, unless Leo Tolstoy chooses to terminate all or a portion of his third tranche investments.

VinpelCom continued to provide VinpelCom-Region with a combination of secured loans, guarantees and leases of equipment and other assets with a total value of up to US\$20,500, and with interest rates of up to US\$30,985, with terms up to six years.

In the event that external financing is not obtained by February 2005 in an amount necessary to meet VinpelCom-Region's five-year funding plan, VinpelCom-Region will give each of its shareholders the right to contribute to its capital the amount of such shareholders to make up the funding shortfall on a pro-rata basis. If any shareholder does not exercise its right to make such capital contribution in full, the other shareholders which fully contribute their pro rata amount will have the right to contribute all or a portion of such shareholder's capital contribution to a pro-rata basis. The shareholders of VinpelCom-Region further agreed to vote in favor of, and vote all actions necessary to effect the issuance of VinpelCom-Region ordinary shares in connection with such capital contribution, provided that such obligation will not be applicable if the aggregate amount of the additional financing raised by VinpelCom-Region (including the capital increase in connection with the secured stock being issued in November 2002 and November 2003, respectively) exceeds US\$350,000.

VinpelCom-Region's Board of Directors was disbanded as part of the modified management structure of VinpelCom and VinpelCom-Region.

On November 12, 2002, VinpelCom, Leo Tolstoy and Tolstoy each purchased 1,362 newly issued shares of VinpelCom-Region's common stock for US\$36,881. Simultaneously, Leo Tolstoy sold 231 and 860 shares of VinpelCom-Region's preferred stock to Tolstoy and VinpelCom, respectively, at a price of 20 rubles per share. The closing represents the second tranche of equity investments into VinpelCom-Region in accordance with the agreement dated May 26, 2001, as amended.

Capital contributions of Leo Tolstoy and Tolstoy in VinpelCom-Region exceeded 35.01% of net assets of VinpelCom-Region after the contributions by US\$25,873. The gain on the sale of newly issued stock of a subsidiary was included in additional paid-in capital in the consolidated financial statements of VinpelCom for the year ended December 31, 2002.

On December 5, 2001, VinpelCom-Region sold to Leo Tolstoy 1,323 newly issued shares of convertible voting preferred stock of VinpelCom-Region for a purchase price of approximately US\$164. Each share of preferred stock entitles its holder to one vote to receive a fixed dividend of 21 rubles per share per year, and to receive a fixed liquidation value of 20 rubles per share in the event of VinpelCom-Region's liquidation, or increased to such amount if it is available. On December 31, 2005, this liquidation preference amounted to approximately US\$40.9 at the official year end exchange rate. Each share of preferred stock is convertible into one share of common stock but no later than April 1, 2006, upon an official registration of common stock issue. There is no provision available on conversion. In accordance with the agreement, no investments in VinpelCom-Region, dated May 26, 2001, the shares of preferred stock should be re-distributed between Leo Tolstoy, VinpelCom and Tolstoy upon equity contributions to VinpelCom-Region in order to maintain the same percentage of the parties in the voting capital stock of VinpelCom-Region. Upon the fulfillment of the agreements dated May 26, 2001, the shares of preferred stock shall be converted into common stock.

VC Limited is a special purpose entity formed under the laws of the British Virgin Islands for the purposes of holding the A32z that were issued to satisfy the conversion obligations under the convertible notes. VinpelCom does not own, directly or indirectly, any shares of VC Limited. However, VinpelCom owned VC Limited pursuant to an agreement between VinpelCom and the sole shareholder of VC Limited by which VinpelCom has an irrevocable proxy to vote the shares of VC Limited for all purposes.

As of December 31, 2003 and 2002, the assets of VC Limited primarily consisted of shares of VinpelCom's common stock with the cost of US\$786 and US\$7,600, respectively. The liability of VC Limited primarily consisted of a loan due to VinpelCom, E.V., a subsidiary of VinpelCom financial B.V., in the amount of US\$60 and US\$45,000 as of December 31, 2003 and December 31, 2002. There were no other financial assets and liabilities in the financial statements of VC Limited as of December 31, 2003, 2002 and 2001, primarily consisted of interest expense on the loan due to VinpelCom, E.V. in the amount of US\$2,199, US\$4,125 and US\$2,407, respectively. VC Limited had no other material revenues, or expenses for each of the years 2003, 2002 and 2001.

Under the agreements or investments in VinpelCom-Region, dated May 2001, and among VinpelCom, VinpelCom-Region, Leo Tolstoy and Tolstoy VinpelCom contributed US\$1,000,000 as equity to VinpelCom-Region (Note 2). In addition, Leo Tolstoy was to invest a total of US\$17,000 of equity directly into VinpelCom-Region in two equal tranches in November 2002 and November 2003. Tolstoy and VinpelCom had options, either collectively or individually, to invest up to an aggregate of US\$17,000 directly in VinpelCom-Region shares concurrently with each of Leo Tolstoy's contributions.

On December 5, 2001, VinpelCom-Region sold to Leo Tolstoy 1,323 newly issued shares of convertible voting preferred stock of VinpelCom-Region for a purchase price of approximately US\$164. Each share of preferred stock entitles its holder to one vote to receive a fixed dividend of 21 rubles per share per year, and to receive a fixed liquidation value of 20 rubles per share in the event of VinpelCom-Region's liquidation, or increased to such amount if it is available. On December 31, 2005, this liquidation preference amounted to approximately US\$40.9 at the official year end exchange rate. Each share of preferred stock is convertible into one share of common stock but no later than April 1, 2006, upon an official registration of common stock issue. There is no provision available on conversion. In accordance with the agreement, no investments in VinpelCom-Region, dated May 26, 2001, the shares of preferred stock should be re-distributed between Leo Tolstoy, VinpelCom and Tolstoy upon equity contributions to VinpelCom-Region in order to maintain the same percentage of the parties in the voting capital stock of VinpelCom-Region. Upon the fulfillment of the agreements dated May 26, 2001, the shares of preferred stock shall be converted into common stock.

On December 5, 2001, VinpelCom-Region sold to Leo Tolstoy 1,323 newly issued shares of convertible voting preferred stock of VinpelCom-Region for a purchase price of approximately US\$164. Each share of preferred stock entitles its holder to one vote to receive a fixed dividend of 21 rubles per share per year, and to receive a fixed liquidation value of 20 rubles per share in the event of VinpelCom-Region's liquidation, or increased to such amount if it is available. On December 31, 2005, this liquidation preference amounted to approximately US\$40.9 at the official year end exchange rate. Each share of preferred stock is convertible into one share of common stock but no later than April 1, 2006, upon an official registration of common stock issue. There is no provision available on conversion. In accordance with the agreement, no investments in VinpelCom-Region, dated May 26, 2001, the shares of preferred stock should be re-distributed between Leo Tolstoy, VinpelCom and Tolstoy upon equity contributions to VinpelCom-Region in order to maintain the same percentage of the parties in the voting capital stock of VinpelCom-Region. Upon the fulfillment of the agreements dated May 26, 2001, the shares of preferred stock shall be converted into common stock.

On December 5, 2001, VinpelCom-Region sold to Leo Tolstoy 1,323 newly issued shares of convertible voting preferred stock of VinpelCom-Region for a purchase price of approximately US\$164. Each share of preferred stock entitles its holder to one vote to receive a fixed dividend of 21 rubles per share per year, and to receive a fixed liquidation value of 20 rubles per share in the event of VinpelCom-Region's liquidation, or increased to such amount if it is available. On December 31, 2005, this liquidation preference amounted to approximately US\$40.9 at the official year end exchange rate. Each share of preferred stock is convertible into one share of common stock but no later than April 1, 2006, upon an official registration of common stock issue. There is no provision available on conversion. In accordance with the agreement, no investments in VinpelCom-Region, dated May 26, 2001, the shares of preferred stock should be re-distributed between Leo Tolstoy, VinpelCom and Tolstoy upon equity contributions to VinpelCom-Region in order to maintain the same percentage of the parties in the voting capital stock of VinpelCom-Region. Upon the fulfillment of the agreements dated May 26, 2001, the shares of preferred stock shall be converted into common stock.

credit line from Sberbank. The remuneration was calculated as 2% of the outstanding amount of borrowings under the credit line. The remuneration was paid to Executive Officer in two installments, in February and July 2001. Total remuneration accrued and included in income expense in the accompanying consolidated statements of operations for the years ended December 31, 2001 was US\$171. In 2001, the shares of VimpelCom's common stock were released from the pledge.

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 1.33 to determine net income per ADS equivalent as each ADS is equivalent to three quarters of one share of common stock.

The following table sets forth the computation of basic and diluted earnings per share:

	Years ended December 31,	
	(in thousands, except per share amounts)	
Net income		
Denominator:		
Basic	34,241	36,014
Effect of dilutive securities:		
Convertible preferred stock	6,426	6,426
Senior convertible notes	3,076	--
Employee stock options	27	69
Diluted	43,770	42,510

The following items were not included in the computation of earnings per share assuming dilution, because they would not have a dilutive effect for the periods presented in the accompanying consolidated financial statements: senior convertible notes for the

years ended December 31, 2002 (10,260,226 notes) and 2001 (2,089,925 notes) and employee stock options for the year ended December 31, 2001.

strategy. The Moscow license area represents a more developed market for VimpelCom's services compared to the Regions.

The Board of Directors and management utilize more than one measurement and multiple views of data to assess 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 primarily based on revenue, operating income, before income taxes and net income along with other factors and avoid economic returns. Intersegment revenues are eliminated in consolidation. Investment revenues may be accounted for as current or long-term investments, depending on the nature of the investment. The accounting policies of the segments are the same as those described in the summary of significant accounting policies, as discussed in Item 2.

On June 30, 2000, the Board of Directors of VimpelCom approved a transaction with one of executive officers of VimpelCom (the "Executive Officer"). Pursuant to the agreement, VimpelCom was obliged to pay remuneration to the Executive Officer for the release of shares of VimpelCom's common stock as a collateral for borrowing under the

Net income per common share for all periods presented has been determined in accordance with SFAS No. 128, "Earnings per Share", by dividing income available to common shareholders by

Years ended December 31,

	Year ended December 31, 2002		Year ended December 31, 2001	
Total operating revenues from external customers	US\$ 59,674	US\$ 10,970	US\$ 79,614	US\$ 79,614
Total interest and other revenues	19,755	7,543	26,768	26,768
Depreciation and amortization	46,267	11,328	97,622	97,622
Operating income (loss)	236,477	(12,929)	225,589	225,589
Interest income	8,110	321	8,491	8,491
Interest expense	(4,225)	(6,425)	(49,631)	(49,631)
Income (loss) before income taxes and minority interest	199,357	(12,029)	177,766	177,766
Income tax expense	(49,112)	827	(49,559)	(49,559)
Net income (loss)	150,245	(11,202)	127,452	127,452
Segment assets	1,411,848	532,492	1,944,449	1,944,449
Goodwill	9,601	15	9,916	9,916
Expenditures for long-lived assets	331,593	356,230	507,843	507,843

Total operating revenues from external customers

Total interest and other revenues

Depreciation and amortization

Operating income (loss)

Interest income

Interest expense

Income (loss) before income taxes and minority interest

Income tax expense

Net income (loss)

Segment assets

Goodwill

Expenditures for long-lived assets

Year ended December 31, 2001

Depreciation and amortization	US\$ 81,279	US\$ (64)	US\$ 81,343
Operating income	87,868	(518)	87,350
Interest income	5,733	--	5,733
Interest expense	(26,665)	--	(26,665)
Income before income taxes and minority interest	66,104	(337)	65,767
Income tax expense	(18,539)	--	(18,539)
Expenditures for long-lived assets	(27,865)	(15,454)	(43,319)

subscribed the grant of options to management personnel for up to 250,000 shares of VirepCo's common stock. The following table summarizes the activity for the plan:

Options granted	72,380	3,950	28,500
Options exercised	(120,700)	(94,250)	--
Options forfeited	(1,500)	(4,500)	(15,750)

Managers expired in the years ended December 31, 2003 and 2002. The following table summarizes the weighted average exercise price of options for each of the following groups of options:

Options granted	46.13	24.60	23.69	17.70	22.60	17.70
Options exercised	25.32	18.69	23.69	17.70	23.69	17.70
Options forfeited	23.69	17.70	23.69	17.70	23.69	17.70

The weighted average grant date fair value of options granted during the years ended December 31, 2003, 2002 and 2001 was US\$11.25, US\$12.36 per ADS equivalent, US\$20.31 (US\$15.25 per ADS equivalent) and US\$11.61 (US\$8.72 per ADS equivalent), respectively.

The options granted are at varying rates over one to three year periods. In 2003, 2002 and 2001, 31, 2003 required variable accounting for stock-based compensation under ASC No. 25 and related interpretations. The amount of non-vesting expense in respect of 2003 Stock Option Plan included in the accompanying consolidated statements of operations was US\$4,381 in the year ended December 31, 2003.

A reconciliation of VirepCo's financial information to the corresponding consolidated amounts follows:

Revenue	US\$ 1,237,563	US\$ 776,844	US\$ 427,692
Total operating revenue from external customers for reportable segments	1,237,563	776,844	427,692
Total intersegment revenues for reportable segments	(109,956)	(26,228)	(4,464)
Elimination of intersegment revenues	(109,956)	(26,228)	(4,464)

US\$ 259,612	US\$ 127,462	US\$ 88,588	
Minority interest in net income/loss of subsidiaries	(35,219)	2,592	--
Elimination of intersegment net (loss) income	(494)	16	(767)

US\$ 2,709,336	US\$ 1,944,440	(251,694)
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US\$ 185,372	US\$ (11)	US\$ 185,376	
Operating income	428,957	(1,093)	427,864
Interest income	31,085	(4,711)	26,374
Interest expense	(71,435)	(5,180)	(76,615)
Income before income taxes and minority interest	379,658	(1,054)	389,833
Income tax expense	(198,641)	--	(198,641)
Expenditures for long-lived assets	(72,653)	(2,197)	(74,850)

US\$ 97,692	US\$ (275)	US\$ 97,417	
Operating income	235,349	(757)	234,592
Interest income	8,491	(1,024)	7,467
Interest expense	(46,631)	(2,647)	(49,278)
Income before income taxes and minority interest	177,204	(367)	176,837
Income tax expense	(9,838)	--	(9,838)
Expenditures for long-lived assets	(58,823)	(9,572)	(68,395)

